



The Institute of Chartered Accountants of India

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA GST & INDIRECT TAXES COMMITTEE

Webinar on IMS under GST

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Invoice Management System in GST: A Comprehensive Guide

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The Invoice Management System (IMS), launched on October 1, 2024, by GSTN, represents a significant transformation in the GST compliance landscape. This advanced system introduces an additional layer of document reconciliation and verification, streamlining the entire invoicing process for businesses across India.

IMS aims to improve the accuracy of Input Tax Credit (ITC) by enabling the recipient taxpayers to reconcile their inward supplies directly with their suppliers' invoices on the GST portal on real time basis. This initiative marks a crucial step forward towards improving transparency and accountability within the GST framework while advancing the goal of making Form GSTR-3B an auto-generated return.

Through this IMS system, taxpayers can either accept, reject, or mark documents as pending, based on the reconciliation with their own records. Thereafter, the data will flow into Form GSTR-2B and Form GSTR-3B filings. Accepted records are included in Form GSTR-2B for claiming ITC, while rejected or pending records are excluded. The invoices left without action are considered "deemed accepted,"





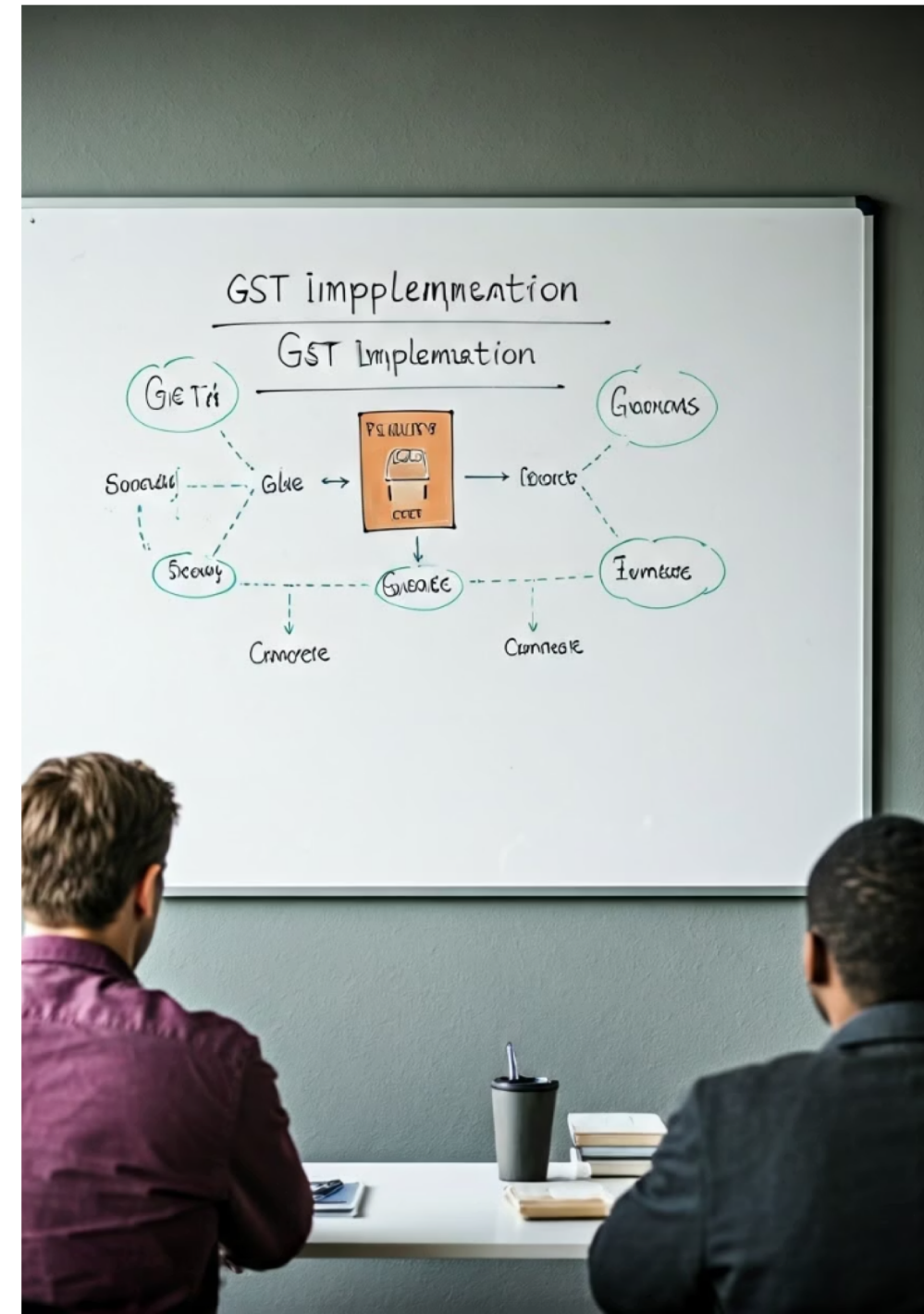
Necessity of introducing IMS within the GST framework

