

Invoice Management System (IMS)

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Contents

1. Introduction of IMS.....	1
2. Functionality of IMS:.....	2
3. Timelines and recommended actions:	4
4. System and personnel requirements.....	4
5. Representation to CBIC/GSTN	4
6. Illustrations (8) - POV of Supplier:.....	6
7. Illustrations (12) - POV of Recipient:	8

1. Introduction of IMS

GST was introduced 8 years ago with an intention to simplify the business activities in India. Government and CBIC are now coming up with multiple mechanisms to facilitate the taxpayers with smooth compliance of law.

Initially the process of filing GSTR-1, GSTR-2, GSTR-3 was notified where the invoices uploaded by the supplier flows into recipient GSTR-2A and the later can add, delete or modify the invoices appearing on the dashboard. The recipient can also add the details which are not form part of GSTR-2A such as RCM, imports, composition supplier in his GSTR-2. This was omitted from the GST Act and never saw the light of day!

Later, in GST 31st council meeting new forms of GST RET-1, ANX 1 and ANX 2 were proposed to replace GSTR-3/3B, GSTR-1 and GSTR-2/2A which was never enforced.

Further, the Government had allowed 20%/10%/5% of ITC not appearing in GSTR-2A/2B and from January 2022, it was mandatory to match ITC invoices with GSTR-2B.

Recently, through the Finance Bill 2025, the Government has come up with the Invoice Management System (IMS) to help the Recipient of goods/services to verify the correctness of the Invoices/CN/DN (records) appearing in his GSTR-2B. IMS enables us to reject the incorrect records, and the accepted records would form part of Recipient's GSTR-2B. Note – IMS does not allow to add missing invoices similar to previous iterations.

Access the www.gst.gov.in URL and Click the Services >Returns >IMS Option.

Challenges to be addressed by IMS:

This system has been proposed to mitigate the issues currently faced by the Recipient such as the ITC reversal check w.r.t supplier credit notes, invoices not pertaining to the Taxpayer appearing in his GSTR-2B dashboard and incorrect details appearing on records in addition to the present system of verification in terms of Sec 16(2)(aa) - ITC availment w.r.t reflection of Invoices in GSTR-2B.

Also, based on a recent GSTN advisory which was modified, there may be a plan to implement hard locking of the auto-populated ITC in GSTR-3B. IMS helps with the proper flow of records in GSTR-3B.

Legality of IMS:

IMS has been made available from Oct 1, 2024, on the GST portal. However, this has no apparent legal backing. As per the Finance Bill 2025 & 55th GST Council meeting (not yet effective), the Government plans on modifying the GST law as follows:

1. To amend section 38 of the CGST Act, 2017 and rule 60 of CGST Rules, 2017 to provide a legal framework in respect of generation of FORM GSTR-2B based on the action taken by the taxpayers on the Invoice Management System (IMS).

'Auto-generated statement' changed to 'Statement'.

2. To amend section 34(2) of CGST Act, 2017, to specifically provide for requirement of reversal of input tax credit as is attributable to a credit note, by the recipient, to enable the reduction of output tax liability of the supplier.

ITC reversal allowed only when -

(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases.

- To amend section 39 (1) of CGST Act, 2017 and rule 61 of CGST Rules, 2017 to provide that FORM GSTR-3B of a tax period shall be allowed to be filed only after FORM GSTR-2B of the said tax period is made available on the portal.

.... within such time, and subject to such conditions and restrictions.

- To insert a new rule 67B in CGST Rules, 2017, to prescribe the manner in which the output tax liability of the supplier shall be adjusted against the credit note issued by him. [Yet to be prescribed]

2. Functionality of IMS:

There are 3 options available on the portal to accept, reject or keep pending records which can be availed later but within timelines prescribed under Sec 16(4). Action can be taken on multiple records or all records at a time based on filters like GSTIN, Invoice type, Status and Source.

One of the features of IMS include Supplier's View – To review the actions taken by Recipients on their invoice and excel summary download option is also available.

