

# Time of Supply Under GST

Importance and Implications



# Time of Supply

Perspective of GST Law



# Time of Supply- Various Situation

## 01 Time of Supply of Goods -Forward Charge

- Where Supply Involves Movement of Goods
- Any Other Case.

## 02 Time of Supply of Services -Forward Charge

## 03 Goods sent or taken on approval for sale or return basis

## 04 Time of Supply of Goods - Reverse Charge

## 05 Time of Supply of Services -Reverse Charge

## 06 Continuous Supply of Goods

# Meaning :

- ▶ Time of Supply provisions determines the point in time when a person becomes liable to pay the taxes on the supply of goods or services made by him .
- ▶ Time of supply is a measure under the GST law for every transaction entered into by the supplier of goods and services.
- ▶ It means the point in time when goods have been deemed to be supplied or services have been deemed to be provided for determining when the taxpayer is liable to pay taxes.

# Importance of Time of Supply

- ▶ The importance of time of supply can be gauged from the fact that as per Section 12(1) / 13(1) of CGST Act, 2017 liability to pay tax on goods / services arises at the time of supply, as determined in accordance with the provisions of section 12 and 13.
- ▶ Accordingly any delay in determining of time of supply would result in delay in payment of tax and consequential levy of interest which may affect the business margins and cash flows adversely.
- ▶ Further the time of supply determines the 'rate of tax' applicable on any supply. It also determines the due date of filing of GST returns as well as due date of payment of tax.

# Time of Supply role in Rate of Exchange

- ▶ The time of supply also plays key role in determining the rate of exchange applicable for determination of value of supply in light of Rule 34 of the CGST Rules, 2017 which is briefed as under:
- ▶ **For Goods:** Applicable rate of exchange as notified by CBIC u/s 14 of the Customs Act, 1962 for the date of time of supply of such goods u/s 12 of the CGST Act. (Rule 34(1) of the CGST Rules).
- ▶ **-For Services:** Applicable rate of exchange determined as per generally accepted accounting principles (GAAP) for the date of time of supply of such services in terms of Sec 13 of the CGST Act. (Rule 34(2) of the CGST Rules).



# Time of Supply of Goods - Forward Charge

- ▶ Time of Supply shall be earlier of :
  - ▶ date of issue of invoice or last date on which the invoice is required to be issued with respect to the supply
  - ▶ date of receipt of payment.
- ▶ date of receipt of payment is not relevant now as notification exempts all taxpayers from payment of tax on advances received in case of **supply of goods**.

## Last date on which the invoice is required to be issued with respect to the supply

- ▶ It is dependent on whether the supply involves movement of goods or not i.e.
- ▶ i. A case where the supply involves movement of goods : At or before the time goods are removed.
- ▶ ii Any other case : When the goods are delivered or made available to the recipient.



## e.g. - At or before the time goods are removed

- ▶ Mr. A in Maharashtra gets an order from Mr. B in Uttar Pradesh on 11th March 2023 for supply of items
- ▶ Mr. A dispatches the goods from his premises to his transporter's premises on 16th March 2023.
- ▶ The transporter initiates the transportation on 18th March 2023 and the goods finally reach the premises of Mr. B on 24th March 2023.
- ▶ The removal of goods will be said to be caused on 16th March 2023 i.e. the date when the goods leave the premises of Mr. A.
- ▶ The last date of issue of invoice will also be 16th March 2023 in the given case.

e.g. - When the goods are delivered or made available to the recipient

- ▶ Mr. X agrees to sell his godown in Delhi to Mr. Y on 15th March 2023.
- ▶ There is a separate agreement entered by Mr. X and Mr. Y for the selling of furniture within the godown on 19th March 2023.
- ▶ Mr. X hands over the possession of the godown and the furniture on 25th March 2023.
- ▶ In this case, the furniture will be considered to be delivered on 25th March 2023 which will also be the last date of issue of invoice as per Section 31.