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When GST was implemented in 2017, it proposed a two-way return filing system which aimed at accurate ITC reconciliation between suppliers and recipients. This involved auto-populating data from the supplier's GSTR-1 into the recipient's GSTR-2A, allowing the recipient to accept, modify, or delete entries while filing GSTR-2. Any changes would reflect in GSTR-1A for the supplier's confirmation, ensuring mutual validation before finalizing GSTR-3.

However, the complexity of this multi-step process proved burdensome, especially for small and medium businesses. Constant reconciliations, ongoing communication between suppliers and recipients, and multiple filing obligations would made the system operationally difficult to implement.

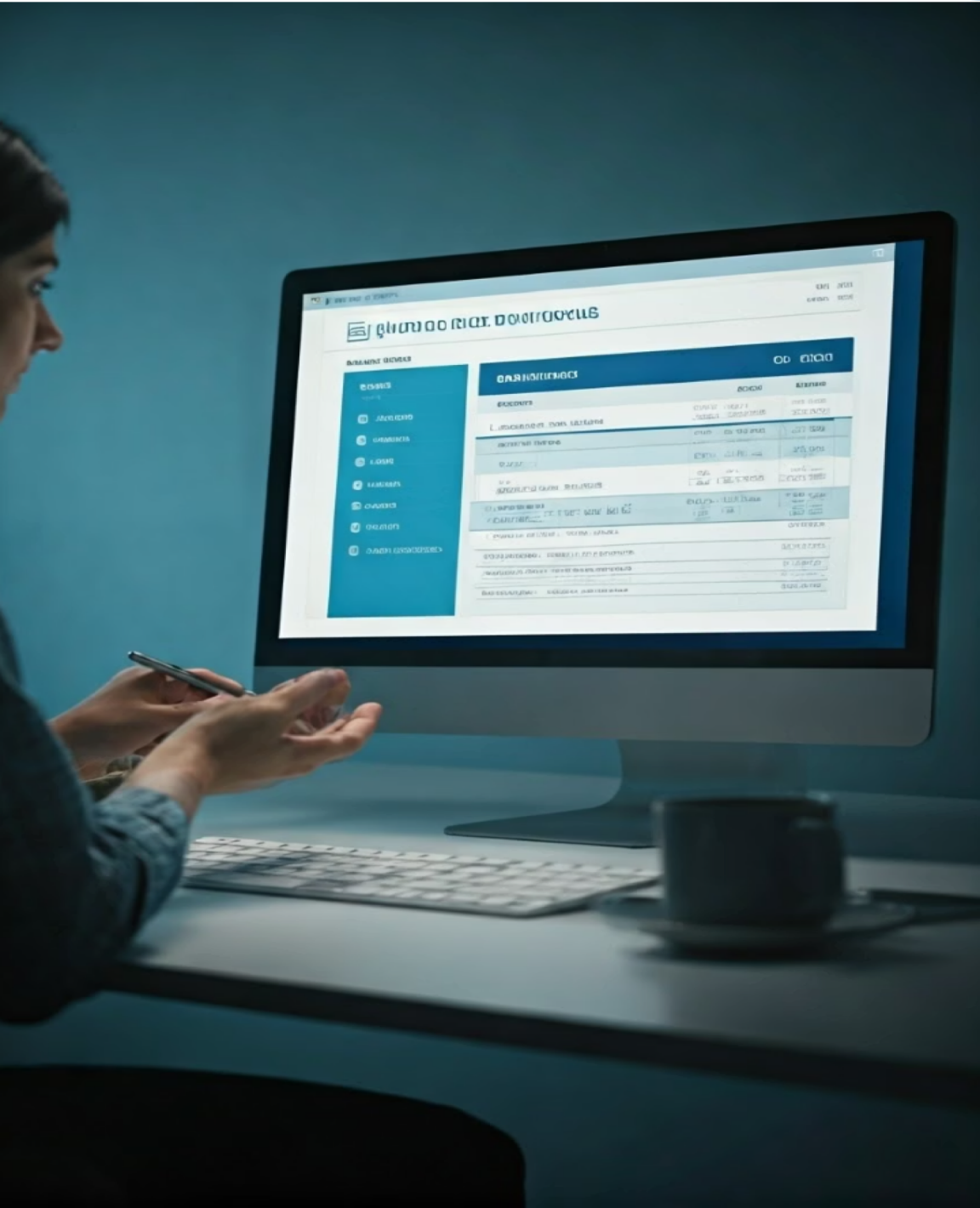
To ease the compliance process, the Government introduced a simplified system requiring taxpayers to file GSTR-1 (outward supplies) and GSTR-3B (summary return), using auto-generated ITC statements (GSTR-2A/2B) for credit reconciliation. While this reduced the compliance burden, it also brought challenges in ITC accuracy. Many businesses encountered mismatches between ITC claimed in GSTR-3B and supplier filings, resulting in disputes, notices, and financial stress. The absence of real-time validation often led to denial or delay of genuine ITC due to supplier errors or non-compliance.





