

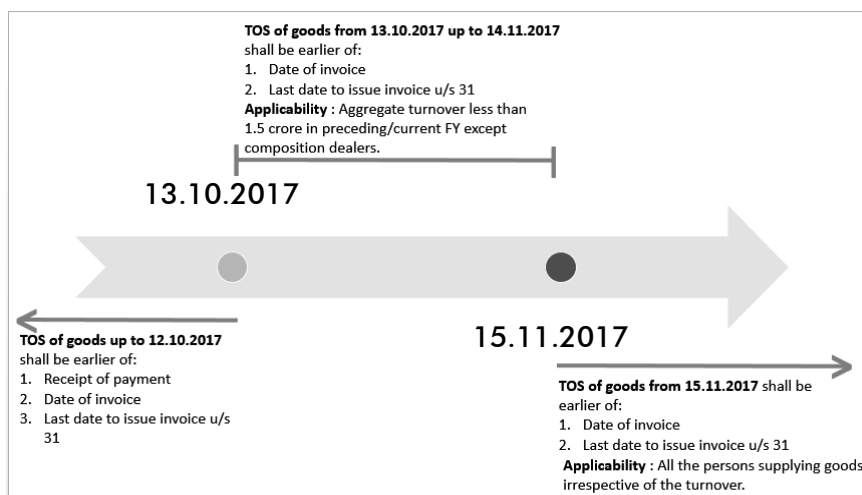
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TIME & VALUE OF SUPPLY

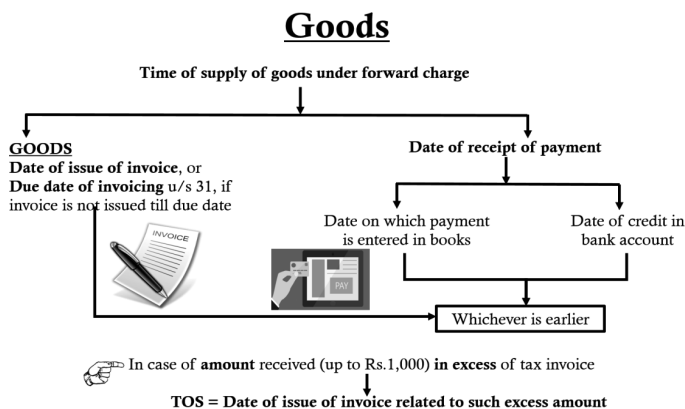
CHAPTER

TIME OF SUPPLY (SECTIONS 12 TO 14 OF THE CGST ACT, 2017)

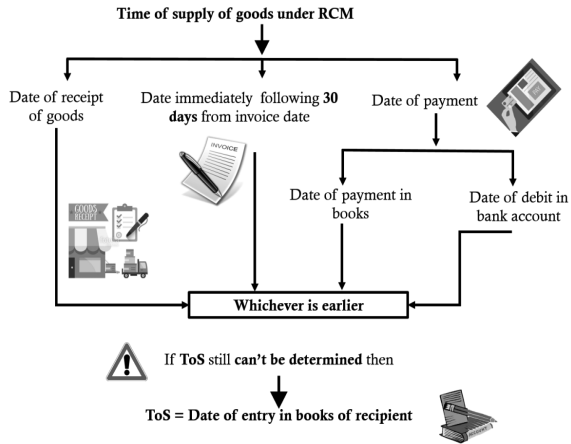
- ◆ Time of supply (TOS) is very important concept of GST as it helps you identify the time at which liability to pay tax to the Government arises.
- ◆ The liability to pay CGST/SGST on the goods and services shall arise at the time of supply of goods and services, as determined in accordance with the provisions of section 12 of the CGST Act (TOS of goods) and section 13 of CGST Act (TOS of services).
- ◆ There were frequent changes in the provisions determining the time of supply in case of receipt of advances in respect of supply of goods and services. Earlier, advances received in case of goods were also made taxable. But post the notifications which were being issued on 13th October 2017 & 15th November 2017, advances in case of goods were not required to be taxed. But till date any advance received in case of services is taxable.