## E.g. :-

- ▶ If goods are removed on 31.12.2022 and tax invoice is issued on 01.01.2023
- ▶ Time of Supply as per provisions : date of issue of invoice or last date on which Invoice needs to be issued - i.e. 31.12.2022 or 01.01.2023
- ▶ The Invoice date shift from 31.12.2022 to 01.01.2023 will trigger the tax liability to pay tax to next month ??
- ▶ The tax payment will actually be made in the month of February 2023 (based on Invoice date)
- ▶ Default in observing Time of Supply will result in interest payment as per Section 50(1) of CGST Act 2017



# Time of supply of Goods (Reverse Charge Mechanism)

- ▶ It shall be the earliest of the following dates:
- ▶ the date of receipt of goods; or
- ▶ the date of payment as entered in the books of accounts of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
- ▶ the date immediately following 30 days from the date of issue of invoice or any other document in lieu of invoice by the supplier.
- ▶ However, if it is not possible to determine the time of supply in aforesaid manner, then the time of supply shall be the date of entry of the transaction in the books of account of the recipient of supply.

E.g.

- ▶ Mr. X an agriculturist is an unregistered supplier of Tendu Leaves. He make a sale of Rs. 25000/- to Mr. Y (a registered supplier) on 12-01-2023. Mr. X prepares a simple Cash Memo dtd. 14.01.2023 indicating weight and value of goods sold to Mr. Y.
- ▶ Mr. Y makes payment to Mr. X on 15-01-2023 with bearer cheque dtd. 15-01-2023 and make entry in his books of accounts on the same day.
- ▶ Mr. X encashes the cheque on 17-01-2023.
- ▶ Determine the time of Supply :
- ▶ Earlier of
- ▶ A) 12-01-2023
- ▶ B) Earlier of 15-01-2023 or 17-01-2023
- ▶ C) 30 days from 14.01.2023 i.e. 13.02.2023
  
- ▶ Ans : - time of supply will be 12-01-2023

# Time of supply of Goods in case of supply of vouchers by a supplier

- ▶ In such cases, the time of supply will be:
  - ▶ the date of issue of voucher, if the supply is identifiable at that point of time; or
  - ▶ the date of redemption of voucher, in all other cases.



## e.g. 1 - Supply by vouchers

- ▶ Reliance retail is issuing gift voucher to customer for Rs. 2000 on 15.08.2023. These voucher can be used for purchasing any item from Reliance retail store.
- ▶ Customer redeemed the voucher on 02-09-2023 after making a purchase of Rs. 3000/- and by redeeming voucher pay balance amount of Rs. 1000/- in cash.
- ▶ What will be the time of supply in this case ?
- ▶ Since in this case supply is not identifiable (as voucher can be redeemed on any items) the time of supply will be date of redemption of voucher.

## e.g. 2 - Supply by vouchers

- ▶ Reliance retail is issuing gift voucher to customer for Rs. 2000 on 15.08.2023. These voucher can be used for purchasing only Shirts of a particular brand from Reliance retail store.
- ▶ Customer redeemed the voucher on 02-09-2023 after making a purchase of shirts of Rs. 3000/- and by redeeming voucher pay balance amount of Rs. 1000/- in cash.
- ▶ What will be the time of supply in this case ?
- ▶ Since in this case supply is identifiable (as voucher can be redeemed only against shirts of particular brand) the time of supply will be date of issue of voucher.

## Time of supply of Goods (Residual provision)

- ▶ In case it is not possible to determine the time of supply under aforesaid provisions, the time of supply shall be:
- ▶ the due date of filing of return, where periodical return is to be filed; or
- ▶ the date on which tax is paid, in any other case.



# Time of Supply - interest, late fee or penalty

- ▶ In many a cases, supplier receives interest, late fees etc. from recipient for making
- ▶ Delayed payment in respect of supplies.
- ▶ Such payment also attracts GST under GST law
- ▶ Time of Supply for such payment will be the date of receipt of payment.

