

DESAI SAKSENA & ASSOCIATES

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Friday Tax Alert

From:

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Invoice Management System (IMS)

To enable taxpayers to efficiently address invoice corrections/amendments with their suppliers through the portal, a new communication process is being brought to the portal. This will also facilitate taxpayer in matching their records/invoices vis-a-vis issued by their suppliers for availing the correct Input Tax Credit (ITC).

GSTN is in the process of developing a new functionality called **Invoice Management System (IMS)** which will allow the recipient taxpayers to either accept or reject an invoice or to keep it pending in the system, which can be availed later.

Effective Date:

This facility shall be available to the taxpayer from 1st October onwards on the GST portal.

The said functionality would be a major enhancement in the ITC ecosystem of GST. Now, only the accepted invoices by the recipients would become part of their GSTR-2B as their eligible ITC.

Easy to Manage Invoices Directly from IMS Dashboard

IMS will allow taxpayers to review the genuineness and authenticity of the received invoices. Once the suppliers save any invoice in GSTR 1 / IFF / 1A /the same invoice will be reflected in the IMS dashboard of the recipient.

The recipient can accept or reject an invoice or can simply keep it pending in the system. These actions can be taken from the time the supplier taxpayer saves the records in GSTR 1 / IFF / 1A until the recipient taxpayer files his/her corresponding GSTR-3B. If the recipient doesn't take any action on an invoice in IMS then it will be deemed accepted and will move to GSTR-2B as an accepted invoice.

Impact of Supplier Amendments on IMS and ITC:

In case, the supplier amends the details of a saved invoice in the GSTR-1 before filling the GSTR-1, in such cases the amended invoice will replace the original invoice in IMS, irrespective of the action taken by the recipient on the original invoice.

In case the supplier has amended any invoice filed in GSTR-1 through GSTR-1A then the same will also flow to IMS, however, ITC corresponding to the same will flow in GSTR-2B of the recipient, generated for the subsequent month only.

The invoices which would be kept pending can be availed by taxpayers at any future point of time but not later than the limits prescribed by Section 16(4) of the CGST Act, 2017. All the invoices/ records reported or saved by the supplier taxpayer in their GSTR-1 or IFF or GSTR 1A will be available in the IMS dashboard of the recipient taxpayer for taking the actions. Supplier will also be able to see, what action his recipient has taken on invoices in IMS.

GSTR-2B Generation and Actions on Invoices:

Further, at the time of generation of GSTR-2B only the filed invoices/records by the supplier, will be considered for the computation of ITC. Based on the current cut-off dates and action taken by the recipient, a draft GSTR-2B will be made available to the recipient on the 14th of the subsequent month as currently being generated.

However, the recipient will be free to take actions of accept/reject or keep pending even after the generation of GSTR-2B till the filing of GSTR-3B. If recipient taxpayers have taken an action on any invoice after the 14th of the month, then they would be required to recompute their GSTR-2B.

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However, they will not be able to take any action after filing of GSTR-3B for the same month. It may be noted that till GSTR-3B is filed by the taxpayer, GSTR-2B for subsequent month will not be generated.

Invoice Categorization in MIS:

On the basis of action taken by the taxpayer, invoices/records can be categorized as mentioned below:

- i. **No action taken:** These are the invoices/records where no action has been taken by the recipient these will be treated as deemed accepted at the time of GSTR-2B generation;
- ii. **Accepted:** There are the accepted records and will be part of the GSTR-2B generation;
- iii. **Rejected:** These records will not be considered for GSTR-2B generation;
- iv. **Pending:** These records will not be considered for GSTR-2B generation for the month, the same will be carried forward in IMS itself for further action in subsequent months.

This functionality is a facilitation for the taxpayers and will not add any compliance burden on the taxpayers as *No Action* records shall be considered as *Deemed Accepted* and the taxpayer's Intervention will only be required if a record needs to be rejected or kept pending.

Impact on QRMP Taxpayers:

The records/invoices saved or filed through 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 IMS on the same. The GSTR-2B of the recipient will be generated monthly unless the recipient is a QRMP taxpayer.

