



# CHAPTER 8

## *TIME OF SUPPLY*



## CHAPTER OVERVIEW

S.L. NO	TOPIC
<u>TIME OF SUPPLY OF GOODS AND SERVICES [SECTION 12 &amp; 13]</u>	
1	<u>FORWARD CHARGE [SECTION 12(2) &amp; 13(2)]</u> <i>Liability is on Supplier</i>
2	<u>REVERSE CHARGE [SECTION 12(3) &amp; 13(3)]</u> <i>Liab is on Recipient</i>
3	<u>SUPPLY MADE THROUGH VOUCHERS [SECTION 12(4) &amp; 13(4)]</u>
4	<u>RESIDUAL CASES [SECTION 12(5) &amp; 13(5)]</u>
5	<u>CHARGE OF INTEREST &amp; PENALTY FOR DELAY IN PAYMENT [SECTION 12(6) &amp; 13(6)]</u>
<u>TIME OF SUPPLY IN CASE OF CHANGE IN EFFECTIVE RATE OF TAX [SECTION 14]</u>	

Practise Session! Reg<sup>n</sup> + TOS



# TIME OF SUPPLY [SECTION 12, 13 & 14]

## INTRODUCTION

Point in time  
when the  
liability  
to pay tax arises

GST is payable on supply of goods or services. 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?

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 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.

12(2) to 12(6)

13(2) to 13(6)

Time of Supply of Goods		Time of Supply of Services	
<b>12(1)</b>	The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.	<b>13(1)</b>	The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.
<b>12(2)</b>	Time of Supply of Goods under Forward Charge.	<b>13(2)</b>	Time of Supply of Services under Forward Charge.
<b>12(3)</b>	Time of Supply of Goods under Reverse Charge.	<b>13(3)</b>	Time of Supply of Services under Reverse Charge.
<b>12(4)</b>	Time of Supply in case of Supply of Vouchers.	<b>13(4)</b>	Time of Supply in case of Supply of Vouchers.
<b>12(5)</b>	Residuary Clause [where the time of supply cannot be determined u/s 12(2) and 12(4)]	<b>13(5)</b>	Residuary Clause [where the time of supply cannot be determined u/s 13(2) and 13(4)]
<b>12(6)</b>	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.	<b>13(6)</b>	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.



The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section [Section 12(1)]

**TIME OF SUPPLY OF GOODS [FORWARD CHARGE] [SECTION 12(2)]**

- (i) Date of issue of invoice **ID**
  - (ii) Last date when invoice is required to be issued (Section 31) – Date of removal of goods or delivery of goods or other situations as well [Refer Invoice Chapter] **DL**
  - (iii) Date of receipt of payment to extent the payment covers the goods **DP**  
(Earliest of the three)
- DDI: Due date of invoice**

**Meaning of Date of receipt of payment**

- (i) Date on which payment is recorded in books of account of supplier of goods that receives payment, or
  - (ii) Date on which payment is credited to supplier's bank account,
- whichever is earlier.**

The time of supply will not cover full supply in case a part of consideration is paid in advance or invoice is issued for part payment.

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.

**Example:** A Ltd. enters into an agreement with B Ltd. to supply 100 kg of raw material. However, A Ltd. supplies only 80 kg of raw material and issues the invoice for the same. Here, the supply would be deemed to have been made in respect of 80 kg of raw material, i.e. to the extent covered by the invoice. Therefore, time of supply will also be applicable to supply of 80 kg of raw material and not for 100 kg of raw material.

**Exemption from payment of tax on advances received for supply of goods** – Special procedure for payment of tax in case of supply of goods u/s 148 [Notification No. 66/2017-Central Tax, dated 15 November 2017]

All taxpayers (except composition suppliers) 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 for the supply of such goods is issued or ought to have been issued.

A composition supplier has to pay, in lieu of tax payable by him, an amount calculated at the prescribed rate applied on his 'turnover in State/UT' for a quarter. Therefore, the composition supplier is not required to pay any tax on advance received as the same does not form part of taxable supplies and, in turn, also does not form part of the 'turnover in a State/Union Territory' at the end of the quarter (tax period).