# Time of Supply - Continuous Supply of Goods

- ▶ **Definition** : Continuous supply of goods means a supply of goods which is provided or
- ▶ agreed to be provided continuously or
- ▶ on recurrent basis,
- ▶ under a contract whether or not by means of wire, cable, pipeline or other conduit and
- ▶ for which the supplier invoices the recipient on a regular or periodic basis and
- ▶ includes supply of such goods as the Government may subject to such conditions as it may by notification specify.
  
- ▶ **Invoice time line for Continuous Supply** : As per Section 31, in respect of continuous supply of goods, it has been stated that **invoice should be issued before or at the time each such statement is issued or each such payment is received.**
- ▶ **Time of Supply** : Date of issue of Invoice for each time period as per contract.

## e.g. - Time of Supply (Continuous Supply of Goods)

- ▶ A mineral water supplier M/s XYZ enters into a contract for delivering/supplying at least 5 bottles daily to M/s ABC enterprises on a daily basis each morning.
- ▶ The terms of engagement specifies that M/s XYZ will raise the bill for the month by 07<sup>th</sup> of the next month mentioning the total bottles supplied by them during the previous month.
- ▶ On that basis M/s ABC will be making the payment to M/s XYZ by 10<sup>th</sup> of the subsequent month
- ▶ For the month of July 2023, M/s XYZ supplies 120 bottles and raised the bill on M/s ABC for Rs. 1200/- on 05-08-2023.
- ▶ Time of Supply will be 05-08-2023 and tax payment will be done in the month of September 2023.



## Time of Supply - Goods sent or taken on approval for sale or return basis

- ▶ As per this system, certain goods are sent to the recipient without supplying/selling the same at its outset.
- ▶ These goods can be examined or tested by the recipient as to whether his requirements are fulfilled.
- ▶ The recipient can at his behest, approve the said supply or return the said goods.
- ▶ If the goods are returned, no supply will be deemed to have taken place.
- ▶ If the goods are approved by the recipient, then it will amount to a supply.
  
- ▶ The last date of issuance of invoice in such cases as per Section 31(7) of the CGST Act 2017 has been given as earlier of-
  - ▶ Before or at the time of supply or
  - ▶ Six months from the date of removal

## e.g.- Goods sent or taken on approval for sale or return basis

- ▶ M/s Kalyan Jewellers has to visit M/s Reliance in relation to upcoming function at “Reliance House”
- ▶ For this he need to carry some jewellery sets and ornaments along with him for selling to M/s reliance once the design and fit are agreed to the satisfaction of M/s Reliance.
- ▶ Suppose for e.g. jewellery was removed for approval on 06-01-2023, and left at the Reliance House but no approval was received by M/s Kalyan by 07-07-2023, than such sale on approval basis removal will be deemed as Supply and Invoice to be raised at the earliest of
  - ▶ Before or at the time of supply or
  - ▶ Six months from the date of removal

Since it is assumed that no Invoice was raised at the time of removal, Invoices should be raised on or before 05-07-2023 i.e. 6 months from removal date and time of supply will be deemed as 06-01-2023 i.e. date when goods were initially removed.

# Time of Supply of Services - Forward Charge

## Provisions related to time of supply of services are as follows :

**A) When Invoice is issued in a timely manner than time of Supply will be earlier of the following dates:**

- ▶ the date of issue of invoice by the supplier; or
- ▶ the date of receipt of payment

**B) When Invoice not issued in a timely manner than time of Supply will be earlier of the following dates:**

- ▶ the date of provision of service; or
- ▶ the date of receipt of payment

**C) Where above two doesn't applies, the date on which the recipient shows the receipt of services in his books of account**

## Time line for Issuance of Invoice in case of Supply of Services

- ▶ As per Section 31(2) - A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period,  
issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed:

Rule 47 of the CGST Rules, 2017, prescribes that the invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service



e.g.

