ZOHO Books

A complete guide to e-invoicing in India

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Introduction

E-invoicing, or electronic invoicing, is a system in which all the information on an invoice is represented in a digital manner. It is a paperless method for creating, sending, processing, and receiving invoices, and even archiving them for future reference.

E-invoicing has been in the global marketplace for quite some time now. There are several regions across globe, including South Korea, parts of latin America and Europe, that have implemented this system. Based on a Billentis market report, the countries with the most successful e-invoicing implementation are distinguishing themselves with high market penetration (Brazil), large volumes of e-invoices sent (Chile), and sophisticated technology (Finland).

India is all set to join the trend by introducing e-invoicing in its tax regime. As per recent government regulation, businesses with aggregate turnover of 10 cr and above need to comply with the latest e-invoicing regulations from 1 October, 2022.

This e-book will guide you through the basics of e-invoicing that will help you prepare your business before the government deadline.

What is e-invoicing?

An e-invoice, or electronic invoice, is a digital document that is exchanged between a supplier and buyer and validated by the government tax portal. E-invoicing is the proposed system where business-to-business (B2B) invoices are digitally prepared in an e-invoicing format and authenticated by the Goods and Services Tax Network (GSTN). This system ensures that a common format is followed by all businesses before reporting invoices to the GST portal.

In August 2019, the government shared a draft of an e-invoice for public view, which was later modified by the GST Council to be compliant according to their regulations. Not only does the standard format make compliance easier, but because it's followed across industries, interoperability between GST ecosystems is ensured.

A

Seller will generate invoice in their system.

B

Invoice is prepared in e-invoice format and uploaded to IRP.

C

The e-invoice is signed by IRP and updated to GST and e-Way Bill systems.

Zylker Organization

61, Cubbon Road
Bangalore North
Bangalore Karnataka 560001
India
GSTIN 29AHLPP4803C000

TAX INVOICE

#	: INV-000030	Place Of Supply	: Tamil Nadu (33)
Invoice Date	: 19/08/2022		
Terms	: Due on Receipt		
Due Date	: 19/08/2022		

Bill To	Ship To
Zykler 74, Jawahar Road Perambur 620005 Tamil Nadu India GSTIN 33AHLPP4803C003	74, Jawahar Road Perambur 620005 Tamil Nadu India GSTIN 33AHLPP4803C003

#	Item & Description	HSN/SAC	Qty	Rate	IGST %	IGST Amt	Amount
1	Pencil	84729010	20.00 nos	15.00	12%	36.00	300.00
2	Pencil Boxes	84729010	1.00	1,200.00	12%	144.00	1,200.00
3	Services	998515	1.00	3,000.00	12%	360.00	3,000.00

Total In Words
Indian Rupee Five Thousand Forty Only

Thanks for your business.

Sub Total	4,500.00
IGST12 (12%)	540.00
Total	₹5,040.00
Balance Due	₹5,040.00

Authorized Signature

IRN : 04351e15547108303c8e2a1ffbd9ce5fa701a35b38e0a207c4cff456567409ec

Ack No. : 212210141440097
Ack Date : 2022-08-19 11:00:00

e-Invoicing detail(s) generated from the Government's e-Invoicing system.

Sample e-invoice print

The current system

Today, an invoice generated by the seller needs to be prepared and reported to two different systems: GST Portal and e-Way Bill.

Businesses generate invoices using different software and the invoice details are entered using a suitable API by the taxpayer in a GSTR-1 return. The same information is reflected in a GSTR-2A and made available to recipients with 'view only' permission. Simultaneously, transporters are required to generate the e-Way Bill, either directly or by importing the invoices into an excel sheet or JSON manually.

To put an end to this endless trail of paperwork, the GST council introduced the new return system.

The need for a standard e-invoicing system

Tax departments internationally are eager to make the e-invoicing system a success for two reasons:

- Following a standard format allows invoices to be shared easily
- Invoices can be read by the central system

With e-invoicing, fields will be pre-populated while filing returns, thus avoiding discrepancies during data entry and reconciliation.

