



# CHAPTER 11

# *TAX INVOICES, CREDIT /DEBIT NOTES*

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## TAX INVOICES

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## TAX INVOICE – SECTION 31

### INTRODUCTION

The provisions relating to Tax Invoice are provided under Section 31 of CGST Act as well as “Chapter-VI: Tax Invoice, Credit and Debit Notes” of CGST Rules, 2017

An invoice is a commercial instrument issued by a supplier of goods/services to a recipient.

Invoicing is very crucial aspect for ensuring tax compliance under any indirect taxation system. In order to ensure transparency, issuance of invoice for every taxable transaction is a pre-requisite.

Tax invoice acts as a document evidencing payment of value of the goods or services or both as also the tax portion in the same.

### IMPORTANCE OF INVOICE UNDER GST

Invoice matching mechanism that has been introduced under GST. For the purpose of claiming Input tax credit, invoice matching needs to be done. The inwards supplies of the person claiming the credit (recipient) should match with the outward supplies of the supplier(s).

Thus, registered person cannot avail Input Tax Credit unless he is in possession of a tax invoice or a debit note.

Section 31 of CGST Act, 2017 mandates issuance of an **INVOICE** or a **BILL OF SUPPLY** for every supply of goods or services.

It is not necessary that only a person supplying goods or services needs to issue an invoice. The GST law mandates that any registered person buying goods or services from an unregistered person also needs to issue a payment voucher as well as a tax invoice.

**There is no format prescribed for the Tax Invoice. Only certain fields have been prescribed as mandatory fields. Further, invoices may be issued manually or electronically.**



**TIME LIMIT TO ISSUE INVOICE  
[SECTIONS 31(1), (2), (4) & (5) READ WITH RULE 47]**

<b>In case of taxable supply of goods</b>	<b>In case of taxable supply of services</b>
Invoice shall be issued before or at time of (a) <u>where supply involves movement of goods</u> Removal of goods for supply to the recipient (b) <u>Other cases</u> delivery of goods or making available thereof to the recipient.	Invoice shall be issued before or after the provision of service, but within <b>30 days*</b> from date of supply of service.  <b><u>*45 days in case of an insurer or banking company or financial institution, including a non- banking financial company (NBFC)</u></b>

An insurer or a banking company or a financial institution, including NBFC, or a telecom operator, or any other class of supplier of services as may be notified by the Government,



**making taxable supplies of services between distinct persons as specified in section 25**



- (i) before or at time of such supplier records same in his **books of accounts** or
- (ii) before expiry of **quarter** during which supply was made [**Rule 47**]

**A Consolidated tax invoice/ any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month “at the end of the month” by “insurers, banking companies, financial institutions including NBFC”**

**Insurer/banking company/financial institution, including NBFC can issue a “consolidated tax invoice” at month end for the supply made during that month [Notification No. 45/2017 CT dated 13.10.2017]**



CONTINUOUS SUPPLY OF GOODS	CONTINUOUS SUPPLY OF SERVICES	
Where successive statements of accounts or successive payments are involved  Before/at the time <b><u>each such statement is issued</u></b> or, each such payment is received.	<b>Where</b>	<b>Invoice shall be issued</b>
	Due date of payment is <b>ascertainable</b> from contract	on or before the <b><u>due date</u></b> of payment
	Due date of payment is <b><u>NOT ascertainable</u></b> from contract	Before/at the time when the supplier of service <b>receives payment</b>
	Payment is linked to <b>completion of an event</b>	on or before <b>date of completion that event</b>

**Example 1:** Ashok Pvt Ltd, Delhi supplies goods to Prakhar Electronics, Haryana. The goods were removed from its factory in Delhi on 23<sup>rd</sup> September. Ritu Manufacturers needs to issue a tax invoice on or 23<sup>rd</sup> September.

**Example 2:** Katyani Security Services Ltd. provides security services to Royal Jewellers for their Jewellery Exhibition to be organized on 5<sup>th</sup> October. Katyani Security Services Ltd. needs to issue a tax invoice within 30 days of supply of security services, i.e. on or before 4<sup>th</sup> November.

**Example 3:** Jhanvi Cinemas entered into an annual maintenance contract with Peer Services Ltd. for one year [April -March] for the Air conditioners fitted in their theaters. As per contract, payment for said services had to be made on 7<sup>th</sup> April. However, Jhanvi Services made the payment on 15<sup>th</sup> April. Since services provided by Peer Services Ltd. to Jhanvi Cinemas is a continuous supply of services and due date of payment is ascertainable from the contract, Peer Services Ltd. had to issue a tax invoice on or before such due date, viz. 7<sup>th</sup> April



## TAX INVOICES

Where supply of services <b>ceases before its completion</b> [Section 31(6)]	Invoice shall be issued when the supply ceases to the extent of supply made before such cessation.
Goods <b>sent on sale or return basis</b> removed before the supply takes place [Section 31(7)]	Invoice shall be issued: (i) before/at the time of supply or (ii) 6 months from the date of removal <b>whichever is earlier.</b>

### CONTENTS OF TAX INVOICE [SECTIONS 31(1) & (2) R/W RULE 46]

There is no format prescribed for an invoice, but rules make it mandatory for an invoice to have the following fields:

1. Name, address and GSTIN of the supplier and recipient (if registered);
2. A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
3. Date of issue of invoice
4. Name & address of recipient and address of delivery, along with the name of State and its code [If such recipient is un-registered and where the **value of the taxable supply is ₹ 50,000 or more**].
5. Name & address of recipient and address of delivery, along with the name of State and its code [If such recipient is un-registered and where the **value of the taxable supply is less than ₹ 50,000 and the recipient requests that such details be recorded in the tax invoice**]

**Provided** that in cases involving supply of online money gaming or in cases where any taxable service is supplied by or through an electronic commerce operator or by a supplier of online information and database access or retrieval services to a recipient who is un-registered, irrespective of the value of such supply, a tax invoice issued by the registered person shall contain the name of the state of the recipient and the same shall be deemed to be the address on record of the recipient.

6. HSN code for goods or services
7. Description of goods or services;
8. Quantity in case of goods
9. Total value of supply of goods or services or both;
10. Taxable value of supply of goods or services or both taking into account discount or abatement, if any;
11. Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
12. Amount of tax charged in respect of taxable goods or services



13. Place of supply along with name of State, in case of supply in course of inter-State trade or commerce;
14. Address of delivery where the same is different from place of supply
15. Whether tax is payable on reverse charge basis
16. Signature or digital signature of supplier or his authorized representative [**Not required in case of electronic tax invoice**]
17. **Quick Response code, having embedded Invoice Reference Number (IRN) in it, in case e-invoice has been issued.**
18. **a declaration as below, that invoice is not required to be issued in the manner specified u/r 48(4), in all cases where an invoice is issued, other than in the manner so specified under rule 48(4), by the taxpayer having aggregate turnover in any preceding financial year from 2017-18 onwards more than the aggregate turnover as notified under rule 48(4) -**

*"I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under sub-rule (4) of rule 48, we are not required to prepare an invoice in terms of the provisions of the said sub-rule."*

#### **Enabling provision to prescribe the manner of issuance of invoices in case of supply of taxable services [Proviso to Section 31(2) substituted vide Finance Act 2020]**

The Government may, on the recommendations of the Council, by notification, —

- a) specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed;
- b) subject to the condition mentioned therein, specify the categories of services in respect of which —
  - any other document issued in relation to the supply shall be deemed to be a tax invoice; or
  - tax invoice may not be issued

**Note:** Thus, the Central Government can now even prescribe a different time limit for issuance of tax invoices for such categories of services as may be notified.