- ▶ If the service has been provided on 15.01.2023, then invoice is required to be issued either before 15.01.2023 or
- ▶ Within next 30 days i.e. upto 14.02.2023 as per gst law provisions.

# Time of Supply of Services - Reverse Charge

In case of supplies in respect of which tax is paid or liable to be paid on Reverse charge basis, TOS shall be earliest of the following dates, namely:-

- ▶ (a) the date of payment as entered in the books of account or the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
- ▶ (b) the date immediately following sixty days from the date of issue of invoice or any other documents, by whatever name be called, in lieu thereof by the supplier.
- ▶ Provided that where it is not possible to determine TOS under clause (a) or (b), the TOS shall be the date of entry in the books of account of the recipient of supply.

# Time of Supply of Services - Continuous Supply

- ▶ If the invoice is issued within the prescribed period under section 31(5), the date of issue of invoice by the supplier or the date of receipt of payment whichever is earlier.
- ▶ or
- ▶ If the invoice is not issued within the prescribed period under section 31(5), then the date of provision of service or the date of receipt of payment whichever is earlier.

## Continuous Supply of Services Under GST:

- ▶ “Continuous supply of services” means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes a supply notified as being a continuous supply of services.
- ▶ in case of a continuous supply of services the invoice has to be issued.
- ▶ Where the due date of payment is ascertainable from the contract, the invoice must be issued on or before the due date of payment;
- ▶ Where the due date of payment is not ascertainable from the contract, the invoice must be issued before or at the time when supplier of service receives payment;
- ▶ Where the payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.



e.g.

- ▶ Where the due date of payment is ascertainable or predetermined from the “Contract” then the invoice shall be issued on or before the due date of payment.

A ltd enters into a contract with Mr. B for construction service for a period of one year to complete the project. In terms it was agreed that in each month Mr. A will pay 100,000 on 15th.

- ▶ Then as per this case invoice shall be issued by Mr. B on or before 15th of each month.
- ▶ Where the due date of payment is not ascertainable or not predetermined from the contract then the invoice shall be issued before or at the time when the supplier of service receives payment.

- ▶ Where the due date of payment is not ascertainable or not predetermined from the contract then the invoice shall be issued before or at the time when the supplier of service receives payment.
- ▶ A ltd enters into a contract with Mr. B for construction service for a period of one year to complete the project.
- ▶ Mr. B receives lump sum amount of 100,000 on 10th September
- ▶ so if he receives the payment on lump sum or in installment without any predetermined or unascertained date then the invoice shall be issued before or at the time when the supplier of service receives payment i.e. 10th of September.

- ▶ Where the payment is linked to the “Completion of an event” the invoice shall be issued on or before the date of completion of that event.
- ▶ A ltd enters into a contract with Mr. B for construction service for a period of one year to complete the project.
- ▶ The agreement specifies payment of 10% consideration on plinth area, 20% on brick work etc.
- ▶ Mr. B completes the plinth on 10th September and he is eligible to receives the payment on 10<sup>th</sup> September then the invoice shall be issued before or at the time of completion of event i.e. 10th of September.

# Time of Supply where there is Change in Rate of Tax [Goods as well as Services]

- Notwithstanding the provisions of Section 12 or Section 13 of the CGST Act 2017, in case of change in the rate of tax in respect of supply of goods or services or both, time of supply shall be determined in the following manner in accordance with the provisions of the Section 14 of the CGST Act 2017:



## Section 14(a) - Where Goods / Services are supplied BEFORE the change in rate of tax

Sr. No.	Goods / Services Supplied	Issue of Invoice	Receipt of Payment	Time of supply
1	Before Change	After Change	After Change	Date of Invoice or Receipt of Payment, whichever is earlier
2	Before Change	Before Change	After Change	Date of Issue of Invoice
3	Before Change	After Change	Before Change	Date of Receipt of Payment

