

# TIME AND VALUE OF SUPPLY



*The section numbers referred to in the Chapter pertain to CGST Act, unless otherwise specified.*

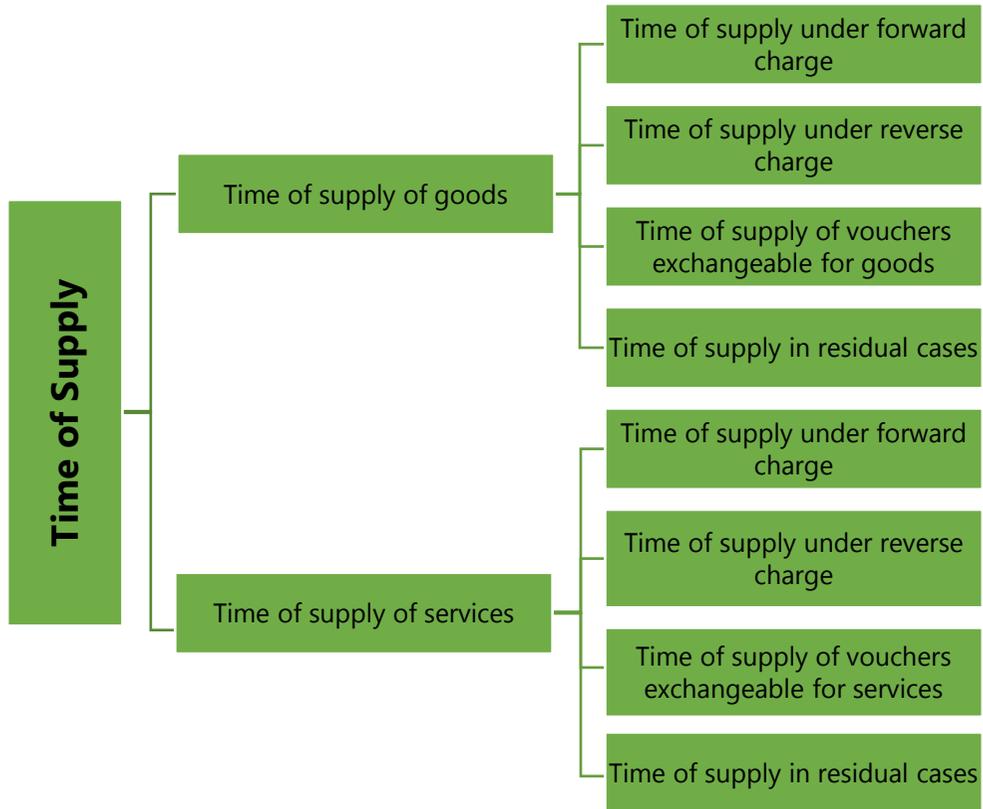
## UNIT - I : Time of Supply

### LEARNING OUTCOMES

**After reading this Unit, you will be able to identify the point in time when the liability to pay GST arises -**

- on supply of goods or services where GST is payable under forward charge
- on supply of goods or services where GST is payable under reverse charge
- on supply of vouchers exchangeable for goods and services
- on supply of goods and services in residual cases
- in case of enhancement of value of supply by way of interest, late fee/penalty paid for delay in payment of consideration

**UNIT OVERVIEW**



## 1. INTRODUCTION

GST is payable on supply of goods or services. A supply consists of elements that can be separated in time, like purchase order / agreement, despatch (of goods), delivery (of goods) or provision or performance of service, entry in the records, payment, and entry of the payment in the records or deposit in the bank.

So, at which of these points of time will GST become payable? Will it become payable when an agreement to supply goods or services is made, or when the goods are shipped or the services are provided, or when the invoice is issued or when payment is made? What if the goods are shipped

**Point in time  
when the  
liability  
to pay tax arises**

over a period of time? What if the service is provided over a period of time? Provisions relating to 'time of supply' provide answer to all such and other questions that arise on the timing of the liability to pay CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) as time of supply fixes the point in time when the liability to pay tax arises.

The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13 of CGST Act. Section 14 provides for the method of determining the time of supply in case there is a change in the rate of tax on supply of goods or services.<sup>1</sup> Sections 12 and 13 use the provisions of section 31 relating to issue of tax invoice as a reference point, hence it will be advantageous to refer to *Chapter 8: Tax Invoice, Credit and Debit Notes* in conjunction with this one.

Events like issuing of invoices, receipt of payment, provision of service, receipt of services in books of account need to be analysed to determine the time of supply when the tax on supply is payable under forward charge. When the tax on supply is payable under reverse charge, events like date of receipt of goods, date of making payment etc. need to be analysed to determine the time of supply. The provisions relating to time of supply essentially push the tax collection event to the earliest possible time.

In the subsequent pages of this Unit, sections 12 and 13 are extracted, followed by their analysis, to understand how to determine the time of supply of goods and services respectively. When studying the statutory provisions, the definitions (extracted first) must also be referred to simultaneously, so as to understand the precise meaning of the terms used.

**Provisions of time of supply under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.**

## 2. RELEVANT DEFINITIONS

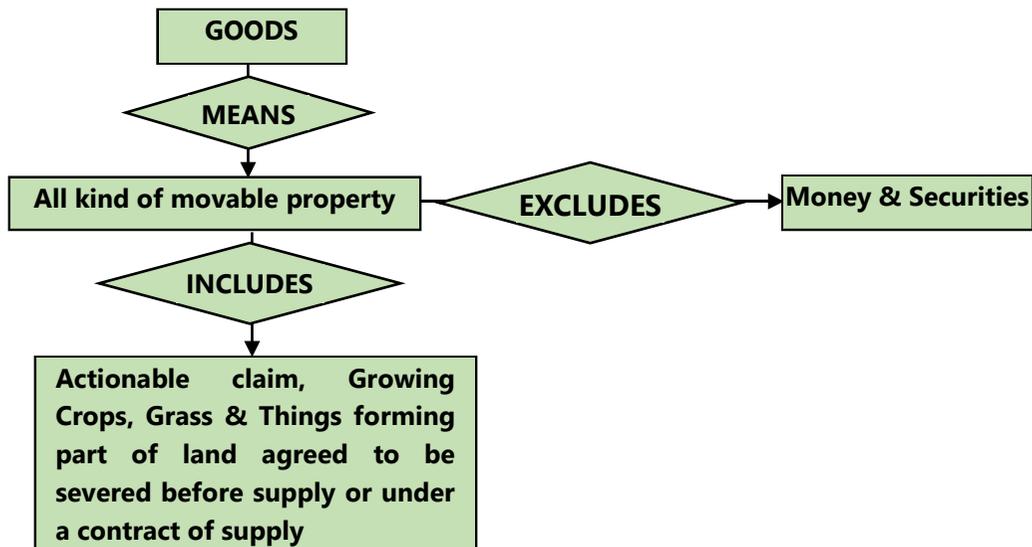
- ✔ **Associated enterprises** shall have the same meaning as assigned to it in section 92A of the Income-tax Act, 1961 [Section 2(12)].
- ✔ **Document** includes written or printed record of any sort and electronic record as

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<sup>1</sup> Provisions of section 14 relating to determination of time of supply in case of change in rate of tax in respect of supply of goods or services will be discussed at the Final level.

defined in clause (t) of section 2 of the Information Technology Act, 2000 [Section 2(41)].

- ✔ **Goods** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply [Section 2(52)].

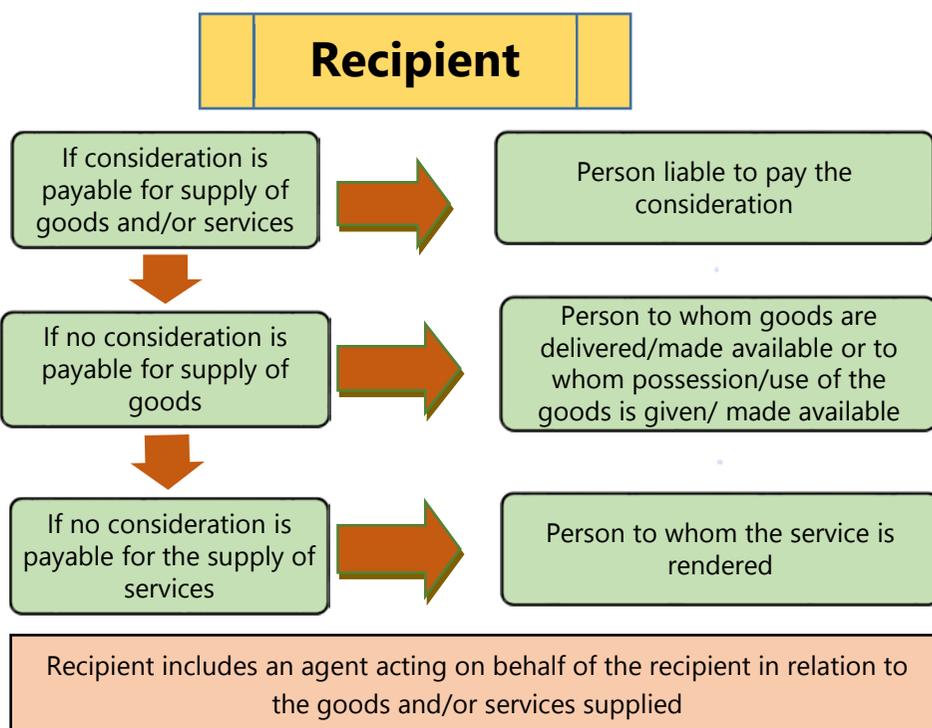


- ✔ **Prescribed** means prescribed by rules made under this Act on the recommendations of the Council [Section 2(87)].

