

Do you want to assure your ITC: Steps to be taken by Recipient at the time of Receipt of Goods / Services

Sec 16 of CGST Act allows ITC to be availed on all goods and/or services which are used or intended to be used by the Recipient in the course or furtherance of business. Sec 16(2) read with rule 36 lays down the conditions for availment of ITC. Furthermore Sec 155 claims that where any person claims that he is eligible for input tax credit under this Act, the burden of proving such claim shall lie on such person.

Thus, as Recipient of goods and/ or services , we need to take various safeguards to ensure that ITC availed by us as recipient may not be contested by the department at any time in future.

Step 1: Ensuring the conditions laid down in Sec 16(2) are satisfied.

Sec 16(2) of CGST Act lays down following conditions:

- Goods or Services have been received
- the details of the invoice or debit note should be reflect in GSTR-2A of the recipient - *Inserted vide 'The Finance Act, 2021' w.e.f. date to be notified.*
- Recipient is in possession of Tax invoice or other Tax paying document [Rule 36]
- Tax charged in respect of such supply has been paid
- Registered person has furnished the valid return u/s 39

CGA Legal recommends all the above condition to be satisfied for availment of ITC.

Step 2: Ensuring applicability of E-Invoicing provisions on the Vendor

E-invoicing has come into effect from 1st Oct 2020 for companies having aggregate turnover of more INR 500 cr. in any of the preceding financial years from 2017-18 onwards. The threshold limit was subsequently reduced to INR 100 cr. from 1st January 2020. **CBIC has further reduced this threshold limit to INR 50 cr. w.e.f. 1st April 2021 vide Notification No. 05/2021-Central Tax dated 8th March 2021.**

As per Rule 48(4) of CGST Rules, the Specified Persons, i.e registered persons to whom E-Invoicing is applicable, would be required to obtain an Invoice Reference Number (IRN) by uploading information filled in Form GST INV-01 on the common portal. Further, **as per Rule**

48(5), every invoice issued by a person to whom rule 48(4) applies in any manner other than the manner specified in the said sub-rule [i.e. rule 48(4)] shall not be treated as an invoice.

CGA Legal recommends that Recipient organization to ensure receipt of E-invoice from the vendor to whom it is applicable. Else take the declaration form the vendor that E-invoicing is not applicable to them.

Step 3: Verification of Physical Invoice at the time of receipt of Goods and/or Services

In the case of E-Invoice, it needs to be ensured that the Physical Invoice carries the Invoice Reference Number (IRN) and QR Code. The IRN can be verified from E-Invoice portal. As it is difficult to log in every time on E-invoice portal for verification, CBIC has also introduced QR Code Verification Application which can be easily downloaded on the Mobile. It can be easily downloaded from E-invoice portal or follow Link-
<https://einvoice1.gst.gov.in/Others/QRCodeVerifyApp>.

QR Code is a two-dimensional barcode which will be created based on the following parameters:

- GSTIN of the supplier
- GSTIN of the recipient
- Invoice number given by the supplier
- Date of the generation of invoice
- Invoice value
- Number of line items
- HSN Code of the main item
- Unique Invoice Reference Number/Hash

Thus, by mere scanning the QR code through application, recipient can verify the above information with the Physical Invoice. In case of variation, vendor may be contacted to make the correction.

In case of Physical Invoice, following minimum information may be ensured as required by proviso to Rule 36(2) of CGST Rules. This includes; details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply.

CGA Legal recommends that recipient organization may train their Store Receipt personnel to verify Physical Invoice through QR Verify App in case of E-invoice to ensure no variation with data as feeded in E-Invoice portal. Further, the minimum information as required by proviso to Rule 36(2) may be ensured on Physical invoice. It may also be ensured that Invoice number and all other data may be correctly feeded while generation of GRN so that the reconciliation issues with GSTR-2A will be minimum.

About CGA Legal

CGA Legal is an Indirect Taxation firm that provides complete end to end solutions to all issues related to Goods & Services tax. The Firm boasts of a team of more than 25 indirect tax professionals including associates throughout the country. The team is experienced in providing consultancy to various multi-locational companies having interests in various industries like Automobile, FMCG, Electrical Appliances, Logistics, Information Technology and many more. CGA Legal aims to provide customized advisory and business-oriented solutions concerning Indirect taxation.

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