

Time of Supply under GST

After ascertaining whether a transaction falls under the definition of supply, we come to the next pertinent issue, **the date of the charging event i.e. the date when the liability of the tax arises** which is covered by the provisions of Time of Supply under GST.

Under the CGST act **Sections 12, 13 & 14 deals with the provisions related to time of supply** and by virtue of section 20 of the IGST Act, 2017, these provisions are applicable to inter-State supplies leviable to IGST.

Time of supply means the point in time when goods/services are considered to be supplied. It is the time when the supply has been made. It enables the registered person to understand when the liability of tax payment has arisen, basically the point of taxation.

For ease in understanding, let's divide our Write-up into 4 concepts namely:

- Time of supply for Goods [Section 12]
- Time of Supply for Services [Section 13]
- Time of supply under Reverse Charge [Section 12(3) & 13(3)]
- Residual Issues

TIME OF SUPPLY OF GOODS UNDER FORWARD CHARGE

Time of Supply of goods shall be earliest of: [u/s 12(2)]

- a) The date of Issue of Invoice (or the last date by which invoice should have been issued u/s 31 i.e. removal or making available the goods for delivery or as the case may be)
- b) The date of receipt of payment

Date of Receipt of payment means earliest of:

- a) Date on which payment was entered in books
- b) Date on which payment was credited in bank account

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For example:

Mr Narendra sold goods worth Rs 5000 on 31.01.2020. He entered payment in his books on 02.02.2020 while his bank account was credited with the payment on 05.02.2020. What shall be the Time of Supply in this case?

Date of payment is earlier of :

- a) Date of entry in books of accounts -02.02.2020
- b) Date on which bank account is credited-05.02.2020

So, this will be 02.02.2020.

While time of supply is earlier of :

- a) Date of Issue of invoice -31.01.2020
- b) Date of Payment-02.02.2020

So time of supply shall be 31.01.2020.

Section 148 of the CGST Act, 2017, gives powers to the government to **notify certain classes of registered persons** and the procedures to be followed by such persons including those with regard to registration, filing of returns, **payment of taxes** and administration of such persons. In exercise of such powers, the government has **notified the registered persons (who have not opted for composition levy)** as the class of persons who shall pay GST on outward supply of goods at the time of supply specified u/s **12(2)(a)**. Thus, in respect of supply of goods by such persons, the time of supply will be the issue of invoice. **Therefore, all taxpayers (except composition taxpayers) are exempted from paying GST at the time of receipt of advance in relation to supply of goods.** The entire GST shall be payable only when the invoice is issued for such supply of goods. **[Notification No. 66/2017-Central Tax, dated 15-11-2017]**

Some Important Points w.r.t Time of Issue of Invoice for Goods:

- i. **If movement of goods involved in supply** - Before or at the time of removal of goods.
- ii. **If no movement of goods involved in supply** - Before or at the time of delivery of goods or making available to the recipient.
- iii. **If continuous supply of goods** For Example: Supply of Oil etc. Earliest of the following:
 - Time when each statement is issued.
 - Time when each payment is received.
- iv. **If goods sent for approval** - Earliest of the following:
 - Time when it becomes known that supply is taken place.
 - Six month from the date of removal.

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TIME OF SUPPLY FOR SERVICES UNDER FORWARD CHARGE

Time of supply of services is earliest of:

- a) Date of issue of invoice u/s 31(2) read with rule 47 of CGST Rules,2017.
- b) Date of receipt of advance/ payment.
- c) Date of provision of services (if invoice is not issued within prescribed period)

If in any case, either of the provisions mentioned above don't apply, the time of supply for such services shall be the date on which the recipient shows the receipt of services in his books of account

Date of Provisions for Services Mean:

- 30 days in all cases except for banking and financial institutions from the date of supply of services.
- 45 days in case of banking and financial institutions from the date of supply of services

Date of Receipt of the payment by supplier

- Payment is entered into the books of the account or credited in his bank account whichever is earlier.

Important Points:

- a) The supply of services shall **deemed to have been made to the extent it is covered by the invoice or by the payment**, as the case may be. For example, Mr. Uddhav receives an advance of Rs. 25,000 on 30-6-2019 for provision of services worth Rs. 35,000 to be supplied in the month of August,2019, then it is deemed that firm Mr.Uddhav has made a supply of Rs. 25,000 on 30-6-2019 and tax liability on Rs. 25,000 is to be discharged by 20-7-2019
- b) For the convenience of trade it is provided **that if a supplier of taxable services receives an amount up to Rs. 1000** in excess of the amount indicated on the tax invoice, then the supplier **has an option to take the date of issue of invoice** in respect of such supply as time of supply.
- c) In case of continuous supply of services:
 - **Due date of payment can be identified from the contract** The invoice will be issued before or after the payment is to be made by the recipient but within 30 or 45 days of due date of payment.
 - **Due date of payment cannot be identified from the contract:** The invoice shall be issued before or after each time when the Supplier receives the payment but within 30 or 45 days of receipt of payment.
 - **Payment is linked to the completion of an event:** The invoice shall be issued before or after the time of completion of that event but within 30 or 45 days of completion of event.