It may be noted that GSTR-2B will not be generated for Months M-1 and M-2 for QRMP taxpayers. GSTR-2B for a QRMP taxpayer will be generated on a Quarterly basis only.

The flow of IMS:

All the outward supplies reported in the GSTR 1 / IFF / 1A shall populate in the IMS of recipients for taking the action.

Accept

Accepted records will become part of the 'ITC Available' section of respective GSTR 2B. GST on accepted records will auto-populate in GSTR 3B as eligible ITC.

Reject

Rejected records will become part of the 'ITC Rejected' section of respective GSTR 2B. ITC of rejected records will not auto-populate in GSTR 3B.

Pending

Pending records will not become part of GSTR 2B and GSTR 3B. Such records will remain on the IMS dashboard till the time the same is accepted or rejected.

'Pending' action shall not be allowed in the following scenarios:

- a) Original Credit note
- b) Upward amendment of the credit note irrespective of the action taken by the recipient on the original credit note
- c) Downward amendment of the credit note if the original credit note was rejected by the recipient,
- d) Downward amendment of Invoice/ Debit note where original Invoice/ Debit note was accepted by the *recipient* and respective GSTR 3B has also been filed.

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Key points on IMS:

1. Deemed accepted: At the time of GSTR 2B generation, a record will be considered as 'Deemed Accepted' if no action is taken on that record in IMS.
2. It is mandatory to recompute GSTR 2B from the IMS dashboard in case of any change in action already taken on concerned records or any action is taken after the 14th of the month i.e. date of generation of Draft GSTR-2B.
3. The following supplies will not go to IMS and will be directly populated in the GSTR 3B -
 - a) Inward RCM supplies where a supplier has reported in the Table 4B of IFF / GSTR 1 or GSTR 1A and.
 - b) Supplies where ITC is not eligible due to section 16(4) of CGST Act or on account of POS rule.
4. Records will flow to the IMS dashboard at the time of saving of record by a supplier in respective form and the recipient can take action on such record in IMS. However, such records will be populated in GSTR 2B after the filling of the return in GSTR-1/IFF/1A by the supplier.
5. All the accepted/ deemed accepted/ rejected records will move out of the IMS dashboard after the filing of respective GSTR 3B.
6. Pending records will remain on the IMS dashboard and these records can be accepted or rejected in future months.
7. It is mandatory to take action on the original record and file the respective GSTR 3B before taking action on the amended record (amended through GSTR-1A/GSTR-1) *when the original and amended record belongs to 2 different GSTR 2B return periods*. If both the records belong to the same period's 2B, only amended records will be considered for the ITC calculation of GSTR 2B.
8. Any change made in a record/invoice before filing GSTR-1/1A/IFF by the supplier will reset the record's status on the recipient's IMS dashboard.
9. GSTR 2B will be sequential now. i.e. system will generate GSTR 2B of a return period only if GSTR 3B of the previous return period is filed.
10. The liability of the supplier will be increased in GSTR 3B for the subsequent tax period, for the invoices/records which have been rejected by the recipient in the IMS for the following transactions
 - a) Original Credit note rejected by the recipient
 - b) Upward amendment of the credit note rejected by the recipient irrespective of the action taken by the recipient on the original credit note
 - c) Downward amendment of the credit note rejected by the recipient if the original credit note was rejected by him,
 - d) Downward amendment of Invoice/ Debit note rejected by the recipient where original invoice/ Debit note was accepted by *him* and respective GSTR 3B has also been filed.

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Advisory on Reporting of supplies to un-registered dealers in GSTR1/GSTR 5

Vide Notification No. 12/2024 – Central Tax dated 10th July 2024, the Government has reduced the threshold limit for reporting invoice wise details of inter-state taxable outward supplies made to unregistered dealers from **2.5 Lakh to 1 Lakh** which needs to be reported in Table 5 of Form GSTR-1 and Table 6 of GSTR-5. In accordance with the new legal provisions, this change is currently under development on the portal and would be available to the taxpayers shortly.

Further, till the time the functionality is made available on the portal, it is advised to continue reporting the invoice-wise details of taxable outward.