## Section 14(b) - Where Goods / Services are supplied AFTER the change in rate of tax

Sr. No.	Goods / Services Supplied	Issue of Invoice	Receipt of Payment	Time of supply
1	After Change	Before Change	After Change	Date of Receipt of Payment
2	After Change	Before Change	Before Change	Date of Invoice or Receipt of Payment, whichever is earlier
3	After Change	After Change	Before Change	Date of Issue of Invoice

# Case Studies

- ▶ Renting of motor vehicle services provided by non body corporate to a body corporate in September, 2019 but:
  - ▶ a) Invoice issued and payment recd in Oct, 19.
  - ▶ b) Invoice issued in Sep, 19 , however payment recd in Oct, 19
  - ▶ c) Payment recd in Sept, 19 however Invoice issued in Oct, 19
- ▶ Whether in above cases tax will be payable under forward charge or reverse charge considering that renting of motor vehicle services in such cases have been covered under reverse charge w.e.f. 01.10.2019 vide Notification No. 22/2019- Central Tax (Rate) dated 30.09.2019.

- ▶ **Case a):** As invoice as well as payment has been received in October, 2019, the liability to pay tax was not crystallized in Sept, 2019 in the hands of the supplier as per the provisions of Section 13(2) of the IGST Act, 2017 and accordingly in this case reverse charge mechanism will be applicable and GST will be required to be paid under reverse charge mechanism by the recipient after determining the time of supply as per the provisions of Section 13(3) of the IGST Act, 2017.
- ▶ **Case b):** As invoice has been issued in September, 2019, the liability to pay tax as per time of supply provisions was crystallized in Sept, 2019 in hands of supplier itself as per the provisions of Section 13(2) of the IGST Act, 2017 and accordingly in this case reverse charge mechanism will not be applicable and GST will be required to be paid by the supplier.
- ▶ **Case c):** As payment was received in September, 2019, the liability to pay tax as per time of supply provisions was crystallized in Sept, 2019 in hands of supplier itself as per the provisions of Section 13(2) of the IGST Act, 2017 and accordingly in this case reverse charge mechanism will not be applicable and GST will be required to be paid by the supplier.



# Whether TOS required to be determined in following cases?:

- ▶ **a) Services by an employee to the employer**

- ▶ As per para 1 of Schedule III of the CGST Act, 2017 services by an employee to the employer in the course or in relation to his employment is treated neither as a supply of goods nor supply of services. As there is no supply in transaction, the question of determining time of supply does not arise.

- ▶ **b) Sale of land and completed building**

- ▶ As per para 5 of Schedule III of the CGST Act, 2017 sale of land and completed building is treated neither as a supply of goods nor supply of services. As there is no supply in transaction, the question of determining time of supply does not arise.



► **c) Sale of alcoholic liquor**

- Sale of Alcoholic liquor is a supply as per Section 7 of the CGST Act, 2017.
- However same has been excluded from levy of GST as per charging Section 9(1) of the CGST Act, 2017 thus same shall not be subject to GST. Such supply would be regarded as non-GST supply and time of supply would be required to be determined for disclosure of amount of non-GST supplies in table 8 of GSTR-1 and Table 3.1(e) of the GSTR-3B.

► **d) Sale of Securities**

- GST is a tax on supply of goods or services or both. Securities has been excluded both from the definition of goods (Sec 2(52)) as well as services (Sec 2(102)) and therefore there is no supply when securities are sold. Thus in such a case time of supply is not required to be determined. However brokerage charges etc on sale of securities would be subject to GST and its time of supply would be required to be derived.

► **e) Service provided without consideration**

- As per Section 7(1)(a) of the CGST Act, 2017 for any activity to be regarded as supply, presence of consideration is must. This is subject to exceptions provided in Section 7(1)(c) read with Schedule I of the CGST Act.
- Thus any service which is provided without consideration (not covered in Schedule I) will not be regarded as supply and accordingly question of determining its time of supply does not arise.