Documents not forming part of IMS are

- RCM invoices
- Time barred ITC u/s 16 of CGST Act, 2017
- Ineligible ITC due to POS issues e.g: Hotel invoices(other State)
- GSTR-5 by NRTP [will show directly in 2B]
- GSTR-6 by ISD [will show directly in 2B]
- ICEGATE Documents(Bills of entry) [will show directly in 2B]
- Rule 42/43 reversals; Supplier registration was cancelled from a prior date and ITC reversed under Rule 37A. [Will reflect directly in GSTR 2B of September month of the following FY]

Summary of action on records:

DOC TYPE	ACCEPT	REJECT	PENDING
B2B/DN	Yes	Yes	Yes
B2B(A)/DN(A) +	Yes	Yes	Yes
B2B(A)/DN(A) -	No (original)	No (not added back)	Yes (optional)
B2B(A)/DN(A) -	Yes (original)	Yes, Supplier Liab+	No
CN	Yes	Yes, Supplier Liab+	NA
CN(A) +	Yes	Yes, Supplier Liab+	NA
CN(A) -	Yes	Yes, Supplier Liab+	Yes/No

Note – 2 months available to accept/reject a Credit Note. [Based on internet sources].

1. Impact of implementation of IMS:

Since the actions taken in the IMS by the recipient has repercussions on the Supplier's liability, it is suggested not to reject the records that adds up to the liability of the Supplier without internal discussion and finalization.

Situations where the **Pending Option is not available** for the Recipient –

- Credit Note
- Credit Note – upward amendment
- Credit Note - downward amendment *[other than when original CN was accepted]*
- B2B/DN – Downward amendment *[when original B2B/DN was accepted]*

Further, keep a track of QRMP invoices that flows in IMS on a Quarterly basis. Credit linked to suppliers GSTR 1 filing only and not IFF.

Action can be taken in IMS on a regular basis as data will be available based on E-invoice filing by suppliers. Although, if the supplier modifies such data, action taken will be reset.

The following action points may be considered for better flow of IMS functionality:

Supplier credit notes – If the CN is not in line with the GST provisions or the values are incorrect the same should be rejected in IMS. If the same is accepted and disclosed in 4B(2), ensure that Supplier has not reduced his output tax liability. *[detailed practical cases of CN & illustrations provided below]*

Eligible & Ineligible ITC – IMS no action will be considered as deemed acceptance. Disclose the Eligible and Ineligible ITC respectively in Table 4 of GSTR-3B. Do not reject Ineligible ITC in IMS as it is mandatory to disclose under 4B(1) of GSTR-3B, since it impacts the revenue share between the Centre and State Governments.

Ineligible ITC related CN – Original invoice to be accepted and such credit must be moved to permanent reversals (4B1) in GSTR 3B. Subsequent CN received must be accepted and the corrective action must be taken in (4A5 add back) in GSTR 3B to offset ITC reversal. *[As per Additional FAQs on IMS by CBIC Q7].*

Unclear ITC – Keep as pending in the IMS. Communicate with the Supplier and gain clarity. Otherwise, accept and disclose under temporary reversal 4B(2).

Value mismatch – Keep as pending in the IMS. . Communicate with the Supplier and gain clarity. Otherwise, accept and ask for B2BA/DN or CN.

RCM liability will not show in IMS – Check in GSTR 2B, if the FCM invoice is posted as RCM invoice, inform the Supplier to amend the same.

Invoices don't pertain to the Recipient- Reject them. If not, the Department would ask the Recipient to update under 4B (1) of GSTR-3B. *[we are seeing recent communications from Dept.]*

Suppliers contact details not available – Use communication with taxpayer option in GST portal, raise grievance of mis-declaration.

Incorrect action taken in IMS – Make manual corrections while filing GSTR 3B. Have clear reasons and documentation for the same.

Invoice/DN rejected – liability can be reduced? – Where there is a supply, GST liability remains. Although, where supply is rejected/not accepted – goods returned/service not accepted, possibility to reverse liability may exist. [to be verified on case to case basis].