Current invoicing vs e-invoicing system

Current invoicing system		e-invoicing system
Taxpayers have to manually type invoice details and upload the JSON payload of the invoice using accounting/billing software.	Reporting invoices	The process remains the same except the invoice has to be modified as per the e-invoice format with mandatory parameters.
Invoices are given sequential numbers.	Identifying invoices	Invoices are identified using IRN so that it can be compared with the one in central registry.
The GST portal does not support validating and downloading of invoices.	Validating invoices	Invoices will be digitally signed and an authenticated copy of the e-invoice data will be sent by IRP to the seller.

Current invoicing system		e-invoicing system
The details of each invoice can be viewed in the GSTa portal.	Viewing invoices	A copy of each e-invoice will be sent to the supplier and buyer for reference. There will be a QR code, which will provide only the basic details in an invoice.
Invoices which are to be amended can be accessed at the GST portal.	Amending invoices	E-invoices will be available in the IRP for only 24 hours and can be completely cancelled within that time. Any change after this will be performed on the GST portal.
While inspecting, it is difficult to know if the invoice is genuine.	Verifying genuineness	IRN and QR codes will verify the genuineness of the invoices.
More people are involved in the filing process, hence there is more scope for mistakes.	Scope of errors	Once the JSON payload of an invoice is verified, the data for GSTR-1, GSTR 2A, and the e-way bill is updated automatically, reducing the possibility of mistakes.

How does e-invoicing work?

The flow of an e-invoice system has two parts:

Part-A - Communication between the business and the Invoice Registration Portal (IRP)

Part-B - Interaction between the IRP, the GST/ e-Way Bill systems, and the buyer

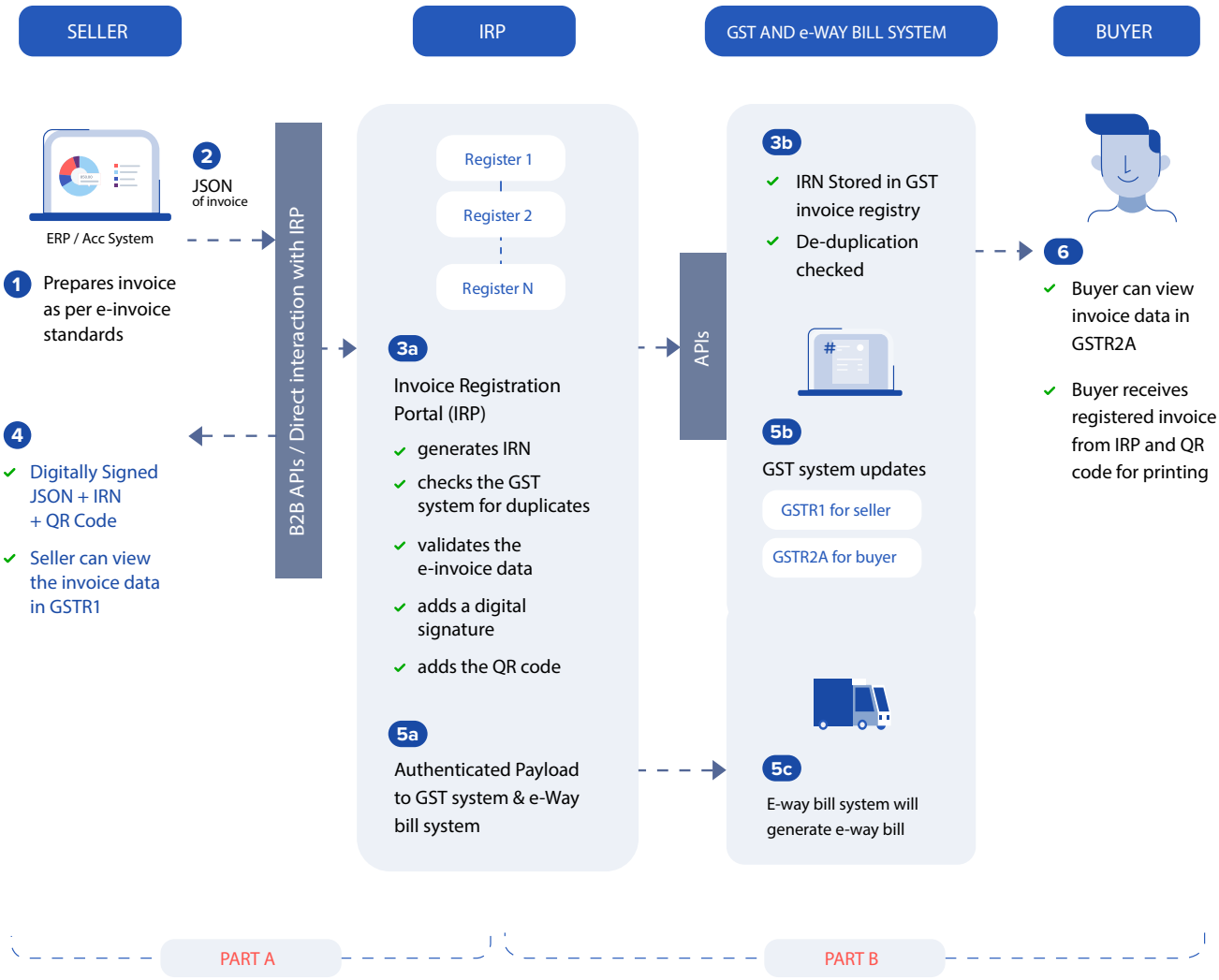
With e-invoicing, fields will be pre-populated while filing returns, thus avoiding discrepancies during data entry and reconciliation.