► **f) Exempt Supplies**

- The time of supply will be required to be determined as in this case supply is involved, no matter it is exempt. It is important to note here that based upon deriving of time of supply the amount of exempt supplies will be reported in Table 8 of GSTR-1 and Table 3.1 (c) of the GSTR-3B. Further this amount of exempt supplies will also be used for reversal of Input Tax Credit attributable to exempt supplies as per Section 17(2) of the CGST Act read with Rule 42 and 43 of the CGST Rules, 2017.

- ▶ **What would be the time of supply of movement of artwork from artist to art galleries**
- ▶ In this regard, vide CBIC [Circular No. 22/22/2017-GST, dated 21-12-2017](#), it has been
- ▶ clarified by CBIC that the **movement of artwork from artist to art galleries** shall not be constituted as supply as the same is sent on approval basis and the supply takes
- ▶ place when buyer selects a particular art work displayed at the gallery.
- ▶ Accordingly time of supply in this case would be when buyer purchases the art work
- ▶ and invoice should also be issued upon such purchase being concluded.



X Ltd is a registered supplier of plastic goods.

Determine the time of supply of the plastic goods supplied on FOR basis by X Ltd to Y Ltd as per the provisions of CGST Act, 2017, based upon the following information:

Events	Date
Received an order from Y Ltd	10 <sup>th</sup> April, 20XX
Receipt and entry of cheque in books	10 <sup>th</sup> April, 20XX
Credit in Bank Account	11 <sup>th</sup> April, 20XX
X Ltd gets the consignment ready	15 <sup>th</sup> April, 20XX
Issue of invoice	18 <sup>th</sup> April, 20XX
X Ltd dispatches the goods by truck	16 <sup>th</sup> April, 20XX
Delivery of goods to Y Ltd	25 <sup>th</sup> April, 20XX



- ▶ As per provisions of Section 12(2) of the CGST Act, 2017 the time of supply in respect of goods is the actual date of issue of invoice or due date of issue of invoice whichever is earlier.
- ▶ The requirement to pay GST on advances received towards goods has already been dispensed with w.e.f. 15.11.2017 vide [Notification No 66/2017-CT dtd 15.11.2017.](#)
- ▶ In this case the date of issue of invoice is 18<sup>th</sup> April, 20XX while the due date of issue of invoice as per Section 31(1) of the CGST Act, 2017 is 16<sup>th</sup> April, 20XX i.e. date of removal viz dispatch of goods by supplier. The earlier of two dates which is 16<sup>th</sup> April, 20XX will be the time of supply in the instant case.
- ▶ It may be also be noted that there would be no impact on determination of time of supply whether the transaction is FOR or on ex works basis.

**Determine the time of supply of from the following particulars:**

Date	Description
8th September	Community hall booked for a marriage, sum agreed Rs. 1,20,000, advance Rs. 20,000 recorded in the books of account.
10th September	Advance amount credited in bank account.
2 <sup>nd</sup> November	Marriage held in the Community hall.
18th December	Invoice issued for Rs. 1,20,000 indicating the balance of Rs. 1,00,000 payable.
22 <sup>nd</sup> December	Balance Rs. 1,00,000 received recorded in the books of account.
24 <sup>th</sup> December	Payment Rs. 1,00,000 credited to the bank account

- ▶ As per the provisions of Section 13(2) of the CGST Act, 2017, the time of supply for services is date of invoice (date of supply of service if invoice not issued within prescribed time) or date of receipt of payment whichever is earlier.
- ▶ In instant case there would be two time of supply which are derived as under:-
- ▶ **For advance payment:** The time of supply for the advance amount of Rs 20,000/- received would be the date of entry in books or credit of amount in bank account, whichever is earlier. Accordingly the time of supply would be 8<sup>th</sup> September.
- ▶ **For balance amount:** As in the instant case there has been delay in issuance of invoice as same has been issued after 30 days (time limit for issue of invoice as prescribed u/s 31(2) read with Rule 47) from the date of supply. Accordingly time of supply would be earlier of date of supply which in this case is 2<sup>nd</sup> November or date of receipt of payment which is 22<sup>nd</sup> December (earlier of entry in books and credit in bank account). Accordingly the time of supply for the balance amount of Rs 1,00,000/- would be 2<sup>nd</sup> November.



