The E-way Bill System
How, what and what next?
After an aborted attempt on 1 February 2018, the Government was able to successfully roll out the E-way Bill System on 1 April 2018, to track movement of goods. While the system was initially only applicable for inter-state movement of goods, states have adopted and implemented the new system in a phased manner and mandated generation of E-way Bills for intra-state movement of goods as well.

The number of E-way Bills created on the new platform has been steadily rising and crossed the 10 crore mark in less than three months, with around 2.80 crore\(^1\) E-way Bills being generated in April 2018 alone. This number increased substantially in May 2018 with more than 3.7 crore\(^2\) E-way bills being generated during the month. On an average, more than 12 lakh E-way Bills are being generated every day.

The Government believes that this new system will help to reduce tax evasion. Tax officials are acknowledging that the introduction of E-way Bills is the prime factor for the improvement witnessed in tax collections for June 2018. The tax collection for the month amounted to more than INR 95,600 crores\(^3\), compared to an average monthly collection of INR 89,885 crores for the previous financial year.

In view of the gigantic scale of operations, it is too early to comment on the success or failure of the new system. However, no major execution-related issues have been reported by businesses so far and the IT backbone that generates E-way Bills has held up without any major glitches since April 2018.

This publication aims to summarise the key requirements of the E-way Bill System and what needs to be done by businesses to implement it successfully.

I hope you find this paper useful and look forward to your feedback on it.

Kind regards,

Pratik Jain
Partner & National Leader – Indirect Tax

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1. According to tweet dated 1 June 2018 by official twitter handle of the Government for IT-related queries on the GST
2. According to tweet dated 1 June 2018 by official twitter handle of the Government for IT-related queries on the GST
3. According to a Press Release dated 1 July 2018 by the Finance Ministry, Government of India
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Introduction

The E-way Bill System under the Goods and Services Tax (GST) regime replaces manual or paper-based Way Bills (commonly known as road permits) that were required for movement of goods in most states under the erstwhile VAT regime.

What is an E-way Bill?

An E-way Bill (an electronic Way Bill) is a document that needs to be generated online on the Government Portal for transportation of goods with a consignment value of more than INR 50,000 (the threshold limit). It needs to be generated before movement of goods commences. To arrive at the consignment value, while the GST charged on an invoice needs to be included, the value of the exempt supply, if any, need not be included.

This limit is applicable for all movement of goods. However, some states have notified different threshold limits for intra-state movement of products. Furthermore, there are certain exceptions where an E-way Bill needs to be generated irrespective of the consignment value, such as in inter-state movement of goods from a principal manufacturer to a job worker and for handicraft products.

A copy or the number of an E-way Bill generated needs to be carried by the person in charge of transportation of goods, along with the copy of the invoice or delivery challan. An E-way Bill can be carried in the form of a printout (physical form), an SMS (electronic form) or even written on an invoice.

The GST Law is also contemplating the need for generation of an E-way Bill, even if the consignment value of an invoice does not exceed the threshold limit, but the total consignment value of the goods being transported outside the state in a conveyance exceeds this limit. However, this requirement has not been made mandatory by the Government as yet.

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<td>15 April 2018</td>
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<tr>
<td></td>
<td>Bihar, Haryana, Himachal Pradesh, Jharkhand, Tripura and Uttarakhand</td>
<td>20 April 2018</td>
</tr>
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<td>25 April 2018</td>
</tr>
<tr>
<td></td>
<td>Nagaland</td>
<td>1 May 2018</td>
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<tr>
<td></td>
<td>Assam</td>
<td>16 May 2018</td>
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<tr>
<td></td>
<td>Rajasthan</td>
<td>20 May 2018</td>
</tr>
<tr>
<td></td>
<td>Andaman &amp; Nicobar Islands, Chandigarh, Dadra &amp; Nagar Haveli, Daman &amp; Diu, Lakshadweep Islands, Manipur, Maharashtra</td>
<td>25 May 2018</td>
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<tr>
<td></td>
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<td>1 June 2018</td>
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<td>2 June 2018</td>
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<tr>
<td></td>
<td>West Bengal</td>
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<tr>
<td></td>
<td>Delhi</td>
<td>16 June 2018</td>
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While generation of E-way Bills on inter-state movement of goods has been implemented with effect from 1 April 2018 nation-wide, E-way Bills for intra-state movement of goods were rolled out in a phased manner by the states.
Generation of E-way Bill