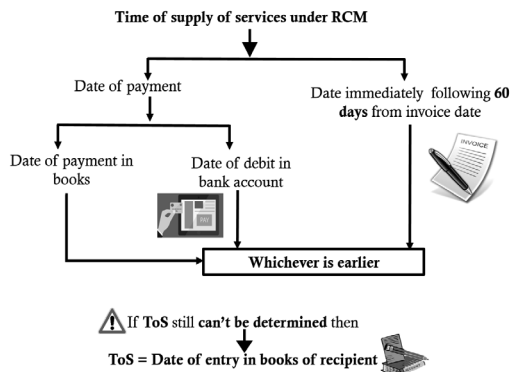
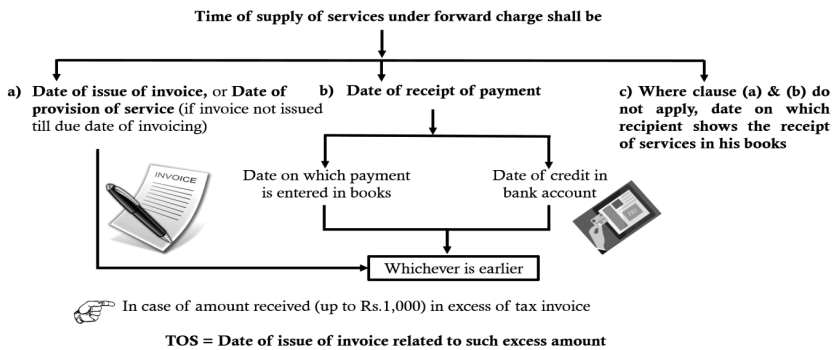
- ◆ A registered person is required to issue tax invoice before or at the time of removal of goods for the supply to the recipient or delivery of goods or making goods available to the recipient.
- ◆ Supplier shall mean the person supplying the goods and services and shall also include an agent acting on behalf of such supplier.
- ◆ Recipient means:
 - Person liable to pay consideration for such goods or services, if consideration is payable.
 - Person to whom goods are delivered or possession is given, if consideration is not payable.
 - Person to whom the services is rendered, if consideration is not payable.
- ◆ Time of Supply of Goods is explained in below diagram:



- ◆ The time of supply in respect of reverse charge mechanism of supply of goods shall be determined as per the provisions of section 12(3) of CGST Act, 2017. It clearly states that, time of supply of goods under reverse charge shall be earlier of the following:
 1. Date of receipt of goods, or
 2. Date of the payment. It shall be deemed that the payment has been made on earlier of:
 - a. Payment details are entered into books of account (say cash book, bank book etc.) of recipient of supply.
 - b. Date of debit in his bank account
 3. Day immediately following 30 days of issue of invoice by the supplier.

Goods

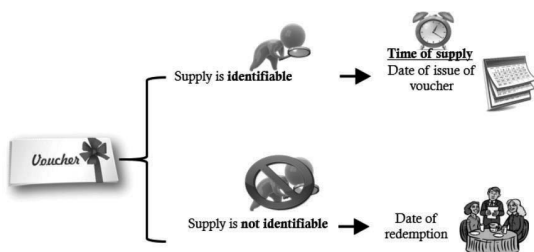
◆ Time of Supply of Services is explained in below diagram.



◆ As per Section 2(118) of the CGST Act, Voucher means the instrument which can be accepted as a consideration or part consideration

against the supply. It may or may not specify the potential supplier. Such vouchers do not have universal acceptance but has limited acceptance & that too is subject to certain terms & conditions.

- ◆ Time of supply in respect of vouchers shall be determined as per the provisions of section 12(4) of the Act & it states that time of supply shall be:
 - Date of issue of voucher, if supply which it covers is identifiable at that point of time, or
 - Date of redemption of vouchers, in all other cases.



