

INTRODUCTION TO GST
VALUE OF SUPPLY-PART 4

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As I told you invoice is a very relevant document because based upon this invoice tax will be determined and whatever value you have mentioned in this invoice of your goods or the services will be accepted by the government or other stakeholders and whatever amount you will pay as per the invoice will be accepted to the government. So, invoice should be correct technically or otherwise. And law says, there are some important information that your invoice must carry. Under GST, there is no standard format of invoice. GST has not given any format.

GST/07/31/4-30

What is mandatory information a taxable invoice must carry?
-(Part-1)

- name, address and Goods and Services Tax Identification Number of the supplier
- a consecutive serial number not exceeding sixteen characters
- Date of its issue
- **Name, address and Goods and Services Tax Identification Number or Unique Identity Number, of the recipient, IF registered,**
- Name and address of the recipient and the address of delivery, along with the name of the State and its code, **if such recipient is un - registered** and where the value of the taxable supply is **fifty thousand rupees or more**
- **Harmonised System of Nomenclature code (HSN) for goods or ASC for services**
- Description of goods or services
- **Quantity in case of goods and unit or Unique Quantity Code**
- Total value of supply of goods or services or both,

Contd.... Part-1

But it mentions about the information that must be carried by your invoice. So, there is a list of the information which must be there, which must be mentioned in your invoice and if you want to give some additional information it is up to you, you can give, but bare minimum what is prescribed under law that must be present or must be mentioned in your invoice. Format: whatever the way you want to use.

So, it says, your invoice whenever you are selling goods or you are supplying services and you are going to raise invoice to your customer or to your client, or to the recipient, it must carry name, address, goods and service identification number of supplier. It is very, very important. Means, the person who is raising this invoice, his complete detail must be there in the invoice itself. It must say who is the supplier, who is raising this bill/invoice.

Then, consecutive serial number not exceeding 16 characters. So, it must be serially numbered. Every invoice must be serially numbered every year and must contain the date of issue invoice. So, on which date this invoice is raised because this date will decide when you are supposed to pay tax. This date is important for the payment of tax.

Then it says name, address, goods and service identification number, unique identification number of recipient. It must also carry GST number, name, address, state code of recipient/consumer also, if the consumer is a registered person means it's a B2B transaction. So, detail of supplier as well as detail of buyer both should be there in your invoice.

Then it says name and address of recipient and address of delivery along with the name of the state and its code, if such a recipient is an unregistered person. So, consumer may be a registered person, consumer may be an unregistered person. So, if it is an unregistered person, his name, his address of delivery, where we are giving/delivering goods to the person should be mentioned in the invoice along with the state where he is living.

It puts a further condition where the value of taxable goods is more than 50,000 rupees. So, meaning is, if any registered person is supplying goods to an unrestricted person and value of such goods is more than 50,000 rupees, he should mention clearly the name, address, recipient and address of delivery where goods are to be delivered to the recipient.

Further, 'Harmonized System of Nomenclature', i.e. HSN code of product must be there in your invoice. There is a worldwide accepted HSN code for each product you manufacture. So, whenever you are to manufacture anything, before going for manufacturing, you must establish what is the HSN code of your product. Because unless you declare your HSN code, your registration process will not be completed. It is mandatory to give HSN code of your product. The deciding of HSN code depends on a lot of homework sometimes. Because due to technology processing and due to composition of raw material, the HSN code changes. So, whenever you are going for HSN code fixing also refer your production process, also refer your technology, refer your raw material composition etc etc. There is a long list of products having HSN codes along with their manufacturing processes. Carefully define your HSN code and start your business. So, HSN code must be there in your bill if you are supplying goods and SAC code in case of services. It is not ASC, it is SAC. (Correction to be made in the PPT)

Then description of goods. What type of goods you are selling? What is the name by which you call these goods? You have to mention in your invoice. Quantity. How much quantity you are supplying through this invoice? That must be there in your bill.

Then total value of the goods, i.e. transaction value of the product you are selling or services being provided, that must be mentioned in your invoice.

GST/07/31/5-30

What is mandatory information a taxable invoice must carry?