#### **How many HSN digits should be mentioned & who all are not required to mention HSN digits on tax invoice?**

S. No.	Annual Turnover (AT) in the preceding FY	Number of Digits of HSN Code
1	AT ≤ ₹ 5 crores	For B2B supply – 4 For B2C supply – 4 (optional)*
2	AT > ₹ 5 crores	For B2B supply and B2C supply – 6



## TAX INVOICES

\*As mentioned above, a registered person having aggregate turnover up to ₹ 5 crores in the previous financial year has been **exempted** from the requirement of mentioning the HSN Code in the manner specified in above table in a tax invoice issued by him under the said rules in respect of supplies made to unregistered persons.

### Manner of issuing the invoice [Sections 31(1) & (2) read with rule 48]

In case of taxable supply of goods	In case of taxable supply of services
Invoice shall be prepared in <b><u>TRIPLICATE</u></b>	Invoice shall be prepared in <b><u>DUPLICATE</u></b>
<b><u>ORIGINAL COPY</u></b> FOR RECIPIENT <b><u>DUPLICATE COPY</u></b> FOR TRANSPORTER <b><u>TRIPLICATE COPY</u></b> FOR SUPPLIER	<b><u>ORIGINAL COPY</u></b> FOR RECIPIENT <b><u>DUPLICATE COPY</u></b> FOR SUPPLIER

### SUMMARY POINTS

1. All GST taxpayers are free to design their own Tax Invoice Format.
2. The law requires that only certain fields as mandatory fields in the Tax Invoice.
3. The time period for issuance of invoice is different for goods and services. For goods, it is any time before or at its delivery and for services, it is within 30 days from the date of supply of services.

### INVOICE IN CASE OF EXPORT OF GOODS OR SERVICES

- “SUPPLY MEANT FOR EXPORT/ SUPPLY TO SEZ UNIT/SEZ DEVELOPER FOR AUTHORISED OPERATIONS **ON PAYMENT OF IGST**” or
- “SUPPLY MEANT FOR EXPORT / SUPPLY TO SEZ UNIT/SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING **WITHOUT PAYMENT OF IGST**”

Where recipient is unregistered and value of supply is ₹ 50,000 or more, instead of name of State and its code, in case of an **export invoice**, **name of the country of destination** is to be mentioned.

### EXEMPTION FROM REQUIREMENT OF TAX INVOICE

A registered person (**other than the supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens**) **may not issue a Tax Invoice** if:

- (i) Value of the goods/services/both supplied < ₹ 200;
- (ii) the recipient is **unregistered**; and
- (iii) the recipient **does not require such invoice**.



**Instead such registered person shall issue a CONSOLIDATED TAX INVOICE for such supplies at close of each day in respect of all such supplies**

**Electronic ticket deemed to be a tax invoice**

A registered person who is supplying services by way of admission to exhibition of cinematograph films in multiplex screens or other screens shall be required to issue an electronic ticket being deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned u/r 46.

Above provisions are also applicable to Bill of Supply

**Note:** Signature of supplier not required in case of electronic consolidated tax invoice in case of Insurance/Banking companies, financial institutions including NBFCs

**ILLUSTRATION:** Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S.L. No	Recipient of supply	Amount (₹)
1	Raghav Traders - a registered retail dealer	190
2	Dhruv Enterprises – an unregistered trader	358
3	Gaurav – a Painter [unregistered]	500
4	Oberoi Orphanage – an unregistered entity	188
5	Aaradhya – a Student [unregistered]	158

None of the recipients require a tax invoice [Raghav Traders being a composition dealer]. Determine in respect of which of the above supplies, Jain & Sons may issue a Consolidated Tax Invoice instead of Tax Invoice at the end of the day?

**INVOICE-CUM-BILL OF SUPPLY [Rule 46A]**

Notwithstanding anything contained in rule 46 or rule 49 or rule 54, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

**Provided that the said single "invoice-cum-bill of supply" shall contain the particulars as specified under rule 46 or rule 54, as the case may be, and rule 49. [Inserted vide N/N 26/2022 dtd. 26/12/2022]**

**E-INVOICING [Rule 48(4)]****What is E-invoicing?**

E-invoicing is not generation of invoice by a Government portal. It is only intimating the Government portal that invoice has been issued to the buyer, by registering that particular invoice on the Government portal.

Taxpayers will continue to create their GST invoices on their own Accounting/Billing/ERP Systems as per e-invoice schema. These invoices will then be reported to “**Invoice Registration Portal**” (IRP).

On such reporting, IRP will generate a unique “**Invoice Reference Number**” (IRN), digitally sign it and return the e-invoice to the supplier. **A GST e-invoice will be valid only with a valid IRN.**

**IRP** is the website for uploading/reporting of invoices by the notified persons. Following IRPs have been notified for the purpose of preparation of the e-invoice:

- [www.einvoice1.gst.gov.in](http://www.einvoice1.gst.gov.in)
- [www.einvoice2.gst.gov.in](http://www.einvoice2.gst.gov.in)
- [www.einvoice3.gst.gov.in](http://www.einvoice3.gst.gov.in)
- [www.einvoice4.gst.gov.in](http://www.einvoice4.gst.gov.in)
- [www.einvoice5.gst.gov.in](http://www.einvoice5.gst.gov.in)
- [www.einvoice6.gst.gov.in](http://www.einvoice6.gst.gov.in)
- [www.einvoice7.gst.gov.in](http://www.einvoice7.gst.gov.in)
- [www.einvoice8.gst.gov.in](http://www.einvoice8.gst.gov.in)
- [www.einvoice9.gst.gov.in](http://www.einvoice9.gst.gov.in)
- [www.einvoice10.gst.gov.in](http://www.einvoice10.gst.gov.in)

**Advantages of E-invoicing**

- a) Auto-reporting of invoices into GST return
- b) Auto-generation of e-way bill (wherever required).
- c) Business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.).
  - i. E-way bill can be auto-generated using e-invoice data.
  - ii. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- d) Substantial reduction in transcription errors as same data will get reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.



- e) Facilitate standardization and inter-operability leading to reduction of disputes among transacting parties, improve payment cycles, reduction of processing costs and thereby greatly improving overall business efficiency.
- f) Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.
- g) Eliminate the fake invoices. Claiming fictitious input tax credit by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system will help to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities will have access to data in real-time.