- ◆ There are 4 kinds of voucher:
 - Single purpose vouchers
 - Multi-purpose vouchers
 - Monetary voucher
 - Non-monetary voucher
- ◆ In case some additional payment is received by the supplier on account of:
 - Interest, or
 - Late fees, or
 - Penalty for delayed payment of consideration

Then in such cases, time of supply shall be the date on which the supplier receives such amount.

- ◆ In case the services are taken from the associated enterprises, where it is being located outside India, in such cases time of supply shall be earlier of:
 - Date of entry in the books of account of recipient, or
 - Date of payment

- ◆ If there is change in tax rate of supply of goods or services, TOS shall be determined as given in the diagram:

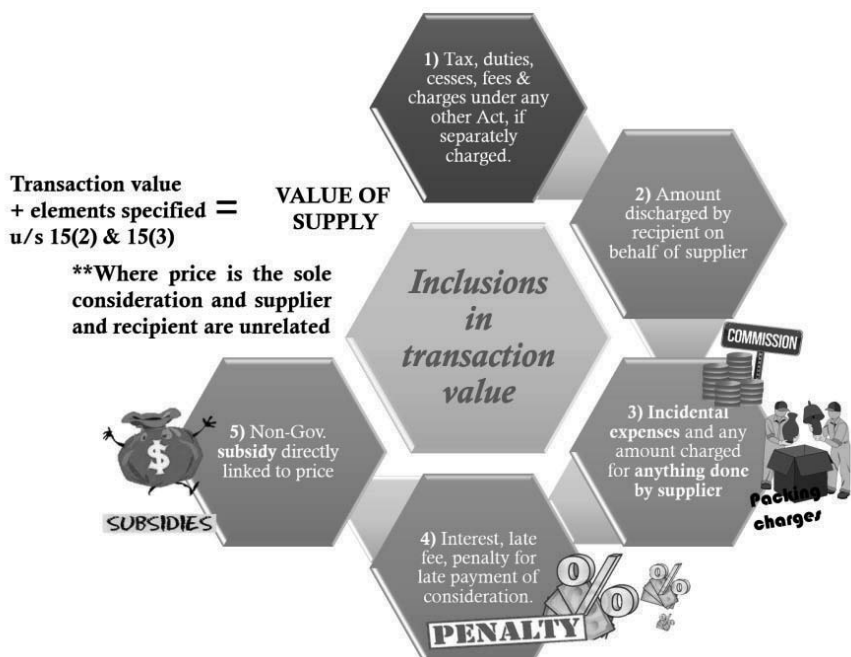
Change in Tax rate

Supply Before change in rate of tax	Time of Supply		Supply After change in rate of tax
1) invoice is issued after change + payment made after change	Earlier of : 1) Date of payment 2) Date of issue of invoice	Date of receipt of payment	1) invoice is issued before change + payment made after change
2) invoice is issued before change + payment made after change	Date of issue of invoice	Earlier of : 1) Date of payment 2) Date of issue of invoice	2) invoice is issued before change + payment made before change
3) invoice is issued after change + payment made before change	Date of receipt of payment	Date of issue of invoice	3) invoice is issued after change + payment made before change

VALUE OF SUPPLY (Section 15 of the CGST Act, 2017 r/w rules 27 to 35 of the CGST Rules, 2017)

- ◆ Any transactions taking place around us are subject to valuation that makes basis for taxation under Pre or Current regime of GST. Valuation is a subject matter dealt with in section 15 of the CGST Act, 2017.
- ◆ Section 15(1) of the CGST Act, 2017, supply of goods under normal course of business are valued at their transaction value. The concept of transaction value follows two fundamental aspects:
 - Parties to supply are not related persons
 - Price is the sole consideration for such supply
- ◆ The transaction value means the price actually paid or payable for the supply of goods and/or services.
- ◆ As per the provisions contained under section 15(2) & (3), following inclusions and exclusions have been provided herein while deriving transaction value of supply
 - Any taxes, duties, cess, fees, and charges levied under any Act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.
 - Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
 - The value will include all incidental expenses in relation to sale such as packing, commission etc.