What is the Invoice Management System?

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Communication Channel

Creates direct line between suppliers and recipients for invoice verification



Document Reconciliation

Provides additional verification layer for transaction documents



Active Since October 2024

Officially made available on the GST portal on 14 October 2024



Simplifies ITC Claims

Streamlines invoice amendments and input tax credit processes



Objective Accomplishment

With introduction of IMS, the Government aims to achieve the original objective of seamless ITC matching without the compliance burden of the two-way return filing system

The Invoice Management System serves as a crucial bridge between taxpayers, enabling smoother reconciliation of transactions and enhancing the accuracy of tax compliance. By providing a structured platform for document verification, IMS aims to minimize discrepancies and streamline the entire tax credit claim process.



Timeline of IMS Implementation

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September 3, 2024

Initial announcement of IMS by GSTN



September 17, 2024

Step-by-step procedure guide released



October 1, 2024

Official launch on GST portal



October 14, 2024

Review functionality activated for taxpayers

The implementation of the Invoice Management System has followed a carefully planned schedule to ensure smooth adoption by taxpayers. The gradual rollout approach has allowed businesses to familiarize themselves with the new requirements while giving GSTN time to refine the system based on initial feedback.

This strategic timeline demonstrates the government's commitment to enhancing the GST framework while being mindful of the adjustment period needed by businesses across the country.



IMS Development Milestones

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Supplier View Functionality (November 13, 2024)

Enhancement allowing suppliers to view invoice status and recipient actions, creating greater transparency in the reconciliation process.

Amendment in Section 38, 39 and 34(2) (Finance Act, 2025)

Budget recommendation to amend GST law, providing legal framework for mandatory IMS implementation and compliance requirements. Effective date yet to be notified

Mandatory Implementation (F.Y. 2025-26 onwards)

Transition from optional to mandatory status, with phased approach based on taxpayer categories and transaction thresholds.

