

GST NEWSLETTER

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ARTICLE

E-INVOICING

E-invoicing is not a new concept. It's an idea that has been around since the early 90's which saw the advent of internet and web-based apps that facilitated users in sharing invoices electronically.

But what defines and distinguishes E-invoice from Invoice?

The standardized format of invoice which is crucial for an E-invoice that is not required for regular invoices.

Taxpayers have different requirements and expectations, which can't be met from one software generating invoices from a portal for the whole country. Invoice generated by every software may look more or less same; however, they can't be understood by another computer system even though business users understand them fully. There are hundreds of accounting/billing software which generate invoices but they all use their own formats to store information electronically and data on such invoices can't be understood by the GST System if

reported in their respective formats.

Hence, E-invoicing was introduced as a form of standardization of invoices raised by notified taxpayers against other registered taxpayers.

E-invoicing is broadly of two types with each having their own advantages and disadvantages.

1. Generating E-invoice from a common portal for all the taxpayers registered in the portal.
2. Validation of invoices raised and uploaded by taxpayers that will contain standardized information that is machine readable.

Of the two types of e-invoicing available, India has decided to go with the 2nd method. This method involves less cost and IT infrastructure and allows taxpayers to raise invoices as per their own formats get validated from common portal.

The legal provisions involved:

As per Notification No. 68/2019 Dt. 13-12-2019 the Central Goods and Services Tax (Eighth Amendment) Rules amended Rule 48 of the CGST Rules, 2017 to include the class of persons who need to comply with e-invoicing norms. Notification No. 69/2019 Dt. 13-12-2019 notified the common portals which would be used to prepare the invoice in terms of rule 48 (4). **Notification No. 13/2020 Dt. 21-03-2020 notifies the date of starting e-invoicing as 1st October, 2020. Notification No. 61/2020 Dt. 30-07-2020 notifies that the aggregate turnover for the financial year needed to come under the category of e-invoicing is Rs. 500 Crores based on PAN.**

Who should comply with the E-invoicing requirements?

All taxpayers whose turnover exceeds Rs. 500 Crores in a Financial Year are required to issue e-invoices. However, the following class of persons need not comply with the e-invoicing requirement.

- a. Special Economic Zone Units (not SEZ developers, they have to issue e-invoices)
- b. Insurer or a banking company or a financial institution, including a non-banking financial company
- c. Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage
- d. Suppliers of passenger transportation service

- e. Suppliers of services by way of admission to exhibition of cinematograph films in multiplex screens.

What are the steps to issue e-invoicing?



Every notified taxpayer needs to follow the following steps in order to comply with e-invoicing requirement:

Step 1 is the generation of the invoice by the seller in his own accounting or billing system (it can be any software utility that generates invoice including those using excel or GSTN-provided Offline Utility). The invoice must conform to the e-invoice schema (standard format notified) and have the Mandatory parameters. The optional parameters can be according to the business need of the supplier. The supplier's (seller's) software should be capable to generate a JSON of the final invoice offline utility can be used to generate JSON file which needs to be uploaded to the IRP. The IRP will only take JSON of the e-invoice.

Steps 2 and 3: To upload and push the e-invoice JSON to the IRP by the seller. The JSON may be uploaded directly on the IRP or also through GSPs or through third party, if software is available for the same.

Step 4: The IRP will generate Invoice Reference Number (IRN), based on Supplier's GSTIN, Document Type, Document Number and Financial Year and check the same from the Central Registry of GST System to ensure that the same document (invoice etc.) from the same supplier pertaining to same Fin. Year is not being uploaded again. In computer science language IRN (Invoice Reference Number) is also called hash. On receipt of confirmation from Central Registry, IRP will add its signature on the Invoice Data as well as a QR code to the JSON.

The QR code will contain GSTINs of seller and buyer, Invoice number, invoice date, number of line items, HSN of major commodity contained in the invoice as per value, IRN etc. The IRN computed by IRP will become the IRN of the e-invoice. This shall be unique to each invoice and hence be the unique identity for each invoice for the entire financial year in the entire GST System for a taxpayer. GST System will create a central registry where IRNs sent by all IRPs will be kept to ensure uniqueness of the same.

In case the same document has been uploaded earlier, the IRP will reject it with an error code, back to the supplier.

Step 5 will involve returning the digitally signed JSON with IRN back to the seller along with a QR code.

Step 6 will involve sharing the uploaded data of document (invoice etc.) with GST and e-way bill.

The different methods of uploading the invoices to the IRP are:

- Offline tool - Upload the invoices in standard format and generate the IRN in one go.
- API - Through GSPs integration - System-to-system integration using APIs through registered GSPs.
- API - Through ERPs integration - System-to-system integration using APIs through registered ERPs.
- API - Direct integration - System-to-System integration using API directly from Tax Payers system
- API - Through enabled sister concerned GSTIN - System-to-System integration using API through the sister company of the Tax payers having same PAN. If it has been enabled for API.
- API - Through E-Commerce integration - System-to-system integration using APIs through e-Commerce operators.
- E-Way Bill API enabled Tax Payers - System-to-System integration using API for already E-Way Bill enabled Tax Payers

Some important FAQ's by the CBIC:

1. Is E-invoicing applicable to B2C transactions?

No. Reporting B2C invoices by notified persons is not applicable/allowed currently. However, they will be brought under e-invoice in the next phase.