Internal Tracker – Maintain a tracker for adjustments and corrections performed. *Details such as – GSTIN, Document reference, GSTR 3B month, IMS/2B month, Action/Adjustment done.*

3. Timelines and recommended actions:

Dates (of subseq. Month)	Action points
5 th – 8 th	Reconcile all CNs & its amendments, B2BA- and DNA- appearing and for mismatches - communicate with supplier to modify before he files his GSTR 1
11 th / 13 th	Do not take IMS action until GSTR 1 is filed. If action taken and entry is modified subsequently, action taken originally is reset and needs fresh action.
14 th / 15 th	Download all IMS entries and reconcile with books of accounts. [current month + previous pending items] Reconcile and decide which all entries to be rejected/kept pending in IMS. Rest – deemed accepted.
Before 3B filing	Can modify any actions taken before filing 3B, 'recompute' 2B for ITC claim.
Note – Use 'Reject' function carefully. Once rejected and 3B filed, cannot get the entry back in GSTR 2B for ITC claim.	

4. System and personnel requirements

- a. Taxpayer to have updated IT software and systems in place to reconcile the Invoices appearing on IMS and to automatically communicate with the Supplier/Recipient in case of any discrepancies.
- b. Proper training needs to be given for the personnel involved in the procurement process and finance team.
- c. Where front end teams are raising invoices, debit/credit notes it is important to provide training to them too. Modifying personnel group as required.
- d. Terms and Conditions to be clearly mentioned on the Invoices/Purchase orders by the Supplier in cases where the recipient rejects the records without any proper reasons which leads to the additional liability to the Supplier.
- e. Identify the transactions which involve frequent CNs, post-sale discounts, partial rejection of goods etc., and put them under periodic review.

5. Representation to CBIC/GSTN

1. **Legality of Finance Bill, 2025 being put into LIVE environment** with all implications by GSTN portal from Nov 2024 returns onwards up to timeline when such provisions are legally introduced into GST law (yet to become Act and then notified by way of Notification).
2. **Legality of IMS mechanism where tax incidence is not passed on** – ITC reversal not required, therefore, does not warrant liability add back. How and where does IMS consider such transactions? Ex: CN raised to cancel invoice not shared to any recipient.
3. **Legality of Finance Bill, 2025 w.r.t liability added back to the supplier on B2B & DN** – downward amendments as this is not part of Section 34 [Credit notes].

4. **Invoice incorrectly accepted in IMS but ITC not claimed in GSTR 3B** - Such credit may/may not have been claimed in Table 4C of GSTR 3B. Is declaration that such ITC is reversed in 3B sufficient proof? Will there be a restore option if accepted/rejected by mistake?
5. **When original invoice and credit note – both rejected** – such rejection must not lead to additional liability to the Supplier, nor should it lead to ITC reversal. Option to obtain confirmation from recipient before rejection to be introduced in the IMS module.
6. **Credit note received from supplier, but not reflecting in GSTR 2B yet** (supplier delayed filing), is interest applicable for delayed ITC reversal? If ITC reversed in GSTR 3B suo-moto, later after supplier uploading if rejected what solution is available?
7. **Is IMS applicable to SEZ entities?**
 - For non-authorised operations – taxable transactions: should be applicable.
 - For authorised operations – zero-rated supply – SEZWP only:
 - where supplier is going for refund – should not be applicable as no tax paid by SEZ.
 - Where SEZ is going for refund – should be applicable as taxes paid to supplier.
8. **Is IMS applicable on deemed export transactions** where supplier is going for the refund? – should not be applicable.
9. **Remedial Action in GSTR-1A** – Action taken in GSTR 1A to offset recipients' action in IMS would lead to further complications and difficulties. CBIC must clarify on ideal transactions and various practical scenarios and their suggested actions which both supplier and recipient must take.
10. **Amended Invoice actions** –
 - i. Whether IMS will display action taken on original invoice in case the said document was amended by supplier?
 - ii. Whether on the IMS dashboard the amendments appear as a net figure or a gross figure? [*original inv – 100, amendment (20), net 80*]
11. **Other open issues w.r.t IMS:**
 - a. The Supplier (Outward) IMS portal, which displays action taken on supplier records, does not allow for download nor viewing (> 500 documents). This is unfair considering it is LIVE on GST portal.
 - b. No rejection option for RCM invoices. Not constitutional, where supplier error exists.
 - c. Ineligible ITC – taxpayers may take route to disclose in B2C instead of B2B to avoid acceptance and disclosure under T4B(1) of GSTR 3B. [*This impacts govt. ability to bifurcate their revenue*].
 - d. Will there be a change in GSTR-3B format w.r.t. temporary reversals? What happens to Electronic Credit Reversal & Re-credit Statement as invoices can be kept pending.
 - e. Will there be an extension in GSTR 3B due date considering additional workload?