- Subsidies directly linked to the price except subsidies provided by CG & SG will be included.
- Interest/late fee/penalty for delayed payment of consideration will be included

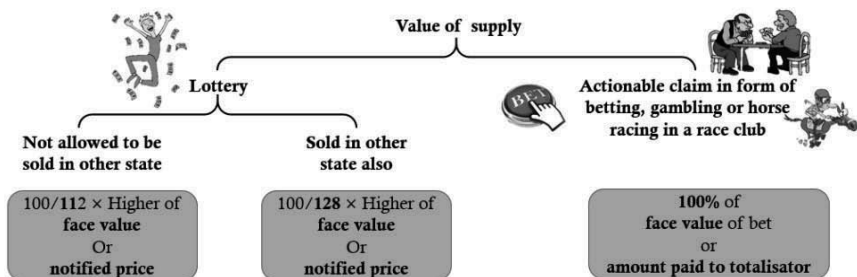


- ◆ Discount is a commercially accepted measure that can be resorted to by any supplier for a variety of reasons like stock clearance, increasing foot fall in its store etc. Such discounts shall not form part of the taxable value in cases mentioned below:
 - Discounts are allowed before or at the time of supply & shown in the invoices.
 - Discounts are allowed after the supply is made but are in conformity with the agreement that existed at the time of supply & the proportionate input tax credit is reversed by the recipient.
- ◆ Valuation rules shall be made applicable in below mentioned cases:
 - Price is not the sole consideration
 - Transaction between the related parties
 - Supplies between principal & agent
 - Pure agent transactions
- ◆ Value of supply, where consideration for such supply are not made fully in money, shall be:

- open market value of such supply;
 - if the open market value is not available, the value shall be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;
 - if the value of supply is still not determinable, then the value shall be the value of supply of goods or services or both of like kind and quality;
 - Still if the value is not determinable, then the same shall be determined by the application of rule 30 or rule 31 in that order.
- ◆ Value of supply of goods or services between distinct or related persons other than through an agent shall be,
- open market value of such supply;
 - if the open market value is not available, then the value shall be the value of supply of goods or services of like kind and quality;
 - if still the value is not determinable, then the same shall be determined by the application of rule 30 or rule 31, in that order;
- Provided** that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to ninety per cent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.
- ◆ Value of supply made through an agent shall be,
- be the open market value of the goods being supplied, or at the option of the supplier, be ninety per cent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient
 - where the value of a supply is not determinable, the same shall be determined by the application of rule 30 or rule 31 in that order.
- ◆ Value of supply of goods or services or both made on cost shall be, [Residual rule]
- Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten per cent of the cost of

production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

- ◆ Value of supply in case of lottery, betting, gambling & horse racing:



- ◆ The value of supply of services in relation to the purchase or sale of foreign currency, including money changing, shall be determined by the supplier of services in the following manner, namely:-
 - for a currency, when exchanged from, or to, Indian Rupees, the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India reference rate for that currency at that time, multiplied by the total units of currency:
 - Provided that in case where the Reserve Bank of India reference rate for a currency is not available, the value shall be one per cent of the gross amount of Indian Rupees provided or received by the person changing the money.
- ◆ The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of five per cent of the basic fare in the case of domestic bookings, and at the rate of ten per cent of the basic fare in the case of international bookings of passage for travel by air.
- ◆ The value of supply of services in relation to life insurance business shall be,
 - the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of services.
 - in case of single premium annuity policies other than stated above, 10% of single premium charged from the policy holder; or