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- **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 service provide before stopping.
- d) 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.
- e) **Optional Time of supply:** If amount up to Rs. 1,000 in excess of invoice amount is received then the supplier may take the time of supply is the date of invoice issued for such excess or advance received.
- f) If **invoice is not issued and date of payment or date of completion of provision of service are also not ascertainable**, then the time of supply shall be the date on which the recipient shows the receipt of services in his books of accounts.

For example:

Mr. Sachin provides services worth Rs 20,000/- to Mr. Rahul on 1st January. The invoice was issued on 20th January and the payment for the same was received on 1st February. Determine the time of Supply.

Ans: In present case, we need to first check if the invoice was issued within the prescribed time. The prescribed time is 30 days from the date of supply i.e. 31st January. The invoice was issued on 20th January. This means that the invoice was issued within a prescribed time limit.

The time of supply will be earliest of –

1. Date of issue of invoice = **20th January**
2. Date of payment = **1st February**

Therefore the time of supply of services will be 20th January.

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TIME OF SUPPLY UNDER REVERSE CHARGE

Time of supply under reverse charge [u/s 12(3) & 13(3)] shall be the **earliest** of the following —

- a) Date of Receipt of Goods (not applicable in case of services)
- b) Date of Payment.
- c) Date immediately after thirty days from the date of issue of invoice by the supplier (60 days in case of services)

Important Points:

In case of **supply by associated enterprises**, where the Service supplier 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.

If it is not possible to determine the time of supply under provisions (a), (b) or (c), the time of supply shall be the **date of entry** in the books of account of the **recipient of supply**.

Date of Payment means earlier of:

- a) Date on which payment was entered in books.
- b) Date on which payment was debited in bank account.

For Example:

- (a) Date of receipt of goods 15th May 2020
- (b) Date of payment 15th July 2020
- (c) Date of invoice 1st June 2020
- (d) Date of entry in books of receiver 18th May 2020

Ans: Date of Payment shall be earlier of:

- a) The date on which the recipient entered the payment in his books-**18th May 2020**
- b) The date on which the payment is debited from his bank account-**15th July 2020**

So date of payment is 18.05.2020

Time of Supply is earlier of:

- a) Date of Receipt of Goods – **15th July 2020**
- b) Date of Payment- **18th May 2020**
- c) Date immediately after thirty days from the date of issue of invoice by the supplier-**15th June 2020**

So the Time of Supply is 15th June 2020

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Residual Points

1) Time of supply (both for Goods and Services) for Vouchers [Section 12(4) & 13(5)]

In case of supply of vouchers the time of supply is-

- a) The date of issue of voucher, if the supply can be identified at that point (e.g single purpose vouchers like for Spas, Haircut or Computers,etc)
- b) The date of redemption of voucher, in all other cases; (e.g – Voucher at Shopper Stop)

2) Time of Supply in all other cases (not covered in any points above) [Section 12(5) & 13(5)]

- a) The date on which return is to be filed
- b) in any other case, be the date on which the tax is paid.

3) Time of supply in cases w.r.t an addition in the value of supply [Section 12(6) & 13(6)]

There may be an increase in the value of supply due to addition of interest, late fee or penalty for delayed payment of any consideration. In such cases the time of supply shall be the date on which the supplier receives such addition in value.

Time of Supply incase of Change in Rate of Tax [Section 14]

	Events before change in effective rate of tax	Events after change in effective rate of tax	Time of supply if goods & services are supplied before change in effective rate of tax	Time of supply if goods & services are supplied after change in effective rate of tax
1.	Invoice Issued/Payment Received	No activity.	Date of receipt of payment or issue of invoice, Whichever is earlier	NA
2.	Invoice Issued/Payment Received	Supply of Goods & Services	NA	Date of receipt of payment or issue of invoice, Whichever is earlier
3.	Invoice issued	Payment Received	Date of Invoice	Date of receipt of Payment
4.	Payment Received	Invoice Issued	Date of receipt of Payment	Date of Invoice

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