.....contd.

6. Illustrations - POV of Supplier:

1. Tax invoice or Debit notes raised

Returns	Recipient IMS	Supplier IMS
Report in GSTR-1 (B2B/DNR) and in GSTR-3B	Invoice to be accepted or rejected or kept pending	Accepted / Pending; Rejected - Visible under Supplier's view <i>[liability will not be reduced]</i>

2. Credit notes raised – GSTN may allow to keep CNs pending for 1 month.

Returns	Recipient IMS	Supplier IMS
Report in GSTR-1 (CDNR) and GSTR-3B	Need to accept or reject. <i>No action shall result in deemed acceptance</i>	Accepted / Pending. Rejected - Visible under Supplier's view. Liability will be added in next month return

3. Invoice rejected by the recipient and now required fresh invoice (both invoices in diff. months, assume CN raised in books to nullify original invoice)

Returns	Recipient IMS	Supplier IMS
Amend original invoice to Zero (B2BA)	Downward amendment of rejected invoice - <i>No impact on ITC as original invoice rejected.</i>	Discuss with Recipient of the below treatment: <u>Books:</u> Issue CN and invoice in books. Comply with E-invoice for both.
Fresh Invoice - Report in GSTR-1 and GSTR-3B	New invoice available to be accepted	<u>Returns:</u> Amend original tax invoice to 0 in GST portal. Disclose new tax invoice in returns. [Do not disclose the CN here.] <u>To do:</u> Maintain reco between E-invoice / E-way bills and returns
<i>Credit note cannot be reported as Recipient likely to reject, leading to additional liability for supplier. Note - Above suggestion is a practical solution with no specific legal backing. Alternatively, recipient may accept CN and perform manual adjustment in his GSTR 3B.</i>		
<u>Practical scenarios -</u> a) Invoice disclosed in wrong Recipient GSTIN b) Place of supply issues / issues on physical invoice due to which invoice rejected by Recipient.		

4. Invoice raised and cancelled via Credit Note – Both issued in same month, not acc'ed by recipient

Returns	Recipient IMS	Supplier IMS
Don't report both invoice and credit note in GSTR 1 & 3B returns.	No action/No option to accept or reject.	This will result in additional reconciliations to be maintained, as follows: 1. GSTR-1 vs. E-invoice (difference) 3. E-invoice vs. Sales Register (matches)
<u>Practical scenarios –</u> a) Goods/services completely rejected by the recipient b) Error in Invoice Generation c) Invoice not accepted due to price difference / description differences etc.		
<i>Alternatively, if both are reported, recipient may accept invoice & CN in his IMS.</i>		

5. Invoice raised and cancelled via Credit Note – CN issued next month before filing GSTR-1

Returns	Recipient IMS	Supplier IMS
Don't report Invoice in current month and CN in next month	No action/No option to accept or reject.	Possible only if specific marking available for CNs in reference to Original Invoice. Recos as mentioned in sl.4 above to be maintained
<i>Alternatively, if both are reported, recipient may accept invoice & CN in his IMS.</i>		

6. Invoice raised and cancelled via Credit Note – CN is issued after filing of GSTR-1 of Current month

Returns	Recipient IMS	Supplier IMS
Report Invoice and CN in respective month(s)	Invoice - Current Month - keep pending CN - Subsequent Month - Accept Invoice and CN in the same month	Keep track of such CN and communicate to recipient in advance to accept both documents in upcoming month (where CN is visible in IMS before 3B filing).
<i>Where invoice is rejected in 1st month [view Supplier – Outward in IMS module], avoid disclosing credit note in GSTR 1 in the next month. Make manual adjustment to GSTR 3B directly.</i>		

– Alternate option:

Returns	Recipient IMS	Supplier IMS
Amend the INV to NIL in GSTR-1A prior to filing GSTR-3B	Invoice - Current Month Accepted Downward amendment of invoice - Subsequent Month Accepted	Recos as mentioned above in #4 to be maintained.