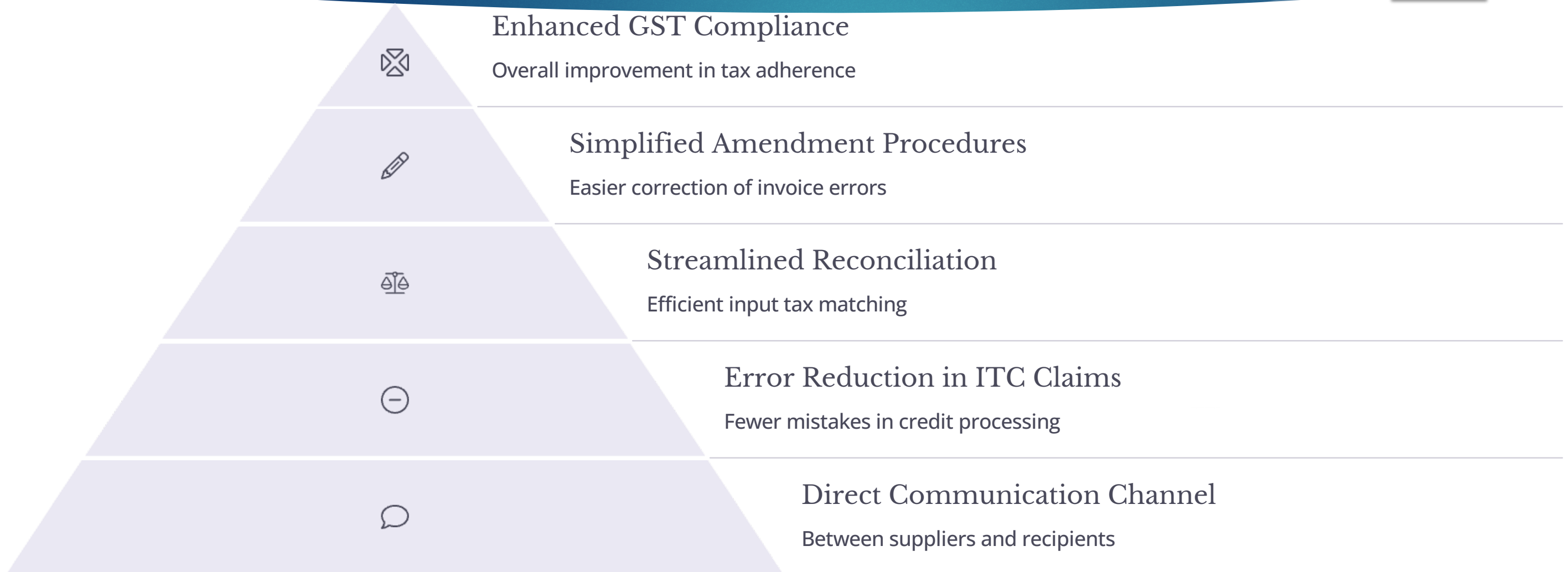
The development roadmap for IMS reflects a thoughtful approach to system enhancement and adoption. By introducing key functionalities incrementally, GSTN aims to ensure that both suppliers and recipients can adapt to the new compliance requirements without disruption to their business operations.

The phased implementation strategy recognizes the varying levels of technological readiness across different business segments, allowing for a more inclusive transition to the new framework.



Core Objectives of IMS

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The Invoice Management System has been designed with specific objectives that address longstanding challenges in the GST ecosystem. By creating a direct communication channel between transaction parties, the system aims to minimize errors and streamline the reconciliation process.

These objectives collectively contribute to a more transparent, efficient, and accurate tax compliance environment, benefiting both businesses and tax authorities. The systematic approach to invoice verification is expected to significantly reduce disputes and enhance the overall integrity of the GST framework.



How IMS Works: The Basics

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System Population

IMS automatically imports transaction data from GSTR-1, GSTR-1A, and IFF filings, creating a comprehensive database of all business-to-business invoices.

Draft GSTR-2B

System generates draft GSTR-2B on the 14th day of every month, containing all invoices requiring verification before final ITC claim processing.

Recipient Actions

Recipients can review each invoice and choose to accept, reject, or keep pending based on their reconciliation with internal records.

Status Tracking

The system provides real-time tracking of invoice status, allowing both parties to monitor the verification process throughout the compliance cycle.

The operational framework of IMS is designed to be intuitive yet comprehensive, providing businesses with clear visibility into their invoice processing status. This system leverages existing GST filings to minimize additional data entry requirements while maximizing the benefits of proper reconciliation.