### **Statutory provisions on E-invoice**

- a) E-invoice shall be prepared by notified class of **registered persons**, by uploading such particulars as contained in **Form GST INV-01** on the Common GST Electronic Portal and obtain an **IRN** (Invoice Reference Number), in prescribed manner and subject to prescribed conditions and restrictions.
- b) The Commissioner may, on the recommendations of the Council, by notification, **exempt** a person or a class of registered persons from issuance of e-invoice u/r 48(4) for a specified period, subject to such conditions and restrictions as may be specified in the said notification.

***Note: 10 dedicated Invoice Reference Portals have been notified as Common GST Electronic Portal for the purpose of preparing e-invoice***

- c) Every invoice, issued by above persons, in any manner other than the manner specified in the rule 48(4) **shall not be treated as an invoice**. Where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

### **Who shall issue e-invoice mandatorily?**

A registered person (except **specified class of persons**), whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds **₹ 5 crores**, has been notified as class of persons who shall prepare e-invoice in respect of **B2B supplies** (supply of goods or services or both to a registered person) or for **exports**. Thus, presently, such notified persons are not required to report B2C invoices. However, they will be brought under e-invoice in the next phase.

If the invoice issued by a notified person is in respect of supplies made by him tax on which is payable under reverse charge u/s 9(3), e-invoicing is applicable.

**Example:** A taxpayer (say a firm of advocates) having aggregate turnover in a FY of more than ₹ 10 crore is supplying services to a company (who will be discharging tax liability as recipient under reverse charge mechanism), such invoices have to be reported by said tax payer (since it is a notified person) to IRP.



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### Specified class of persons on whom e-invoicing is not applicable

- a) Input Service Distributor
- b) Special Economic Zone units [SEZ developers are not exempt from issuing e-invoices]
- c) Insurer or banking company or financial institution including NBFC
- d) GTA supplying services in relation to transportation of goods by road in a goods carriage
- e) Supplier of passenger transportation service
- f) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- g) **a Government Department and a local authority**
- h) Reverse charge supplies u/s 9(4)

Where specified category of supplies are received by notified person from unregistered persons [attracting **reverse charge under section 9(4)**] or through import of services, e-invoicing doesn't arise/not applicable. E-invoicing is also not applicable for import of goods (Bills of Entry).

Above mentioned entities are **not required to issue e-invoices** even if their turnover exceeds ₹ 5 crore in the preceding financial year from 2017-18 onwards.

#### Example:

Maharaja Private Limited has an SEZ unit and a regular DTA unit (both having same PAN). The aggregate total turnover of Maharaja Private Limited is more than ₹ 10 crores (considering both the GSTINs). However, the turnover of DTA unit is below ₹ 10 crores for FY 2019-20.

In this scenario, SEZ unit is exempt from e-invoicing. However, e-invoicing will be applicable to DTA Unit because the aggregate turnover of the legal entity in this case is > ₹ 10 crores. The eligibility is based on aggregate annual turnover on the common PAN.

#### Clarification on applicability of e-invoicing w.r.t an entity [Circular 186/18/2022 - GST dated 27/12/2022]

**Issue:** Whether the exemption from mandatory generation of e-invoices in terms of Notification No. 13/2020-Central Tax, dated 21st March, 2020, as amended, is available for the entity as whole, or whether the same is available only in respect of certain supplies made by the said entity?

**Clarification:** In terms of Notification No. 13/2020-Central Tax dated 21st March, 2020, as amended, certain entities/sectors have been exempted from mandatory generation of e-invoices as per sub-rule (4) of rule 48 of Central Goods and Services Tax Rules, 2017. **It is hereby clarified that the said exemption from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity.**



**Illustration:** A Banking Company providing banking services, may also be involved in making supply of some goods, including bullion. The said banking company is exempted from mandatory issuance of e-invoice in terms of Notification No. 13/2020-Central Tax, dated 21st March, 2020, as amended, for all supplies of goods and services and thus, will not be required to issue e-invoice with respect to any supply made by it.

**Applicability of e-invoicing to Government Departments/PSUs etc. registered solely for the purpose of deduction of tax at source as per provisions of section 51**

**Issue:** Whether e-invoicing is applicable for supplies made by a registered person, whose turnover exceeds the prescribed threshold for generation of e-invoicing, to Government Departments or establishments/ Government agencies/ local authorities/ PSUs which are registered solely for the purpose of deduction of TDS as per provisions of section 51.

**Clarification:** It is clarified that Government Departments or establishments/ Government agencies/ local authorities/ PSUs, which are required to deduct TDS u/s 51, are liable for compulsory registration u/s 24(vi).

Therefore, Government Departments or establishments/ Government agencies/ local authorities/ PSUs, registered solely for the purpose of deduction of TDS u/s 51, are to be treated as registered persons under the GST law u/s 2(94).

Accordingly, the registered person, whose turnover exceeds the prescribed threshold for generation of e-invoicing, is required to issue e-invoices for the supplies made to such Government Departments or establishments/ Government agencies/ local authorities/ PSUs, etc. u/r 48(4). **[Circular No. 198/10/2023 GST dated 17.07.2023]**

**In case of issuance of e-invoice, no requirement to carry the physical copy of tax invoice**

The question which arose for consideration was whether carrying physical copy of invoice is compulsory during movement of goods in cases where suppliers have issued e-invoices.

It is clarified that **there is no requirement to carry the physical copy of tax invoice in cases where e-invoice has been generated by the supplier**. Whenever e-invoice has been generated, production of the Quick Reference (QR) code having an embedded Invoice Reference Number (IRN) electronically, for verification by the proper officer, would suffice.

### **How e-invoice is generated?**

**Step 1:** The taxpayer first prepares and generates his invoice using his own ERP/ accounting/ billing system or manual system.

**Step 2:** The invoice must conform to the e-invoice schema and must have the mandatory parameters.

**Step 3:** The details of this invoice are uploaded/reported by the taxpayer to the Invoice Registration Portal (IRP). This way taxpayer registers his supply transaction on IRP. On uploading, IRP returns the e-invoice with a unique 'Invoice Reference Number (IRN)' after digitally signing the e-invoice and adding a QR Code (Quick Response Code).



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**Step 4:** Then, the supplier shares the e-invoice with the receiver (along with QR Code).

### Overall work flow of e-invoice generation

The overall work flow of e-invoice generation, its reporting/registration and receipt of confirmation is depicted in the diagrams below:

**A.** Interaction between the business (supplier) and the Invoice Registration Portal (IRP).

**B.** Interaction between the IRP and the GST/E-Way Bill Systems and the Buyer.

### Cancellation/amendment of reported invoice

Where needed, the seller can cancel IRN for an e-invoice already reported by reporting it on IRP within specified time. Amendment of e-invoice already uploaded on IRP will be done only on GST portal. Amendment of invoices is not possible through the IRP.

### Quick Response (QR) code

Upon successful registration of invoice on IRP, it will return a signed e-invoice to the supplier with IRN and QR Code. IRN is embedded in the QR Code which shall be extracted and printed on the invoice. The QR code enables quick view, validation and access of the invoices from the GST system from hand-held devices. The digitally signed QR code will have a unique IRN which can be verified on the central portal as well as by an offline app by the officer. This will be helpful for tax officers checking the invoice offline on the roadside where internet may not be available all the time.