**Determine time of supply of goods for payment of tax under reverse charge mechanism from the given information:**

Date	Description
May 4	Supplier invoices goods taxable on RCM basis to X Ltd
June 12	X Ltd receives the goods, which were held up in transit.
July 3	Payment made for goods

As per the provisions of Section 12(3) of the CGST Act, 2017, the time of supply in respect of payment of tax under reverse charge mechanism will be earliest of following three dates:

the date of receipt of goods (which in this case is 12th June)

date of payment (date of entry in books or date of debit in Bank Account whichever is earlier) (which in this case is 3rd July)

31st day from date of invoice ( which in this case is 4th June i.e 4th May + 30 days)

As 4th June is earliest of the three events, it would be the time of supply of goods for purpose of payment of tax under reverse charge mechanism.



**Determine time of supply from the given information in regard to payment of tax under reverse charge mechanism on receipt of supply of service.**

Date	Description
May 4	Advance Payment made to supplier- Rs 1,00,000/-
June 21	Supply is made by supplier
June 30	Supplier of service issues invoice - Rs 1,20,000/-
Sept, 30	Payment of balance Rs 20,000/-

In this case as advance payment is involved and the total value of actual supply is exceeding such advance amount, two time of supplies need to determined here.

Time of Supply of advance of Rs 1,00,000/- :

- ▶ As per the provisions of Section 13(3) of the CGST Act, 2017, the time of supply in respect of payment of tax under reverse charge mechanism will be earliest of following two dates:
- ▶ date of payment (date of entry in books or date of debit in Bank Account whichever is earlier) (which in this case is **4<sup>th</sup> May**)
- ▶ 61<sup>st</sup> day from date of invoice ( which in this case is not determinable as invoice has not yet been issued)
- ▶ As 4<sup>th</sup> May is earliest of the two events, it would be the time of supply of services for purpose of payment of tax under reverse charge mechanism on the advance amount paid of Rs 1 lakh.
  
- ▶ **Time of Supply of balance payment of Rs 20,000/- :**
- ▶ The time of supply will be earliest of following two dates:
- ▶ date of payment (date of entry in books or date of debit in Bank Account whichever is earlier) (which in this case is **30<sup>th</sup> September**)
- ▶ 61<sup>st</sup> day from date of invoice (which in this case is **30<sup>th</sup> August** i.e. 30<sup>th</sup> June + 60 days)
- ▶ As 30<sup>th</sup> August is earliest of the two events, it would be the time of supply of services for purpose of payment of tax under reverse charge mechanism on the balance amount paid of Rs 20,000/-
- ▶

Determine the time of supply of goods from the following particulars considering there is change in rate of tax from 1<sup>st</sup> November from 12% to 18%.

Date	Description
8th September	Date of receipt of order for supply of goods of Rs 1,20,000/-
10th September	Advance amount of Rs 20,000/- credited in bank account.
2 <sup>nd</sup> November	Date of removal of goods and issue of invoice of Rs 1,20,000/- plus GST
22 <sup>nd</sup> December	Balance payment received recorded in the books of account.
24 <sup>th</sup> December	Payment credited to the bank account