It may be noted that in case of goods, tax will be payable only on the issuance of invoice/last date of issuance of invoice even if any advance or part payment has been received before the issuance of invoice/last date of issuance of invoice

**EXCLUSION FROM NIN 66/2017! Registered persons making supply of specified actionable claims**

**DPD: 20,000**  
**IL 18,000 contract**  
**F1 30,000 F2 80 F3 30,000**

**Similar but not to be used**

**only betting company cases only betting horse races**

are excluded from the exemption. Hence tax has to be paid at the time of receipt of payment for such supplies



**TIME OF SUPPLY**

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

Particulars	Time Limit
Supply involves movement of goods	Before or at the time of removal of goods
Supply does not involve movement of goods	Delivery of goods/ making goods available to recipient
Continuous supply of goods	Before or at the time of issuance of periodical statement/receipt of periodical payment
Goods sent or taken on approval for sale or return	Before or at the time of supply or 6 months from the date of removal, whichever is earlier

**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.

20/10 (being the date on which goods were made available to recipient). TDS u/s 12(2) is 20/10 (earlier of actual invoice date & due date of invoice)

**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:

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

Determine the time of supply

Assumed: Pay next of a month is received in the next month

	PD	SOA	DDI	TDS
July	5/8	3/10	5/8	5/8
Aug	5/9	3/10	5/9	5/9
Sept	6/10	3/10	3/10	3/10

**Excess amount received is up to ₹ 1000 in excess to the amount indicated in tax invoice**

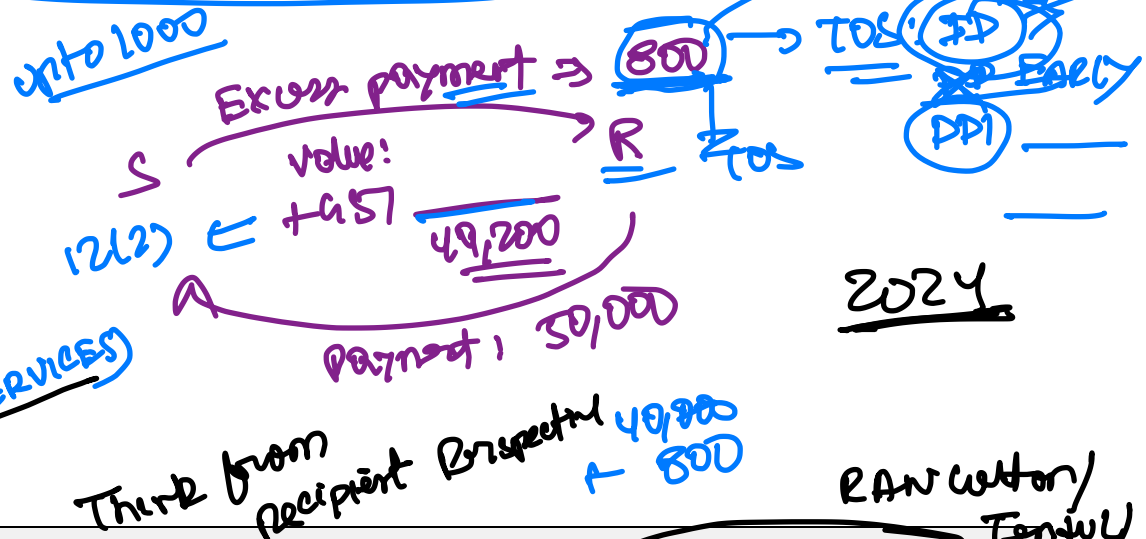
Time of supply is date of issue of invoice (with respect to such excess amount) - (at the option of supplier)



**Illustration 3:** 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.

*Note: Due to E/N of 12(2) this provision will have no relevance on supply of goods (but it will be relevant for services)*



**TIME OF SUPPLY OF GOODS [REVERSE CHARGE] [SECTION 12(3)]**

- (i) Date of the receipt of goods
  - (ii) Date of payment as entered in books of account or payment is debited in his bank account, whichever is earlier
  - (iii) Date immediately following 30 days from date of invoice or any other document issued by supplier (Earliest of the three)
- Handwritten notes: 31st day, 11th + 31st, 12*

Where it is not possible to determine the time of supply - Date of entry in the books of account of recipient of supply.