2. What supplies are presently covered under e - invoice?

Supplies to registered persons (B2B), Supplies to SEZs (with/without payment), Exports (with/without payment), Deemed Exports, by notified class of taxpayers are currently covered under e-invoice.

3. Can e-commerce operators generate e-invoices on behalf of the sellers on their platforms?

Yes, if such suppliers, selling through e-Commerce entity are also required to issue e-invoices.

CASE LAWS

Facts of the case: M/S. TATA MOTORS LIMITED (AAR, Maharashtra)

The applicant is a public limited company which provides its employees transportation facility to & from workplace. They also collect a nominal amount from their employees for the transportation. They have approached the AAR, Maharashtra seeking a ruling whether the GST is applicable on the nominal amount recovered by applicants and if ITC should be restricted to the extent of cost borne by employees. The vehicle being used has a seating capacity of more than 13 persons (including the driver).

Provisions of the law:

As Per Section 17(5)(a) of the CGST Act, 2017 motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely: - (B) transportation of passengers.

As per CCE Nagpur vs Ultratech Cements Ltd as reported in 2010 (260) ELT 369 (Bom), it was held that ITC is not admissible to Applicant on part of cost borne by employee and thus ITC will be restricted to the extent of cost borne by the Applicant.

Ruling:

The AAR held that since the vehicle being used for transportation purposes has a seating capacity of more than 13 person, the ITC related to such vehicle is not restricted under Section 17(5) of the CGST Act, 2017. Further, the transportation vehicle is being used for the purposes of transportation of employees only and not allowed to be used by other employees. Hence, the applicant is not providing any services to the employees but is in fact receiving services from them. Hence, no GST is applicable to be charged on the amount received from employees. However, the ITC has to be restricted to the extent of the recovery made.

Facts of the case: BANGALORE MEDICAL SYSTEM (AAR, Karnataka)

The applicant is engaged in business of providing tour services to the tourists identified by the Main Tour Operator. The Applicant is going to provide local transportation services along-with services like elephant ride, lunch/dinner, local sightseeing, guide services etc. As a practice in the industry, there is a contractual understanding between the tourist and the main tour operator to provide a complete packaged tour. In turn the main tour operator engages sub- tour operator such as the applicant to provide local transportation services along-with one or more of the services like providing guide services, sightseeing, and elephant ride. The said services together constitute an essential part of the packaged tour. The applicant has approached the AAR to seek a ruling on whether the GST rate to be charged is 5% or 18%.

Provisions of the law:

As per Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 Sl. No. 23, heading 9985 (support services) – supply of tour operator services is subject to 5% GST without claim of ITC.

One of the conditions to charge GST at 5% is - The bill issued for supply of this service indicates that it is inclusive of charges of accommodation and transportation required for such a tour and the amount charged in the bill is the gross amount charged for such a tour including the charges of accommodation and transportation required for such a tour.

Ruling:

The AAR held that, as per the notification, the conjunction 'and' clearly explains that accommodation and transportation, both are must elements for a tour whereas conjunction 'or' may have rendered option between accommodation and transportation. Since the applicant is rendering only transportation with some ancillary services and not accommodation, as such does not satisfy the conditions as mentioned in the Notification No.11/2017 and thus, is not eligible to charge a lower rate of 5% for his services to the main operator.

NOTIFICATIONS AND CIRCULARS FOR THE MONTH OF AUGUST 2020

■ Three Central Tax Notification.

Sl. No	Subject	Notifications/Circulars No. Date of Issue
1.	Seeks to extend the due date for filing FORM GSTR-4 for financial year 2019-2020 to 31.10.2020	64/2020-Central Tax dated 31.08.2020
2.	Seeks to notify the provisions of section 100 of the Finance (No. 2) Act, 2019 to amend section 50 of the CGST Act, 2017 w.e.f. 01.09.2020	63/2020-Central Tax dated 25.08.2020
3.	Seeks to make Tenth amendment (2020) to CGST Rules	62/2020-Central Tax dated 20.08.2020

DUE DATES OF GST FOR THE MONTH OF SEPTEMBER 2020

SEPTEMBER 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7	8	9	10 *GSTR-7 &GSTR-8	11 *GSTR-1	12
13	14	15	16	17	18	19
20 *GSTR-3B/5/5A	21	22	23	24	25	26
27	28	29	30			

* For taxpayers with Annual Turnover more than Rs.1.50 Crores or who has opted for monthly return.
 * For taxpayers with Annual Turnover less than Rs. 1.50 Crores and who have opted for quarterly return.

EXTENSION / RELAXATION IN LATE FILING OF RETURNS AND LATE PAYMENT:

Turnover > 5 Crores	Turnover >1.5 Crores and <5 Crores	Turnover < 1.5 Crores
No relaxation for GSTR 3B, it's to be filed by 20th September 2020.	No late fees on GSTR 3B if filed within 01st October 2020	No late fees on GSTR 3B if filed within 01st October 2020
No interest on GSTR 3B if filed within 20th September 2020	No interest on GSTR 3B if filed within 01st October 2020	No interest on GSTR 3B if filed within 01st October 2020
Interest of 18% p.a. if filed after 20th September 2020	Interest of 18% p.a. if filed after 01st October 2020.	Interest of 18% p.a. if filed after 01st October 2020.
No late fee on GSTR 1 if filed within 11th September 2020	No late fee on GSTR 1 if filed within 11th September 2020	No late fee on GSTR 1 if filed within 11th September 2020

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