Rajput Jain & Associates

Chartered Accountants

An ISO 9001:2008 Certified Firm

E-INV & EWB in Retail Trade

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ABOUT US

Rajput Jain & Associates, Chartered Accountants, is one of the leading providers of financial and business advisory, internal audit, statutory audit, corporate governance, & international taxation and regulatory services. Having a global approach in service delivery, we are respondent to clients' complex business challenges along with a broad range of services across industry sectors and national boundaries. The Firm has been set up by a group of energetic, open minded, highly skilled and motivated professionals who have gained experience from top consulting companies and are extensively experienced in their chosen fields has providing a wide array of Accounting, Auditing, Assurance, Risk, Taxation, & Business advisory services to various clients & their stake holders. We have been associated with various national & International recognized associations in the field of our profession; Association of International Tax Consultants (AITC) is one of them.

Introduction

Any large retail trader (goods) falling within the turnover range of Rs. 50-500 crore (or more) would have to comply with the following:

- Real time E-invoice instead of tax invoice (B2B, SEZ)
- Real time E-invoice – credit note/debit note (B2B, SEZ)
- Tax invoice (B2C)
- Bill of Supply (B2C & B2B)
- B2C – Dynamic QR code for 500 cr + entities
- E-way bill compliance against movement of goods
- Delivery Challan for certain movements
- GST returns – 1, 3B, 9 & 9C
- ITC reconciliation– GSTR 2A/2B Vs Books

In this article we would be focusing our attention on various e-invoicing (E-INV) and e-way bill (EWB) compliances and practical issues faced by the Industry.

E-Invoice in Retail Trade

Refer Rule 48(4) of CGST Rules. 1st Jan 22 for Rs. 100 crore + entities; 1st April 22 for Rs. 50 crore + entities.

Generally, e-invoicing system software patches are provided to the accounting software, wherein, invoices are raised based on purchase/service order upon accounting. Although, in the retail trade industry, where invoice has to be presented to customers immediately upon purchase, compliance with e-invoicing must take place immediately and, in an error-free manner.

Presently, e-invoicing is applicable only to B2B transactions, to give government control over the same and check fake invoicing and undue input tax credit claims.

Billing softwares generally do not have an e-invoicing patch which makes it difficult. Some traders are manually raising the e-invoice after giving the normal tax invoice under Rule 46. E-invoices are being raised at a later point in time. Such e-invoice is generally not shared to the B2B customer. Also, sometimes, e-invoices are not raised at all leading to complete noncompliance. The reason this issue arises is that billing software being used maybe legacy or indigenous software wherein, the internal IT/software team of the entity may not have the technical ability to automate e-invoicing through their present systems.

There are vendors who providing customisation of present billing systems wherein the patch would be in-built. Alternatively, separate e-invoicing tools are available which would mediate between the billing software and the government portal and provide the e-invoice (IRN & QR). If automated the time to generate an e-invoice for a B2B customer (ideally waiting at the billing desk) would be 5-10 seconds!

Important points to note:

1. The e-invoice govt. portal (https://einvoice1.gst.gov.in/) does not save your e-invoice copies. Therefore, such copies must be maintained through internal softwares or 3rd party tools without fail.
2. E-invoice cannot be modified after being raised. It can be cancelled within 24 hrs only.
3. Turnover limit to be verified in the past financial years. If crossed, then applicable from the current financial year. (Ex: If 50 crore crossed in Dec 2021, applicable from 1.4.22).

In addition to the above, the software must be able to distinguish between the following:

- B2C & B2B transactions – E-invoice for B2B only (incl. SEZ)
- Exempt & taxable transactions - E-invoice mandatory for taxable supply only
- Exempt + taxable supply to B2B not possible. Separate invoicing required
- Minimum 6-digit HSN availability – E-invoice with 6 or > digits only

Compliance actions:

i. IRN & QR code must be generated and displayed in the e-invoice
ii. Supply to SEZ - invoice to have additional declarations as per Rule 46
iii. E-invoice to be raised as per time of supply provisions (Section 10 of IGST Act)
iv. E-invoice copy to be maintained in records for minimum 6 years from GSTR 9 due date of FY as per Rule 56.

