

## DEBIT NOTES & CREDIT NOTES IN GST

**DR. NEELAM GOEL**  
DEPARTMENT OF COMMERCE  
SHYAMA PRASAD MUKHERJEE COLLEGE  
UNIVERSITY OF DELHI, DELHI.

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Tax invoice is one of the most important documents in any transaction as it evidences the supply of goods or services and also mentions all relevant details regarding such supplies. It is also a major indicator of time of supply. A registered person under GST cannot claim the benefit of Input Tax Credit unless he is in the possession of GST invoice or a debit note.

Note that, the time of raising a GST invoice would depend on the nature of supply i.e. whether it is supply of goods or supply of services.

In case of supply of taxable goods, a registered person shall issue an invoice at any of the following mentioned time:

- Before the removal of Goods, or
- After the removal of Goods, or
- Delivery of Goods, or
- Making them available to the Recipient

In the case of supply of taxable services, a registered person shall issue the GST invoice at any of the following mentioned time:

- Before the provision of service
- Within 30 days from the provision of service

### MANNER OF ISSUING GST INVOICE

The GST Invoice in the case of supply of goods and services shall be prepared in the following manner :

Issuing GST Invoice in the case of Supply of Goods	Issuing GST Invoice in the case of Supply of Services
1. The original copy being marked as Original for the recipient	1.the original copy being marked as Original for the recipient
2. The duplicate copy being marked as duplicate for the transporter	2.The duplicate copy being marked as duplicate for the supplier
3. The triplicate copy being marked as Triplicate for the Supplier	

### Invoices for Supply of Goods

The invoice must be prepared in **triplicate**. They will be clearly marked as:

1. Original Copy for the use of the recipient
2. Duplicate Copy for the use the transporter
3. Triplicate Copy for the use of the supplier

## Invoices for Supply of Services

The invoice must be prepared in **duplicate** and clearly marked as:

1. Original Copy for the use of the recipient
2. Duplicate Copy for the use the supplier

Form GSTR-1 will contain the serial number of invoices issued during the tax period along with other details of purchases.

Registered persons selling exempted goods/services or paying GST under composition scheme will need to issue a separate **bill of supply**. We have a separate article dealing with this subject.

Note that, the serial number of invoices issued during a month shall be mentioned in GSTR-1 which is furnished electronically.

The tax invoice issued must clearly mention information under the following 16 headings:

1. Name, address and **GSTIN of the supplier**
2. Tax invoice number (it must be generated consecutively and each tax invoice will have a unique number for that financial year)
3. **Date** of issue
4. If **the buyer (recipient) is registered** then the name, address and **GSTIN** of the recipient
5. If the recipient is **not registered AND the value is more than Rs. 50,000** then the invoice should carry:
  - i. name and address of the recipient, address of delivery, state name and state code
6. HSN code of goods or accounting code of services\*\*
7. Description of the goods/services
8. Quantity of goods (number) and unit (metre, kg etc.)
9. Total value of supply of goods/services
10. **Taxable value** of supply after adjusting any discount
11. **Applicable rate of GST**  
(Rates of CGST, SGST, IGST, UTGST and cess clearly mentioned)
12. **Amount of tax**  
(With breakup of amounts of CGST, SGST, IGST, UTGST and cess)

PPP Place of supply and name of destination state for inter-state sales

QQQ Delivery address if it is different from the place of supply

**RRR Whether GST is payable on reverse charge basis**

SSS Signature of the supplier

\*\* HSN Code:

- Turnover less than 1.5 crores- HSN code is not required to be mentioned
- Turnover between 1.5 -5 crores can use 2-digit HSN code
- Turnover above 5 crores must use 4-digit HSN code

## BILL OF SUPPLY

A Bill of Supply is required to be raised instead of a GST Invoice, if a registered person is dealing only in exempt supplies or is availing the benefit of the composition scheme. A Bill of Supply shall be issued by the supplier containing the following details:

1. Name, Address and GSTIN of the Supplier
2. A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year.
3. Date of its issue
4. Name, address and GSTIN or UIN, if registered of the recipient
5. HSN Code of Goods or SAC Code of Services
6. Description of Goods or Services or both
7. Value of Goods or Services or both taking into account, discount or abatement, if any
8. Signature or Digital Signature of the Supplier or his authorised representative

**HSN Code of Goods or Services**

- , HSN/SAC Code is required to be mentioned only if the turnover of the supplier is more than Rs. 1.5 Crores in the preceding Financial Year.
- , 2 Digit HSN Code is required to be mentioned if the annual turnover of the preceding Financial Year is more than Rs. 1.5 Crores but less than Rs .5 Crores.
- , 4 Digit HSN Code is required to be mentioned if the annual turnover of the preceding Financial Year is more than 5 Crores.