- in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years.
 - Further, the above stated clauses shall not apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance.
- ◆ Value of supply of services in relation to second hand goods:
- a person dealing in such goods may be allowed to pay tax on the margin *i.e.* the difference between the value at which the goods are supplied and the price at which the goods are purchased.
 - If there is no margin, no GST is charged for such supply.
 - In case any other value is added by way of repair, refurbishing, reconditioning etc., the same shall also be added to the value of goods and be part of the margin.
 - Intra-State supplies of second hand goods purchased from unregistered dealer & received by a registered person, dealing in buying and selling of second hand goods and who pays the Central tax on the value of outward supply of such second hand goods is exempted.
 - Sometimes, the goods taken on loan are being repossessed by the lender in case of default in repayment of the principal amount. The purchase value of such repossessed asset shall be:

Status of defaulting borrower	Purchase price in hands of lender <i>i.e.</i> person repossessing such goods
If the defaulting borrower is unregistered	Purchase price of such goods from the defaulting borrower Less 5% for every quarter or part thereof (between date of purchase & date of disposal by person repossessing such goods)
If the defaulting borrower is registered	The person repossessing shall discharge liability at supply value without reduction from actual/notional purchase value.

- ◆ In case of any voucher, token or coupon is used, then the value shall be the money value of the goods or services against which it is being redeemed.

- ◆ Where value of supply is inclusive of tax, then tax amount will be determined as follows:

$$\text{Tax amount} = \frac{\text{Value inclusive of tax}}{100 + \text{Tax rate in \%}} \times \text{Tax rate in \%}$$

MULTIPLE CHOICE QUESTIONS (MCQs)

SECTION 12

TIME OF SUPPLY OF GOODS

Q.1 Time of supply of goods defined u/s _____ of

The CGST Act, 2017

- (a) Section 12
- (b) Section 13
- (c) Section 14
- (d) Section 15

Q.2 For the fulfilment of the definition of continuous supply which of the following condition must be satisfy :—

- (a) The supply of goods should be provided on continuous or Recurrent basis
- (b) The supplier should be invoicing the recipient on a regular or periodic basis
- (c) Both (a) and (b)
- (d) Either (a) or (b)

Q.3 What is the time of supply of goods under reverse charge mechanism?

- (a) Date of receipt of goods
- (b) Date of payment in books

- (c) Date of debit in bank account
- (d) Earlier of (a), (b) or (c)

Q.4 As per the Provision of Statutory provisions, the liability to pay tax on goods shall arise at _____

- (a) At the time recording of transaction
- (b) At time of payment
- (c) At the time of supply
- (d) At the time of issuance of invoice

Q.5 Where it is not possible to determine the time of supply under the provision of sub-section (2) or sub-section (4) of section 12, the time of supply shall:—

- (i) In case where a periodical return has to be filed, be the _____ or
- (ii) In any other case, be the _____
- (a) Date on which return is to be filed, Date on which payment is received

- | | |
|---|---|
| (b) Date on which return is filed,
date on which tax is paid | supply gets confirmed and invoice is
issued on 21st October? |
| (c) Last date of filing of return,
date on which tax is paid | (a) 15th April |
| | (b) 21st October |
| (d) Cannot determine | (c) 14th October |

Q.6 In case of supply of vouchers the time of supply is _____ if the supply can be identified at that point or _____, in all other cases.

- (a) The date of issue of voucher, the date of redemption of voucher
- (b) The Date of redemption of voucher, the date of issue of voucher
- (c) The date on which payment received, the date of issue of voucher
- (d) Last date of filing of return, the date of redemption of voucher

Q.7 CASE STUDY (-) (Q.7-Q.8)

Mr. Amrish sent some goods on sale on approval or return basis to Mr. Kishan on 15th April 2018, what will be the time of supply if supply gets confirmed and invoice is issued on 12th August 2018? It has been noted that payment is made on 22nd of November

- (a) 15th April
(b) 22nd November
(c) 12th August
(d) 15th June

supply gets confirmed and invoice is issued on 21st October?