An E-way Bill needs to be generated in relation to the following transactions:
- Movement of goods in relation to their supply for a consideration
- Movement of goods for reasons other than supply of goods, e.g., sales returns or movement for repair of goods, free of cost supplies, etc.
- Domestic procurement of goods from an unregistered person
- Import of goods from outside India

Exceptions in E-way Bill-related requirements

- Goods that have been exempted from the ambit of the GST
- Goods not covered under the GST (alcohol, crude oil, petrol, diesel, natural gas and ATF)
- Specified goods such as jewellery, precious or semi-precious stones, currency, used personal and household effects and LPG
- Transportation of empty cargo containers
- Movement under a Customs Bond from an inland container depot or container freight station to a port, airport, air cargo complex or land Customs Station, etc.
- Movement by non-motorised conveyance

In addition to the above, certain states have notified that E-way Bills for intra-state movement of goods will only be required only for specified goods and not for all goods.

Who needs to generate an E-way Bill?

An E-way Bill needs to be generated by the person responsible for movement of goods. Such a person can either be the consignor or the consignee of goods (such as for import and procurements from unregistered dealers). Consignors or consignees of goods may however authorise the transporter to generate E-way Bills on their behalf—and the repercussion for any non-compliance will be borne by their owners.

In the case of movement of goods by the railways, it has been specifically provided that goods will not be delivered unless an E-way Bill is produced to the railways at the time of their delivery.

Rejection of E-way Bill by counter-party

Rules pertaining to E-way Bills enable consignees of goods to reject E-way Bills generated in their names. However, this option needs to be exercised within 72 hours of an E-way Bill being generated and made available to the consignee on the Government Portal or the time of delivery of goods, whichever is earlier. If a consignee does not execute this option within the set timelines, the E-way Bill generated will be deemed to be accepted.

This means that a consignor will need to stop movement of goods to a specific consignee immediately after cancellation of an E-way Bill and generate a new E-way Bill if the goods are to be moved further. This raises significant issues for businesses, which are finding it a challenge to track cancellation of E-way Bills by their counter-parties on a real time basis, especially when such cancellation occurs while the goods are enroute.

Contents of an E-way Bill

An E-way Bill (Form GST EWB-01) is divided into two parts—Part A and Part B.

Part A contains invoice-related information pertaining to goods:
- Invoice or document number and date
- GST registration numbers of supplier and recipient
- Description and value of goods being transported
- PIN code of place of dispatch and delivery, etc.

Part B includes vehicle-related details:
- Mode of transport (road, rail, air or ship);
- Vehicle number in the case of road transport
- Document number and date of transport, etc.

It should be noted that Part B does not need to be captured for movement of goods from a consignor to a transporter's hub for further transportation or from a transporter's hub to the consignee, provided such movement is within a 50-kilometre range and in the same state. This exemption is not available for movement of goods from a consignor to a consignee, or vice versa.
Linkage of E-way Bill with GST returns

One of the main objectives of the E-way Bill System is to curb revenue leakage. Although there is currently no linkage between the E-way Bill and GST Return portals, the Government has certain clear expectations, and in the near future, businesses can expect to receive notices or queries seeking explanations for discrepancies in data they have reported in their GST returns on the GST Portal vis-à-vis the E-way Bill Portal.

There could be various rational reasons for non-reconciliation of return-related data between the E-way Bill Portal and the GST Portal, including the following:

- The E-way Bill needs to be generated for movement of goods over and above a threshold limit, whereas data declared in GST returns by registered persons includes all supply of goods.
- There may be scenarios where E-way Bills need to be generated, such as for movement of goods on delivery challans or repair. The details of such supplies do not need to be reported in GST returns.
- There may also be a situation where E-way Bills don’t need to be generated, such as for supply of services. In this case, the details of such supplies are reported in GST returns.
- Issuance of credit notes subsequent to generation of an E-way Bill for deficiencies in supply of goods, discounts, etc., may result in a difference in the value of supplies being reported in GST returns.
- Varied state-specific requirements, such as different threshold limits and notified products for which E-way Bills are required, may result in further complications.