Generating an e-invoice

Taxpayers will generate invoices like they normally do, except reporting will now be done electronically. Taxpayers will have to follow the e-invoice schema and submit mandatory details accordingly. Here is a list of mandatory parameters & optional parameters:

- Tax scheme
- Supplier type
- Document details: Type, number and date
- Supplier information like legal name, GSTN number, address, location, state code and PIN code
- Buyer information like legal name, GSTN number, address, location, state code and PIN code
- Dispatch details (if it is different from supplier details)
- Shipping details (If it is different from buyer address)
- Item related details like service/ goods, HSN code, total amount, GST rate, Assessable amount, total item value.

- If the items are being moved in batches, then add batch number.
- Invoice details include assessable values and total invoice value.



Besides the mandatory parameters, the Council also listed optional parameters, which are subject to change based on the needs of the business. Once the invoice fields have been finalised, a taxpayer has to decide if the accounting or billing software is capable of creating a JSON file, which can then be upload to the IRP.

Creating a unique IRN

The IRP will generate a hash parameter based on the details submitted by the seller, like GSTIN, document type, document number, and fiscal year. The IRP will then check if the same invoice exists in the Central Registry, and after confirming there are no duplicates, the IRP will add its signature and a QR code in the invoice's JSON data. The hash generated by the IRP will be the Invoice Reference Number (IRN) for the e-invoice.

Updating the invoice to the GST and e-way bill systems

The digitally signed JSON with the IRN is sent to the seller. The uploaded invoice data is then shared with the GST and e-Way Bill system. The GST system will update the GSTR 1 for the seller and the GSTR 2A for the buyer, which will help in determining the liability and ITC.

Further, all necessary information required for generating e-way bill will be captured while uploading the invoice. The IRP will generate an e-way bill number after generating the IRN for the invoice.

The government's tax portal is not responsible for generating the e-invoice. In fact, it will be created with the aid of the seller's accounting/billing software and their respective ERP systems. The IRP will just receive, validate, and digitally sign the invoices uploaded by the seller.

How will e-invoice help in controlling tax frauds?

The e-invoicing system will curb tax frauds in the following ways:

- With the implementation of e-invoicing, tax authorities will have access to all their transactions as they have to be uploaded on the GST portal.
- Manipulating invoices will not be easy as they will have to be generated before the transaction takes place.

The system will allow you to spot fake invoices easily by matching the input tax credit with the output tax details on the GSTN portal.

Benefits of having an e-invoicing system

Generating an e-invoice is usually the responsibility of a taxpayer who reports to the IRP in GST. Next, the IRP will generate a unique IRN and a QR code (optional). The taxpayer will be able to scan this QR code, extract the IRN, and fetch invoice details.

