

## Invoicing under GST

India's decade long wait for a national tax on supply of goods and services that will create one of the world's biggest single market could be almost over by July 1. Government is planning to introduce GST Law in Parliament in the second half of current Budget Session. In its 11th meeting, GST Council approved draft CGST Bill and draft IGST Bill. GST law, as it evolves, contains many new and crucial provisions on invoicing. Taxable persons are required to ensure utmost care while raising invoices as the same information will be uploaded on returns and will ensure hassle free flow of credit in hands of recipient.

### *Kinds of documents*

There are different kinds of documents which are required to be issued in different circumstances viz., tax invoice, supplementary invoice, vouchers, credit notes, debit notes and bill of supply.

### *When invoice shall be raised*

Tax invoice shall be issued by the registered taxable person within the time in the following manner:

#### **In case of goods:**

- a. One Time Supply:
    - i. Where supply involves movement: Before or at the time of removal of goods.
    - ii. Other Cases: Earlier of delivery or making available of goods.
  - b. Continuous Supply:

When successive statements of accounts or successive payments are involved, earlier of issuance of each statement or receipt of each payment.
  - c. Reverse Charge Liability:

On date of receipt of goods from a person who is not required to register under the GST Act.
  - d. Other Cases:
-

For goods sent on sale on approval or such similar terms, invoice shall be issued earlier of before or at the time it is known that supply has taken place; or 6 months from date of removal.

**In case of Services:**

a. One Time Supply:

Before such supply. If issued after supply, then within time prescribed under rules.

b. Continuous Supply:

i. If due date of payment is ascertainable from contract -

before or after (within prescribed time) the payment is liable to be made by recipient, irrespective of receipt of payment.

ii. If due date of payment is not ascertainable from contract -

before or after (within prescribed time) receipt of each payment.

iii. Milestone payments - Before or after (within prescribed time) the time of completion of each milestone.

c. Reverse Charge Liability:

On date of receipt of services from a person who is not required to register under the GST Act.

d. Other Cases:

Cessation of supply of services before its completion - On cessation of supply and to the extent of supply effected before cessation.

***Crucial details in Tax Invoice***

Apart from the various details mentioned in rules about invoicing, some of the crucial details are discussed in the following paragraphs.

- Trade Discounts: Discount needs to be specifically shown in tax invoice. This requirement is mentioned in the draft Invoice Rules. Also, Section 15 (Valuation of taxable supply) of model law provides that discount should be duly recorded in the invoice. Otherwise it will not be available for deduction from the value of supply.
- Amount of GST Charged: As per draft Invoice Rules, amount of GST charged is required to be shown separately. Further, Section 30 of model GST law, provides that every taxable person shall prominently indicate in all documents relating to assessment, tax invoice and other like documents the amount of GST which is forming part of price.

- HSN Code of Goods /Accounting Code of Services: Tax Invoice shall contain HSN code of Goods or Accounting Code of Services. Issues may arise in cases where there is composite supply or mixed supply or work contracts where both goods and services are involved, then how invoicing will be done? Since classification of that particular supply will either be supply of goods or services. Work Contract is considered as services and Composite Supply is considered as supply of principal component. In such situations, it is not clear whether goods will be moved without any document. Movement of goods in such cases would be difficult in inter-State supplies.

### ***Debit Notes and Credit Notes***

All revision, rectification, modifications, settlement of taxable value or tax charged may have to be carried out through debit notes and credit notes. Further, credit note shall be issued not later than September month of succeeding year in which supply was made or date of filling of annual return, whichever is earlier.

No time limit for issuance of debit note is specified under Section 31. However, as per Section 16(4), recipient shall not be eligible to take credit in respect of any debit note,

- after furnishing of the return under Section 34 for the month of September following the end of financial year to which such invoice relating to such debit note pertains or
- furnishing of the relevant annual return, whichever is earlier

Even though no time limit is specified for debit note in Section 31, since credit is not eligible after specified time, debit note shall be issued approximately within the same time frame as of credit note.

### ***Bill of Supply***

Bill of Supply is required to be issued by a registered supplier when exempted goods or services are supplied or when the supplier is paying tax under composition scheme. Definition of exempt supply covers non-taxable supplies as well. Thus, bill of supply will be required to be issued even in case of non-taxable supplies, if the supplier is registered for other supplies made by him.

### ***Receipt Voucher***

Section 28(3) provides that receipt voucher shall be issued in case of advance receipt for supply of goods or services. Further, while raising of tax invoice, tax paid at the time of issuance

of receipt voucher shall be adjusted against it. Receipt voucher, not being a tax invoice, will not be considered as eligible document for availment of credit in the hands of recipient.

### ***Supplementary Invoice***

Section 178 covers issuance of supplementary invoice. Where price of any goods and/or services is revised upwards or downwards in pursuance of contract entered into prior to the appointed day, then supplementary invoice/ debit note/ credit note shall be issued by the supplier within 30 days of the price revision. Further, such document shall be deemed to be issued in respect of an outward supply and accordingly GST will be applicable. Also, as per explanation to Section 28, debit note shall include supplementary invoice.

### ***Invoicing under Reverse Charge***

In case of reverse charge, where supply is received from registered supplier, then there is no requirement to issue invoice by the recipient. However, supplier shall mention in the invoice that reverse charge is applicable. Also, under return (GSTR 1), invoices on which reverse charge is applicable are to be mentioned by the supplier separately.

### ***Invoice Reference Number (IRN)***

A new concept has been introduced in GST, wherein duplicate copy of tax invoice is not required to be carried on by the transporter while transporting goods. Supplier can obtain Invoice Reference Number from the common portal and provide the same to the transporter.

### ***Checking of invoices and consequences of wrong invoicing***

Section 79(12) provides that Commissioner or an officer authorized can cause purchase of any goods or services to check issue of tax invoices or bills of supply by the registered taxable person. Commissioner can visit business premises of any supplier and can check invoicing.

Further Section 85 provides that, if supplier supplies goods/services without issue of invoice or issues invoice without supply of goods or issues incorrect invoice or false invoice or issues invoice using GSTIN of another supplier, then penalty of Rs. 10,000 or the amount of tax evaded shall be payable. Also, prosecution provisions are attracted in case of false invoicing as per Section 92.

### ***Conclusion***

Invoicing in GST will be vital for both supplier and recipient. Proper invoicing can be done only if proper sales orders/ purchase orders are made. Correct GSTIN of buyer at the time of sales order, consequently in invoice and further in the return will ensure seamless flow of

credit and appropriate payment of GST (CGST+SGST or IGST). Appropriate changes in invoicing software would be required for proper collection of data while issuance of invoices and thereafter, uploading of the same in the returns. Thus, business needs to prepare themselves and discuss with their vendors and customers for proper compliance of GST law and avoid any loss of credit.