**Illustration 4:** 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

(i) Receipt of goods → 12/5  
 (ii) Payment date → 30/5  
 (iii) 31<sup>st</sup> day from invoice date → 4/6  
 Time of supply of goods → 12/5 (whichever is earlier)  
 OR 12(3)



**TIME OF SUPPLY**

**Illustration 5:** 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

(i) Receipt of goods → 12/6  
 (ii) Payment date → 3/7  
 (iii) 31<sup>st</sup> day from invoice → 4/6  
 TOS of goods is 4/6 (whichever is earliest)  
 12/6

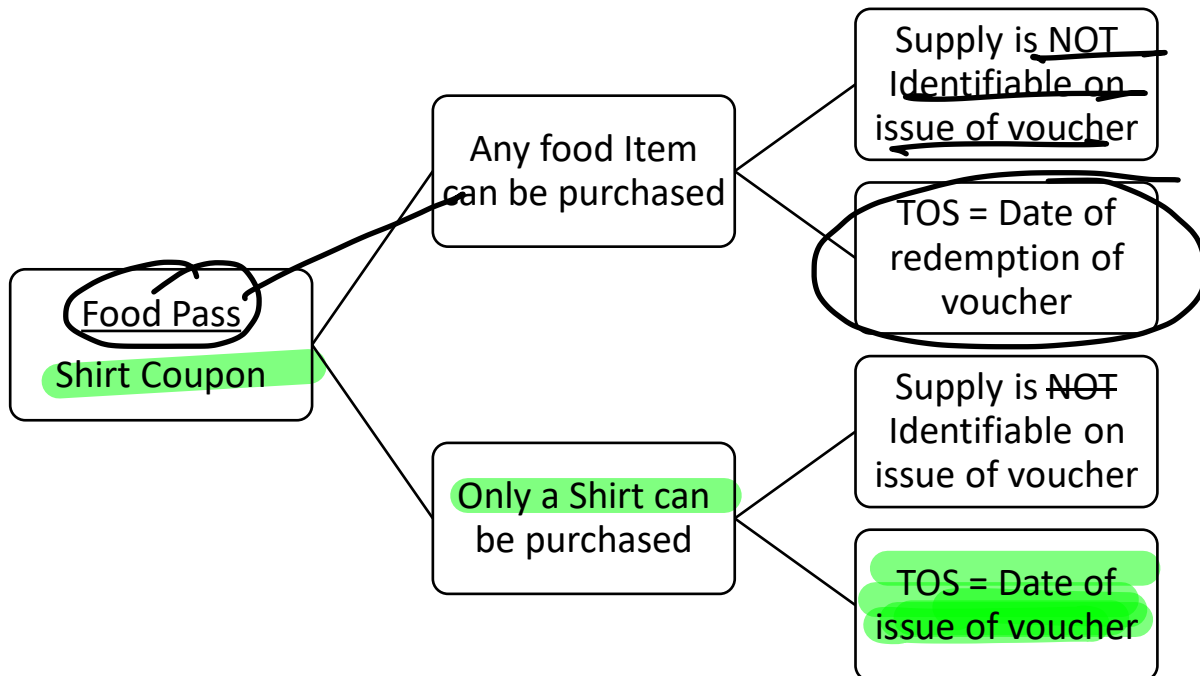
**GOODS SUPPLIED THROUGH VOUCHERS [SECTION 12(4)]**

Vouchers means instruments that certain persons (potential suppliers) are obliged to accept as consideration, part or full, for goods and/or services.