- (a) 15th April
(b) 21st October
(c) 14th October
(d) 22nd November

Q.9 A Ltd. entered into a contract with B Ltd. to supply certain types of goods on continuous basis. For this B Ltd. promised to pay A Ltd. by 10th of the next month. A Ltd. issued invoice in respect of the supply of such goods on 6th August, 2018 and payment received for the same on 5th August. What will be time of supply?

- (a) 5th August
(b) 6th August
(c) 10th August
(d) None of the above

Q.10 Mr. A (an agriculturist) received an order to supply 80 Kgs. of Silk Yarn from Mr. B on 05.04.2018 and Mr. B received order delivery of such order on 12.04.2018, for this Mr. A issued invoice for ₹ 40,000 on 15.04.2018. Mr. B makes payment though Account payee cheque on 25.04.2018 and he records in his books but his account gets debited on 29.04.2018. What will be the time of supply in this case?

- (a) 12.04.2018
(b) 25.04.2018
(c) 29.04.2018
(d) 15.04.2018

Q.8 What will be the time of supply if in above question (Ques 7) if the

Q.11 Mr. A enters an agreement with Mr. B to supply goods of ₹ 10,00,000

on 05.05.2018. Mr. A raised invoice on 07.05.2018 and supplied goods on 08.05.2018 and received by Mr. B on 10.05.2018. The contract demanded that payment should be made within 30 days beyond which a late payment of ₹ 50,000 has to be paid. Mr. B makes the payment of 10,50,000 on 12.06.2018, then what will be the time of supply in respect of late charges paid by Mr. A?

- (a) 07.05.2018
- (b) 10.05.2018
- (c) 12.06.2018
- (d) 08.06.2018

Q.12 What will be the time of supply in the above question (ques. 11) in respect of principal amount of ₹ 10,00,000?

- (a) 07.05.2018
- (b) 08.05.2018
- (c) 12.06.2018
- (d) 08.06.2018

Q.13 Mr. X received an order of goods from MR. Y for the amount of ₹ 600,000 on 28.10.2018 and issued invoice on 30.10.2018. Removal of goods was done on 06.11.2018 and Mr. Y received such goods on 10.11.2018. For the consideration Mr. Y has already paid advance of ₹ 2,40,000 on 29.10.2018 and rest payment is made on 15.11.2018. What will be the time of supply of such goods?

- (a) 30.10.2018
- (b) 15.11.2018

(c) 06.11.2018

(d) 10.11.2018

Q.14 When an amount in excess of tax invoice is received up to ₹ 1000, the time of supply in respect of such excess amount is at the option of the _____ shall be the date of such invoice.

- (a) Recipient
- (b) Supplier
- (c) Agent
- (d) None of above

Q.15 Mr. Jai Kumar transferred some vouchers which can be used in purchasing any item of ABC mega mart having value of ₹ 4000 to his son Mr. Shivam on 20.11.2018 on the occasion of his birthday. On 02.12.2018 Mr. Shivam encashed the same and purchased a computer hard disc. What will be the time of supply in this case?

- (a) 20.11.2018
- (b) 02.12.2018
- (c) 01.12.2018
- (d) None of the above

Q.16 Mr. A, who has opted for composition levy, supplies goods worth ₹ 24,300 to Mr. B and issues an invoice dated 25.09.2018 for ₹ 24,300 and Mr. B pays ₹ 25,000 on 1.10.2018 against such supply of goods. The excess ₹ 700 (being less than ₹ 1,000) is adjusted in the next invoice for supply of goods issued on 5.01.2018. Identify the time of supply and value of supply:

- (a) ₹ 25,000 - 1.10.2018
 (b) For ₹ 24,300 - 25.09.2018 and for ₹ 700 - 1.10.2018
 (c) For ₹ 24,300 - 25.09.2018 and for ₹ 700 - 5.10.2018.
 (d) (b) or (c) at the option of supplier, who has opted for composition levy

Q.17 Which section governs the provisions regarding determining time of supply of goods?

- (a) Section 12
 (b) Section 13
 (c) Section 14
 (d) Section 15

Q.18 What is the time of supply of goods, in case of forward charge?