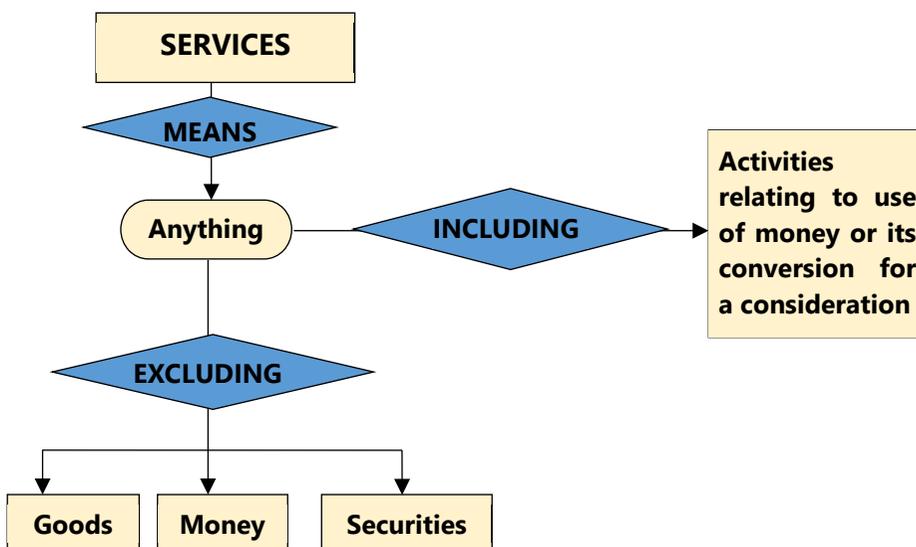
- ✔ **Recipient** of supply of goods or services or both, means—

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

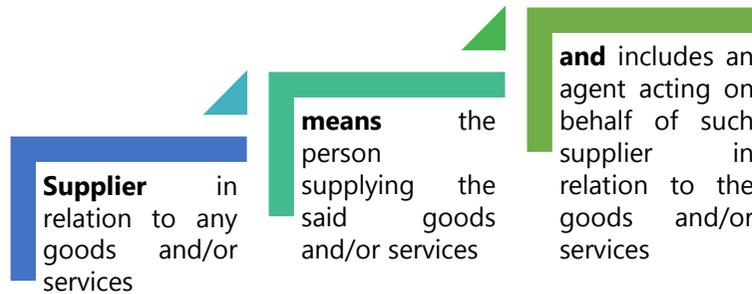
and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].



✔ **Services** means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged [Section 2(102)].



-  **Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].



-  **Reverse charge** means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act [Section 2(98)].
-  **Voucher** means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument [Section 2(118)].

### 3. TIME OF SUPPLY OF GOODS [SECTION 12]

 <b>STATUTORY PROVISIONS</b>	
<b>Section 12</b>	<b><i>Time of supply of goods</i></b>
<b>Sub-section</b>	<b>Clause</b> <b><i>Particulars</i></b>
(1)	<i>The liability to pay tax on goods shall arise at the time of supply as determined in terms of the provisions of this section.</i>

<b>(2)</b>	<i>The time of supply of goods shall be the earlier of the following dates, namely:-</i>	
	<i>(a)</i>	<i>the date of issue of invoice by the supplier or the last date on which he is required, under sub-section (1) of section 31, to issue the invoice with respect to the supply; or</i>
	<i>(b)</i>	<i>The date on which the supplier receives the payment with respect to the supply:</i>
		<i>Provided that where the supplier of taxable goods receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount.</i>
	<i>Explanation 1. For the purposes of clauses (a) and (b), the "supply" shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.</i>	
<i>Explanation 2. For the purpose of clause (b), "the date on which the supplier receives the payment" shall be the date on which the payment is entered in his books of account or the date on which the payment is credited to his bank account, whichever is earlier.</i>		
<b>(3)</b>	<i>In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely:</i>	
	<i>(a)</i>	<i>the date of the receipt of the goods, or</i>
	<i>(b)</i>	<i>the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier, or</i>
	<i>(c)</i>	<i>the date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:</i>

	<i>Provided that where it is not possible to determine the time of supply under clause (a), (b), or (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.</i>
<b>(4)</b>	<i>In case of supply of vouchers by a supplier, the time of supply shall be –</i>
(a)	<i>the date of issue of voucher, if the supply is identifiable at that point; or</i>
(b)	<i>the date of redemption of voucher, in all other cases.</i>
<b>(5)</b>	<i>Where it is not possible to determine the time of supply under the provisions of sub-section (2) or sub-section (3) or sub-section (4), the time of supply shall—</i>
(a)	<i>in a case where a periodical return has to be filed, be the date on which such return is to be filed; or</i>
(b)	<i>in any other case, be the date on which the tax is paid.</i>
<b>(6)</b>	<i>The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.</i>
<b>Section 31</b>	<b><i>Tax invoice (to the extent relevant to time of supply)</i></b>
<b>(1)</b>	<i>A registered person supplying taxable goods shall, before or at the time of,—</i>
(a)	<i>removal of goods for supply to the recipient, where the supply involves movement of goods; or</i>
(b)	<i>delivery of goods or making available thereof to the recipient, in any other case,</i>
	<i>issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed:</i>

	<i>Provided that the Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.</i>
<b>(4)</b>	<i>In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.</i>
<b>(7)</b>	<i>Notwithstanding anything contained in sub-section (1), where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.</i>



**Section 12 must be read with section 31, which prescribes in detail the date on which tax invoice must be issued in various situations.**



## ANALYSIS

Section 12 covers the determination of time of supply in the following situations:

- ➔ Supply of goods by supplier where supplier is liable to pay tax;
- ➔ Receipt of goods that are taxable under reverse charge;
- ➔ Supply of vouchers that can be used to pay for goods;
- ➔ Residual cases
- ➔ Addition to value of supply by way of interest or fee or penalty for delayed payment.

We consider below how the time of supply is determined in each of these situations.

**(i) Supply of goods where supplier is liable to pay tax (Forward charge) [Section 12(2) read with sub-sections (1), (4) & (7) and section 31]**

In brief,

- ✓ Invoice (date of actual issue or last date when it should be issued) or
- ✓ Payment,

whichever is earlier

are the relevant events for determining time of supply of goods when the supplier is liable to pay tax on them.

The above principle is derived from section 12(2)(a) and (b), under which the time of supply of goods by a person who is liable to pay GST on the supply, is the earlier of the following two dates:

- Date of issue of tax invoice or the last date on which invoice ought to have been issued in terms of section 31, or
- Date of receipt of payment, to the extent the payment covers the goods.

**Meaning of “Date of receipt of payment”**

“Date of receipt of payment” in the above situation refers to the date on which the payment is recorded in the books of account of the entity (supplier of goods) that receives the payment, or the date on which the payment is credited to the entity’s bank account, whichever is earlier.

**Significance of “to the extent the payment covers the goods”**

Suppose, a part of the consideration is paid in advance or invoice is issued for part payment, the time of supply will not cover the full supply. The supply shall be deemed to have been made to the extent it is covered by the invoice or the part advance payment.