The time of supply of vouchers exchangeable for goods is :-

- (i) Date of issue of voucher, if the supply is identifiable at that point or
- (ii) Date of redemption of voucher, in all other cases

(Supply is Not identifiable)



**Example 1** Acmesales Limited sells food coupons to a company, which gives these to its employees as part of 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 coupon will be redeemed is NOT KNOWN on the date of the sale of the coupon,





TOS = Date on which employee redeems it against food / provision items of his choice

**Example 2:** With each purchase of a large pizza during the Christmas week from Dominos Pizza, one can buy a voucher for ₹ 200 which will be redeemable till 5 Jan for a small pizza

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



TOS = Time of supply is the date of issue of the voucher

CTP → Regn

**TIME OF SUPPLY OF GOODS UNDER RESIDUAL CASE [SECTION 12(5)]**

Where <b>a periodical return is to be filed</b>	Date on which return is required to be filed
Other cases	Date on which GST is paid

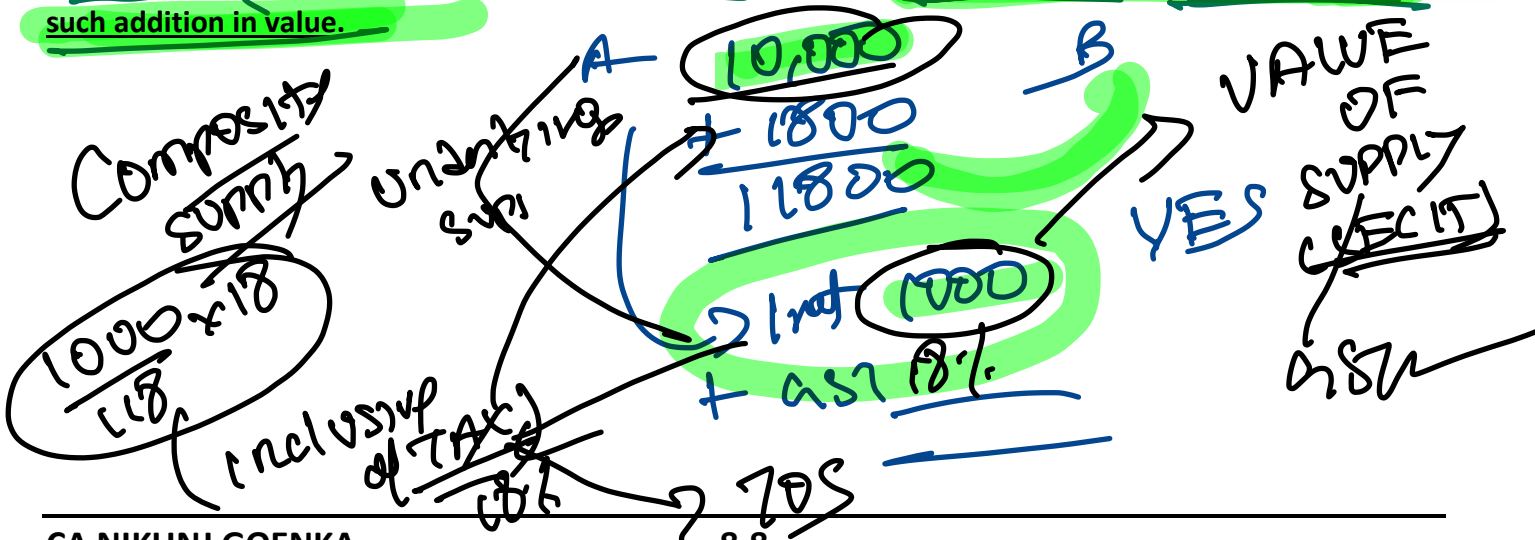
*Monthly / Quarterly / Annual*  
*Due date of filing Return (HSU3B)*  
*VRP*

**Example 3:** 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.

TOS = Date of payment of tax, as being unregistered, supplier is not required to file periodical returns

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

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 the supplier receives such addition in value.



**TIME OF SUPPLY**

12(2) 12(3) 12(4) 12(5) 12(6)  
 13(2) 13(3) 13(4) 13(5) 13(6)



**TIME OF SUPPLY OF SERVICES**

The liability to pay tax on services shall arise at the time of services, as determined in accordance with the provisions of this section [Section 13(1)]

**TIME OF SUPPLY OF SERVICES [FORWARD CHARGE] SECTION 13(2)**

- (i) Date of invoice, if issued within 30 days\* from date of supply of service or date of receipt of payment, whichever is earlier **FD or PD (Earliest)**
- (ii) Date of provision of service, if invoice not issued within 30 days\* from date of supply of service or date of receipt of payment, whichever is earlier **CD or PD (Earliest)**
- (iii) Date of receipt of service as entered in the books of account, in other cases **(Earliest of the three)**

Recipient → Service received lot in case other lots are

\*45 days in case of insurance companies/ banking companies/ financial institutions including NBFCs from the date of supply of service.