### Dynamic Quick Response (QR) code

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores are proposed to have a QR code from December 1, 2020.

Sixth proviso to rule 46 has empowered the Government to specify that the tax invoice shall have Quick Response (QR) code. Resultantly, it has been notified that invoice issued by a registered person (**except specified class of persons**), whose aggregate turnover in a financial year exceeds ₹ 500 crores, in respect of B2C supplies (supply of goods or services or both to an unregistered person) shall have Dynamic QR code.

A Dynamic Quick Response (QR) code made available to buyer by such registered person **through digital display** (with payment cross-reference) shall be deemed to be having QR code. The purpose of this provision is to enable and encourage digital payments where buyer can scan the dynamic QR code and make payment from mobile wallet directly. Today, many shops have static QR code at the payment counter which is scanned by the buyer, but the buyer has to enter the amount to be paid to the shop in the mobile payment App. The dynamic QR code, on the other hand, will have the payment details and thus **'scan and pay'** in one go is possible. This has no relevance or applicability to the e-invoicing in respect to B2B supplies by notified class of taxpayers. Dynamic QR Code will be generated by the seller himself either on the Point of Sale (PoS) machine or the invoice issued.

**Non-applicability of requirement of Dynamic QR code:**

Dynamic QR code is **not applicable** to an invoice issued to an unregistered person by following suppliers:

- (a) Insurer or banking company or financial institution including NBFC
- (b) Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage
- (c) Supplier of passenger transportation service
- (d) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (e) Supplier of online information and database access or retrieval (OIDAR) services

**No Dynamic QR code in case of exports:**

As regards the supplies made for exports, though such supplies are made by a registered person to an unregistered person, however, since e-invoices are required to be issued in respect of supplies for exports treating them as B2B supplies, Dynamic QR code requirement will not be applicable to them.

**Dynamic QR code apply on invoices issued to UIN holders**

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores are mandatorily required to have a Dynamic QR code

Any person, who has obtained a Unique Identity Number (UIN), is not a “**registered person**” as per the definition of ‘registered person’. Therefore, any invoice, issued to such person having a UIN, **shall be considered as invoice issued for a B2C supply** and shall be required to comply with the requirement of Dynamic QR Code. **[Circular No. 156/12/2021 GST dated 21.06.2021]**

**Parameters/ details are required to be captured in the Dynamic QR Code:**

Dynamic QR Code, inter-alia, shall contain the following information: -

- (a) Supplier GSTIN number
- (b) Supplier UPI ID
- (c) Payee’s Bank A/c number and IFSC
- (d) Invoice number & invoice date,
- (e) Total Invoice value and
- (f) GST amount along with breakup i.e. CGST, SGST, IGST, CESS, etc.

Further, Dynamic QR Code should be such that it can be scanned to make a digital payment.

**Compliance with the Dynamic QR Code requirements in certain cases:**

If the supplier has issued invoice having Dynamic QR Code for payment, the said invoice shall be deemed to have complied with Dynamic QR Code requirements.



**Case-I: If a supplier provides/ displays Dynamic QR Code, but the customer opts to make payment without using Dynamic QR Code, and supplier provides the cross reference of such payment made without use of Dynamic QR Code, on the invoice**

In cases where the supplier, has digitally displayed the Dynamic QR Code and the customer pays for the invoice: -

- i. using any mode like UPI, credit/ debit card or online banking or cash or combination of various modes of payment, with or using Dynamic QR Code, and the **supplier provides a cross reference of the payment** (transaction id along with date, time and amount of payment, mode of payment like UPI, Credit card, Debit card, online banking etc.) on the invoice; or
- ii. in cash, without using Dynamic QR Code and the **supplier provides a cross reference of the amount paid** in cash, along with date of such payment on the invoice;  
**said invoice shall be deemed to have complied with the requirement of having Dynamic QR Code.**

**Case-II: If a supplier makes available to customers an electronic mode of payment, where though Dynamic QR Code is not displayed, but the details of merchant as well as transaction are displayed/ captured otherwise**

In such cases, if the cross reference of the payment made using such electronic modes of payment is made on the invoice, the invoice shall be deemed to comply with the requirement of Dynamic QR Code. However, if payment is made after generation/ issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

**Case-III: In case of pre-paid invoices i.e. where payment has been made before issuance of the invoice**

If cross reference of the payment received either through electronic mode or through cash or combination thereof is made on the invoice, then the invoice would be deemed to have complied with the requirement of Dynamic QR Code. In cases other than pre-paid supply i.e., where payment is made after generation / issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

**Case-IV: Once the e-commerce operator (ECO) or the online application has complied with the Dynamic QR Code requirements, whether the suppliers using such e-commerce portal or application will still be required to comply with the requirement of Dynamic QR Code?**

Dynamic QR code requirements apply to each supplier/registered person separately, if such person is liable to issue invoices with Dynamic QR Code for B2C supplies.

In case, the supplier is making supply through the e- commerce portal or application, and the said supplier gives cross references of the payment received in respect of the said supply on the invoice, then such invoices would be deemed to have complied with the requirements of Dynamic QR Code.

In cases other than pre-paid supply i.e., where payment is made after generation / issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.



**Clarification in respect of applicability of Dynamic Quick Response (QR) Code on B2C invoices and compliance of N/N 14/2020- CT dated 21<sup>st</sup> March, 2020 [CBIC Circular 156/12/2021-GST dated 21<sup>st</sup> June 2021 amending Circular dated 23 Feb 2021]**

**(1) Whether Dynamic QR Code is to be provided on an invoice, issued to a person, who has obtained a Unique Identity Number as per Section 25(9) of CGST Act 2017?**

Any person, who has obtained a Unique Identity Number (UIN) u/s 25(9) of CGST Act 2017, is not a "registered person" as per the definition of registered person provided in section 2(94) of the CGST Act 2017. Therefore, any invoice, issued to such person having a UIN, shall be considered as invoice issued for a B2C supply and shall be required to comply with the requirement of Dynamic QR Code.

**(2) UPI ID is linked to the bank account of the payee/ person collecting money. Whether bank account and IFSC details also need to be provided separately in the Dynamic QR Code along with UPI ID?**

Given that UPI ID is linked to a specific bank account of the payee/ person collecting money, separate details of bank account and IFSC may not be provided in the Dynamic QR Code.

**(3) In cases where the payment is collected by some person other than the supplier (ECO or any other person authorized by the supplier on his/ her behalf), whether in such cases, in place of UPI ID of the supplier, the UPI ID of such person, who is authorized to collect the payment on behalf of the supplier, may be provided?**

Yes. In such cases where the payment is collected by some person, authorized by the supplier on his/ her behalf, the UPI ID of such person may be provided in the Dynamic QR Code, instead of UPI ID of the supplier

**(4) In cases, where receiver of services is located outside India, and payment is being received by the supplier of services, through RBI approved modes of payment, but as per provisions of the IGST Act 2017, the place of supply of such services is in India, then such supply of services is not considered as export of services as per the IGST Act 2017; whether in such cases, the Dynamic QR Code is required on the invoice issued, for such supply of services, to such recipient located outside India?**

**No.** Wherever an invoice is issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of IGST Act 2017, and the payment is received by the supplier, in convertible foreign exchange or in Indian Rupees wherever permitted by the RBI, such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier."