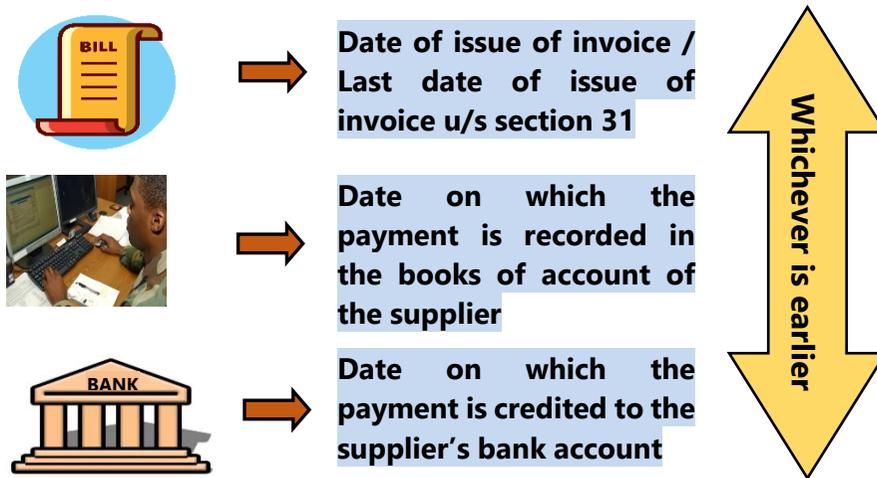
**Time limit for issuance of invoice for supply of goods**

- As per section 31(1), the invoice needs to be issued either **before** or **at the time** of removal (where supply involves movement of goods) of goods/ delivery of goods/ making goods available to recipient.
- In case of continuous supply of goods, the invoice should be issued **before** or **at the time** of issuance of periodical statement/receipt of periodical payment [Section 31(4)].

- In case of goods sent or taken on approval for sale or return, invoice should be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier [Section 31(7)].

The provisions relating to time of supply of goods in case of forward charge can be depicted as under:

**TIME OF SUPPLY OF GOODS UNDER FORWARD CHARGE**



**ILLUSTRATION 1**

A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17 <sup>th</sup> September	Purchase order with advance of ₹ 50,000 is received for goods worth ₹ 12 lakh and entry duly made in the seller's books of account
20 <sup>th</sup> October	The machine is assembled, tested at site, and accepted by buyer
23 <sup>rd</sup> October	Invoice raised
4 <sup>th</sup> November	Balance payment of ₹ 11,50,000 received

Determine the time of supply(ies) in the above scenario.

**ANSWER**

The time of supply of goods to the extent of ₹ 50,000 is 17<sup>th</sup> September, as this payment was received before the date of invoice [Section 12(2)(b)]. The time of supply of goods to the extent of the balance amount of ₹ 11,50,000 is 20<sup>th</sup> October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

**ILLUSTRATION 2**

*Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any. The details of the various events are:*

<i>August 5, September 5, October 6</i>	<i>Payments of ₹ 2 lakh made in each month</i>
<i>October 3</i>	<i>Statement of accounts issued by supplier, with invoice for the quarter July – September</i>
<i>October 17</i>	<i>Differential payment of ₹ 56,000 received by supplier for the quarter July – September as per statement of accounts</i>

*Determine the time of supply.*

**ANSWER**

Time of supply will be August 5, September 5 and October 6 respectively for goods valued at ₹ 2 lakh each, as the date of payment is earlier than the date of invoice. Time of supply will be October 3 for goods valued at ₹ 56,000, as the date of invoice is earlier than the date of payment.

**Excess payment upto ₹ 1000: Option of taking invoice date as time of supply**

In terms of the proviso to sub-section (2) of section 12, if payment received is up to ₹ 1,000 in excess of the value of the goods invoiced, the supplier can

choose to take the date of invoice issued with respect to such excess amount as the time of supply of goods for such excess value.



Company X receives an advance of ₹ 50,000 on 30<sup>th</sup> April, against which it despatches goods worth ₹ 49,200 under invoice dated 5<sup>th</sup> May.

In this example, Company X has received ₹ 800 in excess, which cannot be considered as payment for the present invoice, in terms of Explanation 1 to section 12(2). Company X will adjust this excess amount against the next supply.

The time of supply for ₹ 800 can be taken as the date of the next invoice if the supplier so chooses, though the payment was received earlier.



**If neither the date of invoice nor the date of payment is available, the residual provisions under sub-section (5) of section 12 become applicable [discussed under point (iv)].**

## **(ii) Receipt of goods that are taxable under reverse charge [Section 12(3)]**

The time of supply of goods on which GST is payable on reverse charge basis under sub-sections (3) and (4) of section 9 of CGST Act is determined in terms of section 12(3)(a), (b) and (c), as follows:

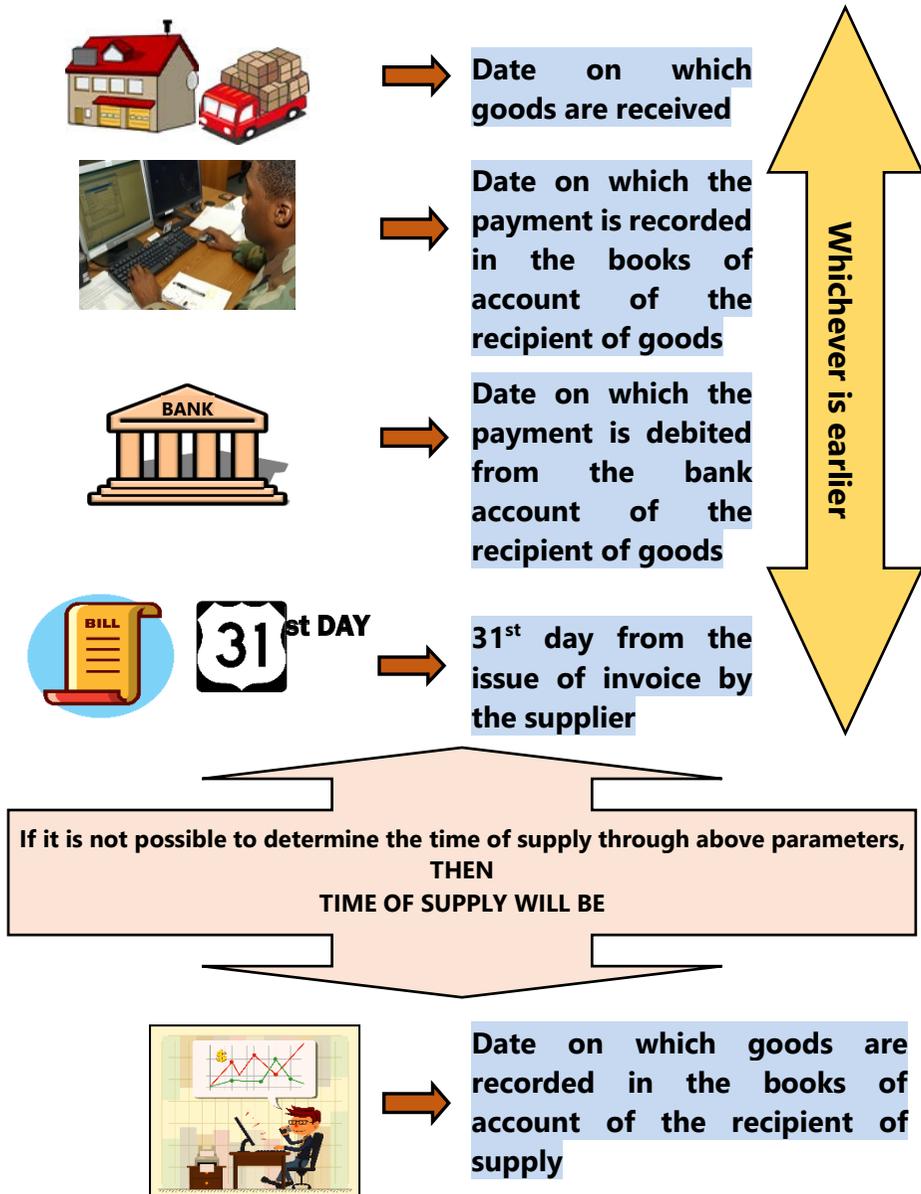
The time of supply for such goods will be the earliest of the following dates:

- Date on which the goods are received, or
- Date on which payment is recorded in the books of account of the entity that receives the goods, or the date on which it is debited from the entity's bank account, whichever is earlier, or
- Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of goods in the books of account of the recipient of supply.