**Meaning of Date of receipt of payment**

Same as 12(2)

Not ascertainable

- (i) Date on which payment is recorded in books of account of supplier of services that receives payment, or
- (ii) Date on which payment is credited to supplier's bank account, whichever is earlier.

The time of supply will not cover full supply in case a part of consideration is paid in advance of invoice is issued for part payment

**Illustration 6:** Determine the time of supply from the following particulars:

6 May	Booking of convention hall, sum agreed ₹ 15,000, advance of ₹ 3,000 received
15 September	Function held in convention hall <b>CD</b>
27 October	Invoice issued for ₹ 15,000, indicating balance of ₹ 12,000 payable
3 November	Balance payment of ₹ 12,000 received

TOS U/S 13(3)

(i) For Advance of ₹ 3000 : Earliest of PD or CD since invoice not issued within 30 days from provision of service. Hence PD i.e. 6/5 shall be the TOS

(ii) For balance payment of 12000 : Earliest of PD or CD ..... Completion date being earlier than payment date shall be TOS. Hence TOS



CD

**Illustration 7:** 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.

As per section 13(2), time of supply in other cases where date of payment, date of provision of services & date of invoice is not ascertainable, it is the date of receipt of services as shown in books of accounts of recipient to be the time of supply for supplier. In this case since the dates are not clear, the time of supply for ABC & Co is 4<sup>th</sup> April. Excess amount received is up to ₹ 1000 in excess to the amount indicated in tax invoice

Date of issue of invoice (with respect to such excess amount) - (at the option of supplier)

**Illustration 8:** 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.

**Illustration 8A:**

BSNL regularly issues invoices to the customers on 10<sup>th</sup> of the following month from the end of relevant month. An invoice has been issued for ₹ 1,00,000 (exclusive of GST) on 10<sup>th</sup> October 20XX for the taxable services provided to a customer from 1<sup>st</sup> September 20XX to 30<sup>th</sup> September 20XX. However, payment received from the same customer for ₹ 1,00,950 on 31<sup>st</sup> Oct 20XX.

Find the time of supply and due date of payment of GST only for the excess payment which is received over and above invoice value. Any invoice is required to issue for excess payment of ₹ 950 by BSNL?

For excess amount received upto ₹ 1000 over & above the invoice value, the time of supply of such excess amount shall (at the option of supplier) be the date of issue of next invoice for the services rendered in the subsequent tax period. The due date of payment of GST on the excess amount shall be 20<sup>th</sup> of the next month (in which the invoice was issued).  
No, separate invoice of only ₹ 950 may not be issued by the supplier.



**TIME OF SUPPLY**

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

**[SECTION 13(3)]**

- (i) ~~Date of the receipt of services~~ x
- (ii) Date of payment as entered in the books of account or payment debited in his bank account, whichever is earlier
- (iii) Date immediately following 60 days from the date of invoice or any other document  
(Earliest of the two)

NOT ASSOCIATED ENTERPRISE  
CIRCA

61st day from ID

Where it is not possible to determine the time of supply - Date of entry in the books of account of the recipient of supply.

RCM  
Exp entry

**IMPORT OF SERVICES BETWEEN ASSOCIATED ENTERPRISES**

**[LOCATED OUTSIDE INDIA]**

In the case of service received from an associated enterprise located outside India, Time of supply will be

- (i) Date of entry in the books of account of the recipient
  - (ii) Date of payment for service
- (Earliest of the two)

AE

H/O  
IMPORT  
PP  
NOR

"Associated enterprises" shall have same meaning assigned to Section 92A of the Income-tax Act, 1961

**Illustration 9:** Determine time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)

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

4/5 31-4  
= 27  
+ 80  
57  
- 61  
4

(i) PD → 2/18  
(ii) Invoice + 61st day → 4/5 + 61st day = 4/7  
TOS U/S 13(3) 4/7

