

E-invoicing to be introduced on a voluntary basis: here's what you should know

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E-invoicing in India will be a big move, due to the volume of business transactions undertaken every day.

The GST Council has proposed that the electronic invoicing (e-invoice) system may be implemented on a voluntary basis from January 2020. Until now, there have been no standards set for e-invoicing in India. After consultation with the relevant trade and industry bodies, as well as the Institute of Chartered Accountants of India (ICAI), the GST Council finally approved of the standard for e-invoicing in its 37th Council meeting held in September, in Goa.

E-invoicing in India will be a big move, due to the volume of business transactions undertaken every day, as well as the plethora of different, non-standardised formats used in invoice generation. The main objective is to enable interoperability across the entire GST eco-system i.e. an e-invoice generated by one software should be capable of being read by any other software. Basically, through machine readability, an invoice can be uniformly interpreted.

In addition to the above, this new system of e-invoicing aims to make invoice reporting an integral part of a business process and remove the tedious task of invoice-compilation at the end of a return period. Claiming fictitious Input Tax Credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax authorities.

The e-invoice system will help to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities will have access to data in real-time.

One of the biggest points of uncertainty doing the rounds was that e-invoices will be generated from the common portal of the tax department. However, in a recent release by the GST Network (GSTN), they have clarified that the adoption of e-invoicing standards will merely impact the standardisation of invoices for easy data access and retrieval, without affecting its physical or printed appearance. To put it simply, taxpayers will continue to use their existing ERP systems to generate their invoices just as they have done before, however, with the new standard being adopted by the particular software in place, data sharing and readability now becomes easier.

The GSTN has also announced that they will provide accounting and billing software options free of cost to small taxpayers. This is a welcome move to those businesses which currently do not use any accounting software, and it paves the way for a completely online and electronic GST ecosystem in the future.

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The second important part of the implementation of e-invoicing is the reporting of these invoices, which have been generated as per the standard, to a central system called the Invoice Registration Portal (IRP). The IRP will generate a unique Invoice Reference Number (IRN), followed by the digital signing of the invoice and the generation of a QR code. The QR code will contain the vital parameters of the invoice and gets sent back to the original taxpayer who generated the invoice.

In theory, the process may seem a bit complicated. However, the objective of this part of the process is to pre-populate data in the relevant GST returns and reduce the reconciliation process. In fact, there are currently over 60 countries which have adopted this method of invoice generation and population, and India could be one such country soon to be added to the list.

There are certain concerns the industry still has about the implementation of e-invoicing in India. One of them being the time limit that businesses will have to generate these invoices. Another is whether the invoices will have an expiry date. It would also be helpful if the government clarified if a business would be exempted from raising e-invoices under special circumstances. All these concerns should be addressed before the system gets implemented to avoid unnecessary doubts and difficulties for taxpayers.

In order to make way for the successful implementation of e-invoicing, there are certain factors that the government will need to consider. One of them being the reporting of B2C invoices. E-invoicing will apply only to B2B invoices, though the maximum amount of fraud and tax evasion takes place through B2C sales, as no ITC is involved. An essential goal for such a system must also be to plug this loophole and lay down a mechanism so that customers are able to report non-compliant invoicing which can then help curb tax evasion at its source.

A second and equally major point to consider would be that the network must come with minimal glitches, as downtime and failure impact compliance negatively. The capacity for the upload of e-invoices is based on the GSTR-1 data submitted over the last two years, as per the release. Hence, if the GSTN is prepared with the numbers, it should also be prepared with up-to-date robust technological systems, with the necessary back-end infrastructure and customer support in place.

Similar to the new return system, a trial version for e-invoicing will help put things in place. This will give taxpayers and professionals a real-time working experience, and any issues arising during the trial run can be resolved before a full-fledged implementation. Currently, this system will be launched on a voluntary basis from the 1st of January, 2020. This could be for taxpayers above a certain turnover, or invoices above a certain value, which is yet to be notified.

The e-invoicing system has the potential to turn the Indian economy into a digital & transparent system and must be well thought through keeping the above situations in mind.

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