Part-2

- Taxable value of the supply of goods/services or both taking into account discount or abatement, if any
- Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- Amount of tax charged in respect of taxable goods or services
- Address of delivery where the same is different from the place of supply
- Whether the tax is payable on reverse charge basis
- place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce
- Signature or digital signature of the supplier
- Quick Response code , where e-invoice is generated and signature may not be required
- in case of Export invoice must carry "Supply meant for Export /supply to SEZ or SEZ Developer for authorised operation on payment of Integrated Tax" or Supply meant for Export / supply to SEZ Unit or SEZ Developer for authorised operations under Bond or Letter of Undertaking without payment of Integrated Tax"

Then taxable value of supply of goods, services or both taking into account discount or abatement if any. If you are offering some discount that must be mentioned in the invoice itself, because discounts have its own impact. So, we need to do that also.

Then rate of tax. What is the rate of tax applicable on this invoice; because if your product is subject to GST, the rate at which it is to be taxed, must be mentioned by you in your invoice and accordingly tax rate and tax amount will fix your liability; that this much of amount you are supposed to pay to the government.

Amount of tax charged.

Then address of delivery. Sometime it happens friends that your customer is sitting some other place and he wants delivery in some other place. So, there is this process under GST. 'Bill to ship to'.

So if that is the case you must mention in your invoice itself where the delivery is to be made; whether tax is payable on reverse charge basis if your selling or your services are covered under reverse charge mechanism as I informed you earlier also that there are some transactions which are covered under reverse charge if that is the case then in your bill, you will not charge GST and you have to mention that this transaction is covered under RCM. So, you have to mention it is covered under RCM.

Then place of supply, where the material is going to be consumed, i.e. where the supply was actually given. Since GST is a consumption-based tax, so, based upon the information given on your invoice where the consumption actually happens revenue will be given to that state. So, it is very important that our invoice should mention where the delivery is to be given; then of course, signatures of the authorized person on the invoice must be there that makes invoice a valid/authentic invoice issued by you or issued by the company.

Further friend it says when you are exporting goods you are supposed to raise invoice in that case also. So, it says this invoice must carry 'supply meant for export to SEZ or SEZ developer'. So, export has its own set of procedure and we have to follow that. So, in case of export, you are needed to mention that this invoice is generated for a SEZ unit or going to some other country and is manufactured for export only. That types of remarks must be there. And we have different system of exporting goods under GST. Sometimes we export goods by paying GST and sometimes we export goods without payment of GST under letter of undertaking LUT or bond.

So, whatever option we have opted, we are supposed to mention or we have to raise invoice accordingly, so that tomorrow we will not land in any problem. Because for export there is set rules and regulation, there is set procedure under section 54 of CGST Act read with rule 86 to 96 and also section 16 of IGST Act. All these sections impact your export transactions. So, we need to understand each and every section and the requirement of the law.

GST/07/31/6-30

How many copies of invoice are mandatory under law?

In case of supply of goods	In case of supply of services
The invoice shall be prepared in triplicate	The invoice shall be prepared in duplicate
<ul style="list-style-type: none"> ▪ ORIGINAL – for recipient 	<ul style="list-style-type: none"> ▪ ORIGINAL - for recipient
<ul style="list-style-type: none"> ▪ DUPLICATE - for Transporter 	<ul style="list-style-type: none"> ▪ DUPLICATE - for Transporter
<ul style="list-style-type: none"> ▪ TRIPLICATE - for supplier 	

Where e-invoice provisions applicable, only e-invoice is a valid taxable invoice.

So, friends whenever you are supplying goods to your customer and we are generating invoices and practically it happens that when goods are moved in trucks as I told you that goods cannot move out of factory without a document card invoice so it means one copy of invoice is required by truck driver and

because you have supplied goods to your customer so customer also need invoice because he has to take benefit of tax he has paid to you through this invoice he will take benefit. As I explained you in my previous slides, they will take ITC benefit based on this invoice because this invoice will show, will be evidence that they have paid tax to you.

So, as per the provisions of the law, in case of goods, we need three copies of invoice. One original copy, it will go to buyer. And based upon this copy, buyer will claim its ITC benefit. He will write his books of accounts and make payment to supplier based upon the original copy of invoice. And original copy must be marked as original. And duplicate copy of the invoice will go with truck and driver will carry this along with the goods. So, on the way to consumer premises, if on the way any government official checks the vehicle, it must carry invoice. Then triplicate copy is the office copy of a supplier who will record the transaction in his books of accounts based upon this third copy invoice/triplicate copy invoice and also discharge his tax liability to the government because it is its outward liability, it is sale and this sale or the supply is subject to GST and supplier will pay tax to the government based on this third copy of invoice.