**Illustration 10:** 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

TOS is 2/7 being the payment date



10007 x 1000

SUPPLY OF SERVICES	
Through Vouchers <b>13(4)</b>	TOS is similar to that of <u>TOS OF GOODS</u>
Enhancement of value (interest/late fee etc.) for delayed payment of consideration <b>13(6)</b>	
Residual Cases <b>13(5)</b>	

**Example 4:** 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.

### Special procedure for determining the time of supply of services in certain cases

A special procedure for payment of tax has been laid down for following classes of registered persons, namely-

- (a) A promoter who receives **development rights or FSI (including additional FSI)** on or after 1<sup>st</sup> April, 2019 for construction of a project against consideration payable or paid by him, wholly or partly, in the form of construction service of commercial or residential apartments in the project or in any other form including in cash. **[Taxable under reverse charge]**
- (b) A promoter, who receives **long term lease of land** on or after 1<sup>st</sup> April, 2019 for construction of residential apartments in a project against consideration payable or paid by him, in the form of **upfront amount** (called as premium, salami, cost, price, development charges or by any other name). **[Taxable under reverse charge]**

The liability to pay CGST on, -

- (a) the consideration paid by him in the form of construction service of commercial or residential apartments in the project, for supply of development rights or FSI (including additional FSI);
- (b) the monetary consideration paid by him, for supply of development rights or FSI (including additional FSI) relating to construction of residential apartments in project;
- (c) the upfront amount (called as premium, salami, cost, price, development charges or by any other name) paid by him for long term lease of land relating to construction of residential apartments in the project; and
- (d) the supply of construction service by him against consideration in the form of development rights or FSI (including additional FSI)

shall arise **on the date of issuance of completion certificate for the project**, where required, by the competent authority or on its first occupation, whichever is earlier.



## TIME OF SUPPLY

### Relevant definitions

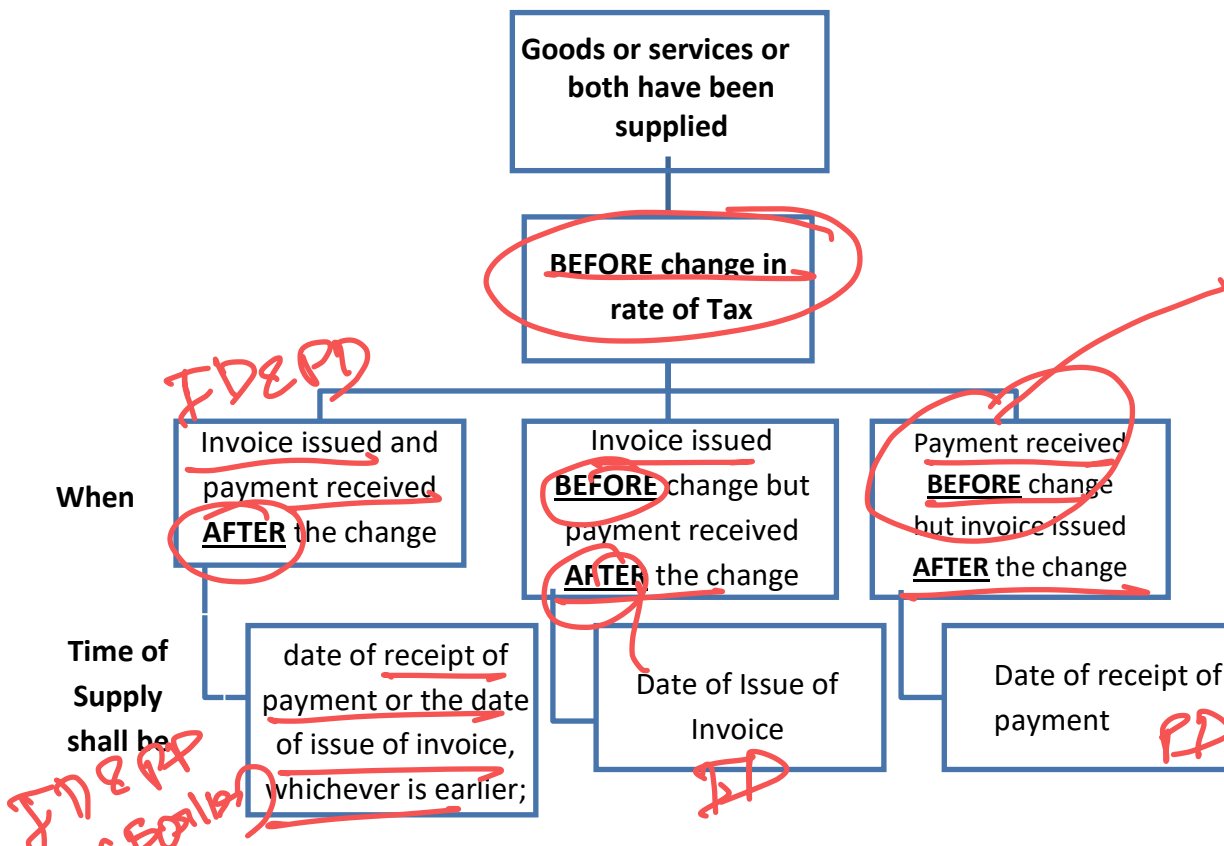
- (a) The term “project” shall mean a Real Estate Project (REP) or a Residential Real Estate Project (RREP);
- (b) The term “RREP” shall mean a REP in which the carpet area of the commercial apartments is not more than 15% of the total carpet area of all the apartments in the REP.
- (c) The term “floor space index (FSI)” shall mean the ratio of a building’s total floor area (gross floor area) to the size of the piece of land upon which it is built.