The structured approach to invoice verification ensures that Input Tax Credits are claimed accurately, reducing the risk of future disputes or reversals that could impact business cash flow.



The IMS Workflow

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Supplier Upload

Supplier submits invoice details through GSTR-1 or IFF to the GST portal, including all required transaction information.



System Processing

IMS validates submitted information against established rules and formats it for recipient review in the system.



Recipient Review

Recipient accesses draft GSTR-2B on the 14th of the month to review all invoices available for potential ITC claims.



Action Taking

Recipient decides to accept, reject, or keep pending each invoice based on internal reconciliation.



System Update

Final GSTR-2B is generated with only accepted invoices eligible for ITC claims in the current period.

The IMS workflow represents a structured approach to invoice reconciliation that brings clarity to the previously complex process of matching supplier and recipient records. Each step builds upon the previous one to create a comprehensive verification system.

This systematic workflow minimizes human error while maximizing efficiency in the tax credit claim process. By clearly defining the responsibilities of each party, IMS helps establish accountability across the entire supply chain.



Key Features of IMS

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Invoice Verification & Reconciliation

Comprehensive system for matching supplier and recipient documents to ensure accuracy before ITC claims.



Real-time Communication Channel

Direct connection between transaction parties to resolve discrepancies quickly and efficiently.



Error Reduction in ITC Claims

Proactive verification process that identifies and corrects mistakes before they impact tax compliance.



Enhanced Transparency

Clear visibility into invoice status and processing for all parties involved in the transaction.

The distinctive features of IMS address longstanding pain points in the GST compliance process. By providing both technological and procedural solutions, the system elevates the standard of invoice management across the business ecosystem.

These features work in tandem to create a more reliable and efficient tax compliance environment. The emphasis on real-time communication and transparency helps businesses maintain better control over their tax obligations and credit claims.



Impact on Different Taxpayers



Large Businesses

Expected to adopt early due to established compliance teams and systems. May need to adjust existing ERP integrations.



Quarterly Return Filers

Will face additional compliance steps with monthly reconciliation despite quarterly filing schedule.

All Taxpayers

Need to adjust internal processes, train staff, and establish new reconciliation procedures regardless of size.

Small Businesses

Likely to benefit from phased implementation, with potential threshold exemptions for lower transaction volumes.



The introduction of IMS creates varying levels of impact across different categories of taxpayers. While the ultimate goal of improved compliance benefits all, the implementation journey will differ based on business size, transaction volume, and existing technological capabilities.



Benefits for Taxpayers

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Enhanced Compliance Efficiency

Streamlined processes reduce time and resources



Improved Cash Flow Management

Better prediction of tax liabilities and credits



Real-time Invoice Tracking

Constant visibility into document status



Reduction in Mismatches

Fewer disputes with tax authorities

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Accurate ITC Claims

Properly verified tax credits

While IMS introduces additional compliance steps, it offers substantial benefits that outweigh the initial adjustment challenges. Businesses will experience greater certainty in their tax positions, reducing the risk of unexpected liabilities during departmental audits.

The system's emphasis on proactive verification creates a more stable compliance environment that benefits honest taxpayers. By addressing discrepancies early in the process, IMS helps build a more reliable tax ecosystem for all participants.



Challenges in Implementation of IMS

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Additional Compliance Step

New verification process adds to existing GST compliance burden

Supplier Compliance

Ensuring timely upload of accurate invoices by vendors



Learning Curve

Staff require training on new system procedures

Technology Adoption

Need for compatible systems and stable connectivity

Initial Delays

Process adjustments may slow compliance initially

The transition to IMS presents several challenges that businesses must navigate during the implementation phase. Most significantly, the addition of another compliance process requires allocation of resources and adjustment of existing workflows.

Organizations must also address the potential resistance to change among staff and suppliers. Establishing clear communication channels and providing adequate training will be essential to overcome these challenges and realize the long-term benefits of the system.



Direct Impact on ITC Process

IMS fundamentally changes how Input Tax Credits are claimed and processed. The system introduces a mandatory verification step before credits can be finalized in GSTR-2B.

