



## TIME OF SUPPLY

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In the erstwhile tax regime, the point of taxation or the point of applicability of taxes were different for different taxes like in case of Central Excise it is on manufacture but levied at the time of removal of goods, in case of Service Tax at the time of invoicing or within 30 days of completion of service or in the case of VAT it is on the sale of goods. As the point of taxation is different for different taxes it was creating confusion and also becoming tough to manage the same, in GST the point of taxation is known as “Time of Supply” and it is different for goods and services as the nature of supply is different for both. Time of Supply determines the applicability of Taxes on the transaction be it supply of goods or services, i.e. at this point of the transaction the tax liability has to be accounted along with the issue of the tax invoice.

Time of Supply is defined in three sections in the CGST Act 2017, they are

Section 12 – Time of Supply for Goods

Section 13 – Time of Supply for Services

Section 14 – Change in rate of tax in respect of Supply of Goods or Services

### Time of Supply for Goods

The Time of Supply for Goods in GST is defined in Section 13 of the CGST Act and one major change is taxes are also applicable on receipt of money from the customers if received in advance. This provision was applicable in the erstwhile tax regime only for the Service Tax but not it is applicable to the goods under Central Excise or VAT.

The time of supply for goods can be classified into three broad categories

- Time of Supply for Goods – Forward Charge
- Time of Supply for Goods – Reverse Charge
- Time of Supply for Goods – Miscellaneous Provisions

#### **Time of Supply for Goods – Forward Charge**

Forward charge refers to the regular payment of taxes, i.e. the buyer pays the taxes to the supplier of goods and the supplier in turn remits the taxes to the tax authority.

The Time of Supply for Goods is the earliest of the following dates

- Date of Issue of Tax Invoice as per provisions of section 31 of the CGST Act
- Date of Receipt of Payment

Date of receipt refers to the payment refers to the date of entry in the books of accounts or date of deposit or credit in the bank account. The date of receipt of payment under GST is the earliest of the date of accounting or date the receipt in the books of accounts. This is a new requirement and proper care has to be taken for the same.

The time of supply for goods can be explained with the following illustration

Sl. No	Date of issue of invoice	Date of Receipt of Money	Time of Supply - earliest of the dates
1	21-July-17	1-Aug-2017	21-July-17
2	22-July-17	10-July-17	10-July-17

In case if the place of supply is not known at the time of receipt of payment, then the tax to be accounted for the receipt voucher is IGST. If a customer accounts the tax liability on the receipt voucher as IGST, not sure how the same will be adjusted if the supply is made within the state? Does the supplier have to apply for a refund or adjust it with his existing output liability for IGST?

In case if the tax rate is not known for the amount of advance receipt for the e supply of goods or services, then tax rate has to be considered as 18% basis of the provisions given in Rule 50, Sub rule K and clause (i).

In case if the place of supply is not known at the time of receipt of goods, then the same has to be considered as Interstate supply of goods that means IGST will be applicable on the receipt basis of the provision given in Rule 50, Sub rule K, clause (ii)

Accounting of taxes on receipt of money is a global phenomenon in VAT across the globe but the taxpayers in India are not used to it especially the same traders and

they were facing lot of procedural issues and finding tough to issue the receipt voucher, based on their recommendations, the government has given an exemption to the taxpayers with turnover less than Rs 150 Lacs for payment of taxes on receipt of advances for supply for goods wide Notification No. 40/2017 – Central Tax dated 13<sup>th</sup> Oct 2017 and subsequently made it applicable to all the taxpayers wide Notification No. 66/2017 – Central Tax, dated 15th November, 2017.

### **Time of Supply for Goods under Reverse Charge**

In the normal course of trade, the supplier collects the taxes from the recipient and remits the same to the tax authorities. In the case of a reverse charge, the tax is not collected by the supplier of goods or services or both, but the recipient pays the taxes directly to the government on his purchases. To remit the GST / SGST / UT GST / IGST / GST Cess, the buyer has to be registered under GST.