**(5) In some instances of retail sales over the counter, the payment from the customer is received on the payment counter by displaying dynamic QR code on digital display, whereas the invoice, along with invoice number, is generated on the processing system being used by supplier/ merchant after receiving the payment. In such cases, it may not be possible for the merchant/ supplier to provide details of invoice number in the dynamic QR code displayed to the customer on payment counter. However, each transaction i.e. receipt of payment from a customer is having a unique Order ID/ sales reference number, which is linked with the invoice for the said transaction. Whether in such cases, the order ID/ reference number of such transaction can be provided in the dynamic QR code displayed digitally, instead of invoice number**



## TAX INVOICES

In such cases, where the invoice number is not available at the time of digital display of dynamic QR code in case of over the counter sales and the invoice number and invoices are generated after receipt of payment, the unique order ID/ unique sales reference number, which is uniquely linked to the invoice issued for the said transaction, may be provided in the Dynamic QR Code for digital display, as long as the details of such unique order ID/ sales reference number linkage with the invoice are available on the processing system of the merchant/ supplier and the cross reference of such payment along with unique order ID/ sales reference number are also provided on the invoice.

**(6) When part-payment has already been received by the merchant/ supplier either in advance or by adjustment (e.g. using a voucher, discount coupon etc), before the dynamic QR Code is generated, what amount should be provided in the Dynamic QR Code for “invoice value”?**

The purpose of dynamic QR Code is to enable the recipient/ customer to scan and pay the amount to be paid to the merchant/ supplier in respect of the said supply. When the part-payment for any supply has already been received from the customer/ recipient, in form of either advance or adjustment through voucher/ discount coupon etc., then the dynamic QR code may provide only the remaining amount payable by the customer/ recipient against “invoice value”. The details of total invoice value, along with details/ cross reference of the part payment/ advance/ adjustment done, and the remaining amount to be paid, should be provided on the invoice.

### REVISED TAX INVOICE [Section 31(3)(a) read with rule 53]

#### Who may issue revised tax invoices?

- (i) Every registered person who has been granted registration w.e.f. date earlier than date of issuance of certificate of registration to him,
- (ii) may issue **Revised Tax Invoices**
- (iii) against the invoices already issued during said period.

#### Time limit to issue revised tax invoice

Revised Tax Invoices shall be issued within **1 month** from date of issuance of certificate of registration.

#### Need of this provision

When application is made within 30 days and registration is granted, effective date of registration is the date on which the person became liable for registration. There would be a **time lag** between

- (a) date of grant of certificate of registration and
- (b) effective date of registration.

For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice, so that ITC can be availed by the recipient on such supplies



**Example 1:** Sarabhai Private Ltd. commenced business of supply of goods on 1 April in Delhi. Its turnover exceeded ₹ 20,00,000 on 3 September. Thus it became liable to registration on 3 September. It applied for registration on 29 September and granted registration certificate on 5 October. Since it applied for registration within 30 days of becoming liable to registration, it was granted registration with effect from 3 September. Sarabhai Private Ltd. may issue Revised Tax Invoices in respect of taxable supplies effected between 3 September and 5 October.

### **CONSOLIDATED REVISED TAX INVOICES**

A registered person may issue a **Consolidated Revised Tax Invoice** in respect of **all taxable supplies** made to **an unregistered recipient** during such period.

It cannot be issued in respect of **all unregistered recipients** in case of **inter-State supplies**, if the value of a supply exceeds ₹ 2,50,000.

### **Contents of Revised Tax Invoice [Rule 53]**

1. The word "**REVISED INVOICE**", wherever applicable, indicated prominently;
2. Name, address and GSTIN of the supplier and recipient (**if registered**)
3. Nature of the document;
4. Consecutive serial number not exceeding 16 characters, in one or multiple series
5. Date of issue of the document;
6. Name & address of recipient and address of delivery, along with the name of State and its code if such recipient is un-registered;
7. Serial number and date of corresponding tax invoice or, as the case may be, bill of supply;
8. Value of taxable supply of goods or services, rate of tax and amount of the tax credited/debited to the recipient;
9. Signature or digital signature of supplier or his authorized representative



## BILL OF SUPPLY [SECTION 31(3)(c) r/w Rule 49]

### Who is liable to issue Bill of Supply?

A registered person

- (i) supplying **exempted goods** or services or both or
- (ii) paying tax under **composition levy**

shall issue a **bill of supply** instead of a tax invoice

### Particulars of Bill of Supply

A registered person opting for the composition levy does not collect tax from recipient on outward supplies made by him. Similarly, in case of a registered person supplying exempted goods and/or services, no tax implications are there. Recipients should not expect Tax Invoice from such suppliers as they cannot issue tax invoice.

## CONTENTS OF BILL OF SUPPLY

- (i) Name, address and GSTIN of the supplier and recipient **(if registered)**
- (ii) Consecutive serial number not exceeding 16 characters, in one or multiple series
- (iii) Date of issue;
- (iv) HSN code for goods or services
- (v) Description of goods or services;
- (vi) Total value of supply of goods or services or both;
- (vii) Signature/ digital signature of supplier/his authorized representative **[Not required in case of electronic bill of supply]**

**Note:** Any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any **non-taxable supply** shall be treated as bill of supply for the purposes of the Act.

**Example 1:** Patel & Sons is a manufacturer of goods who has opted for composition levy under Section 10. It will issue a Bill of Supply to the buyers of goods and not the tax invoice as it does not collect any tax from the buyers, but amount at the rate specified under section 10.

### What if a supplier supplies both taxable as well as exempted goods?

Where a registered person is supplying taxable as well as exempted goods or services or both to an **unregistered person**, a single "invoice-cum-bill of supply" may be issued for all such supplies. **[Notification No. 45/2017 CT dated 13.10.2017]**



The Government may, by notification, on the recommendations of the Council, and subject to such conditions and restrictions as mentioned therein, specify that the tax invoice/bill of supply shall have **Quick Response (QR) code**. [Inserted vide **CGST (Fourth Amendment) Rules 2019 w.e.f. 28/06/2019**]

## RECEIPT VOUCHER [SECTION 31(3)(d) r/w Rule 50]

A registered person shall,  
on **RECEIPT OF ADVANCE PAYMENT** with respect to any supply of goods or services or both,  
issue a **RECEIPT VOUCHER** evidencing receipt of such payment.

