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Goods & Services Tax

May 16, 2023

E-Invoicing under GST made applicable to taxpayers having turnover in excess of INR 5 Crores from 1 August 2023

Snapshot

The turnover limit for generating e-Invoicing is presently INR 10 Cr. This limit has been reduced by notification no 10/2023 – Central Tax dtd. 10 May 2023. Now, where the turnover of a taxpayer has crossed INR 5 Cr. in any of the previous financial years (F.Y. 2017-18 to F.Y. 2022-23) such taxpayer shall be required to comply with the provisions of e-Invoicing from **1 August 2023**.

The provisions relating to e-Invoicing require the supplier to upload the requisite details on the government designated portal and generate an Invoice Reference Number which shall have to be printed on the invoice issued to the recipient.

The provisions state that where a person is required to generate an e-Invoice and does not do so, the invoice generated by such a person shall not be considered to be a valid invoice. Thus, not only the suppliers, but even the recipients have to ensure that wherever applicable, the suppliers comply with the requirement of e-Invoicing. With the limit now being reduced to 5 crores, it is recommended that all taxpayers undertake a thorough vendor onboarding and verification process.

Introduction

Background of e-Invoicing

The Government, in December 2019 had introduced Sub-rule (4) to the Rule 48 of the CGST Rules, 2017 stating that the notified class of registered taxpayers shall be required to generate e-Invoices by following the prescribed procedure of uploading the prescribed details of invoices on the government designated portal i.e., the Invoice Registration Portal ('IRP'). The IRP, after validating the details uploaded, generates, and returns a unique Invoice Reference Number ('IRN') along with a digitally signed E-invoice and QR code to the taxpayer. The information uploaded on the e-invoicing portal is also transferred to both, the GSTN portal and E-waybill portal. This results not only in real-time reporting of invoices to the Government but also in eliminating the need for manual entry while filing GSTR1.

Below is the summary of the notifications issued by the CBIC notifying various class of taxpayers required to comply with the provisions of e-Invoicing.

Notification no.	Applicability date	Taxpayers having turnover in excess of below to generate e-Invoice
61/2020 – Central Tax dtd 30 July 2020	1 October 2020	Aggregate turnover exceeding INR 500 Cr.
88/2020 – Central Tax dtd 10 Nov 2020	1 January 2021	Aggregate turnover exceeding INR 100 Cr.
05/2021 – Central Tax dtd 8 Mar 2021	1 April 2021	Aggregate turnover exceeding INR 50 Cr.
01/2022 – Central Tax dtd 24 Feb 2022	1 April 2022	Aggregate turnover exceeding <u>INR 20 Cr.</u>
17/2022 – Central Tax dtd 1 Aug 2022	1 October 2022	Aggregate turnover exceeding <u>INR 10 Cr.</u>
10/2023 – Central Tax dtd 10 May 2023	1 August 2023	Aggregate turnover exceeding <u>INR 5 Cr.</u>

Amendment with effect from 1 August 2023

With the intention of gradually making e-Invoicing mandatory for all the registered taxpayers the CBIC, vide notification no. 10/2023 – CT dated 10 May 2023, has notified that taxpayers with an annual turnover in excess of INR 5 Cr. would be required to comply with the requirements of e-Invoicing.

It is important to note that as per notification no. 70/2020 – Central Tax dtd 30 Sept 2020, the provisions of e-Invoice would apply to all registered taxpayers whose aggregate turnover in any of the financial year from FY 2017-18, has exceeded INR 5 Cr. Further, the turnover must be seen on

a PAN basis and not GST registration basis. The turnover would also include value exempt supplies including interest income etc.

To put it simply, a registered taxpayer shall be mandatorily required to generate e-Invoices from **1 August 2023** even if the aggregate turnover (including exempt income) in any one of the preceding 6 financial years (FY 2017-18 to FY 2022-23) has exceeded INR 5 Cr. Where a taxpayer is engaged only in making exempt supplies, such taxpayer is not required to generate an e-Invoice.

Supplies / Documents which on which e-Invoice / IRN would be applicable.

- Supplies (Tax Invoices, Credit and Debit notes) made to taxpayers registered under GST.
i.e., B2B taxable Supplies
- Export supplies (with / without payment of IGST)
- Supplies made to SEZ developers / SEZ units (with / without payment of IGST)

Supplies / Documents which on which e-Invoice / IRN would not be applicable.

- Supplies (Tax Invoices, Credit and Debit notes) made to taxpayers not registered under GST i.e. (B2C Supplies)*
- Supplies made by SEZ developers / SEZ unit, Insurance companies, Banking & Financial institutions, GTA & Passenger transport services.
- ISD Invoice issued by a taxpayer registered as an Input Service Distributor
- Supplies made under Bill of Supply, Delivery challans, Job work challans, Commercial credit notes i.e., B2B or B2C non-taxable supplies.

**It is to be noted that in the case of registered taxpayers having a turnover exceeding 500 Cr. there is a requirement to print a Dynamic QR code on invoices issued for B2C supplies. There is no change in this requirement.*

KCM Comments

Considering that e-Invoicing entails real time reporting of invoices to the Government, it acts as a deterrent tool in the hands of the Government to fight the menace of fake invoices and other fraudulent practices under GST. The Government, therefore, seems to be determined to bring all the taxpayers within the ambit of e-Invoicing slowly. The e-Invoicing was made mandatory in October 2020 for taxpayers having a turnover exceeding INR 500 Cr. and with the gradual reduction in the limit of turnover, taxpayers having a turnover exceeding INR 5 Cr. shall be required to comply with the requirement of e-Invoicing from 1 August 2023.

The most important point to be considered is that the e-Invoicing shall apply even in cases where the turnover exceeded INR 5 Cr. in any preceding financial year from 2017-18 to 2022-23.

The time provided by the Government for taxpayers in the bracket of INR 5 Cr. to 10 Cr. seems to be less given that small taxpayers are going to be covered, and the taxpayers would be racing against time to get their systems ready with the compliance with e-Invoicing.

It is also to be noted that with the reduction in the turnover limit, more taxpayers will be covered within the ambit of e-Invoicing and therefore, it will also be important for the recipients of goods and services to ensure that their suppliers comply with the requirements of e-Invoicing so that ITC in respect of purchases made from such suppliers is not denied. This would entail having a robust vendor onboarding and verification process.

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For further analysis and discussion, you may please reach out to us.

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