In GST, the reverse charge is also applicable to the supply of goods also and the applicable taxes are CGST/ SGST/ UT GST /IGST and Cess. The list of goods for which reverse charge is applicable will be issued by a notification on recommendations of the GST Council. Apart from the list of goods to be notified by the government from time to time on the recommendations of the GST Council, it is also applicable on the purchase of goods or services or both from an un-registered taxpayer. If any goods are purchased from an unregistered taxpayer in GST, the registered taxpayer has to pay taxes on such purchases at the time of receipt of the goods and issue a self-tax invoice to account the reverse charge liability. In case if the advance is being paid to the unregistered tax payer, a payment voucher has to be issued, and they are to be reported in the GSTR – 2.

The tax liability for the reverse charge taxes has to be paid without using the existing input tax credit of GST taxes. Once the GST reverse charge tax amount is paid, the taxpayer can claim the input tax credit and utilize the same for payment of other tax liabilities.

The time of supply for goods under reverse charge is the earliest of the following dates

- Date of receipt of goods
- Date on which payment is made
- Within 30 days from the date of issue of an invoice by the Supplier.

The same is explained with the following example

Sl. No	Date of Receipt of Goods	Date of Payment	Date on which Supplier issued the invoice	Time of Supply - earliest of the dates
1	14-July-17	15-July-17	14-July-17	14-July-17
2	15-July-	10-July-	15-July-17	10-July-17

	17	17		
3	09-Aug-17	13-Aug17	08-July-17	08-July-17

### **Time of Supply of Goods – Miscellaneous**

The miscellaneous provisions cover the time of supply for vouchers and issue of debit note for delayed payments.

### **Supply of Vouchers**

Vouchers are normally purchased at shopping malls or of specific brands or of e-commerce portals to be gifted or for personal use. GST is also applicable on the vouchers, and the earliest date of the following dates is considered for the time of supply

- Date of issue of voucher
- Date of redemption if issue of voucher is not now

In a normal world, the date of issue of the voucher is known so that that date will be considered for the time of supply and the tax liability is accounted.

The same is explained in the following illustration

Sl. No	Date of issue of Voucher	Date of Redemption of Voucher	Time of Supply - earliest of the dates
1	14-Aug-17	25-Dec-17	14-Aug-17
2		17-July-17	17-July-17

If GST is accounted and paid at the time of issue of the voucher, then GST is not applicable at the time of redemption. Going forward wherever gift vouchers/movie tickets/tickets issued for customers or any others GST will be applicable, and this should be part the event budget or promotions.

### **Debit notes for interest / late payment**

Normally for any supply, there will be payment terms and the recipients are expected to honor the payment terms accordingly. In case if the same does not happen, then for delayed period, a debit note is raised, and on such charges also GST inapplicable. The accounting of GST on such debit notes is on receipt of money from the customer but not on the date of issue of debit note like tax invoice.

Care has to be taken for such debit notes, and the proper configuration should be done in the ERP / accounting software else it can unnecessarily lead to the pre-payment of taxes and could result in more stress on working capital.

### **Time of Supply for Services**

Though the act is same for good and services in GST, due to the difference in the nature of the goods and services, the provisions are different.

The time of supply for services can also be classified into three different categories similar to the time of supply of goods as

- Time of Supply – Forward Charge
- Time of Supply – Revers Charge
- Time of Supply - Miscellaneous Provisions

#### Time of Supply of Services – Forward Charge

In the case of a forward charge, the taxes on the outward supply are collected from the recipient and deposited with the tax authorities by 20th of the next month.

