

# Limited e-invoicing window a worry for small and medium companies

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With the government set to roll out the next phase of e-invoicing, covering entities with a turnover of Rs.50 crore and above from April 1, micro, small, and medium enterprises (MSMEs) are concerned over the limited window for preparedness.

The e-invoicing system was first made mandatory for entities with a turnover of Rs.500 crore and above and later extended to businesses with Rs.100 crore or more on January 1 for business-to-business transactions.

With 56,000 GST (goods and services tax) identification numbers in the fray, another 95,000 are expected to be added by April 1. A business entity can have multiple GSTINs if it does business in two or more areas or carries the registration process as multiple business verticals in one state.

“With a smooth implementation of the first two phases, we are confident of rolling out the next phase on April 1. The system has become robust. We are confident that MSMEs will be able to adapt to e-invoicing, given the time they have got for putting in place sound technological systems,” said a government official.

However, Praveen Khandelwal, national secretary general, Confederation of All India Traders (CAIT), pointed out while 25 per cent of the 1.2 billion GST registered traders would fall in the turnover bracket of Rs.50-100 crore, not many might be aware of it.

“The government should have reached out to those falling in the bracket Rs .50-100 crore, asking them to prepare for e-invoicing. Several traders are unaware of it,” he said. He raised the point that the government should have a three-month pilot for this bracket of entities and also provide some leeway with respect to imposing penalties, given the experience with the GSTN portal.

“The government should ensure that if I want to issue an e-invoice, the portal shouldn’t throw me out. Under the new amendments to GST rules, the government has put the onus on the seller. We are all for compliance and transparency, but small players should not suffer,” said Khandelwal.

The daily invoice generation has improved to 2.1-2.5 million against an average of 1.5 million in October.

The system aims at bringing in transparency in sales reporting, minimising errors and mismatches, automating data entry work, and improving compliance. It will help prevent tax evasion once as it is now getting extended to all medium enterprises.

Rajat Mohan, partner, AMRG Associates, pointed out while there shouldn’t be any major challenges with respect to e-invoicing, MSMEs are apprehensive of adopting it.

Mohan D, director (product management), Tally Solutions, said an entity’s workforce should have the skills to handle this new technology-enabled process and ensure good IT infrastructure for

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connectivity. He said small businesses in tier 2 & 3 markets might face some difficulties with technology-led business processes, especially for those who were using technology for the first time.

“They will also have to upskill workforce and have appropriate IT infrastructure.”

Giving an example, he said while processing the e-invoice or during transactions, businesses were susceptible to unprecedented situations such as internet downtime or other technical issues that could disturb the transaction.

“To avoid this, it is important for businesses to consider using simple and flexible business solutions that will enable them to switch systems and resume without starting the entire process from the beginning.” Therefore, a business will need to be cautious while generating an e-invoice. Restrictions come with invoice cancellations, which must be carried out on the day of the transaction. It is imperative that the service segment adapt to this change from the current invoicing process. Besides, a business needs to validate mandatory invoice information before uploading to e-invoice systems to avoid rejections. Else, they may need to spend more time on just completing a business transaction.

The e-invoice data has started auto-populating the GSTR 1 or sales returns. While in the medium run this mechanism will replace the existing e-way bill system, the government is hoping to dispense with the present system of filing GST returns for MSMEs.

Sectors like transport and finance are exempt from e-invoicing. Besides, units in special economic zones too are exempt from this.