- (a) Date of issue of invoice
 (b) Due date of issue of invoice
 (c) Date of receipt of consideration
 (d) Earlier of (a), (b) or (c)

Q.19 What is the date of receipt of payment?

- (a) Date on which payment is entered in the books of account
 (b) Date on which payment is credited to the bank account
 (c) Earlier of (a) or (b)
 (d) Either of (a) or (b)

Instructions for Questions (20-23)

Examine the following and determine the time of supply in case of goods:

Question	Ques 20	Ques 21	Ques 22	Ques 23
Date of Removal	01-09-2018	-	10-09-2018	10-09-2018
Date of Invoice	02-09-2018	30-09-2018	05-09-2018	16-09-2018
Invoice Due Date	-	18-09-2018	-	-
Date when goods made available to recipient	03-09-2018	-	16-09-2018	16-09-2018
Payment entry in supplier's books	-	10-09-2018	-	-
Credit in bank account	-	28-09-2018	20-09-2018	-
Date of receipt of payment	15-09-2018	-	-	16-09-2018
Time of Supply	?	?	?	?

Q.20 Time of supply will be_____.

- (a) 01-09-2018
 (b) 02-09-2018
 (c) 03-09-2018
 (d) 15-09-2018

Q.21 Time of supply will be_____.

- (a) 30-09-2018
 (b) 18-09-2018
 (c) 10-09-2018
 (d) 28-09-2018

Q.22 Time of supply will be_____.

- (a) 10-09-2018
 (b) 05-09-2018
 (c) 16-09-2018
 (d) 20-09-2018

Q.23 Time of supply will be_____.

- (a) Invoice Date
 (b) Date of removal
 (c) Date of delivery
 (d) Date of receipt of payment

Q.24 CASE STUDY (Ques. 24 - 25)

A purchase order with advance of ₹ 1,25,000 is received on 15-07-2017 for machine worth ₹ 25,00,000 and entry duly made in the seller's books of account. On 25-07-2017 the machine is assembled, tested at sight, and accepted by buyer. Invoice is raised on 30-08-2017 and balance payment of ₹ 23,75,000 is received on 10-09-2017.

What would be the time of supply in case of advance received?

- (a) 15-07-2017
- (b) 25-07-2017
- (c) 30-08-2017
- (d) 10-09-2017

Q.25 What would be the time of supply in case of the balance payment?

- (a) 15-07-2017
- (b) 25-07-2017
- (c) 30-08-2017
- (d) 10-09-2017

Q.26 For amount received in excess of _____ in case of goods, time of supply at the option of supplier, be taken to be the date of invoice.

- (a) ₹ 100
- (b) ₹ 1000
- (c) ₹ 500
- (d) ₹ 10,000

Q.27 What is the time of supply of goods liable to tax under reverse charge mechanism?

- (a) Date of receipt of goods

(b) Date on which the payment is made

(c) Date immediately following 30 days from the date of issue of invoice by the supplier

(d) Earlier of (a) or (b) or (c)

Q.28 On 04-09-2018, supplier invoices goods taxable on reverse charge basis to AB & Co. AB & Co. receives the goods on 12-09-2018 and makes payment on 30-09-2018. Determine the time of supply.

- (a) 04-09-2018
- (b) 03-10-2018
- (c) 12-09-2018
- (d) 30-09-2018

Q.29 What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Earlier of (a) & (b)
- (d) (a) and (b) whichever is later

Q.30 ABC Ltd. has purchased for its customers 50 vouchers dated 20-08-2018 worth ₹ 100 each from XYZ Ltd., a footwear manufacturing company. The vouchers were issued by XYZ Ltd. on 20-09-2018. The vouchers can be encashed at retail outlets of XYZ Ltd. The employees of ABC Ltd. encashed the same on 01-10-2018. Determine the time of supply of vouchers.

- (a) 20-08-2018
- (b) 20-09-2018