[Notification No. 06/2019-CT(R) dated 29/03/2019]

## TIME OF SUPPLY IN CASE OF CHANGE IN RATE OF TAX [SECTION 14]

### A. SUPPLY OF SERVICES BEFORE CHANGE IN EFFECTIVE RATE OF TAX

*rooms*



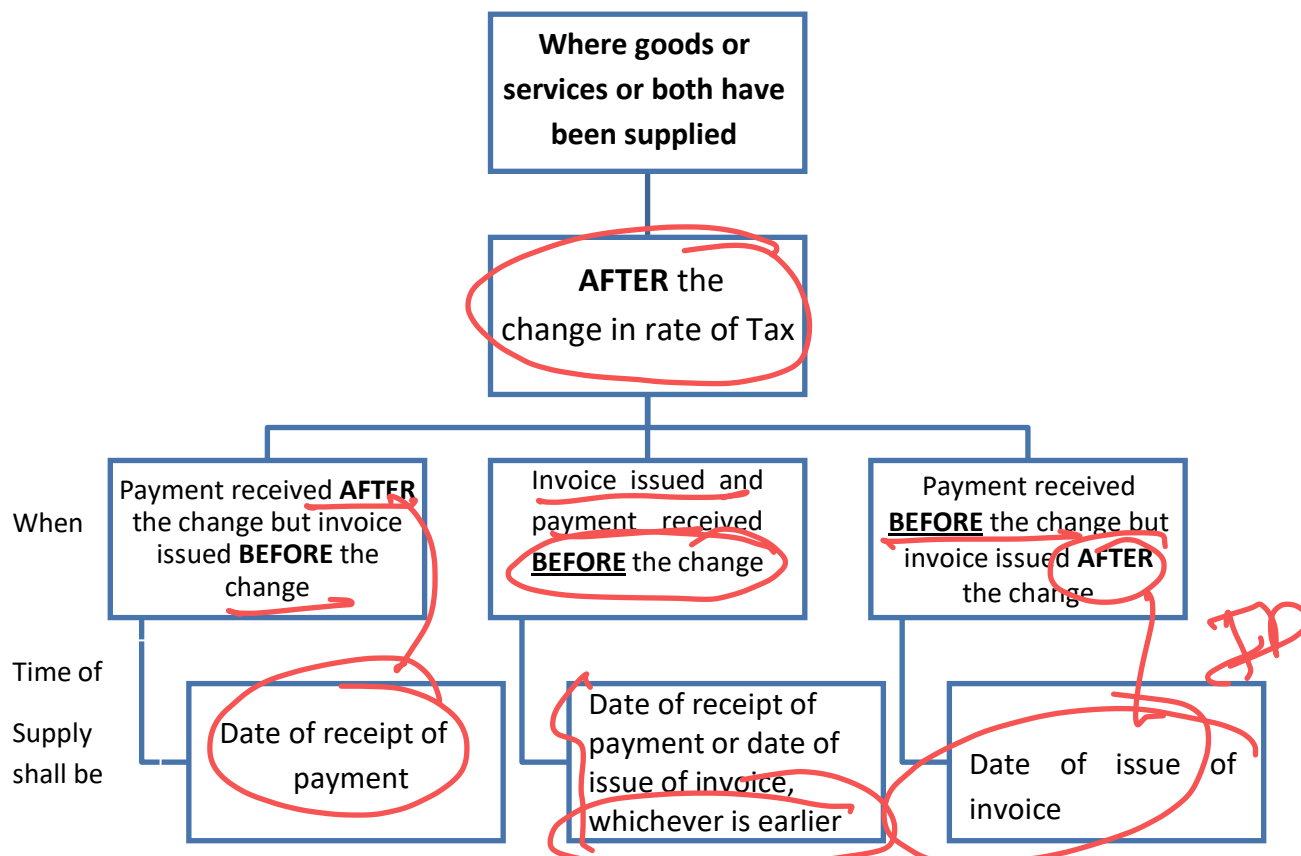
Events before change in rate	Time of Supply
Invoice date and Payment date	Date of the earlier of these two events;
Supply and Invoice date	Invoice date
Supply & Payment date	Payment date