This verification layer ensures that only properly documented and matched invoices qualify for tax credits, creating a more stringent but reliable ITC ecosystem.

Enhanced Verification Procedures

Before IMS, the reconciliation was primarily post-facto, often leading to reversals and disputes. Now, the verification happens before credit allowance, significantly reducing future complications.

This proactive approach helps businesses maintain a cleaner tax credit position and minimizes the risk of departmental challenges during audits.

Improved Reconciliation Process

The system creates direct alignment between supplier data and recipient claims, ensuring that ITC is based on properly reported transactions. This synchronization reduces mismatches and disputed claims.

As businesses adapt to this new framework, the quality of ITC claims is expected to improve significantly across the GST ecosystem.

The relationship between IMS and Input Tax Credit represents perhaps the most significant aspect of this system implementation. By creating a structured verification process, IMS addresses one of the most challenging areas of GST compliance.



Current Status vs. Future Plans

Aspect	Current Status (2024)	Future Plans (2025+)
Implementation	Optional for all taxpayers	Mandatory with phased approach
Legal Framework	Facilitative/voluntary	Sec 38(1), 39, 34(2) effective date to be notified
Transaction Coverage	All B2B transactions	Threshold-based implementation likely
System Integration	Limited API access	Full API ecosystem for ERP integration
User Interface	Basic functionality	Enhanced with analytics and AI assistance

The evolution of IMS from its current optional status to a mandatory compliance requirement represents a significant shift in the GST landscape. The government's phased approach demonstrates awareness of the implementation challenges while maintaining commitment to enhanced compliance standards.

Businesses should view the current optional phase as an opportunity to adapt their processes ahead of mandatory implementation. Early adoption will allow organizations to identify and address operational challenges before they become compliance risks.



Do's: Best Practices for Recipients

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Review Draft GSTR-2B Promptly

Set calendar reminders for the 14th of each month to thoroughly review your draft GSTR-2B. This ensures adequate time for addressing discrepancies before finalization.



Communicate Proactively with Suppliers

Establish direct lines of communication with suppliers about invoice mismatches, preferably through documented channels like email for future reference.



Maintain Digital Action Records

Keep comprehensive digital records of all actions taken in IMS, including screenshots of acceptances, rejections, and pending decisions.



Implement Regular Reconciliation

Develop structured internal processes for reconciling purchase records with GSTR-2B data on a consistent schedule.

Recipients play a crucial role in the IMS ecosystem, as they are responsible for verifying the accuracy of invoices and determining their eligibility for ITC claims. Following these best practices will help ensure smooth compliance while maximizing the benefits of the system.

The proactive approach to invoice verification not only improves GST compliance but also strengthens supplier relationships by addressing discrepancies before they escalate into disputes.



Do's: Best Practices for Suppliers

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Upload Accurate Information

Ensure all invoice details are correctly entered in GSTR-1 or IFF. Double-check GSTIN numbers, invoice values, tax amounts, and dates before submission to prevent reconciliation issues.



Respond Promptly

Address recipient communications about invoice discrepancies within 24-48 hours. Quick resolution of issues prevents delays in payment processing and maintains healthy business relationships.



Use Supplier View Regularly

Check the Supplier View functionality at least weekly to monitor the status of your uploaded invoices. This proactive approach helps identify potential issues before they affect business operations.

Suppliers must adopt disciplined practices to ensure their invoices pass smoothly through the IMS verification process. Timely and accurate uploads not only facilitate compliance but also strengthen client relationships by demonstrating reliability and professionalism.

By embracing these best practices, suppliers can minimize payment delays and reduce the administrative burden associated with resolving invoice discrepancies after they've escalated.



Current/ Practical Challenges in IMS

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Automatic escalation of the supplier's liability

Auto-increase in supplier's liability if the recipient rejects the original credit note or credit note reflecting an upward value adjustment or downward value adjustment if the original credit note gets rejected by the recipient.

Lacks clarity when the supplier issue credit note against an invoice for which the recipient already reversed full/partial ITC suo-moto due to reasons such as 17(5), ITC used in exempted supplies, or Rule 42/ 43 or Rule 38.