Here are some benefits of e-invoicing for businesses:

- E-invoicing helps you with data reconciliation and accuracy during manual data entry.
- It allows interoperability across businesses.
- You can track the e-invoices in real-time.
- The e-invoice details will be auto-populated on tax return forms and e-way bills, making the tax return process easy.
- All transaction details will be available online at all times. This would eliminate the need for frequent audits and surveys.
- Differences in data can be caught by comparing input credit and output tax.

This initiative will also build efficiency within the tax administration by helping to identify fake invoices.

FAQs

What documents are required while reporting to the GST system?

In addition to documents required by law, the creator of the invoice must also submit the following documents by the supplier to the IRP:

- Invoice
- Credit Note
- Debit Note

Will invoices be generated directly from the government's tax portal?

No. Taxpayers will have to generate invoices using accounting or billing software. Small taxpayers have the option of choosing from one of the eight free accounting software available on the government's website.

Will the invoice formats differ for traders, health care facilities, and contractors?

There is a standard invoice schema to be followed by all businesses. The form has the option to select from a range of mandatory and non-mandatory fields, which are likely to vary from business to business.

How long will the generated e-invoice be available in the government portal?

Once the invoice registration system has validated and registered an invoice, it will be made available to the taxpayer in GST GSTR 1. The counter party can also access it from GSTR 2A. Both the parties can refer to these documents for one financial year, after which it will be archived. It will be available for reference on IRP for only 24 hours.

Is a taxpayer also required to sign an e-invoice?

The e-invoice schema has a field for accepting digital signature. If a signed e-invoice is sent to the Invoice Registration portal (IRP), it will be accepted. Based on the latest updates on the proposed system, the IRP will be validating and digitally signing the e-invoice. Following this, the signed e-invoice will be shared with the creator and the recipient.

Can a supplier issue an invoice? If so, does the supplier have to mention invoice number and IRN?

A supplier can issue an invoice which should comply with the e-invoice schema fixed by the GST Council. According to the process flow of the proposed system, the IRP will generate and return the IRN to the seller.

Is bulk-upload of invoices possible?

Invoices will always be uploaded one at a time. When there are a huge

number of invoices to be uploaded by large taxpayers, then it may appear like a bulk upload to the user. In reality, the ERP/ accounting system of these businesses are designed in a way where they can handle requests one at a time.

Is there a time limit for uploading e-invoices for registration?

As soon as the JSON payload of the invoice is sent to the IRP, it will get registered immediately, at real-time. The e-invoice will not be considered valid without an IRN and validation and registration from IRP.

Is it possible to partially or fully cancel an e-invoice generated via GST system?

E-invoice mechanism does not allows invoices to be partially cancelled. They have to be fully cancelled. If the cancellation takes place within 24 hours, it will be triggered through IRP else it has to be done on the GST system. Cancellation will be done based on the process mentioned under the Accounting Standards. Once the invoice is cancelled, you cannot generate a new invoice using the same invoice number.

Can we amend the invoices uploaded on IRP? If yes, how will it be done?

Yes. The invoices reported to IRP will be sent to GST system. Hence the amendments to be made will have to be done on the GST system and not on the IRP

How can a foreign service provider integrate with IRP?

If you are foreign service provider within Indian shores, then you can integrate with IRP.

Is it possible for an IRP to reject a submitted invoice?

IRP is responsible for validating and checking duplication of invoices. If there are duplicate invoices found, then the IRP will return those invoices with an error message without completing the registration.

How frequently can you upload invoices to generate IRN?

Invoices which were created on that particular date and a day before that will only be accepted to be pushed to the IRP for generating IRN.

About Zoho Books

Zoho Books is a cloud-based, GST-compliant double-entry accounting application that enables business owners, even without accounting background, to perform core accounting tasks. You can swiftly generate GST-compliant invoices and estimates, track expenses and bills, record time for projects and manage inventory and communicate with customers via Client portal. Some of the highlights of Zoho Books include automation of business workflows and real-time reports that help your business going.

www.zoho.com/books

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