

## Linking E-way Bills with GST Returns

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**Rajat Mohan,  
Senior Partner,  
AMRG &  
Associates**



**Priyanka  
Sachdeva, Partner**

One of the main objectives of the e-way bill is to curb revenue leakage. With GST systems now stabilizing, the focus of the Central Board of Indirect Taxes and Customs is now on increasing compliance and checking tax evasion. GSTN has started work on business intelligence and analytics. To shore up revenue and increase compliances, stringent anti-evasion measures have to be put in place. One such measure to curb tax evasion is matching the details given in the Goods and Services Tax Returns with those given in the e-way bill by the authorities. The logic behind matching is to plug any possible leakage intentional or unintentional while of filing of tax returns. One of the main objectives of the e-way bill is to curb revenue leakage. With GST systems now stabilizing, the focus of the Central Board of Indirect Taxes and Customs is now on increasing compliance and checking tax evasion. GSTN has started work on business intelligence and analytics. To shore up revenue and increase compliances, stringent anti-evasion measures have to be put in place. One such measure to curb tax evasion is matching the details given in the Goods and Services Tax Returns with those given in the e-way bill by the authorities. The logic behind matching is to plug any possible leakage intentional or unintentional while of filing of tax returns. The government has come out with the introduction of a new functionality for “Import of Invoices declared in E-Way Bill”, which is made available on GST Portal. From now onwards, taxpayers will be able to directly import the invoices declared in the e-way bill system into Form GSTR-1 on the GST portal. This new facility would add to the immediate ease for taxpayers as this will reduce the manual working for the preparation of GSTR-1. However, it will also raise a problem in cases where taxpayers do not report some of the e-way bill transactions in GSTR-1. In the near future, the department can take a negative view in case of discrepancies noticed in the data reported in the GST returns vis-à-vis the e-way bill portal. As per the ongoing trend, the department is expected to send notices, seeking explanations on the mismatches noticed during a period. Thereby, it is crucial for registered persons to prepare timely reconciliations of outward supplies as declared in returns with the e-way bills generated by them or by their transporters. Suo-moto reconciliation by businesses would help them in pre-empting and correcting the differences in tax filings much before any notice is received from the department. However, the Eway bills reconciliation report whether suo-moto or by the government is expected to face some inbuilt gaps.

1. No generation of e-way bills in case of a supply of services: E-way bills are not required to be generated in case of a supply of services, whereas the same needs to be reported in GST returns. Eway Bills mechanism cannot check service transactions, thereby businesses should have a robust IT system to segregate such transactions to have correct reconciliation picture. On the other hand, currently GSTN also does not have any mechanism to identify service transactions due to the non-punching of invoice-wise HSN.

2. E-way bills on the movement of goods above a threshold limit: The data declared in GSTR-1 includes all supplies, regardless of any threshold limit, whereas e-way bills are required to be issued only in cases where the value of goods exceed a certain threshold limit (ranging from INR 50,000 to INR 2,00,000). GSTN being a government entity would have developed a network in a manner whereby transactions below threshold limit could be identified and the impact of the same could be taken in reconciliation reports. However, we believe as of now no ASP/GSP is being able to develop any such system which gives an automated PAN India report post identifying state-wise threshold limits for the generation of Eway bills.

3. Generation of e-way bills for movement of goods on delivery challans: E-way bills are required to be

generated for movement of goods which not even constitute a supply, like goods sent to job worker on delivery challan, movement of goods from one place of business to additional place of business, etc. However, the details of such supplies are not reported in GSTR-1. Identifying and matching such transactions would neither be challenge for GSTN nor for a business as delivery challans are run as a separate unique series altogether. Businesses may face a minor challenge in cases where IT errors are experienced in reporting delivery challans separately.

4. Where goods are being transported by a non-motorized conveyance: According to CGST rules, there is no requirement to generate e-way bill for goods even the value of goods is more than the prescribed limit is being transported by a non- motorized conveyance, such as bullock cart, cycle or any other method. In such a case, the details are reported under GSTR-1 but the same is not reported on the e-way bill portal, which will lead to a mismatch in reconciliation.

Matching of invoices of e-way bills with the sales shown in GSTR-1 will help suppliers in assessing whether the supplies have been accurately shown in sales return and GST paid on the same. Further, this mechanism will be a significant tool with the GST authorities in curbing tax-evading practices. Department is trying to minimize bogus bill transactions that are spread very extensively in the markets for evasion of taxes. Notices are served by the authorities seeking clarifications for differences in tax amounts and various other discrepancies noticed. Further, any action taken by the tax authorities against the business, such as initiation of litigation on account of tax evasion, could result in damage to the reputation of the businesses. In order to avoid such a situation, necessary precautions have to be taken by businesses much before any such report given by GSTN to GST authorities. Businesses need to be proactive which would help them in managing tax risk on the company.