

# GSTN introduces Invoice Management System from 1 October 2024

4 September 2024

## Summary

The Goods and Services Tax Network (GSTN) has issued an advisory announcing the launch of the Invoice Management System (IMS), which will facilitate the accuracy of the Input Tax Credit (ITC) reconciliation. This functionality will be effective from **1 October 2024** on the Goods and Service Tax (GST) portal and will be available to both regular and Quarterly Return Monthly Payment (QRMP) taxpayers.

This facility would be a major enhancement in the ITC ecosystem, allowing the recipient taxpayers to either accept or reject an invoice or keep it pending in the system, which can be availed later. This would also allow the recipient to address invoice corrections/amendments with their suppliers.

## Key features of IMS

- **Availability of IMS functionality:** This facility will be available from **1 October 2024** onwards on the GST portal.
- **Benefit:** This facility will allow recipients to address invoice corrections/amendments with their suppliers. It will also provide them an opportunity to review the genuineness and authenticity of the received invoices.
- **Transaction flow on IMS:** Once the supplier saves any invoice in FORM GSTR 1/IFF/1A, it will be reflected on the recipient's IMS dashboard. The recipient will either accept or reject an invoice or keep it pending in the system, which can be availed later. The recipient's action will have results as below -
  - i. **Accept:** The accepted records will become part of the 'ITC Available' section of the respective FORM GSTR-2B, which will auto-populate in FORM GSTR-3B.
  - ii. **Reject:** The rejected records will appear under the 'ITC Rejected' section of the respective GSTR-2B, which will not auto-populate in FORM GSTR 3B.
  - iii. **Pending:** These records will not become part of FORM GSTR-2B and FORM GSTR-3B. Such records will remain on the IMS dashboard. The recipient may avail ITC on such invoices at any future point of time but not later than the maximum time limit prescribed under the Central Goods and Services Tax (CGST) Act, i.e., earlier than 30 November, following the end of the relevant financial year or the filing of annual return<sup>1</sup>.
- **Pending action constraints:** The 'pending' action will not be allowed in the following cases-
  - i. Original credit note.
  - ii. Upward amendment of the credit note, irrespective of the action taken by the recipient on the original credit note.
  - iii. Downward amendment of the credit note if the recipient rejects the original credit note.
  - iv. Downward amendment of the invoice/debit note, where the recipient accepted the original invoice/debit note, and the respective FORM GSTR-3B has also been filed.
- **Deemed acceptance:** At the time of generation of FORM GSTR 2B, a record will be considered as 'Deemed Accepted' if the recipient does not take any action in the IMS.

<sup>1</sup> Section 16(4) of the CGST Act

- **Period to take action:** The recipient may take action from the time the supplier saves the records in FORM GSTR 1/IFF/1A until the recipient files its respective FORM GSTR-3B. The recipient may take action even after the generation of FORM GSTR-2B till the filing of FORM GSTR-3B.
- **QRMP taxpayers:** The records/invoices saved or filed through the IFF by a QRMP taxpayer will flow to IMS for the recipient and will become part of GSTR-2B, as per action taken by the recipient in the IMS on the same. The GSTR-2B will not be generated for month M-1 and M-2 for QRMP taxpayers. GSTR-2B for a QRMP taxpayer will be generated quarterly only.
- **ITC in subsequent months:** In cases where the supplier amends any invoice filed in FORM GSTR-1 through FORM GSTR-1A, it will also flow to the IMS. However, the respective ITC will flow in FORM GSTR-2B generated for the subsequent month only.
- **Increase in supplier's liability:** The supplier's liability will be increased in FORM GSTR-3B for the subsequent tax period in case of invoices/records rejected by the recipient for the following transactions-
  - i. Original credit note rejected by the recipient.
  - ii. Upward amendment of the credit note rejected by the recipient, irrespective of the action taken by the recipient on the original credit note.
  - iii. Downward amendment of the credit note rejected by the recipient if the original credit note was rejected by him.
  - iv. Downward amendment of the invoice/debit note rejected by the recipient where the original invoice/debit note was accepted by him and the respective FORM GSTR-3B has also been filed.
- **Relevant records for FORM GSTR-2B:** At the time of generation of FORM GSTR-2B, only the invoices/records filed by the supplier will be considered for ITC computation.
- **Re-computation of FORM GSTR-2B:** It is mandatory to recompute FORM GSTR-2B from the IMS dashboard in cases where the recipient takes actions after generation of FORM GSTR-2B.
- **Sequential GSTR-2B:** FORM GSTR-2B for the subsequent month will be generated only if the taxpayer has filed FORM GSTR-3B of the previous tax period.
- **Exclusions:** Inward RCM supplies and supplies where the ITC is ineligible due to being time-barred<sup>1</sup> or on account of place of supply rule will not be reflected on the IMS and will directly appear in FORM GSTR-3B.
- **Amendment in saved invoices:** In cases where the supplier amends the details of a saved invoice in FORM GSTR-1 before filing, the amended invoice will replace the original invoice in IMS, irrespective of the action taken by the recipient on the original invoice.
- **Action on amended records:** It is mandatory for the recipient to take action on the original invoice and file the corresponding FORM GSTR-3B before taking any action on an amended invoice where the original and amended records pertain to two different GSTR-2B return periods.
- **No additional compliance:** This facility will not add any compliance burden on the taxpayers as the 'No Action' records will be considered as 'Deemed accepted.'
- **Transparency:** Suppliers will be able to see the actions taken by the recipient in the IMS. This will allow suppliers to track how the recipients are handling their invoices.

## Our comments

The IMS facility is designed to address invoice mismatches, streamline the invoice validation process, and enhance the transparency of the Input Tax Credit (ITC) claims on the GST portal. Any action the recipient takes, such as rejecting a credit note or downward amendment in an invoice, will directly impact the supplier, potentially increasing their tax liability the following month. This adds another layer of automation to the GST compliance.

It also marks a significant shift in the GST compliance landscape, necessitating businesses to update their internal processes to align with these new requirements. Additionally, this functionality demands meticulous attention to review each invoice to ensure that the ITC claims are accurate and take timely action for the ITC management.

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