Consequences - non-compliance

- Rs. 10,000 or tax evaded, whichever is higher
- Customer's input tax credit can be questioned and denied – leading to non-payment and loss in trust and reputation.
    - o Check vendors if listed in this dynamic list of GSTINs performing e-invoicing shared by the govt. – https://einvoice1.gst.gov.in/Others/GSTINsGeneratingIRN
    - o Obtain written declaration from vendors on applicability to avoid future disputes.

E-Way Bill in Retail Trade

Refer Rule 138 of CGST Rules

EWB is required against movement of goods is required for movement of goods where consignment value is > Rs. 50,000. Consignment value is taxable value + taxes but does not include value of exempt supplies. Documents to be carried during movement would be - Invoice or delivery challan as applicable and valid EWB in physical form or EWB in electronic form mapped to RFID of conveyance.

➢ Exemptions from raising E-way bill (mostly applicable for retail trade):

i. Exempted supplies
ii. Used personal and household effects
iii. Movement through non-motorized conveyance
iv. Other specific exemptions under Rule 138(14) as applicable.

Transactions common for retail trade include - door delivery, delivery to other than billing address, goods handed over to customer at shop/showroom

EWB Issues & Resolutions:

S no.	EWB situations	Solutions
1.	**Purchased at store and taken by B2C customer**	EWB not required as registered supplier cannot confirm termination of delivery. Tax can be passed on based on address on record. (disputable)
2.	**Purchased at store and taken by B2B customer**	Either supplier or customer to raise EWB against e-invoice. Sl no. 1 application here is disputable. Cannot be said to be 'used personal effect'.
3.	**Purchased at store and delivered to B2C customer**	Supplier to raise EWB against tax invoice/invoice-cum-bill of supply.
4.	**Purchased at store and delivered to B2B customer**	Supplier to raise EWB against e-invoice.
5.	**Purchased at store and delivered to another address**	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Bill to Ship To'

6.	**Purchase at store in location 1 and delivered from location 2**	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Bill From Ship From'
7.	**Purchase at store in location 1 and delivered from location 2 + billing and shipping address being different**	Supplier to raise EWB against e-invoice and consider 'Transaction Type' as 'Combination of 2 and 3'
8.	**Exchange of old product for new product**	Supplier to raise EWB against e-invoice for new product. Old product EWB may not be required if 'used personal/household effect' or < 50,000.
9.	**Purchased and asked to delivery after specified time limit**	Supplier to raise EWB against e-invoice upon actual delivery only.
10.	**Purchased and asked to delivery various products in 3 instalments**	Supplier to raise EWB against delivery challans (3). Delivery challan to have link to e-invoice. Copy of invoice to be attached along with first 2 movements, and original invoice to be sent along with last instalment.

- *- Wherever e-invoice is given in solution. Assume B2B supply. For B2C*

Consequences - non-compliance

- Penalty, detention, seizure, confiscation, auction & sale.
- Where owner of the goods comes forward for payment of applicable tax and penalty: Taxable goods –Penalty equal to 200% of tax payable.
- Where owner does not come forward for payment of applicable tax and penalty: Taxable goods-Penalty equal to higher of 50% of value of goods or 200% of the tax payable on such goods.
- Exempted goods –Lowest of 2% of the value of goods or Rs. 25,000/- .
- 25% of pre-deposit under Section 107 of CGST Act, 2017, for the purpose of appeal, in case of E way bill orders along with bank guarantee to release goods & conveyance.
- Rs. 1 lakh to get back conveyance (not goods).

Conclusion

Considering the stringent measures in place against non-compliance, the possibility of customers not making the payment and the impact to reputation and trust makes such compliances under GST very important. Due to the nature of activity for retail trade, the immediate readiness and seamless integration with their various software's will hold the key in compliance and growth in the future.

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