



## E-Invoicing and Curbing Tax Evasion

**For Prelims:** E-Invoicing, [Tax Evasion](#), [GST](#), Automated Return Scrutiny Model, [e-Way Bill](#), [Input Tax Credit](#).

**For Mains:** Reducing the threshold of E-Invoicing, its significance and Related Concerns, Tax Evasion.

### Why in News?

Recently, the Government has lowered the threshold for businesses to generate **e-Invoice for Business-to-Business (B2B) transactions**, from Rs 10 crore to Rs 5 crore with the aim to curb [Tax Evasion](#) and increase compliance under the [Goods and Services Tax \(GST\) Regime](#).

- The government has also rolled out the **Automated Return Scrutiny Module (ARSM)** for GST returns in a backend application for central tax officers.

### What is the Automated Return Scrutiny Module?

- The ARSM is a part of the ACES (Automation of Central Excise and Service Tax)-GST backend application **that uses data analytics to identify risks and discrepancies in GST returns**.
- This helps tax officers to scrutinize the GST returns of Centre Administered Taxpayers who are **selected based on the risks identified by the system**.
- The module also generates alerts if any non-compliance is detected.
  - The automated return scrutiny module has already commenced with the scrutiny of GST returns for **FY 2019-20**, with the requisite data already with the tax officers.

### What is e-Invoicing Under GST?

- **About:**
  - e-Invoicing is a system where B2B (Business to Business) invoices and some other documents are **electronically authenticated by the GSTN (Goods and Service Tax Network)** for further use on the GST portal.
  - e-Invoicing involves submitting **already generated standard invoices on a common e-invoice portal**, automating reporting with a one-time input of invoice details.
  - An identification number is issued **against every invoice by the Invoice Registration Portal (IRP)**, which transfers the invoice information in real-time to the GST portal and the [e-Way Bill](#) portal.
    - **E-Way Bill** is a **compliance mechanism wherein by way of a digital interface** the person causing the movement of goods uploads the relevant information prior to the **commencement of movement of goods and generates an e-way bill** on the GST portal, and therefore facilitating faster movement of Goods.
  - This eliminates manual data entry **while filing returns and generating e-way bills**.
- **Objectives:**
  - The [GST Council](#) in its 37<sup>th</sup> meeting in September 2019 had approved the **standard of e-invoice with the primary objective to enable interoperability** across the entire GST

ecosystem.

▪ **Significance:**

- With a uniform invoicing system, the tax authorities are able to pre-populate the return and reduce the reconciliation issues.
- With a high number of cases involving fake invoices and fraud avilment of input tax credit, **GST authorities have pushed for implementation of this e-invoicing system** which is expected to help to curb the actions of tax evaders and reduce the number of frauds as the tax authorities will have access to data in real-time.

### What is the Significance of Lowering Thresholds for e-Invoice?

- Lowering the threshold for e-invoicing is significant because **it expands the compliance mandate for more businesses**, especially small and medium-sized enterprises, and helps boost **GST revenue collections**.
- It is also expected to curb tax evasion, **broaden the GST tax base, and provide more data to tax authorities** for better compliance.
- By requiring more businesses to adopt e-invoicing, the government aims to **reduce mismatch errors and fraudulent activities associated** with the generation of fake invoices.

### What are the Concerns related to the Decision?

- Lowering the threshold for e-invoicing has raised some concerns for businesses, especially small and medium enterprises (SMEs), as they **may face challenges in adapting to the new requirements and investing in the necessary technology** to comply with e-invoicing norms. This could increase their compliance costs and pose a burden on their cash flows.
- Additionally, there may be challenges in terms of the capacity and preparedness of the GST Network (GSTN) to handle the increased load of e-invoices generated by a larger number of taxpayers. This could lead to **technical glitches and delays in invoice generation**, which could impact the smooth functioning of businesses.
- The maximum amount of fraud happens in B2C (Business to Consumer) invoices as **no ITC (Input Tax Credit)** is involved. As of now, **e-invoicing is not applicable to B2C transactions**.

### What are the other Measures to Curb Tax Evasion?

- [The Fugitive Economic Offenders Act, 2018](#)
- [The Black Money \(Undisclosed Foreign Income and Assets\) and Imposition of Tax Act, 2015](#)
- [Prevention of Money Laundering Act, 2002.](#)

### Way Forward

- The government can provide support to small and medium enterprises in adopting the new system, including **providing training and resources to help businesses comply with the new regulations**.
- Additionally, steps can be taken to address **concerns around data privacy and security to ensure that businesses feel comfortable** sharing their data in real-time.
- e-invoicing applies only to **B2B invoices**. Thus, a **separate workflow must be in place for delivery challans**, bill of supply, job work and other similar transactions.

### UPSC Civil Services Examination, Previous Year Questions (PYQs)

**Q.** Which one of the following effects of creation of black money in India has been the main cause of worry to the Government of India?

**(a)** Diversion of resources to the purchase of real estate and investment in luxury housing.

- (b) Investment in unproductive activities and purchase of precious stones, jewellery, gold, etc.
- (c) Large donations to political parties and growth of regionalism.
- (d) Loss of revenue to the State Exchequer due to tax evasion.

**Ans: (d)**

**Source: IE**

PDF Refernece URL: <https://www.drishtias.com/printpdf/e-invoicing-and-curbing-tax-evasion>