## CONTENTS OF RECEIPT VOUCHER

There is no format prescribed for an invoice, but rules make it mandatory for an invoice to have the following fields:

- (i) Name, address and GSTIN of the supplier and recipient (if registered);
- (ii) A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
- (iii) Date of issue
- (iv) Description of goods or services;
- (v) Amount of advance taken
- (vi) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (vii) Amount of tax charged in respect of taxable goods or services
- (viii) Place of supply along with name of State, in case of supply in course of inter-State trade or commerce;
- (ix) Whether tax is payable on reverse charge basis
- (x) Signature or digital signature of supplier or his authorized representative

Where at the time of receipt of advance, rate of tax/ nature of supply is **NOT DETERMINABLE**

- (a) Where rate of tax is not determinable - tax shall be paid @18%
- (b) Nature of supply is not determinable - same shall be treated as **inter-State supply**



## REFUND VOUCHER [SECTION 31(3)(e) r/w Rule 51]

On receipt of advance payment with respect to any supply of goods or services or both registered person issues a **RECEIPT VOUCHER**, but subsequently **no supply is made and no tax invoice is issued** the said registered person may issue to the person who had made the payment, a **REFUND VOUCHER** against such payment.

### CONTENTS OF REFUND VOUCHER

- (i) Name, address and GSTIN of the supplier and recipient (if registered);
- (ii) A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
- (iii) Date of issue
- (iv) Number and date of receipt voucher issued under Rule 50
- (v) Description of goods or services in respect of which refund is made;
- (vi) Amount of refund made
- (vii) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (viii) Amount of tax paid in respect of taxable goods or services
- (ix) Whether tax is payable on reverse charge basis
- (x) Signature or digital signature of supplier or his authorized representative

## INVOICES & PAYMENT VOUCHERS UNDER REVERSE CHARGE [SECTION 31(3)(f) and 31(3)(g) r/w Rule 52]

Recipient is liable to pay tax on reverse charge basis under following cases:

- (i) Supplies received from registered/ unregistered supplier which are notified for reverse charge purposes [Section 9(3)]
- (ii) Registered recipient received taxable goods/services/both from unregistered supplier [Section 9(4)].

### Compliances and procedures

1. Issue invoice in respect of goods or services or both received by him from “unregistered supplier” **on date of receipt of goods or services or both.**
2. Issue a **Payment Voucher** at the time of making payment to the supplier.

What if tax is payable under section 9(4)?

**Registered person may issue a consolidated invoice at the end of the month.**

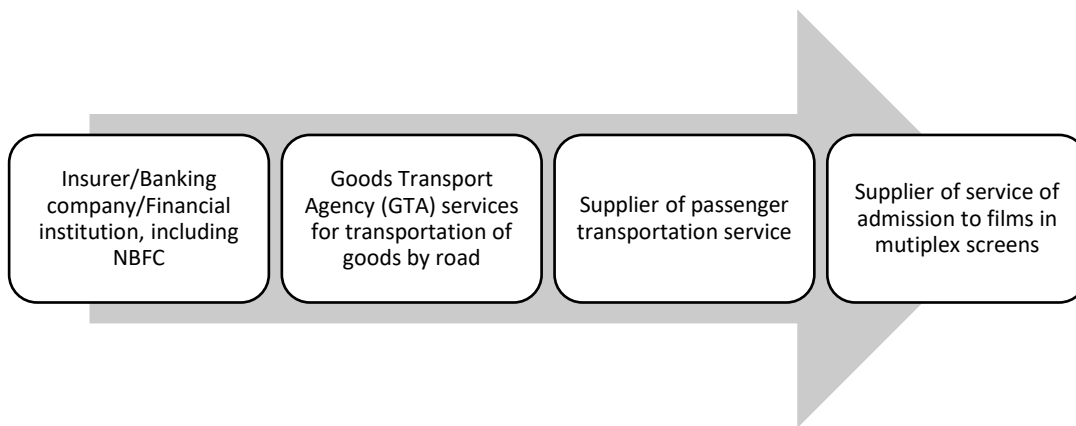


**CONTENTS OF PAYMENT VOUCHER**

- (i) Name, address and GSTIN of the supplier and recipient (if registered);
- (ii) A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
- (iii) Date of issue
- (iv) Number and date of payment voucher
- (v) Description of goods or services
- (vi) Amount paid
- (vii) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (viii) Amount of tax payable in respect of taxable goods or services
- (ix) Signature or digital signature of supplier or his authorized representative
- (x) Place of supply along with name of State, in case of inter-state supply

**Suppliers permitted to issue any document other than tax invoice [Section 31(2) and proviso to section 31(1) read with rules 54 and 55]**

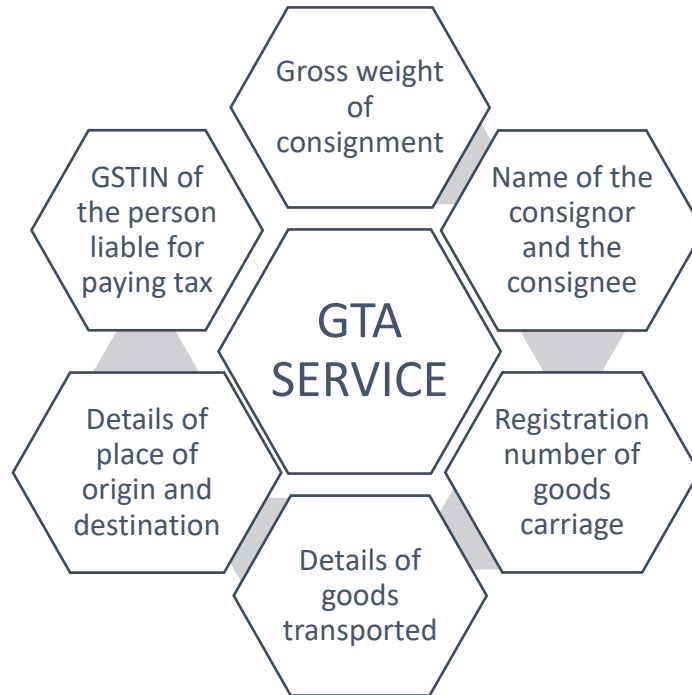
Following suppliers may issue a tax invoice, but they are also permitted to issue **any other document** in lieu of tax invoice,



Optional Information	Mandatory Information
Serial number	Other information as prescribed for a Tax Invoice, under rule 46
Address of the recipient of taxable service	Tax invoice shall include ticket in any form, by whatever name called. [Passenger transportation service]; E-ticket deemed to be a tax invoice even if it does not contain details of recipient

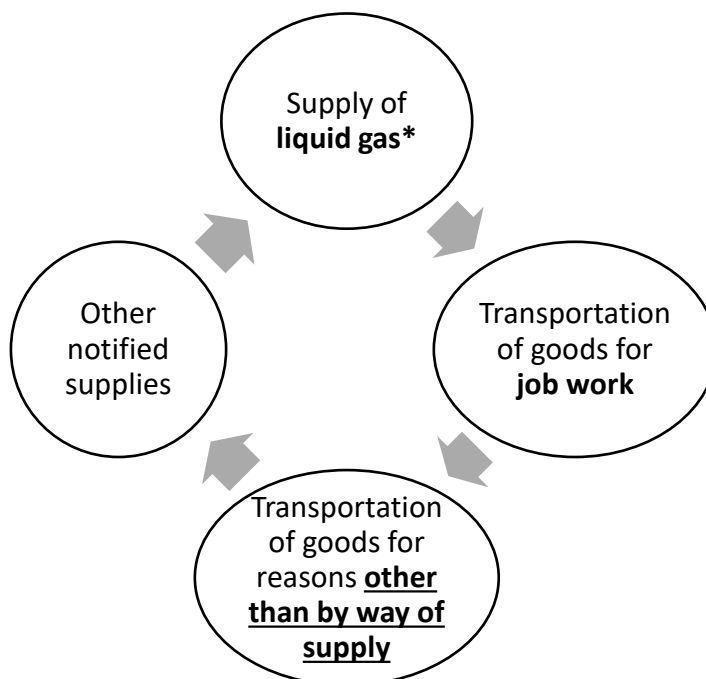


**Mandatory Information for GTA services**



**DELIVERY CHALLAN [Rule 55]**

Rule 55 specifies following cases where at the time of removal of goods, **goods may be removed on delivery challan and invoice may be issued after delivery.**