7. Invoice issued for Rs. 100 and partially cancelled Via Credit note for Rs. 20 where Recipient booked the invoice at net Rs. 80

Returns	Recipient IMS	Supplier IMS
Report both Invoice and Credit Note	Accept both. <i>Declaration from recipient to not reject the credit note.</i>	Communicate with recipient to change its booking methodology to record full invoice and full credit note instead of net amounts. Ask Recipient to accept both invoice and credit note.

– Where Invoice is amended to Rs. 80

Returns	Recipient IMS	Supplier IMS
Do not report the CN. Amend Original invoice to Rs. 80	To accept the amended invoice	Recos & disclaimer as mentioned above in sl no.3 applicable.

8. Invoice raised but accepted partly by the recipient. Debit note raised for the remaining by the recipient and reported in GSTR-1

Returns	Recipient IMS	Supplier IMS
Report Invoice (Supplier) and Debit note (Recipient)	To accept the invoice	To accept the debit note/invoice raised by the recipient.

7. Illustrations - POV of Recipient:

1. Invoice/Debit note/Upward amendment of records – Appearing in IMS and accounted in Books

Month	Recipient IMS	GSTR-3B
1 st month	To accept the records	Table 4A(5) - All Other ITC

2. Invoice/Debit note/Upward amendment of records – Appearing in IMS but not accounted in Books

Month	Recipient IMS	GSTR-3B
1 st month	Keep pending and have a track of records marked as pending and instruct AP team to record.	NA
Subsequent month when recorded	Accept and no impact on reclaim statement	Table 4A(5) - All Other ITC

Practical scenarios – Goods not yet received; or Invoice not yet received.

3. Invoice recorded in books but not appeared on IMS Portal - Maintain a reconciliation of invoices not appearing on IMS Portal and communicate with the supplier on periodic basis. Once matched, follow above steps.

Practical scenarios –

- Quarterly filers (displays in IMS based on GSTR 1, not IFF)
- Supplier GSTIN Suspended
- Supplier disclosed same in different GSTIN/B2Cs incorrectly.

4. Invoice appeared in IMS Portal matched with books but is ineligible Ex: Invoices related to food & beverages, purchase of motor vehicle, personal expenses, building under construction, etc

Month	Recipient IMS	GSTR-3B
1 st month	Accept the ineligible ITC on IMS Portal. Do not mark as "Pending" or "Reject".	Table 4A(5) - All Other ITC & Table 4B(1) - Permanent ITC Reversal.

5. Document matched on IMS & Books with some minor gaps (other than tax amounts)

Month	Recipient IMS	GSTR-3B
1 st month	Accept/Keep Pending the invoice on IMS Portal. Do not mark as "Reject".	Table 4A(5) - All Other ITC & Table 4B(2) – Temporary ITC Reversal.
Subsequent month	Accept once rectified.	Re-claim in 4A(5) and disclose 4D(1) once rectified.

Practical scenarios –

- Document number format mismatch
- Same month but different invoice dates
- Different series of invoice numbers
- Different GSTIN but same supplier PAN

6. **Credit Note matched with books appearing in IMS (same month)** – Accept in IMS – Reduce from Table 4A(5) – All Other ITC while filing GSTR 3B.

7. **Credit Note appeared in IMS on current month but not yet recorded in books**

Month	Recipient IMS	GSTR-3B
1 st Month	Accept. Recording to be done in books. Delayed acceptance - attracts interest.	Reduce from Table 4A(5) - All Other ITC
1 st month (<i>reasoning for issuance of CN not found reasonable & ITC not to be reversed</i>)	Reject. Communicate before rejecting to supplier, as the tax will be added to liability of supplier.	NA
<u>Practical scenarios –</u> a) Supplier Invoice & CN at a gross level, however, booking done at net level b) Erroneously issued c) Accounting not yet done		

8. **Credit notes recorded in Books but not in IMS in the same month** - Reversal to be made only when supplier credit notes are available on the portal, interest may apply. Once CN appears in IMS, follow point 6.

