

BRINGING IN TRANSPARENCY

GST e-invoicing threshold to be halved to ₹5 crore

New rule to take effect from Aug 1, to help boost tax collections

SURABHI
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THE FINANCE MINISTRY has decided to lower the threshold for mandatory e-invoicing under the goods and services tax (GST) to ₹5 crore from the ₹10 crore at present, effective August 1, a move that will help improve the tax collections further.

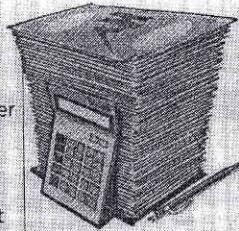
According to a notification by the Central Board of Indirect Taxes and Customs, firms with an annual turnover of ₹5 crore will have to generate e-invoices for business transactions. Under the e-invoice system, GST registered persons have to upload all B2B and export invoices to the Invoice Registration Portal (IRP). The IRP generates and returns a unique Invoice Reference Number, digitally signed e-invoice and QR code to the user. This is then transferred to the GST portal.

Over the years, the government has been reducing the threshold and bringing more and more taxpayers in the fold of e-invoicing in order to bring in transparency and gathering data for comparison with the returns filed by taxpayers.

EXPANDING THE NET

■ The govt has lowered the threshold for mandatory e-invoicing under GST to

₹5 cr
from the current limit of
₹10 cr
from August 1



■ The decision is expected to help boost collections

Initially from October 1, 2020, e-invoicing was mandatory for businesses with an annual turnover of ₹500 crore. This was then lowered to ₹100 crore from January 1, 2021 and further brought down to ₹50 crore from April 1, 2021. Effective April 1, 2022 the threshold was further reduced to ₹20 crore and then to ₹10 crore from October 1 last year. Experts noted that businesses should get their systems in place over the next few months. MS Mani, Partner, Deloitte India, said, "The progressive reduction in the e-invoicing threshold has been one of the contributory factors in the increasing GST collections, however impacted businesses would need to modify their supply and distribution

■ On April 1, 2022, the threshold was ₹20 cr and was brought down to ₹10 cr on Oct 1 last year

■ Under the e-invoice system, GST registered persons have to upload B2B & export invoices to the Invoice Registration Portal

activities to ensure compliances from August 1." Vivek Jalan, Partner, Tax Connect Advisory, noted that e-invoice is another way to curb the menace of fake invoices and the government is making it further stringent by reducing the threshold limit for generating e-invoices.

"It is pertinent to note that even the B2B customers of these new taxpayers to whom e-invoice would now be applicable would be affected," he said. In case they accept the invoices without e-invoice compliance from such suppliers then their input tax credit would be denied resulting in GST loss for them to the extent of 18% generally, which could severely impact their bottomline.