*IDE PD*



**B. SUPPLY OF SERVICES AFTER CHANGE IN EFFECTIVE RATE OF TAX**

*goods*



**“Date of receipt of payment” shall be the date on which the payment is entered in the books of account of supplier or the date on which the payment is credited to his bank account, whichever is earlier.**

However, in cases of change in rate of tax, the date of receipt of payment shall be the **date of credit in the bank account** if such credit in the bank account is **after 4 working days** from the date of change in the rate of tax.

**Example 5**

Rate of tax is changed on 10<sup>th</sup> July. Receipt of payment is recorded in the books of account of the supplier on 8<sup>th</sup> July. The payment is credited in the supplier’s bank account on 15<sup>th</sup> July. The Bank was open all days between 10<sup>th</sup> and 15<sup>th</sup> July. Here, the date of receipt of payment is 15<sup>th</sup> July.

Events after change in rate	Time of Supply
Invoice date and payment date	Date of the earlier of these two events;
Supply and Invoice date	Invoice date
Supply & Payment date	Payment date



## TIME OF SUPPLY

### SUMMARY

The timing of two of the three markers (supply, invoice, payment) determines the time of supply.

1. If **any two** of them occur **before** the change in rate of tax, **the time of supply will fall in the period prior to change in rate of tax i.e., old rate will be applicable.**
2. If **any two** of them occur **after** the change in rate of tax, **the time of supply will fall in the period after the change in rate of tax i.e., new rate will be applicable.**

### Example 6

An interior decorator designs and renovates the office of XYZ in June. The invoice is to be raised after approval of the work. In the meantime, the rate of tax is changed on 5<sup>th</sup> July. Invoice is raised and payment made later in July. Here, the time of supply is after the change in rate of tax, though the service was completed prior to the change

*because PD & PD is after the change*

### Example 7

Vulcan Tools Pvt Ltd makes custom-made precision tools for which it takes the full advance with the purchase order. One such order is received on 13<sup>th</sup> April, and full amount paid with the order. The tools are manufactured and delivered on 21<sup>st</sup> May. Tools of this description get exempted from GST on 25<sup>th</sup> May. Vulcan Tools has not yet raised the invoice for the tools. Here, the time of supply is before the exemption, and therefore, Vulcan Tools will have to pay GST on the tools.

*PD → 13/4*

*SD → 21/5*

*Change  
→ 25/5  
|  
ID*