*\*where quantity at time of removal from place of business of supplier is **not known***



The delivery challan shall be prepared in **TRIPLICATE**

- (i) **ORIGINAL** FOR CONSIGNEE
- (ii) **DUPLICATE** FOR TRANSPORTER
- (iii) **TRIPLICATE** FOR CONSIGNOR

**Tax Invoice to be issued after delivery of goods**

Where goods being transported are for purpose of supply to recipient but **tax invoice could not be issued at time of removal of goods for purpose of supply, the supplier shall issue a tax invoice after delivery of goods.**

**Declaration in E-way bill**

Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared in E-Way Bill

**Goods Transported in SKD /CKD condition or in batches/lots**

- (i) Supplier shall issue **complete** invoice **before dispatch of first consignment;**
- (ii) Supplier shall issue **delivery challan** for each of subsequent consignments, giving reference of invoice;
- (iii) Copies of corresponding delivery challan shall accompany each consignment along with a duly certified copy of the invoice; and
- (iv) Original copy of invoice shall be sent along with the **last consignment.**

**Tax invoice in case of Input Service Distributor (ISD)  
[Rule 54(1) & 54(1A)]**

**CONTENTS OF ISD INVOICE**

- (i) Name, address and GSTIN of the ISD and recipient to whom credit is distributed
- (ii) A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
- (iii) Date of issue
- (iv) Amount of credit distributed
- (v) Signature or digital signature of ISD or his authorized representative



### Other points to be remembered

#### What if the ISD is an office of a banking company or a financial institution, including NBFC?

A tax invoice shall include any document in lieu thereof, by whatever name called, **whether or not serially numbered but containing the information as mentioned above.**

#### Can a registered person issue debit note/ credit note to ISD?

A registered person, having the same PAN and State code as an ISD, may issue an invoice or, as the case may be, a credit/debit note **to transfer the credit of common input services to the ISD**, which shall contain the following details:

- (i) Name, address and GSTIN of the registered person having same PAN and same State Code as ISD.
- (ii) A consecutive serial number not exceeding 16 characters containing alphabets/numerals/special characters
- (iii) Date of issue
- (iv) GSTIN of **supplier of common service** and **original invoice number** whose credit is sought to be transferred to the ISD
- (v) Name, address and GSTIN of the ISD
- (vi) Taxable value (same as that of value of common services), rate and amount of credit to be transferred
- (vii) Signature or digital signature of registered person or his authorized representative

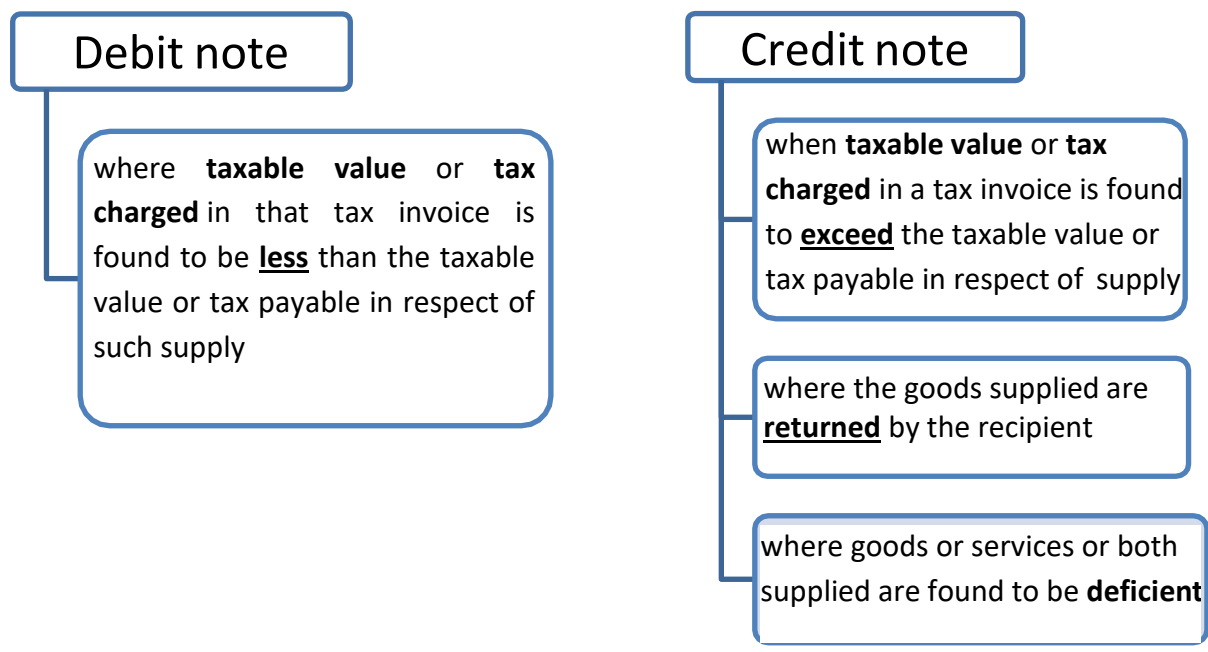
### Tax invoice or bill of supply to accompany transport of goods [Rule 55A]

Person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with Rule 46, 46A or 49 ***in a case where such person is not required to carry an e-way bill under these rules.***



## CREDIT NOTES AND DEBIT NOTES [SECTION 34]

A registered person is required to issue credit note or debit note under certain circumstances. Following table summarizes such situations:



### Differences between Debit Note and Credit Note

Debit Note	Credit Note
The supplier has erroneously declared a <b>value which is less than the actual value of the goods or services or both provided</b>	The supplier has erroneously declared a <b>value which is more than the actual value of the goods or services provided</b>
The supplier has erroneously declared a <b>lower tax rate than what is applicable</b> for the kind of the goods or services or both supplied.	The supplier has erroneously declared a <b>higher tax rate than what is applicable</b> for the kind of the goods or services or both supplied.
The quantity received by the recipient is <b>more</b> than what has been declared in the tax invoice.	The quantity received by the recipient is <b>less</b> than what has been declared in the tax invoice
Any other similar reasons	The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.
Once the debit note has been issued, the tax liability of <b>the supplier will enhance.</b>	Once the credit note has been issued, the tax liability of the <b>supplier will reduce.</b>



## HOW TO DISCLOSE DEBIT NOTES AND CREDIT NOTES IN RETURN

### CREDIT NOTES

Any registered person who issues credit note in relation to a supply of goods or services or both shall declare details of such credit note **in return for month during which such credit note has been issued** but not later than:

- (i) **30<sup>th</sup> November** following the end of FY in which such supply was made, **OR**
- (ii) date of furnishing of the relevant **ANNUAL RETURN**

***whichever is earlier***

No reduction in output tax liability of the supplier shall be permitted, if incidence of tax and interest on such supply has been passed on to any other person.