**Receipt of Advance Payment**

Whenever a registered person receives an advance payment with respect to any supply of goods or services or both , he has to issue a receipt voucher for the same. The receipt voucher has to contain the following particulars

- 1.Name , Address and GSTIN of the Supplier
  - 2.A consecutive serial number , in one or multiple series , containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “ - ” and “ / ” respectively , and any combination thereof , unique for a financial year.
  - 3.Date of its issue
  4. Name , address and GSTIN or UIN , if registered of the recipient 5.HSN Code of Goods or SAC Code of Services
  - 6.Description of Goods or Services or both
  7. Rate of Tax (CGST, SGST, IGST, UTGST)
  8. Amount of Tax charged in respect of taxable goods or services (CGST,SGST, IGST , UTGST)
  9. Place of supply along with the name of State , in case of supply in the course of inter-state trade or commerce.
  - 10.Whether the tax is payable on reverse charge basis.
  11. Signature or Digital Signature of the Supplier or his authorised representative
- Note that , it has also been provided in the invoice rules that if at the time of receipt of advance,
12. The rate of tax is not determinable , the tax may be paid @18%

The nature of supply is not determinable , the same shall be treated as Inter-state supply

**GST INVOICE UNDER SPECIAL CIRCUMSTANCES****I) Invoice under reverse charge basis**

In case the reverse charge provisions are applicable under GST , the recipient shall raise an invoice on self . The invoice shall be raised on a consolidate basis for all payments made during the day on which GST is levied under the reverse charge.

The registered person shall also issue a payment voucher in respect of such supplies at the time of making payment to the supplier.

**II) Invoice in case of continuous supply of goods**

In case of continuous supply of goods , where successive statements of accounts or successive payments are involved , the invoice shall be issued before or at the time of such statement is issued or , as the may be each such payment is received.

**III) Invoice in case of continuous supply of services In case of continuous supply of services where :**

- The due date of payment is ascertainable from the contract – the invoice shall be issued on or before the due date of payment.
- The due date of payment is not ascertainable from the contract – the invoice shall be issued before or at the time when the supplier of service receives the payment.
- The payment is linked to the completion of an event, the invoice shall be issued on or before the completion of an event.

**Invoice in case of Export of Goods or Services**

In case of Export of Goods or Services , the invoice shall carry one of the following , as the case may be :

- Supply meant for Export on Payment of Integrated GST
- Supply meant for Export under Bond or Letter of Undertaking without Payment of Integrated GST

The following details shall be mentioned on the invoice:

- Name of the recipient
- Address of delivery
- Name of the country or destination

**TRANSPORTATION OF GOODS WITHOUT INVOICE**

In the following cases , it is permissible for the consignor to issue a delivery challan in lieu of invoice at the time of removal of goods;-

1. Supply of Liquid Gas where the quantity at the time of removal from the place of the business of the supplier is not known.
2. Transportation of Goods for Job Work

Transportation of Goods for reasons other than by the way of supply

Note that , the Delivery Challan shall also be prepared in triplicate i.e. for the Consignee , Transporter and the Consignor.

**INVOICE IN CASE OF GOODS TRANSPORTED IN SEMI-KNOCKED DOWN OR COMPLETELY KNOCKED DOWN CONDITION**

Where the goods are being transported in a semi- knocked down or completely knocked down condition –

1. The supplier shall issue the complete invoice before the dispatch of the 1<sup>st</sup>.
2. The supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice.
3. Each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice.
4. The original copy of the invoice shall be sent along with the last consignment.

**GST CREDIT AND DEBIT NOTES**

Section 34 of CGST Act 2017 prescribes provisions related to issuance of debit notes and credit notes. The sub-section (1) and (2) to this section reads as follows:-

"(1) Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed.

(2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person."

The analysis of this section makes it clear that where a tax invoice has been issued against any supply, credit note may be issued by the supplier in following cases:-

- Taxable value or tax charged in that invoice is found in excess of actual; or
- In case of goods returned by the recipient; or
- Where the supply (goods or services or both) is found deficient.

Thus, in any of the above cases, option has been given to the supplier to issue a credit note as the language contained in the above section uses the word "may". This shows that it is optional for the supplier to issue the credit note, but once issued, its details are supposed to be filed by the supplier in the return.

## CREDIT NOTE

### Requirement of Credit Note in GST:-

A supplier of goods or services or both is mandatorily required to issue a tax invoice. However, during the course of trade or commerce, after the invoice has been issued there could be situations like:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value
- Any other similar reasons.

In order to regularize these kinds of situations the supplier is allowed to issue what is called as credit note to the recipient. Once the credit note has been issued, the tax liability of the supplier will reduce.

### What is a credit note ?

Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient what is called as a credit note containing the prescribed particulars.