- ▶ In this case it is important to note that advance received for supply of goods is not subject to tax in view of specific dispensation provided w.e.f. 15.11.2017 vide Notification No. 66/2017-CT, dated 15.11.2017. Thus in this case when advance of Rs 20,000/- was received it would not have been subject to GST.
- ▶ Now there is a change in rate of tax and accordingly for determining time of supply, Section 14 of the CGST Act, 2017 need to be referred to. According to Section 14 in case of change in rate, we need to see the dates of the three events viz i) Date of supply, ii) Date of issue of invoice and iii) Date of receipt of payment.
- ▶ In case two out these events fall before change in rate of tax, old rate shall be applicable. Similarly if two events falls after change in rate of tax new rate shall apply. Further in regard to goods, any advance receipt of payment will not be considered above as per Notification No. 66/2017-CT, dated 15.11.2017 which not only applies to Section 12 but also extends to Section 14 as well.
- ▶ Considering the above, as the date of supply as well as date of issue of invoice falls on 2<sup>nd</sup> November i.e. after the change in rate of tax, new rate of 18% will be applicable on instant supply of goods and time of supply will be 2<sup>nd</sup> November. The supplier in this case would be issuing invoice of Rs 1,20,000/- plus GST thereon @ 18% and disclose the same in GSTR-1 and GSTR-3B for the month of November.



**Determine the time of supply of services from the following particulars considering there is change in rate of tax from 1<sup>st</sup> November from 12% to 18%.**

Date	Description
8th September	Community hall booked for a marriage, sum agreed Rs. 1,20,000, advance Rs . 20,000 recorded in the books of account.
10th September	Advance amount credited in bank account.
2 <sup>nd</sup> November	Marriage held in the Community hall.
18th December	Invoice issued for Rs. 1,20,000 plus GST indicating the balance of Rs. 1,00,000 payable.
22 <sup>nd</sup> December	Balance payment received recorded in the books of account.
24 <sup>th</sup> December	Payment credited to the bank account

- ▶ As per the provisions of Section 13(2) of the CGST Act, 2017, the time of supply for services is date of invoice (date of supply of service if invoice not issued within prescribed time) or date of receipt of payment whichever is earlier. In this case as advance amount has been received on 8<sup>th</sup> September and that would be the time of supply for said amount and supplier would be required to pay GST thereon @12%.
- ▶ In normal situations the supplier should collect the amount of advance plus GST thereon. However if GST is not separately paid, the amount will be regarded to be inclusive of GST and the tax amount would be determined by reverse working as per Rule 35 of the CGST Rules, 2017. The supplier here will also issue a receipt voucher towards the receipt of advance to the recipient as per requirement of Section 31(3)(d) of the CGST Act, 2017.
- ▶ In instant case as there has been a change in rate of tax before the actual supply and corresponding issue of invoice, thus the time of supply will have to be determined as per Sec 14 of the CGST Act, 2017 which governs determination of time of supply of goods or services in cases of change in rate of tax. According to Section 14 in case of change in rate, we need to see the dates of the three events viz i) Date of supply, ii) Date of issue of invoice and iii) Date of receipt of payment. In case two out these events fall before change in rate of tax, old rate shall be applicable. Similarly if two events falls after change in rate of tax new rate shall apply.

- ▶ As in this case the date of supply (2<sup>nd</sup> November) as well as issue of invoice (18<sup>th</sup> December) is falling after change in rate of tax. Accordingly new rate of GST viz 18% will be applicable on the entire amount of Rs 1,20,000/-. The fact that Rs 20,000/- was received prior to change in rate of tax and on which tax @12% has already been deposited will not make any difference in view of the provisions of Section 14 of the CGST Act, 2017.
- ▶ Accordingly the supplier is required to issue tax invoice of Rs 1,20,000/- plus GST @ 18% thereon to the recipient and disclose the same at table 4 of GSTR-1. Further in table 11 of the GSTR-1, the supplier shall depict the amount adjusted as advance viz Rs 20,000/- with tax which was charged thereon @ 12%. This will ensure that there is no double taxation. Similarly the advance with tax paid thereon will be adjusted and net figure will be shown in table 3.1(a) of GSTR-3B.