#### ***Time of supply of service – earliest date of invoice or payment***

The time supply for services in case of a forward charge is the earliest of the following dates

- Date of issue of invoice
- Date of receipt of payment

The same is explained with an illustration

Sl. No	Date of issue of invoice	Date of Receipt of Payment	Time of Supply - earliest of the dates
1	21-July-17	25-July-17	21-July-17
2	22-July-17	10-July-17	10-July-17

#### ***Time of supply of service – provision of service or payment***

The time supply for services in case of forward charge is the earliest of the following dates

- Date of provision of service if invoice is not issued within 30 days
- Date of receipt of payment

The same is explained with an illustration

Sl. No	Date of provision of service	Date of issue of invoice	Date of Receipt of Payment	Time of Supply - earliest of the dates
1	20-July-17	27-Aug-17	25-July-17	20-July-17
2	25-Jul-17	22-July-17	10-July-17	10-July-17

#### ***Time of supply of service – date on which recipient shows services***

This case is applicable in cases where the service rendered first, and then on the basis of the service engineers report the company issues the tax invoice. In some cases, as and when the service engineer provides the service, the recipient accounts in his books on the same date and such cases the supplier of services is

required to issue the tax invoice on the date on which the recipient has recorded the services in his books.

In the normal course, it is simple, but there will be some challenges in case of service being provided at the far end of the month and the invoice is raised during the next month, in such cases, it has to be handled accordingly.

#### **Date of receipt of payment from recipient**

Under GST if the advance is received from the customer before the supply be it for the supply of goods or services or both, then receipt voucher has to be issued to the supplier, and tax liability has to be paid. This is a paradigm shift from the requirements in Central Excise or VAT taxes where tax is not required to be computed and deposited for the supply of goods. This amounts to a major change in the business process.

In case advance receipt from the customer, the payment date is considered to be the earliest of the following

- The date on which the supplier enters the payment in his books of accounts
- The date on which the payment is credited to the supplier's bank account.

In case if the place of supply is not known at the time of receipt of payment, then the tax to be accounted for the receipt voucher is IGST. If a customer accounts the tax liability on the receipt voucher as IGST, not sure how the same will be adjusted if the supply is made within the state? Does the supplier have to apply for a refund or adjust it with his existing output liability for IGST?

In case if the tax rate is not known for the amount of advance received for future supply of goods or services, then it has to be accounted for 18%. How the same will be adjusted if the tax rate is 18% on the receipt voucher and the actual supplies are made at 12% or 5% or 28% or against exempted supply.

To avoid such issues, it is recommended to know the place of supply and tax rate at the time of account of tax liability on the advance receipt.

#### Time of supply of Services – Reverse Charge

Reverse charge is also applicable for the supply of services.

The time of supply for services under reverse charge is the earliest of the following dates

- Date on which payment is made
- Within 60 days from the date of issue of invoice by the supplier/service provider

Date of payment is the earliest date of the payment made i.e. the system date or date on which the bank account of the service receiver is debited.

The time of supply for reverse charge is with examples

Sl. No	Date of Payment	Date on which Supplier issued the invoice	Time of Supply - earliest of the dates
2	10-June-16	10-June-16	10-June-16
3	13-Aug-16	08-June-16	07-Aug-16

Time of supply for Services – Miscellaneous

The miscellaneous provisions cover the time of supply for vouchers and issue of debit note for delayed payments.

### Supply of Vouchers

Vouchers are normally purchased at shopping malls or of specific brands or of e-commerce portals to be gifted or for personal use for servicing of appliances of machinery or issued by the manufacturer or dealer as part of sales promotion. GST is also applicable on the vouchers, and the earliest date of the following dates is considered for the time of supply

- Date of issue of voucher
- Date of redemption if issue of voucher is not now

In a normal world, the date of issue of the voucher is known so that that date is considered for the time of supply and the tax liability is accounted.

The same is explained in the following illustration

Sl. No	Date of issue of Voucher	Date of Redemption of Voucher	Time of Supply - earliest of the dates
1	14-Aug-17	25-Dec-17	14-Aug-17
2		17-July-17	17-July-17

If GST is accounted and paid at the time of issue of the voucher, then GST is not applicable at the time of redemption to the extent of the value of the voucher.