Therefore, considering the extensive quantum and nature of data declared in GST returns vis-à-vis specific instances of and requirements for issuance of E-way Bills, reconciliation of both the databases is imperative for businesses.

Validity and cancellation of an E-way Bill

An E-way Bill generated is valid for a specified period. This is a significant deviation from the validity of Way Bills or road permits required under the erstwhile VAT regime.

The validity of an E-way Bill depends on the distance that needs to be covered by a conveyance carrying a consignment. It is important to note that this period only starts when details of the mode of transportation are updated in Part B of an E-way Bill form.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Distance</th>
<th>Validity Period</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Up to 100 km</td>
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</tr>
<tr>
<td>2</td>
<td>For every 100 km or part thereof thereafter</td>
<td>One additional day</td>
</tr>
<tr>
<td>3</td>
<td>Up to 20 km</td>
<td>One day</td>
</tr>
<tr>
<td>4</td>
<td>For every 20 km or part thereof thereafter</td>
<td>One additional day</td>
</tr>
</tbody>
</table>

*Over Dimensional Cargo refers to cargo that is carried as a single indivisible unit, which exceeds the dimensional limits prescribed under the Central Motor Vehicle Rules, 1989.*

Every day during the validity period of an E-way Bill is counted till its expiry at midnight of the day immediately following the date of its generation. To illustrate this, if an E-way Bill is generated at 3 pm on 1 July 2018 for movement of goods within 100 km, its validity period (of one day) will extend till midnight on 2 July 2018.

If an E-way Bill expires due to exceptional circumstances, an option is provided to extend the validity period. However, this extension can only be made eight hours before or after its expiry.

It is important to note that in the case of any mistake or incorrect entry in the E-way Bill, it cannot be edited or corrected (except for vehicle-related details). The only option is to cancel the E-way Bill and generate a new one with the correct details. However, cancellation is only possible within 24 hours of its generation, provided it has not been verified by officers in transit.

Workflow of movement of goods:

**Consignor**
- Generate EWB on the portal
- EWB details sent to transporter & consignee

**Truck to carry:**
- Copy of invoice/document
- Copy of EWB or EWB number

**Transporter**
- Update vehicle details (Part B) of EWB
- Can generate Part A on authorisation

**Consignee**
- Reject EWB within 72 hours
- Deemed acceptance after 72 hours

**Officer may intercept vehicle for verification.**

**Update any change in vehicle on EWB**
Role of Transport and Logistics sector

The Transport and Logistics sector plays an important role in management of the E-way Bill process. The success of effective implementation of the E-way Bill in India will largely depend on how efficiently and diligently businesses comply with and manage the requirements of this Bill and generate one when needed.

Transporters play multiple roles in the life-cycle of an E-way Bill:

1. Enrol on the government portal and obtain mandatory Transporter ID
2. Carry relevant documents such as invoice or delivery challan along with copy of the E-way Bill or E-way Bill number generated
3. If a consignor or consignee does not generate an E-way Bill, generate one on the basis of the invoice available
4. Update vehicle-related details on E-way Bill if there is any change in the vehicle while in transit
5. Keep track of the validity or cancellation of an E-way Bill and extend or generate one within the timelines
6. Generate a consolidated E-way Bill (optional) instead of carrying multiple E-way Bills for multiple consignments
7. Upload necessary information on the Government Portal if a vehicle is intercepted and detained for more than 30 minutes
8. The Government is contemplating the option of notifying a certain category of transporters who will need to obtain a unique Radio Frequency Identification Device (RFID), get this embedded on their vehicles and map the E-way Bill to the RFID before goods are transported. Several large transporters have already adapted their technologies to manage logistics-related compliance with the E-way Bill compliance process efficiently. But this could be a setback for many small and medium transporters who still use the traditional way of managing compliance with the requirements of the E-way Bill.

In the event of non-compliance with the mandates of the E-way Bill, the GST Law provides for confiscation of a vehicle or imposition of a penalty (that is equal to the tax payable on the goods being transported) on the owner of the conveyance transporting the goods.