So, in the nutshell, in case of goods, we need three copies of invoice, original will go to buyer, duplicate will be carried by driver and third copy will be kept in his record by the supplier. In case of services, because there is no movement of services through trucks and all, so we need two copies only. One original copy for the recipient, who is the consumer of the services, and second one is for the supplier who is providing services, so that he can discharge his tax liability and service recipient can have ITC benefit.

And in GST, because it is a IT-based tax structure, there is a concept of e-invoicing also. So, wherever any business house having turnover more than 5 crore rupees, they are to mandatorily raise e-invoicing through e-invoice portal. So, when they are raising e-invoice portal, this invoice is as good as taxable invoice. So, it has its own importance under GST. The business house having turnover more than 5 crores they are supposed to raise only e-invoices, only then this transaction will be considered as valid transaction, otherwise complication may come. So, friends, business transactions are so complex nowadays so you cannot generalize the things.

Is there any supply of goods or services where invoice is not mandatory?

Yes, in case value of goods or service in single transaction is less than **Rs. Two Hundred**, recipient is unregistered person and does not require invoice, supplier may not issue Invoice. He may issue a consolidated taxable invoice for such supplies at the end of the date.

So, there are even cases where government or the law has given a relaxation of not issuing an invoice. And provision says, issuance of invoice may be exempted, in case value of goods or services in single transaction is less than rupees 200 and the recipient is an unlisted person. So, in open market, whenever going to shop and we are buying something, maybe medicine, maybe stationery item, maybe some rim or papers for office printing, may be a pen, If value is less than 200 rupees and I am as a consumer, I am not a registered person under GST, then the supplier/the shopkeeper may not issue invoice; rather he may issue a consolidated taxable invoice for such supplies at the end of the day. So, the shopkeeper who is having turnover of 30 lakh rupees, having hundreds of transactions a day, it is very difficult for him to deduct invoices for individual payments of 5 rupees, 10 rupees, 50 rupees or 100 rupees transactions. So, given a benefit under the law, law says he may deduct a consolidated taxable invoice at the end of the day by consolidating his invoices. But practically people are not following this practice which is a non-compliance and if the government or its officer check such records he may be penalized.

What is Bill of Supply?

A registered person supplying exempted goods or services or both or paying tax u/s 10 of CGST Act as an composite dealer, will issue a document known as **bill of supply** for supply of goods/services as the case may be.

On Bill of supply ITC is not available.

What is bill of supply? It is again a document under GST. Taxable invoice is one document. Bill of supply is another document. And what it says? Law says a registered person supplying exempted goods or services or both or paying tax under section 10 means if he is a composite dealer, he needs to issue a bill of supply. So, the transactions where GST is not to be charged in your bill, maybe in case of exempted goods, in case of exempted services, where dealer or the taxable person is registered under composite scheme where he is not supposed to charge tax in his invoice, but will have to raise a document (they will issue some document for the movement of goods or for the services) known as bill of supply. So, means where taxable invoice is not issued and is a case of exempted supply and of a composite dealer, then bill of supply document should be issued. It is nothing but a invoice only, but it will show that this is a bill of supply where GST is not paid on this document. And when bill of supply is issued, buyer cannot avail ITC. Because on bill of supply no GST is paid and once GST is not paid you cannot take ITC also. So, customers purchasing goods from a supplier who is not a regular dealer under GST or regular taxable person under GST they cannot avail ITC on the document issued by the supplier in form of bill of supply.

What is the Importance of Invoice or tax invoice under GST?

- A tax invoice is an important document.
- It's evidences of supply of goods or services,
- It's an essential document for the recipient to avail Input Tax Credit (ITC)
- It's an important indicator of the time of supply
- It's important to know place of supply

So, friends once again to sum up, what is the importance of invoice or a taxable invoice under GST? It says a taxable invoice is an important document. It is evidence of the supply of goods, an essential document for recipient to avail ITC and an important indicator to time of supply. The date mentioned on invoice will decide the time of supply and accordingly tax will be paid. And for the benefit of ITC (that is setup of your taxable liability against the tax you have already paid to your buyer), it will be available only based on this invoice. And it also decides place of supply. Because GST is a destination based tax, so where the customer, where the consumer, where the goods or where the services are consumed by the consumer will be decided by the invoice only and based upon that revenue will be sent to/transferred to that particular state where the consumption had ultimately taken place.

In case of Reverse Charge Mechanism (RCM), supplier does not raise Invoices, why?