The provisions relating to time of supply of goods in case of reverse charge can be depicted as under:

### TIME OF SUPPLY OF GOODS UNDER REVERSE CHARGE



**ILLUSTRATION 3**

Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
May 12	Bridge & Co receives the goods
May 30	Bridge & Co makes the payment

**ANSWER**

Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

**ILLUSTRATION 4**

Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
June 12	Pillar & Co receives the goods, which were held up in transit
July 3	Payment made for the goods

**ANSWER**

Here, June 4, 31<sup>st</sup> day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

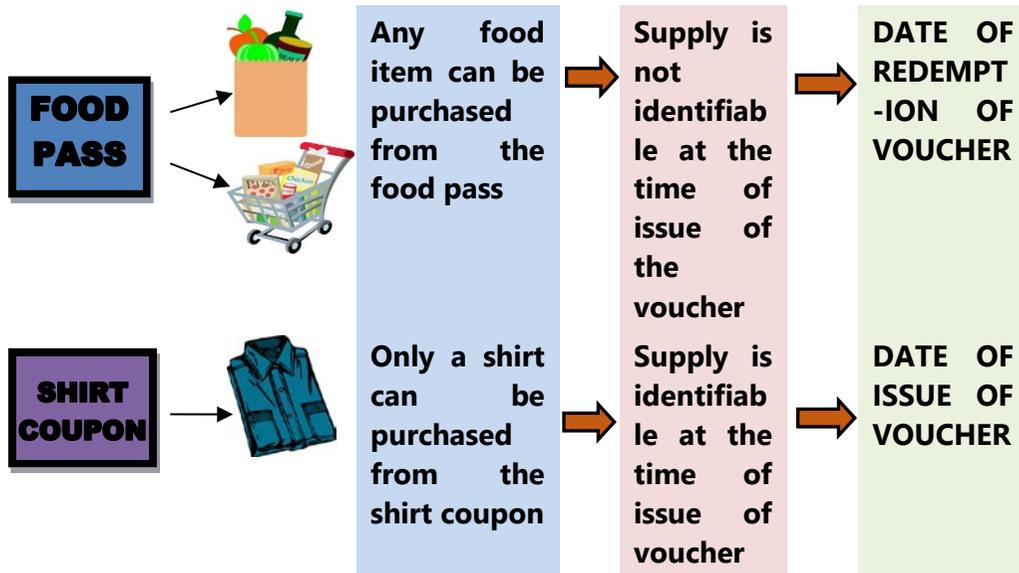
**(iii) Vouchers [Section 12(4)]**

As commonly understood, vouchers are instruments that can be exchanged as payment for goods or services of the designated value. As per the definition, they are instruments that certain persons (potential suppliers) are obliged to accept as consideration, part or full, for goods and/or services; the instrument or its related documentation sets out the terms and conditions of use, the goods / services covered, and the identity of the potential suppliers of these.

As per section 12(4), the time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
- Date of redemption of the voucher in other cases.

### TIME OF SUPPLY OF VOUCHERS EXCHANGEABLE FOR GOODS



Acmesales Limited sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /provisions in the outlets that are part of the program.

As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food / provision items of his choice.



With each purchase of a large pizza during the Christmas week from Perfect Pizza, one can buy a voucher for ₹ 20 which will be redeemable till 5 Jan for a small pizza.

As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

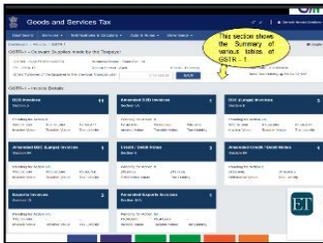
#### **(iv) Residual case [Section 12(5)]**

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 12, in the following manner:

- Due date for filing of the periodical return, or
- In any other case, date on which GST is paid.

**TIME OF SUPPLY OF GOODS UNDER RESIDUAL CASE**

Where a periodical return is to be filed



**DATE ON WHICH RETURN IS REQUIRED TO BE FILED**

**OTHER CASES**



**DATE ON WHICH GST IS PAID**



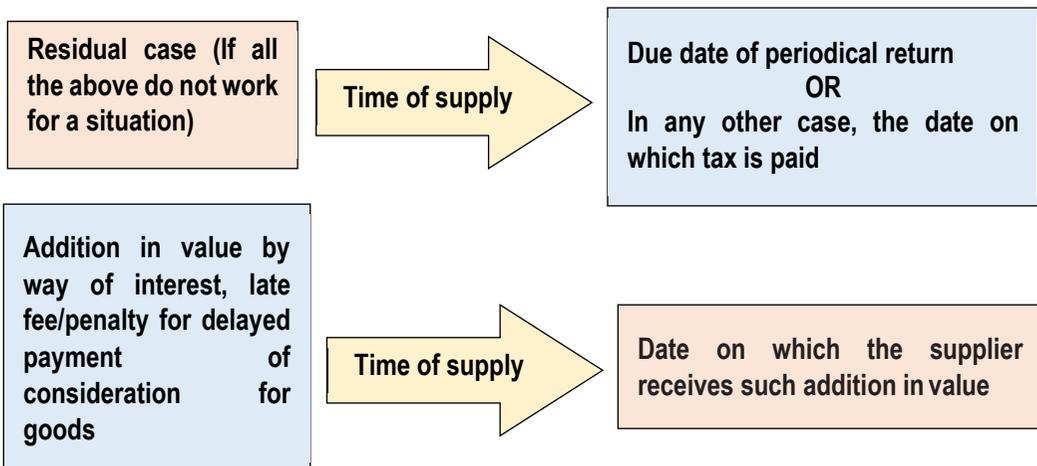
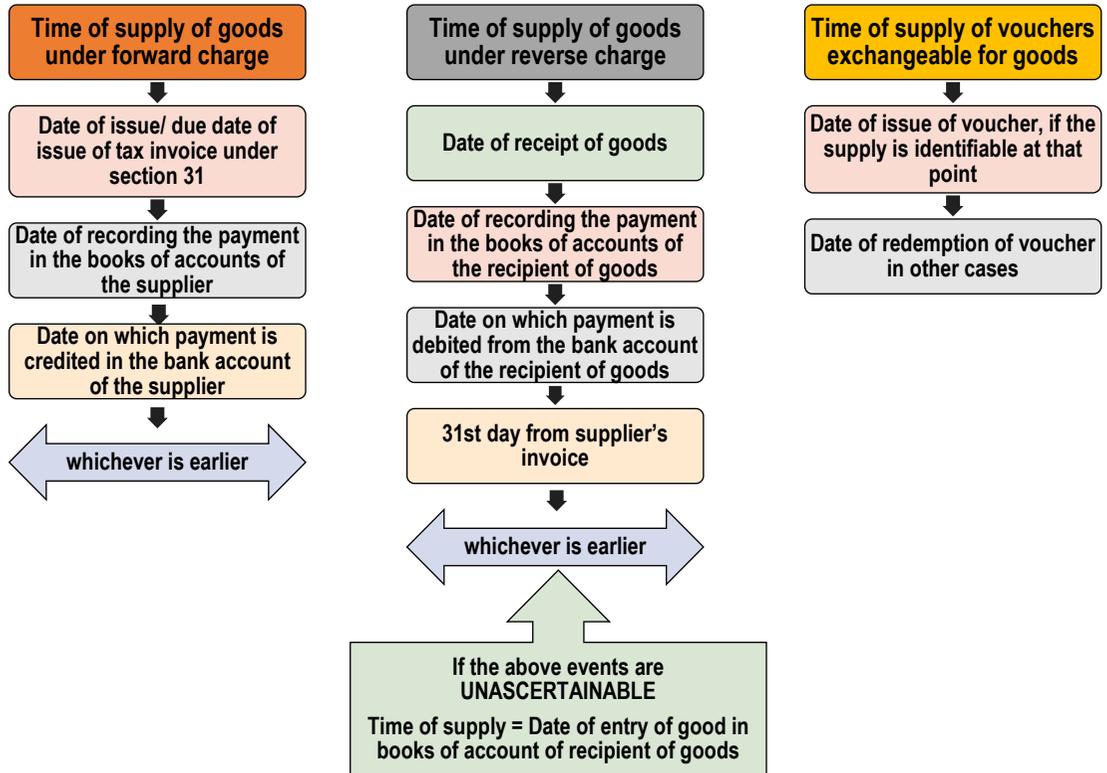
Investigation reveals clandestine removal of goods by a supplier who is not registered under GST. The evidence is in the form of noting, often undated, and some corroborative material. The supplier voluntarily pays tax during the investigation, to close the case. The time of supply will be the date on which the tax is paid, as being unregistered, the supplier is not required to file periodical returns.

**(v) Enhancement in value on account of interest/late fee etc. for delayed payment of consideration [Section 12(6)]**

Commercially, all the contract of supplies stipulate payment of interest/late fee/penalty etc. for payment of consideration beyond the agreed time period. Such interest etc. is includible in value of taxable supply [This concept has been discussed in detail in Unit II: Value of Supply in the subsequent pages of this Chapter]. So, the question arises as to when would the liability to pay GST arise in such cases of addition in value.

Section 12(6) prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value.