### Debit notes for interest / late payment

Normally for any supply, there will be payment terms and the recipients are expected to honor the payment terms accordingly. In case if the same does not happen, then normally for delayed payments debit note is raised and, on such charges, also GST is applicable. The accounting of GST on such debit notes is on receipt of money from the customer but not on the date of issue of debit note like tax invoice.

Care has to be taken for such debit notes, and the proper configuration is to be done in the ERP / accounting software else it can unnecessarily lead to the pre-payment of taxes and could result in more stress on working capital.

### Change in rate of tax in respect of Supply of Goods or Services

Change of rates for goods and service is a normal feature as the rates are reduced on the basis of the representation of the trade and industry or increased by the Government as they wanted to increase the revenue for meeting the economic development and social welfare schemes. Whenever there is an increase in the tax rates, if the supply and payments are received after the tax rate changes there will be no impact but in cases if the goods are shipped and tax invoice is not issued or payment is received and supply has not taken, in such cases what taxes should be applicable, the revised rates or the old rates. This is always a point of difference between the taxmen and the trade and industry, to end all such disputes or differences the same is given under the Act.

The tax rate changes can happen in the following cases

- Goods and Services have been supplied before the tax rate changes
- Goods and Services have been supplied after the tax rate changes

### Goods and Services have been supplied before the tax rate changes

The following are the case under which the goods or services have been supplied but the taxes have changes subsequently before the issue of the tax invoice or receipt of payment.

- where the invoice for the same has been issued and the payment is also received after the change in the rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier; or
- where the invoice has been issued prior to the change in the rate of tax but payment is received after the change in the rate of tax, the time of supply shall be the date of issue of invoice; or
- where the payment has been received before the change in the rate of tax, but the invoice for the same is issued after the change in the rate of tax, the time of supply shall be the date of receipt of payment;

The same is given in an illustration here

Sl. No	Date of change in Tax Rate	Date of Supply of Goods	Date of Issue of Invoice	Date of Receipt of Payment	Time of Supply - earliest of the dates
1	1-Jan-18	25-Dec-17	20-Jan-18	25-Jan-18	20-Jan-18
2	1-Jan-18	25-Dec-17	24-Dec-17	25-Jan-18	24-Dec-17
2	1-Jan-18	25-Dec-17	20-Jan-18	10-Dec-17	10-Dec-17

***Goods and Services have been supplied after the tax rate changes***

The following are the case under which the goods or services have been supplied after that the tax rates have changed

Sl. No	Date of change in Tax Rate	Date of Supply of Goods	Date of Issue of Invoice	Date of Receipt of Payment	Time of Supply - earliest of the dates
1	1-Jan-18	10-Jan-18	24-Dec-17	25-Jan-18	25-Jan-18
2	1-Jan-18	10-Jan-18	20-Dec-17	25-Dec-17	20-Dec-17
3	1-Jan-18	10-Jan-18	15-Dec-17	26-Dec-17	15-Dec-17
4	1-Jan-18	10-Jan-18	20-Jan-18	10-Dec-17	20-Jan-18

The time of supply is very key and determinantal for the accounting of the tax liability and in case if the same is not accounted properly, during the audit or in some cases in Special Audit these issues will be raised and necessary penal action will be initiated on the tax payers. Proper care and internal controls are place to ensure that the provisions of the Time of Supply are adhered in case of services as it is applicable now and in case of historic transactions till the release of the Notification No. 40/2017 – Central Tax dated 13<sup>th</sup> Oct 2017 and Notification No. 66/2017 – Central Tax, dated 15th November, 2017 as the department can cross verify the bank receipts with the actual receipts accounted in the books and validate if GST on advance receipts is paid or not. In case if it is found to be not paid, then interest at the rate of 18% is applicable basis of the Notification No. 13/2017 – Central Tax, dated 28th June, 2017 till the date of payment of the tax.

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