Yes, in case of supplies covered under reverse charge mechanism (RCM), supplier being unregistered or otherwise don't raise invoices for his supplies of goods or services. In that case recipient or buyer or registered person raises taxable invoice on his own and claim ITC after paying taxes in cash on such supplies.

Friends, in case of reverse charge mechanism, (whatever we have discussed about raising invoice, may be in case of taxable invoice or may be raising bill of invoice, it is in case of forward charges), the recipient or the consumer pays tax to the government and supplier does not charge tax in his bill. So, law says, in case of supplies covered under reverse charge mechanism, supplier being unregistered or

otherwise do not raise invoice for his supplies of goods or services. Very clear. In case of reverse charge mechanism, supplier will not raise invoice or even if he does raise invoice, it will not be a taxable invoice. In that case, recipient or the buyer or the registered person shall raise a taxable invoice of his own and claim ITC after paying taxes in cash.

So, friends, all such transactions which are covered under reverse charge mechanism, supplier will not raise bill or a taxable invoice. He may send simple invoice or a bill of supply to the buyer and the buyer will raise taxable invoice on his own and will pay tax and that too in cash only. So, wherever reverse charge transactions are there, tax has to be paid in cash only. There is no settlement, there is no set off with the taxes paid to the supplier. So, this is an important point from the point of view of reverse charge mechanism. Whenever you are paying GST, whenever you are filing monthly returns, we make these calculations that how many transactions are covered under reverse charge and how much is the tax involved in that and that amount we need to pay in cash only.

GST/07/31/11-30

What is Receipt Voucher? Part-1

Receipt Voucher :-Whenever, a registered person receives an advance payment with respect to any supply of goods or services or both, he has to issue a receipt voucher evidencing the receipt of such payment and such receipt voucher shall contain:-

- name, address and Goods and Services Tax Identification Number of the supplier
- a consecutive serial number not exceeding sixteen characters
- Date of its issue
- Name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient
- Description of goods or services to be supplied in future;

contd...2

What is receipt voucher in a GST? These are some documents explained along with the invoices which are relevant under GST for business transactions. A receipt voucher: Sometimes a registered person may receive an advance. It happens in business transactions that we need to pay advance to our supplier, only then he will supply. Sometime full advance is required or sometime part payment is required. In either condition, when we are paying advance to our supplier, for goods or services whatever it is, if a registered person receives an advance with respect to supply of goods or services or both, he has to issue a receipt voucher evidencing the receipt of such payment. Such receipt shall contain name, address and goods and services tax identification number of the supplier as well as the recipient, the consecutive serial number of that document, date of issue of that document, and the detail of the goods and services also.

What is Receipt Voucher?

Part-2

- Amount of advance taken
 - Rate of tax
 - Amount of tax charged in respect of taxable goods or services
 - place of supply along with the name of State and its code
 - Whether the tax is payable on reverse charge basis
 - Signature or digital signature of the supplier
 - **The rate of tax is not determinable, the tax shall be paid at the rate of eighteen per cent;**
 - **The nature of supply is not determinable, the same shall be treated as inter-State supply**
- (No GST Applicable if advance is received against supply of Goods)**

So, when you are receiving advance, you need to issue a voucher/receipt voucher that says that yes, advance is received from such and such person for such and such goods or services. It is evidence that yes, payment is made as a consideration for the supply of goods in future. It also mentions the amount received. It also mentions about the rate of tax applicable on such goods for which this advance is received, the amount of tax charged, place of supply where it will be delivered; whether tax is payable on reverse charge or not, even that has to be mentioned over here. For which transaction it is received, if it is received for reverse charge mechanism transaction then accordingly it will be dealt. Signature of that person, because advance, if it is received in case of goods, then advance received is not subject to GST. GST will be paid only when goods are actually supplied when invoice is raised but in case of services if advance is received then tax will be paid on advance amount also.

So, today if we are in month of May and we received one lakh rupees as advance for particular service and bill was raised in the month of October 24. So, in case of services we will not wait till October 24, but will pay GST tax in the month of May itself. So, on services, if advance is received, tax is applicable and payable immediately. But in case of goods, if advance is received, tax will be paid when goods are actually supplied against invoice. And law further says, if in any business transaction where tax rate is not determined, then you need to calculate tax at the rate of 18%. And if nature of supply is not determined, The same will be treated as inter-state sale. It happens sometimes that you are not clear though you have placed the order, but you are not clear whether that goods will be taken into account or goods will be delivered at which place. So, it will be presumed that it will be an inter-state transaction and once it is clear then accordingly transaction will be done. So, in case of goods, if advance is received, no GST will be paid. But in case of services, if advance is received, it has to be paid in the same month.