★ The provisions relating to time of supply of goods as contained in section 12 are summarised in the diagram given below



#### 4. TIME OF SUPPLY OF SERVICES [SECTION 13]

 <b>STATUTORY PROVISIONS</b>		
<b>Section 13</b>	<b><i>Time of supply of services</i></b>	
<b>Sub-section</b>	<b>Clause</b>	<b>Particulars</b>
<b>(1)</b>		<i>The liability to pay tax on services shall arise at the time of supply, as determined in terms of the provisions of this section.</i>
<b>(2)</b>		<i>The time of supply of services shall be the earliest of the following dates, namely:-</i>
	<b>(a)</b>	<i>the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or</i>
	<b>(b)</b>	<i>the date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or</i>
	<b>(c)</b>	<i>the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply:</i>
		<i>Provided that where the supplier of taxable service receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice relating to such excess amount.</i>
		<i>Explanation - For the purposes of clauses (a) and (b) -</i>
	<b>(i)</b>	<i>the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.</i>
	<b>(ii)</b>	<i>"the date of receipt of payment" shall be the date on which the payment is entered in the books of account of the supplier or</i>

		<i>the date on which the payment is credited to his bank account, whichever is earlier.</i>
<b>(3)</b>	<i>In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely-</i>	
	<i>(a)</i>	<i>the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or</i>
	<i>(b)</i>	<i>the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:</i>
	<i>Provided that where it is not possible to determine the time of supply under clause (a) or (b), the time of supply shall be the date of entry in the books of account of the recipient of supply:</i>	
	<i>Provided further that in case of supply by 'associated enterprises', where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.</i>	
<b>(4)</b>	<i>In case of supply of vouchers by a supplier, the time of supply shall be-</i>	
	<i>(a)</i>	<i>the date of issue of voucher, if the supply is identifiable at that point; or</i>
	<i>(b)</i>	<i>the date of redemption of voucher, in all other cases;</i>
<b>(5)</b>	<i>Where it is not possible to determine the time of supply of services in the manner specified in sub-sections (2), (3) or (4), the time of supply shall</i>	
	<i>(a)</i>	<i>in a case where a periodical return has to be filed, be the date on which such return is to be filed; or</i>
	<i>(b)</i>	<i>in any other case, be the date on which the tax is paid.</i>
<b>(6)</b>	<i>The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any</i>	

	<i>consideration shall be the date on which the supplier receives such addition in value.</i>
<b>Section 31</b>	<b><i>Tax invoice (to the extent relevant to time of supply)</i></b>
<b>(2)</b>	<i>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:</i>
	<i>Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which—</i>
	(a) <i>any other document issued in relation to the supply shall be deemed to be a tax invoice; or</i>
	(b) <i>tax invoice may not be issued.</i>
<b>(5)</b>	<i>Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services,—</i>
	(a) <i>where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;</i>
	(b) <i>where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;</i>
	(c) <i>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.</i>
<b>(6)</b>	<i>In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.</i>

### Chapter VI: Tax Invoice, Credit and Debit Notes of CGST Rules

#### Time limit for issuing tax invoice

#### Rule 47

*The invoice referred to in rule 46, in case of taxable supply of services, shall be issued within a period of thirty days from the date of supply of service:*

*Provided that where the supplier of services is an insurer or a banking company or a financial institution, including a non-banking financial company, the period within which the invoice or any document in lieu thereof is to be issued shall be forty five days from the date of supply of service:*

*Provided further that an insurer or a banking company or a financial institution, including a non- banking financial company, or a telecom operator, or any other class of supplier of services as may be notified by the Government on the recommendations of the Council, making taxable supplies of services between distinct persons as specified in section 25, may issue the invoice before or at the time such supplier records the same in his books of account or before the expiry of the quarter during which the supply was made.*



**Section 13 must be read with section 31 and rule 47 of CGST Rules, which prescribe in detail the date on which tax invoice for a supply of service must be issued in various situations.**



## ANALYSIS

Section 13 stipulates how to determine time of supply in the following situations:

- ➔ Supply of service on which the supplier is liable to pay tax,
- ➔ Receipt of service that is taxable under reverse charge basis,
- ➔ Supply of vouchers that can be used to pay for services,
- ➔ Residual cases,

➔ Addition to value of supply by way of interest or fee or penalty for delayed payment.

Below we consider these in more detail.

**(i) Supply of service where supplier is liable to pay tax (Forward charge)  
[Section 13(2) read with sub-sections (2), (5) & (6) of section 31 and rule 47 of CGST Rules]**

For supply of service on which the supplier is liable to pay tax, the time of supply will be the earlier of the dates arrived at by methods (A) and (B), as follows:

- (A) Date of invoice or date of receipt of payment (to the extent the payment covers the services), whichever is earlier, if the invoice is issued in time as per section 31;
- (B) Date of provision of service or date of receipt of payment (to the extent the payment covers the services), whichever is earlier, if the invoice is not issued in time as per section 31,

If these two methods are not applicable, the time of supply will be the date on which the recipient of service shows receipt of the service in his books of account.

**Meaning of “date of receipt of payment”**

“Date of receipt of payment” in the above situation refers to the date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or the date on which the payment is credited to the entity’s bank account, whichever is earlier.

**Significance of “to the extent the payment covers the services”**

Suppose, a part of the consideration is paid in advance or invoice is issued for part payment, the time of supply will not cover the full supply. The supply shall be deemed to have been made to the extent it is covered by the invoice or the part payment.

**Time limit for issuance of invoice for supply of services**

- As per section 31(2) read with rule 47 of CGST Rules, the tax invoice needs to be issued either before the provision of service or within 30 days (45 days in case of insurance companies/ banking companies/ financial institutions including NBFCs) from the date of supply of service.
- In case of cessation of supply of services before completion of supply, the invoice (to the extent of the supply made before such cessation) should be issued at the time when the supply ceases.

- In case of continuous supply of services, the invoice should be issued either (i) on/ before the due date of payment or (ii) before/ at the time when the supplier of service receives the payment (iii) on/ before the date of completion of the milestone event when the payment is linked to completion of an event.
- In case of insurance companies/ banking companies/ financial institutions including NBFCs/ telecom companies/ notified supplier of services making taxable supplies between distinct persons as specified in section 25<sup>2</sup>, invoice may be issued before or at the time of recording such supply in the books of account or before the expiry of the quarter during which the supply was made.

The provisions relating to time of supply of services in case of forward charge can be depicted by way of a diagram given at the next page.

### ILLUSTRATION 5

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

6 <sup>th</sup> May	Booking of convention hall, sum agreed ₹ 15000, advance of ₹ 3000 received
15 <sup>th</sup> September	Function held in convention hall
27 <sup>th</sup> October	Invoice issued for ₹ 15000, indicating balance of ₹ 12000 payable
3 <sup>rd</sup> November	Balance payment of ₹ 12000 received