### Format of a credit note

There is no prescribed format but credit note issued by a supplier must contain the following particulars, namely: –

- a) name, address and Goods and Services Tax Identification Number of the supplier;
- b) nature of the document;
- c) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
  - date of issue;
  - name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
  - name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;
  - serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
  - value of taxable supply of goods or services, rate of tax and the amount of the tax credited to the recipient; and
  - signature or digital signature of the supplier or his authorised representative.

### Adjustment of tax liability

The person who issues a credit note in relation to a supply of goods or services or both must declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier. In other words, the output tax liability cannot be reduced in cases where credit note has been issued after September.

The output tax liability of the supplier gets reduced once the credit note is issued and it is matched. The details of the credit note relating to outward supply furnished by the supplier for a tax period shall, be matched--

- a) with the corresponding reduction in the claim for input tax credit by the recipient in his valid return for the same tax period or any subsequent tax period; and
- b) for duplication of claims for reduction in output tax liability.

The claim for reduction in output tax liability by the supplier that matches with the corresponding reduction in the claim for input tax credit by the recipient shall be finally accepted and communicated to the supplier. The reduction in output tax liability of the supplier shall not be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

Where the reduction of output tax liability in respect of outward supplies exceeds the corresponding reduction in the claim for input tax credit or the corresponding credit note is not declared by the recipient in his valid returns, the discrepancy shall be communicated to both such persons. Whereas, the duplication of claims for reduction in output tax liability shall be communicated to the supplier.

The amount in respect of which any discrepancy is communicated and which is not rectified by the recipient in his valid return for the month in which discrepancy is communicated shall be added to the output tax liability of the supplier in his return for the month succeeding the month in which the discrepancy is communicated.

The amount in respect of any reduction in output tax liability that is found to be on account of duplication of claims shall be added to the output tax liability of the supplier in his return for the month in which such duplication is communicated.

### Records

The records of the credit notes have to be retained until the expiry of seventy-two months from the due date of furnishing of annual return for the year pertaining to such accounts and records. Where such accounts and documents are maintained manually, it should be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.

The credit note is therefore a convenient and legal method by which the value of the goods or services in the original tax invoice can be amended or revised. The issuance of the credit note will easily allow the supplier to decrease his tax liability in his returns without requiring him to undertake any tedious process of refunds.

### DEBIT NOTE

#### Requirement of Debit Note in GST

A supplier of goods or services or both is mandatorily required to issue a tax invoice. However, during the course of trade or commerce, after the invoice has been issued there could be situations like:

- (a) The supplier has erroneously declared a value which is less than the actual value of the goods or services or both provided.
- (b) The supplier has erroneously declared a lower tax rate than what is applicable for the kind of the goods or services or both supplied.
- (c) The quantity received by the recipient is more than what has been declared in the tax invoice.
- (d) Any other similar reasons.

In order to regularize these kinds of situations the supplier is allowed to issue what is called as debit note to the recipient. The note also includes supplementary invoice. Therefore, the requirement of issuance of debit note is to settle the correct transaction between supplier and buyer in the GST regime.

#### What is a Debit Note?

Section 34 (3) of the CGST Act, 2017 has defined the meaning of debit note and specified that where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing the prescribed particulars.

#### Format and particulars of Debit Note:-

There is no prescribed format but debit note issued by a supplier must contain the following particulars, namely:

- 
- (a) name, address and Goods and Services Tax Identification Number of the supplier;
  - (b) nature of the document;
  - (c) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolized as “-“ and “/” respectively, and any combination thereof, unique for a financial year;
  - (d) date of issue;
  - (e) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered , of the recipient;
  - (f) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered;
  - (g) serial number and date of the corresponding tax invoice or, as the case may be , bill of supply;
  - (h) value of taxable supply of goods or services , rate of tax and the amount of the tax debited to the recipient; and
  - (i) signature or digital signature of the supplier or his authorised representative.

### **Principles of Adjustment of tax liability**

Section 34(4) of the CGST Act, 2017 has prescribed that any registered who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed. The treatment of a debit note or a supplementary invoice would be identical to the treatment of a tax invoice as far as returns and payment are concerned.

### **Record Maintenance**

The preservation of records of the debit note or a supplementary invoice have to be retained until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records . Where such accounts and documents are maintained manually, it should be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.

The credit and debit note plays an important role in the GST regime. The credit note is a convenient and legal method by which the value of the goods or services in the original tax invoice can be amended or revised. The issuance of the credit note will easily allow the supplier to decrease his tax liability in his returns without requiring him to undertake any difficult process of refunds. Similarly, the debit note or a supplementary invoice is a convenient and legal method by which the value of the goods or services in the original tax invoice can be enhanced. The issuance of the debit note will easily allow the supplier to pay his enhanced tax liability in his returns without requiring him to undertake any other difficult process.