### DEBIT NOTES

Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare **details of such debit note in the return for the month** during which such debit note has been issued.

Debit note shall include a "**supplementary invoice**".

**Important Note:** The CGST (Amendment) Act, 2018 has allowed the registered person to issue **one (consolidated) or more credit/debit notes** in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

## CONTENTS OF DEBIT & CREDIT NOTES

- a) Name, address and GSTIN of the supplier;
- b) Nature of the document;
- c) A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- d) Date of issue of the document;
- e) Name, address and GSTIN or UIN, if registered, of the recipient;
- f) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;
- g) Serial number(s) and date(s) of the corresponding tax invoice(s) or, as the case may be, bill(s) of supply;
- h) Value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and
- i) Signature or digital signature of the supplier or his authorised representative.

**FACILITY OF DIGITAL PAYMENT TO RECIPIENT [Section 31A]**

The Government may, on the recommendations of the Council, prescribe a class of **registered persons** who shall provide prescribed modes of **electronic payment to the recipient** of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed. **[Inserted vide Finance Act 2019]**

**PROHIBITION OF UNAUTHORISED COLLECTION OF TAX [SECTION 32]**

An unregistered person shall not collect any amount of tax under this Act in respect of any supply of goods or services or both.

No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

**AMOUNT OF TAX TO BE INDICATED IN TAX INVOICE AND OTHER DOCUMENTS [SECTION 33]**

**Where any supply is made for a consideration** → Every person who is liable to pay tax for such supply shall ***prominently indicate*** in all documents relating to assessment, tax invoice and other like documents, **amount of tax which shall form part of price at which such supply is made.**

**Procedure in case of return of “time expired medicines/drugs”  
[Circular No. 72/46/2018-GST dated 26/10/2018]****Issue:**

- (i) It is a common trade practice in the ***pharmaceutical sector*** that the drugs or medicines are ***sold by the manufacturer to the wholesaler*** and by the wholesaler to the retailer on the basis of an invoice/bill of supply as case may be.
- (ii) Such goods have a defined life term which is normally referred to as the date of expiry.
- (iii) Goods which have crossed their date of expiry are colloquially referred to as time expired goods and are returned back to the manufacturer, on account of expiry, through the supply chain.



### Option 1: Return of time expired goods to be treated as fresh supply

<b>Registered person (other than a composition taxpayer)</b>	<p>(i) He may, at his option, <b>return the said goods by treating it is as a fresh supply</b> and thereby issuing an invoice for the same (hereinafter referred to as the, “return supply”).</p> <p>(ii) The value of the said goods as shown in the invoice on the basis of which the goods were supplied earlier <b><u>may be taken as the value of such return supply.</u></b></p> <p>(iii) The wholesaler/manufacturer, who is the recipient of such return supply, <b>shall be eligible to avail ITC of the tax levied on the said return supply</b> subject to the fulfilment of conditions specified in section 16 of the CGST Act.</p>
<b>Composition supplier</b>	He may return the said goods by issuing a bill of supply and pay tax at the rate applicable to a composition taxpayer. <b>No ITC</b> will be available to recipient of return supply.
<b>Unregistered person</b>	He <b>may return the said goods</b> by issuing any commercial document without charging any tax on the same.

#### Where time expired goods which have been returned by the retailer/wholesaler are **“destroyed”** by the manufacturer?

He/she is required to **reverse the ITC availed on the return supply in terms Section 17(5)(h) of the CGST Act**. It is pertinent to mention here that the ITC which is required to be reversed in such scenario is the ITC availed on the return supply **and not the ITC that is attributable to the manufacture of such time expired goods.**

**Illustration:** Supposedly, manufacturer has availed ITC of ₹ 10 at the time of manufacture of medicines valued at ₹ 100. At the time of return of such medicine on the account of expiry, the ITC available to the manufacturer on the basis of fresh invoice issued by wholesaler is ₹ 15. So, when the time expired goods are destroyed by the manufacturer he would be required to reverse ITC of ₹ 15 and not of ₹ 10.

### Option 2: Return of time expired goods by issuing Credit Note

#### Supplier to issue Credit Note

As per Section 34 of the CGST Act **the supplier can issue a credit note** where the goods are returned back by the recipient. Thus, the manufacturer or the wholesaler who has supplied the goods to the wholesaler or retailer **has the option to issue a credit note** in relation to the time expired goods returned by the wholesaler or retailer.



### **Recipient to issue delivery challan on return by retailer/wholesaler**

In such a scenario, the retailer or wholesaler may return the time expired goods by issuing a **delivery challan**. It may be noted that there is **no time limit for the issuance of a credit note in the law** except with regard to the **adjustment of the tax liability in case of the credit notes** issued prior to the month of September following the end of the financial year and those issued after it.

### **What if credit note is issued within time limit specified in Section 34(2) of the CGST Act**

The tax liability may be adjusted by the supplier, subject to the condition that the person returning the time expired goods has either

- not availed the ITC or
- if availed has reversed the ITC so availed against the goods being returned

### **What if credit note is not issued within time limit specified in Section 34(2) of the CGST Act**

A credit note may still be issued by the supplier for such return of goods **but the tax liability cannot be adjusted by him in his hands.**

It may further be noted that in case time expired goods are returned beyond the specified time period, a credit note is issued consequently, there is no requirement to declare such credit note on the common portal by the supplier (i.e. by the person who has issued the credit note) **as tax liability cannot be adjusted in this case.**



## TAX INVOICES

### What if time expired goods are destroyed by the manufacturer on receipt from retailer/wholesaler?

He/she is required to reverse the ITC attributable to the manufacture of such goods, in terms of Section 17(5)(h) of the CGST Act. This has been illustrated in table below:

“Date of Supply” of goods from manufacturer/ wholesaler to wholesaler/ retailer	“Date of return” of time expired goods from retailer / wholesaler to wholesaler / manufacturer	Treatment in terms of tax liability & credit note
01/07/2017	20/09/2018	Credit note will be issued by the supplier (manufacturer / wholesaler) and the same to be uploaded by him on the common portal. Subsequently, tax liability can be adjusted by such supplier provided the recipient (wholesaler / retailer) has either not availed the ITC or if availed has reversed the ITC.
01/07/2017	20/10/2018	Credit note will be issued by the supplier (manufacturer / wholesaler) but there is <b>no requirement to upload</b> the same on the common portal. Subsequently tax liability cannot be adjusted by such supplier.

The clarification may also be applicable to return of goods for reasons other than being time expired.