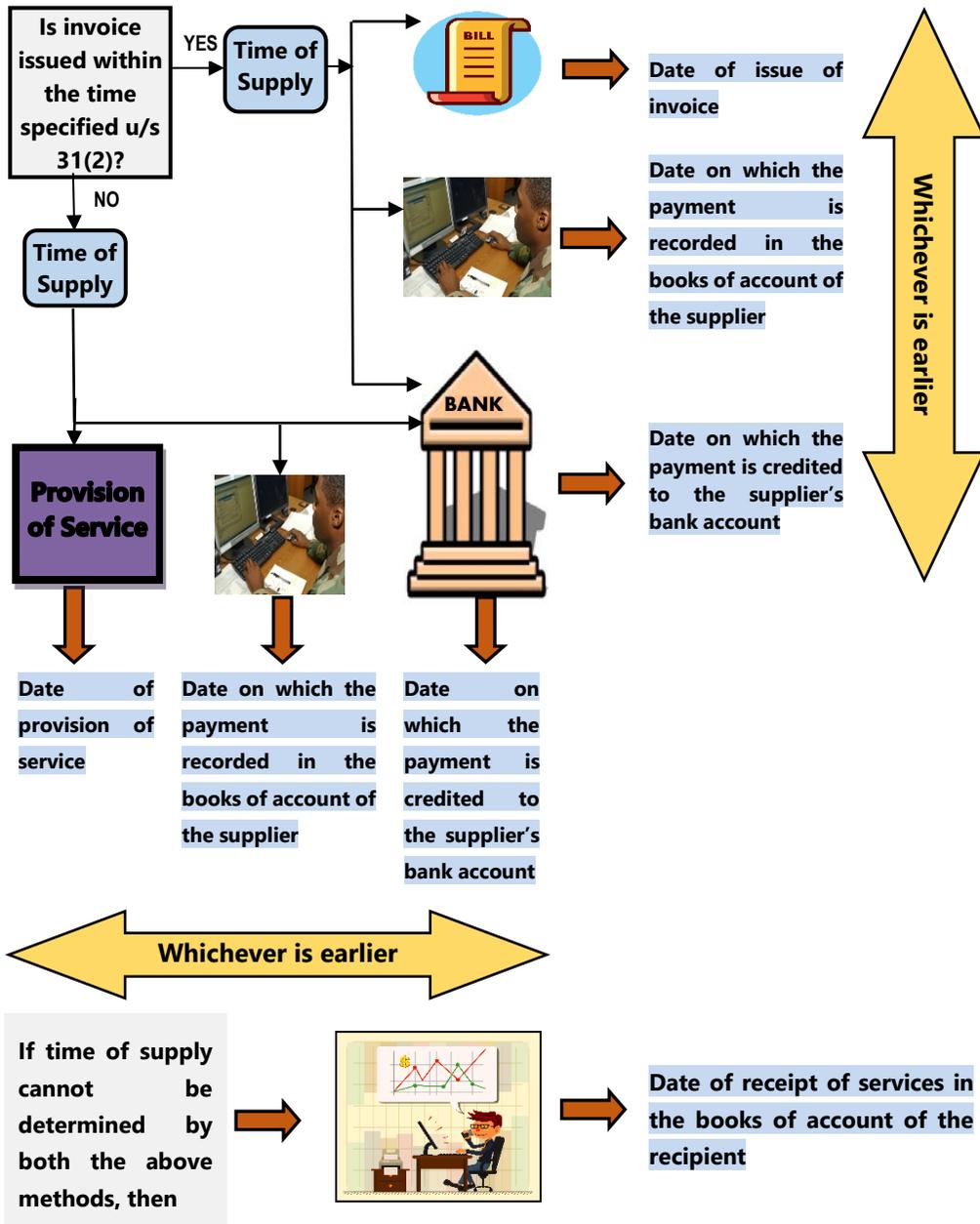
### ANSWER

As per section 31 read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of ₹ 3,000 is 6<sup>th</sup> May as the date of payment of ₹ 3000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance ₹ 12,000 is 15<sup>th</sup> September which is the date of provision of service.

<sup>2</sup> Concept of distinct persons has been discussed in Chapter 7: Registration

**TIME OF SUPPLY OF SERVICES UNDER FORWARD CHARGE**



**ILLUSTRATION 6**

*Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4<sup>th</sup> April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.*

**ANSWER**

The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13(2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of the supplier is also not available. Therefore, the time of supply will be determined vide clause (c) of section 13(2) i.e., the date on which the recipient of service shows receipt of the service in his books of account.

Thus, time of supply will be 4<sup>th</sup> April, the date on which the Apartment Owners' Association records the receipt of service in its books of account.

**Excess payment upto ₹ 1000: Option of taking invoice date as time of supply**

In terms of the proviso to sub-section (2) of section 13, if payment received is up to ₹ 1,000 in excess of the invoice value, the supplier can choose to take the related invoice date as the time of supply in relation to this excess value.



A telephone company receives ₹ 5000 against an invoice of ₹ 4800. The excess amount of ₹ 200 can be adjusted against the next invoice. The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of ₹ 200 received in excess against the earlier invoice.

**(ii) Receipt of services that are taxable under reverse charge [Section 13(3)]**

The time of supply of service on which GST is payable on reverse charge basis (except on services received from associated enterprises located outside India) under sub-sections (3) and (4) of section 9 is determined in terms of section 13(3)(a) and (b) as follows:

The time of supply for such service will be the earlier of the following:

- Date of payment, or

- Date immediately following 60 days since issue of invoice (or any other document in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of the service in the books of account of the recipient of supply.

### Meaning of “Date of payment”

“Date of payment” in the above situation refers to the date on which the payment is recorded in the books of account of the entity that receives the service (recipient of service), or the date on which the payment is debited from the entity’s bank account, whichever is earlier.

### Import of services between associated enterprises

In the case of service received from an associated enterprise located outside India, the time of supply will be the date of payment for the service, or the date of entry of the service in the books of account of the recipient, whichever is earlier.

The provisions relating to time of supply of services in case of reverse charge can be depicted by way of a diagram given at the next page.

### ILLUSTRATION 7

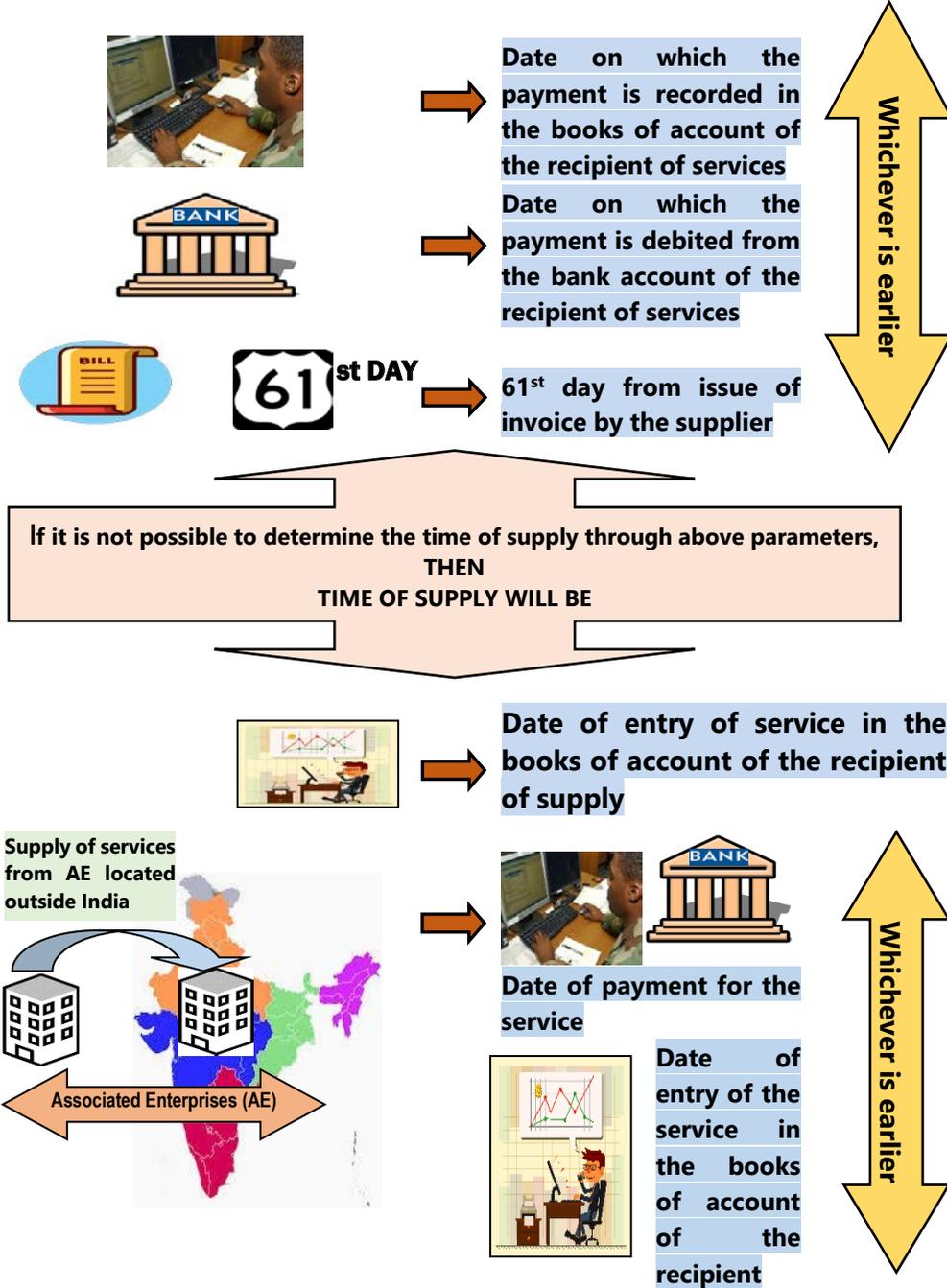
*Determine the time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)*

May 4	<i>The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.</i>
August 21	<i>Payment made to the supplier of service</i>

### ANSWER

Here, July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

**TIME OF SUPPLY OF SERVICES UNDER REVERSE CHARGE**



**ILLUSTRATION 8**

Determine the time of supply from the given information.