In a recent case, the Madhya Pradesh High Court, rejecting a writ petition, upheld a penalty (that was equivalent to the value of the goods being transported) on a leading transporter for not filing vehicle-related details in Part B of the E-way Bill form. This judgement is a significant development and may empower the authorities across states to be more vigilant, scrutinise consignments and impose penalties for non-compliance with E-way Bill rules.

Therefore, they need to be well-versed with the mandates of the E-way Bill so that they are in a position to provide an adequate explanation to the authorities in case their vehicles are intercepted.
What businesses need to do

There have been mixed reactions to the implementation of the E-way Bill in India. Although enrolment of the E-way Bill has resulted in an organised system of transactions and increased business opportunities, businesses are concerned that non-generation or wrong generation of E-way Bills may attract penalties under the GST Law.

While a penalty of INR 20,000 is applicable for cases of non-compliance, the more important consequence is that the tax authorities can allege movement of goods without a valid E-way Bill as an attempt made by the consignor to evade payment of the applicable tax. This can lead to their levying a penalty on the consignor, which is equivalent to the total tax payable. Consequently, the authorities may impose a penalty of INR 20,000 or the tax amount sought to be evaded by the consignor, whichever is higher.

Furthermore, the authorities have power to confiscate goods as well as the vehicles used to transport these. Confiscation of goods and/or imposition of a penalty generally leads to long-drawn-out litigation for the businesses concerned.

Over and above these financial and legal implications, the worst impact on any business if its goods or vehicles are seized during transit is that its routine operations may be adversely affected. This is particularly relevant for various businesses that work in the ‘just-in-time delivery’ mode, wherein any delay in delivery of goods has a dire impact on their supply chain cycles and service levels.

In light of the above, businesses are required to do the following:

a) **Map business transactions relevant for compliance with the E-way Bill System**

   Businesses need to map and evaluate their need to generate E-way Bills to comply with the requirements prescribed under the law for different transactions.

   This will help them identify all relevant transactions conducted by their organisations for which E-way Bills need to be generated. They also have the option of accepting E-way Bills raised by counterparties and identify the stakeholders responsible for generating or accepting these.

b) **Identify and fix responsibility**

   Stakeholders’ responsibility to generate E-way Bills should be adequately defined to avoid situations of non-generation or incorrect generation. There have been many instances, including ex-works supply, reverse movement (sales returns or rejection) and bill-to-ship-to supply transactions, where businesses could have debated on whom the responsibility for generating E-way Bills should devolve.

   In actual fact, this responsibility should not be limited to generation of E-way Bills, but management of their entire life cycle or their cancellation.
c) **Incorporate changes in contracts and agreements**

In line with the responsibilities identified, businesses will also need to make the requisite changes in their contracts with vendors, customers and transporters. Allocating appropriate responsibilities and including remedial measures in contracts with stakeholders are indispensable steps organisations need to take in their E-way Bill management processes. It will help them safeguard their interests in the event of non-compliance with mandated requirements.

**d) Determine changes required in IT systems**

Businesses also need to identify the changes required in their IT systems in line with E-way Bill compliance-related requirements. However, careful planning is needed to implement changes in the systems to gear up and fulfill compliance-related requirements. In addition, a detailed and clear Standard Operating Procedure (SOP) needs to be in place for users to understand and refer to while managing their compliance with the mandates of the E-way Bill.

**e) Evaluate the need for technology-based solutions**

In view of the exhaustive lifecycle of the E-way Bill compliance process, businesses need to understand the importance of putting in place comprehensive technology-based solutions to manage their compliance with these directives. This will help them in the long run by reducing manual intervention and automating the entire process in their organisations.

Today, many professional and software companies are offering E-way Bill compliance solutions that are comprehensive and user-friendly, and help businesses manage their compliance-related activities with ease. These solutions include features such as a rich dashboard for overview of management, a collaborative platform for access to transporters and real time monitoring of the lifecycle of an E-way Bill life for taking the necessary action, reconciliation with GST returns, etc.