Interest on the supplier's liability

Lack of clarity on whether interest would be applicable would be levied on the incremental tax liability arising due to the recipient's actions, and if yes, from which date.

Necessary guidelines on interest calculation and the relevant period are required to prevent undue financial burdens on suppliers.

Exclusion of Input Service Distributor (ISD) in IMS

As ISD registration is mandatory from April 1, 2025 wherever required, it play an increasingly important role in the GST ecosystem. However, the current IMS framework does not extend its functionalities to ISDs acting as recipients.

This could potentially result in inconsistencies within the ITC reconciliation framework under GST law



Common Issues and Solutions

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Missing Invoices

- Establish weekly supplier meeting
- Create shared calendar for invoice submission deadlines
- Implement automated reminders for outstanding documentation
- Maintain backup documentation of all transaction records

Incorrect Entries

- Reject invoices immediately with detailed reason
- Provide screenshot evidence of discrepancies
- Create template for common error notifications
- Document correction requests and responses

System Delays

- Take screenshots of attempt with timestamps
- Maintain log of portal access issues
- Use off-peak hours for large batch processing
- Consider dedicated internet connection for GST activities

Data Management

- Implement specialized reconciliation software
- Create structured data storage system
- Establish regular backup procedures
- Develop standardized naming conventions

Proactive issue management is essential for smooth IMS implementation. By anticipating common challenges and establishing standard resolution procedures, businesses can significantly reduce the compliance burden associated with the new system.

Many of these issues can be prevented through proper preparation and process design. However, having established resolution protocols ensures that when problems do arise, they can be addressed efficiently without disrupting normal business operations.



Future of IMS

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E-Invoicing Integration

Complete seamless connection with e-invoicing

AI-Assisted Reconciliation

Automated matching and discrepancy resolution



Threshold Evolution

Gradual reduction in exemption thresholds

Enhanced Analytics

Advanced reporting and business intelligence

Mobile Accessibility

Comprehensive app-based management

The Invoice Management System represents just the beginning of a more comprehensive transformation in GST compliance. Future enhancements are expected to further streamline the process through increased automation and intelligence, reducing the manual intervention required for compliance.

Organizations should view IMS not as a static system but as an evolving platform that will continuously improve based on user feedback and technological advancements. This perspective encourages investment in adaptable processes that can grow with the system rather than rigid structures that may become obsolete.



System Navigation Tips

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Portal Access

Access IMS through the "Services" menu on the GST portal dashboard. Look for the "Invoice Management System" option under recipient services.



Filtering Options

Use advanced filters to sort invoices by supplier, value, date range, or status for more efficient review of large transaction volumes.



Regular Saving

Click "Save Progress" frequently during review sessions to prevent data loss due to session timeouts or connectivity issues.



Bulk Actions

Utilize the bulk action feature to accept or reject multiple invoices with similar characteristics simultaneously.

Navigating the IMS effectively can significantly reduce the time spent on compliance activities. The system includes several productivity features that are often overlooked by new users but can dramatically improve efficiency when properly utilized.

Familiarizing your team with these navigation tips can transform what might otherwise be a cumbersome process into a streamlined workflow. Regular practice with these features during the optional phase will prepare your organization for when IMS becomes mandatory.



Key Takeaways

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Stay Updated on Regulatory Changes

Monitor official announcements throughout 2025



Regular Monitoring Required

Implement consistent reconciliation procedures



Supplier Communication Critical

Establish clear channels with vendors



Proactive Preparation Essential

Begin implementation before mandatory deadline



Fundamental Compliance Change

IMS transforms the GST landscape



The Invoice Management System represents a paradigm shift in GST compliance that will impact every business engaged in B2B transactions. While the initial implementation may present challenges, the long-term benefits of improved accuracy, reduced disputes, and enhanced cash flow management will deliver significant value to compliant businesses.

By embracing the recommendations outlined in this presentation and adopting a proactive approach to implementation, your organization can transform what might otherwise be a compliance burden into a strategic advantage. Remember that early adoption during the optional phase provides valuable experience that will position your business for success when the system becomes mandatory.



Thank You

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