May 4	A German company issues email informing its associated company ABC Ltd. of the cost of technical services provided to it.
July 2	ABC Ltd transfers the amount to the account of the German company

**ANSWER**

As there is no prior entry of the amount in the books of account of ABC Ltd., July 2 will be the time of supply, being the date of payment in terms of second proviso to section 13(3).

**(iii) Vouchers [Section 13(4)]**

The term voucher has already been explained under the Heading "Time of Supply of Goods". The time of supply of vouchers that are exchangeable for services is stipulated as the date of issue of the voucher, if the supply is identifiable at that point, or the date of redemption of the voucher in other cases.



Best Hospitality Services enters into agreement with Drive Marketing Ltd by which Drive Marketing Ltd. markets Best Hospitality Services' hotel rooms and sells coupons / vouchers redeemable for a discount against stay in the hotel.

As the supply against which the voucher will be redeemed is identifiable, the time of supply of the voucher will be its date of issue.

**(iv) Residual case [Section 13(5)]**

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 13, in the following manner:

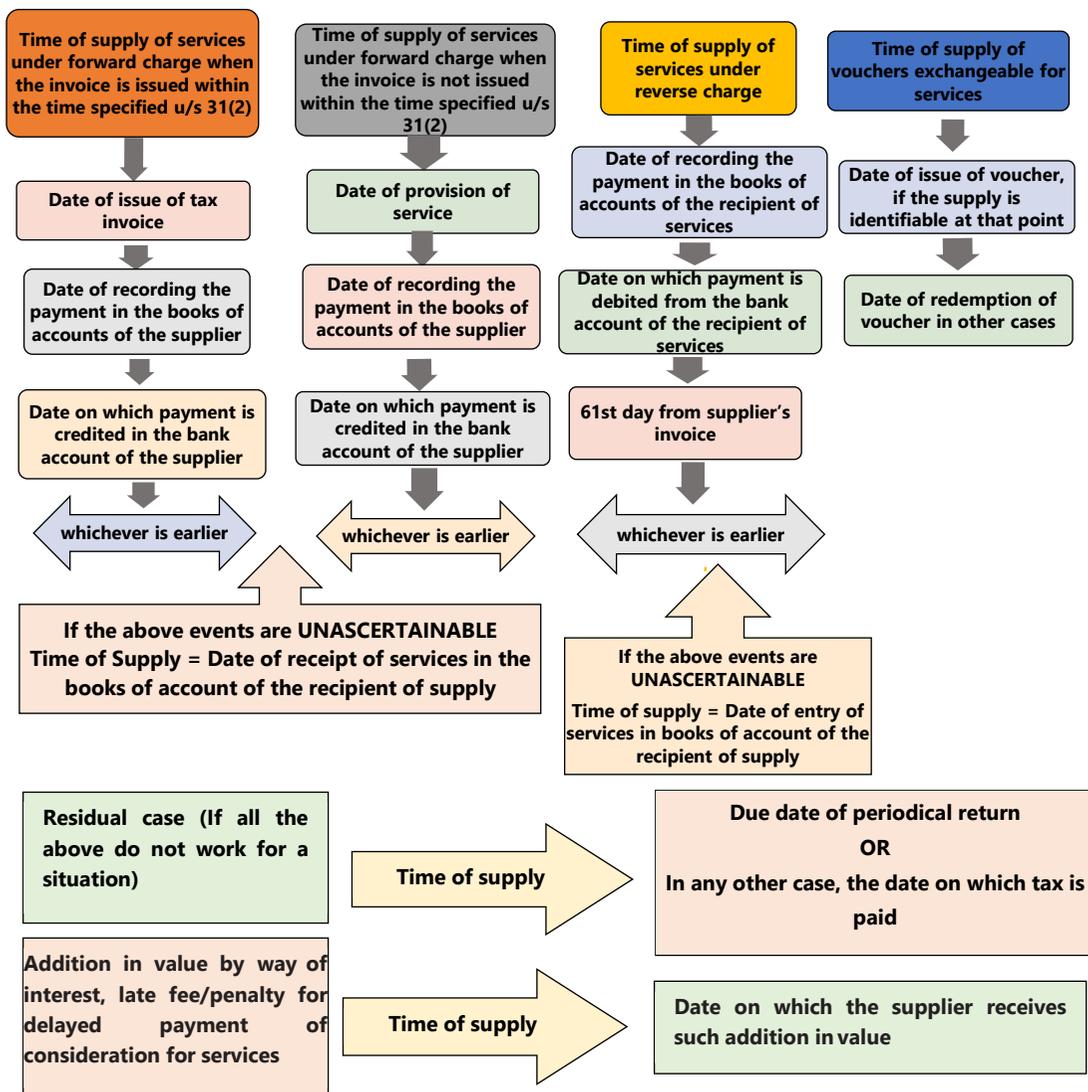
- Date on which periodical return for the period is required to be filed, or
- In any other case, date on which GST is paid.

**(v) Enhancement of value on account of interest/late fee etc. for delayed payment of consideration [Section 13(6)]**

The provisions for time of supply in case of addition in value by way of interest, late fee/penalty for delayed payment of consideration are same for goods and services.

Section 13(6) prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for a service is the date on which the supplier receives such addition in value.

**The provisions relating to time of supply of services as contained in section 13 are summarised in the diagram given below**



## 5. LET US RECAPITULATE

The provisions relating to time of supply of goods and services can be better understood if the same are studied simultaneously appreciating the similarities and differences between the two scenarios. Therefore, such provisions have been summarised by way of a comparison table to help students remember and retain the provisions in a better and effective manner:

### TIME OF SUPPLY WHERE TAX IS PAYABLE UNDER FORWARD CHARGE

Time of supply of goods [Section 12(2)]	Time of supply of services [Section 13(2)]
<p><b><u>Earliest of the following:</u></b></p> <p>(a) Date of <b>issue of invoice</b> by the supplier or the <b>last date on which he is required, to issue the invoice</b> under section 31(1) with respect to the supply</p> <p>(b) Date on which the supplier <b>receives the payment</b> (entering the payment in books of account or crediting of payment in bank account, whichever is earlier) with respect to the supply</p>	<p>(a) <b>Invoice issued within the time period prescribed under section 31(2)</b></p> <p><b><u>Earliest of the following:</u></b></p> <ul style="list-style-type: none"> <li>→ Date of issue of invoice by the supplier</li> <li>→ Date of receipt of payment (entering the payment in books of account or crediting of payment in bank account, whichever is earlier)</li> </ul> <p>(b) <b>Invoice not issued within the time period prescribed under section 31(2)</b></p> <p><b><u>Earliest of the following:</u></b></p> <ul style="list-style-type: none"> <li>→ Date of provision of service</li> <li>→ Date of receipt of payment (entering the payment in books of account or crediting of payment in bank account, whichever is earlier)</li> </ul>

	<p>(c) <b>When the above events are unascertainable</b></p> <p>→ Date on which the recipient shows the receipt of services in his books of account</p>
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### GENERAL TIME LIMIT FOR RAISING INVOICES

Supply of goods [Section 31(1)]	Supply of services [Section 31(2)]
<p><b>Before or at the time of,-</b></p> <p>(a) <b>removal of goods</b> for supply to the recipient, where the supply involves movement of goods, or</p> <p>(b) <b>delivery of goods or making available thereof to the recipient</b>, in any other case</p>	<p><b>Before or after the provision of service</b> but within 30 days [45 days in case of insurance cos./banking and financial institutions including NBFCs] from the date of supply of services</p>

### TIME OF SUPPLY WHERE TAX IS PAYABLE UNDER REVERSE CHARGE

Time of supply of goods [Section 12(3)]	Time of supply of services [Section 13(3)]
<p><b><u>Earliest of the following:</u></b></p> <p>(a) Date of <b>receipt of goods</b>, or</p> <p>(b) Date of <b>payment</b> as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or</p> <p>(c) <b>31<sup>st</sup> day from the date of issue of invoice</b></p>	<p><b><u>Earliest of the following:</u></b></p> <p>(a) Date of <b>payment</b> as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or</p> <p>(b) <b>61<sup>st</sup> day from the date of issue of invoice</b></p>

**Where the above events are not ascertainable**, the time of supply shall be the date of entry in the books of account of the recipient of supply

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**Import of service from associated enterprise** Date of entry in the books of account of the recipient or the date of payment, whichever is earlier

### **TIME OF SUPPLY OF VOUCHERS EXCHANGEABLE FOR GOODS AND SERVICES**

**Supply of vouchers exchangeable for goods and services [Sections 12(4) and 13(4)]**

- (a) Supply of goods or services is identifiable at the time of issue of voucher  
→ Date of issue of the voucher
- (b) Other cases  
→ Date of redemption of the voucher