In this scenario, businesses need to ascertain whether they need technological interventions to manage their compliance with E-way Bill. Finding answers to the following questions can help in an evaluation of the need to put in place such technology-based solutions:

1. Does your business have multiple GST registrations with several users generating E-way Bills, but no pan-India visibility of compliance and process management at the central level?
2. Do you have a mechanism in place to track utilisation of all E-way Bills generated, cancelled and closed in your organisation?
3. Do you have in place any mechanism to reconcile supplies (against which E-way Bills have been generated) with those reported in your GST returns, including for E-way Bills generated by counter-parties on the procurement side?
4. Have you uploaded various Masters (including the Customer Master, Supplier Master, Product Master, Logistics Master and Transport Master) on the Government Portal so that the relevant details can be auto-populated on it for manual generation of E-way Bills?
5. Do you have a history (under the GST or an erstwhile VAT regime) of goods or vehicles being seized or notices being issued by the authorities due to non-generation or incorrect generation of E-way Bills due to clerical errors?
6. Do you want transporters to generate E-way Bills, but keep a track of these to avoid any incident of non-compliance?

Technology has been the backbone of the GST in India and all return filings under it have gone online. We believe that the majority of large businesses would agree on the need for robust technology-based platforms to manage their compliance with E-way Bill related requirements.
The positive experience of businesses on the GST journey so far has been the Government’s proactive approach to addressing the challenges faced by them. The authorities have been quick to address public concerns by issuing a series of notifications, clarifications, press releases and FAQs.

However, while the processes to be completed for generation of E-way Bills on the Government Portal are still stabilising, there are certain areas at which businesses expect the Government to have a re-look:

a) Avoiding unnecessary litigation

Within the first month of the implementation of the E-way Bill, various cases were reported of seizure of goods or detention of vehicles due to procedural gaps. This is a stumbling block in the path of successful and meaningful implementation of the E-way Bill. And while the Government has amply clarified the procedures and mandates businesses and officers need to comply with, whether field officers will be able to implement these efficiently remains to be seen.

b) Relaxing or amending certain restrictions relating to generation of E-way Bills

Once an E-way Bill has been generated, details (except those related to a vehicle) entered in it cannot be edited or modified. The only option in this event is to cancel and generate a new E-way Bill.

However, businesses want that editing or amendment of details on E-way Bills should be allowed within a reasonable period of time.

c) Facilitating procedure on Government Portal

While E-way Bills can be generated or cancelled on the Government Portal, there is no window available for their closure on successful delivery of goods. Consequently, E-way Bills generated are always active on the portal.

Moreover, reports on E-way Bills generated, cancelled or rejected can only be downloaded from the Government Portal for one day at a time. This requires businesses to download and keep track of reports on a daily basis for the purpose of reconciliation. While the Government has clarified that system-related restrictions are the reason for limiting the number of reports to one per day for businesses, the period allowed for such restrictions may be extended to allow them to generate reports for a month at least.
Summary

• In view of the significance and importance of E-way Bills and their complexity, businesses need to carefully plan for their proper implementation and execution. They need to bear in mind that seizure of goods or detention of vehicles during transit could lead to disruption in their supply chains.

• Any measures taken by the Tax Department for non-compliance with the provisions of the E-way Bill may lead to initiation of action by the authorities on an organisation’s other GST-related assessments as well, including on its request for reconciliation between the supplies it has reported to generate an E-way Bill or the supplies it has detailed in its GST returns. Such action taken against a business could result in its reputation as an honest taxpayer being damaged.

• Therefore, the need for implementation of technology-based solutions to manage their compliance with E-way Bill-related mandates should be assessed by businesses. This will make them aware of the importance of putting such solutions in place in their organisations and that doing so will significantly enhance the efficiency of their operations.

• And last but not the least, businesses need to closely monitor new developments in the E-way Bill compliance process and quickly adapt to changing requirements.
# Our offices

<table>
<thead>
<tr>
<th>City</th>
<th>Address</th>
<th>Phone</th>
</tr>
</thead>
</table>
| Ahmedabad | 1701, 17th Floor, Shapath V  
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S G Highway  
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Phone: [91] (79) 3091 7000 |             |
| Bengaluru | The Millenia, Tower D  
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