What is Refund voucher?

Part-1

Refund voucher :-Where any such receipt voucher is issued, but subsequently no supply is made and no tax invoice is issued, the registered person who has received the advance payment can issue a refund voucher against such payment and shall contain:

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters,
- (c) Date of its issue;
- (d) Name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;

contd..2

What is Refund voucher?

Part-2

- (e) Number and date of receipt voucher issued in accordance with the provisions of rule 50;
- (f) Description of goods or services in respect of which refund is made;

***A Registered person buying goods and/or services from an unregistered person needs to issue a payment voucher as well as a tax invoice.**

What is refund voucher? It is another document which is used in GST for accounting purposes and for evidence purposes, and for GST payment purposes also. So, where advance is received, a receipt voucher is received. If for some or the other reasons subsequently no supply is made, then no tax invoice is issued. You received advance for some supplies may be of goods or services, but for some or the other reasons you could not supply such goods or services for which advance was received. The person who has received the advance is supposed to return the money. So, when he will return the money, he will generate this document that is 'refund voucher'. He has refunded the money to the buyer or to the person who has given him advance. This voucher will be an evidence that whatever amount has been received by me has been refunded. Because later on if you have not issued this refund voucher and you have not paid money back to the person who has made it to you, this amount will be subject to GST. So if you have received advance, you are supposed to return it also.

When to issue Invoice in case of continuous supply of goods?

In case of continuous supply of goods, where successive statements of accounts or successive payments are involved,

- The invoice shall be issued before or at the time each such statement is issued or as the case may be, each such payment is received.

Friends, in normal circumstances it happens that when order is placed for particular goods and once the supplier had supplied those goods, the order is over. And in services also, when services are supplied, invoice is made, payment is received and the matter is over. But there are cases where there is a continued process of supplying of goods or services; i.e. you have placed an order for supplying of goods for a year on different periods of time or at different locations. Or you may be supplying regularly like telephone services, like electricity services, water supply services, CNG services, or in case of construction activities where the project is such a big project that it may go up to five years, etc.

When to issue Invoice in case of continuous supply of services ?

In case of continuous supply of services, where:

Payment is ascertainable	Payment is not ascertainable	Payment is linked to the completion
The due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment	The due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.	The payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

Under GST, there may be situations where a service or work or activity may go beyond three months, either involving the continuous supply of goods or services. The question is, if the things are happening beyond three months, so then when bill is to be raised? So very simple friends, if you have such contract which is going to happen for more than three months, your contract must mention about when invoices are to be raised. You can have a clause in your contract for raising invoices on monthly basis or on some

performance basis (like when work will be 25 percent completed, when 50 percent work will be completed, when 75 percent work will be completed). Invoices will be raised accordingly. Because in this process of continuous supply you need money to execute the things. So, better you have terms in such a way that you must get money in time and have a proper circulation of money and get the contract executed well in time. Otherwise, it has been observed that because of lack of money, because of cash crunch, projects get delayed.

So, in continuous supply of services, GST has its rules, as to when invoice is to be raised. It says in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, invoice shall be issued before or at the time of each such statement is issued. Sometimes it happens that you have to give a performance report and if your contract is silent, so based upon performance statements, you can raise your invoice. So, different type of methodology is given under GST law in case of continuous supply of services for the convenience of the business. So, it says where payment is ascertainable, we can determine how much is due for that particular supply. It says if the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of that payment.

Where payment is not ascertainable, i.e. the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when supplier of services receives the payment. Where payment is linked to completion of work, the invoice shall be issued on or before the date of completion of the event. So, meaning thereby, your contract must speak on that, as to when an invoice is to be raised. You may raise on monthly basis whether work is completed or not or you can have a performance based up to what level any work is done, (if 10% work is over you can raise invoice if 25% work is over you can raise invoice).

GST/07/31/17-30

When to Issue of invoice in case, where supply of service ceases under a contract before the completion of supply .

In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.

So, there may be chances where supply of service ceases under contract before completion of supply, means contract was not completed and you have terminated the contract and work is not completed. It says in case where supply of service ceases under a contract before completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of supply made before such cessation. So, you are supposed to raise invoice for the completion of work, for whatever quantum of work has been completed you can raise your invoice. There is no issue and accordingly you pay tax.