### **TIME OF SUPPLY OF GOODS AND SERVICES IN RESIDUAL CASES**

**Supply of goods and services in residual cases [Sections 12(5) and 13(5)]**

- (a) Where a periodical return is required to be filed  
→ Due date of filing such return
- (b) Other cases  
→ Date of payment of tax

### **TIME OF SUPPLY FOR ADDITION IN VALUE BY WAY OF INTEREST/ LATE FEE/PENALTY FOR DELAYED PAYMENT OF CONSIDERATION**

**Addition in value by way of interest, late fee/penalty for delayed payment of consideration**

**Time of Supply** → Date on which the supplier receives such addition in value



*The provisions relating to time of supply of vouchers that are exchangeable for goods are same as that of the vouchers that are exchangeable for services. Similarly, the provisions relating to time of supply of goods falling in the residual category are same as that of the time of supply of services falling in the residual category. Also, provisions relating to time of supply for addition in value by way of interest, late fee/penalty for delayed payment of consideration are same for goods and services.*

*Furthermore, concepts like option of taking invoice date as time of supply in case of excess payment upto ₹ 1000, meaning of "Date of receipt of payment", significance of words "to the extent the payment covers the services" are also same for goods and services.*

*Students may make a note of the above points as it will help them in understanding and remembering the provisions in a better manner.*

## 6. TEST YOUR KNOWLEDGE

- Date on which the supplier receives the payment as per section 12 of CGST Act is
  - Date entered in books of accounts
  - Date of credit in bank account
  - Date entered in books of accounts or date of credit in bank account, whichever is earlier
  - Date on which receipt voucher is issued by supplier
- What is time of supply of goods liable to tax under reverse charge mechanism?
  - Date of receipt of goods
  - Date on which the payment is made
  - Date immediately following 30 days from the date of issue of invoice by the supplier
  - Earlier of (a) or (b) or (c)
- What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?
  - Date of issue of voucher

- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)
4. What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?
- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Date of entry in books of accounts
- (d) Earlier of (a) or (b) or (c)
5. What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?
- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (a) & (b)
6. What is the time of supply of service if the invoice is not issued within 30 days from the date of provision of service?
- (a) Date of issue of invoice
- (b) Date on which the supplier receives payment
- (c) Date of provision of service
- (d) Earlier of (b) & (c)
7. What is the time of supply of service in case of reverse charge mechanism?
- (a) Date on which payment is made to the supplier
- (b) Date immediately following 60 days from the date of issue of invoice
- (c) Date of invoice
- (d) Earlier of (a) and (b)
8. What is the time of supply of service where services are received from an associated enterprise located outside India?

- (a) Date of entry of services in the books of account of recipient of service
- (b) Date of payment
- (c) Earlier of (a) & (b)
- (d) Date of entry of services in the books of the supplier of service
9. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
	(1)	(2)	(3)
(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

10. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
	(1)	(2)
(i)	August 10	June 29

<b>(ii)</b>	August 10	June 1
<b>(iii)</b>	Part payment made on June 30 and balance amount paid on September 1	June 29
<b>(iv)</b>	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
<b>(v)</b>	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29

11. Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17<sup>th</sup> June and made advance payment for the transport on the same date, i.e., 17<sup>th</sup> June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20<sup>th</sup> July. Invoice was received from the transporter on 22<sup>nd</sup> July.

What is the time of supply of the transporter's service?

Note: Transporter's service is taxed on reverse charge basis.

12. Raju Pvt Ltd. receives the order and advance payment on 5<sup>th</sup> January for carrying out an architectural design job. It delivers the designs on 23<sup>rd</sup> April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice.

When is the time of supply of service?

13. Investigation shows that 150 cartons of ceramic capacitors were despatched on 2<sup>nd</sup> August but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment.

What is the time of supply of the 150 cartons?

14. An order is placed on Ram & Co. on 18<sup>th</sup> August for supply of a consignment of customised shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2<sup>nd</sup> December. The customer collects the consignment from the premises of Ram & Co. on 7<sup>th</sup> December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8<sup>th</sup> December.

What is the time of supply of the shoes?

15. Sodexo meal coupons are sold to a company on 9<sup>th</sup> August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months.

What is the date of supply of the coupons?

16. A firm of lawyers issues invoice for services to ABC Ltd. on 17<sup>th</sup> Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3<sup>rd</sup> November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

17. Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4<sup>th</sup> and 5<sup>th</sup> September but could not raise invoice till 19<sup>th</sup> November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

18. An income-tax and money laundering case against Mr. XYZ, working in a multi-national company, reveals a large volume of undisclosed assets, which he claims as service income. On this basis, the GST authorities investigate the GST liability. Dates of provision of service, whether in the first half or the second half of the financial year being scrutinised by income-tax authorities, are not known. Mr. XYZ voluntarily pays GST during the investigation.

What is the time of supply of the services?

## 7. ANSWERS/HINTS

1. (c) 2. (d) 3. (a) 4. (b) 5. (d) 6. (d) 7. (d) 8. (c)

9.

S. No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods	Date immediately following 30 days from date of invoice	Time of supply of goods [Earlier of (1), (2) & (4)]
	(1)	(2)	(3)	(4)	(5)
(i)	July 1	August 10	June 29	July 30	July 1
(ii)	July 1	June 25	June 29	July 30	June 25
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment made and July 1 for balance amount
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	July 2	June 28 (i.e., when payment is entered in the books of account of the recipient)
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	July 30	June 26 (i.e., when payment is debited in the recipient's bank account)
(vi)	August 1	August 10	June 29	July 30	July 30 (i.e., 31 <sup>st</sup> day from issuance of invoice)

10.

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of (1) & (3)]
	(1)	(2)	(3)	
(i)	August 10	June 29	August 29	<b>August 10</b>
(ii)	August 10	June 1	August 1	<b>August 1</b>
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29	August 29	<b>June 30 for part payment and August 29 for balance amount</b>
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 1	<b>June 28 (i.e. when payment is entered in the books of account of the recipient)</b>
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	<b>June 26 (i.e. when payment is debited in the recipient's bank account)</b>

11. Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13(3):

- Date of payment
- 61<sup>st</sup> day from the date of issue of invoice

In this case, the date of payment precedes 61<sup>st</sup> day from the date of issue of invoice by the supplier of service. Hence, the date of payment, that is 17<sup>th</sup> June, will be treated as the time of supply of service [Section 13(3)(a)].

12. Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13(2)(b):

- Date of provision of service
- Date of receipt of payment

The payment was received on 5<sup>th</sup> January and the service was provided on 23<sup>rd</sup> April. Therefore, the date of payment, i.e., 5<sup>th</sup> January is the time of supply of the service in this case.

13. Time of supply of goods is the earlier of the following two dates in terms of section 12(2):

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment

In this case since the invoice has not been issued, the time of supply will be the last date on which the invoice is required to be issued or date of receipt of payment, whichever is earlier.

The invoice for supply of goods must be issued on or before the despatch of goods i.e., on 2<sup>nd</sup> August. Since there is no evidence of receipt of payment, time of supply of the goods will be 2<sup>nd</sup> August, the date when the invoice should have been issued.

14. Time of supply of goods is the earlier of the following two dates in terms of section 12(2):

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment

In this case,

Date of invoice: 2<sup>nd</sup> December

Date of actual receipt of payment: 7<sup>th</sup> December.

Date of recording payment in books of account : 8<sup>th</sup> December.

Therefore, the date of receipt of payment will be 7<sup>th</sup> December (earlier of two dates namely, date of recording the payment in books of account and date of crediting of payment in bank account). However, as the invoice date is earlier than date of payment, the time of supply will be 2<sup>nd</sup> December.

15. As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4).
16. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):
  - Date of payment [3<sup>rd</sup> November]
  - 61<sup>st</sup> day from the date of issue of invoice [19<sup>th</sup> April]

The date of payment comes subsequent to the 61<sup>st</sup> day from the issue of invoice by the supplier of service. Therefore, the 61<sup>st</sup> day from supplier's invoice has to be taken as the time of supply. This fixes 19<sup>th</sup> April as the time of supply.

17. The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5<sup>th</sup> September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5<sup>th</sup> September, will be the time of supply.
18. Where it is not possible to determine the time of supply in terms of date of invoice or date of provision of service or date of receipt of payment or date of receipt of services in the books of account of the recipient, and where periodical return is not to be filed (Mr. XYZ, being an employee in a multi-national company, is not a registered person), the date of payment of tax is taken as the time of supply [Section 13(5)(b)].

Therefore, the date when Mr. XYZ pays the GST will be the time of supply.