Alternately, manually adjust in GSTR-3B in current month, and accept the CN and reverse the impact in GSTR 3B (as already adjusted in previous month).

9. **Mismatch in invoice appearing on IMS with that recorded in books**

Books (Rs 120) > Portal (Rs 100)

Month	Recipient IMS	GSTR-3B
1 st month	Accept. [as portal is lower]	Table 4A(5) - All Other ITC (Rs 100)
Subsequent Month - (i) supplier has made upward amendment / issued DN	Accept B2BA/DN	Will auto populate as addition to Table 4A(5) - All Other ITC. (Rs. 20); AND
Subsequent Month - (ii) Correct recording is done in books	NA	No action in GSTR 3B as correction in books only.

10. **Mismatch in invoice appearing on IMS with that recorded in books**

Books (Rs 100) < Portal (Rs 120)

Month	Recipient IMS	GSTR-3B
1 st month	Accept.	Table 4A(5) - All Other ITC (Rs +120) Table 4B(2) - Temporary Reversal (Rs -20)
Subsequent Month - (i) supplier has made downward amendment / issued CN	Accept B2BA/CN	Will auto populate as reduced from Table 4A(5) - All Other ITC. (Rs. -20); AND Add back in 4A(5) – All other ITC (Rs. +20) Table 4D(1) – ITC reclaimed (Rs. 20)
Subsequent Month - (ii) Correct recording is done in books	NA	Table 4A(5) - All Other ITC (Rs +20) Table 4D(1) - ITC reclaimed (Rs 20)

11. Credit Note appeared in IMS knocking off with invoices pending* on IMS. Invoice could be of same month or pending from earlier - still unmatched with books

Month	Recipient IMS	GSTR-3B
Month of CN (assumed original invoice kept pending)	Accept both Invoice & CN in the month of CN.	Invoice and Credit Note netting off giving nil effect in Table 4A(5)
Maintain a Credit Note tracker and map the original invoices which are nullified or reduced. <i>Note – Requirement to disclose original invoice reference is removed from GST portal only, the CGST Rules still requires the document to provide details of original invoice ref. (multiple allowed)</i>		

12. Invoices appearing in IMS but are ineligible and not recorded in books

Month	Recipient IMS	GSTR-3B
1 st Month & Subsequently	Keep pending. Once identified and accounted that ITC is not claimable, accept invoice.	Table 4A(5) - All Other ITC Table 4B(1) - Permanent Reversal
In case invoice was accepted and maintained under temporary reversal in GSTR 3B, make a permanent reversal to ensure proper funds are allocated to the Govt. and balance is not maintained in ECRR statement.		

Note - The above illustrations cover all the important transactions although may not be exhaustive!

Conclusion

The IMS system although practically LIVE in the GSTN environment does not have a place in law until the Finance Bill placed in the Budget is legally introduced into the GST law. IMS in the initial period would lead to significant disputes and litigation. The Govt. plans on resting the tax disputes in the hands of the supplier and recipient directly. There are many situations which warrant to modification of the present system and also a modification of the GST law as presently certain instances indicates the GST portal acting over and above the CGST Act. Representations by Industry and taxpayers alike must be made bringing to light implementation and practical difficulties and possible solutions!

Supplier and Recipient must communicate and crystallise on documentation process which will be undertaken in case of modifications/rejections/returns/etc.. to have a smoother IMS process.

Disclaimer:

The views expressed in this article are personal to the authors and are an attempt to interpret the developing GST law. Certain suggestions provided are considering practical difficulties rather than legal recourse. We recommend professional assistance where required.

Queries or Feedback on this informative article can be shared to akshay@hnaindia.com

A portion of this article was featured in KSCAA journal first.

End.