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Time of Supply under GST Act

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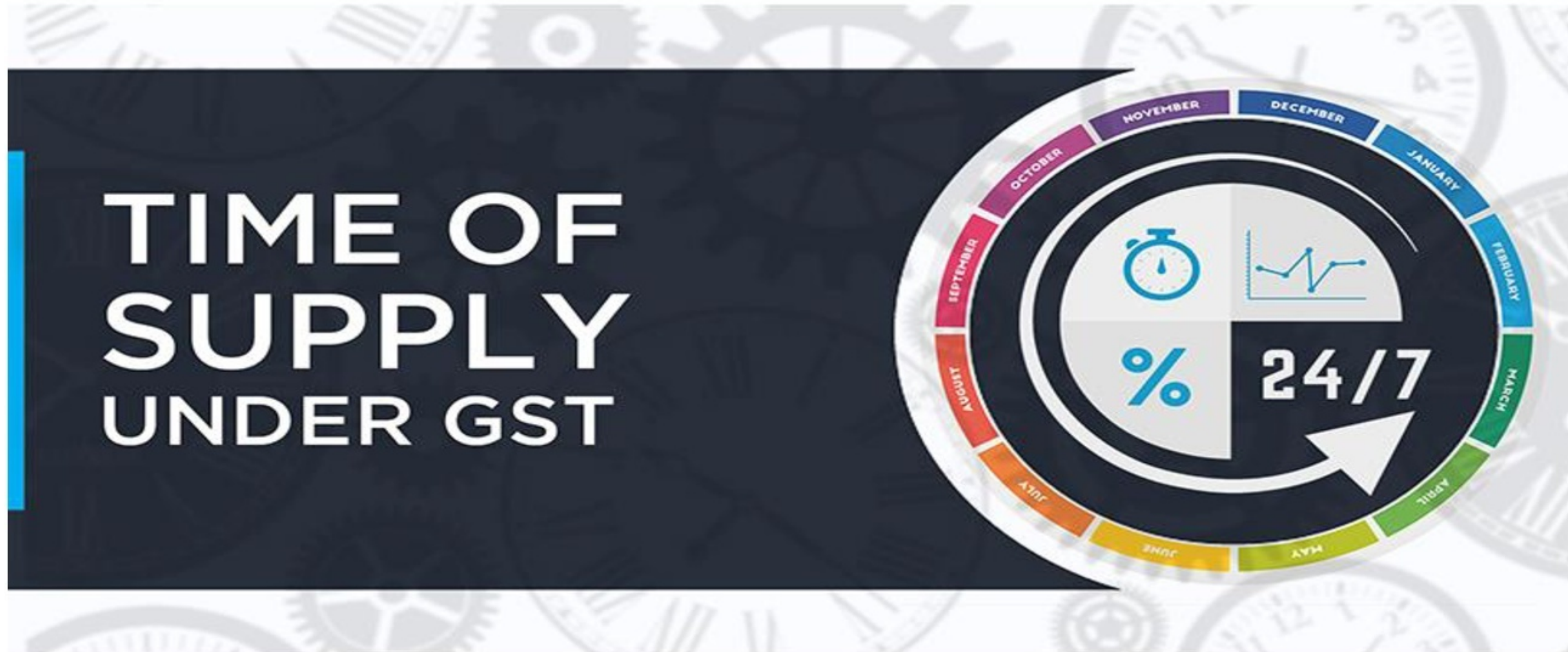




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Time of Supply Under GST Act



What is Time of Supply

Under GST the point of taxation , ie., the liability to pay CGST / SGST, will arise at the time of supply as determined for goods and services. There are separate provisions for time of supply for goods and time of supply for services.

How to determine time of supply

The time of supply of goods shall be the earlier of the following dates –

(a) The date of issuing of invoice (or the last day by which invoice should have been issued)

OR

(b) The date of receipt of payment-whichever is **earlier**

If the supplier receives an amount up to Rs. 1000 in excess of the invoice amount, the time of supply for the extra amount shall be the date of issue of invoice (at the option of the supplier).

For (a) and (b) - The supply shall be assumed to have been made to the extent it is covered by the invoice or the payment (as the case may be).

For (b) - the date of receipt of payment shall be **earlier** of-

1. The date on which he entered the payment in his books

OR

2. The date on which the payment is credited to his bank account

Example:

(a) Date of invoice 15th May 2018

(b) Date of receipt of payment 10th July 2018

(c) Date when supplier recorded receipt in books 11th July 2018

Time of supply will be 15th May 2018.

Importance of Time of Supply:

A. Time of Supply of Goods

Time of supply of goods is earliest of:

1. Date of issue of invoice
2. Last date on which invoice should have been issued
3. Date of receipt of advance/ payment*.

For example:

Mr. X sold goods to Mr. Y worth Rs 1,00,000. The invoice was issued on 15th January. The payment was received on 31st January. The goods were supplied on 20th January.

*Note: GST is not applicable to advances under GST. GST in Advance is payable at the time of issue of the invoice. Notification No. 66/2017 – Central Tax issued on 15.11.2017

Let us analyze and arrive at the time of supply in this case.

Time of supply is earliest of –

1. Date of issue of invoice = **15th January**
2. Last date on which invoice should have been issued = 20th January

Thus the time of supply is 15th January.

What will happen if, in the same example an advance of Rs 50,000 is received by Mr. X on 1st January?

The time of supply for the advance of Rs 50,000 will be 1st January (since the date of receipt of advance is before the invoice is issued). For the balance Rs 50,000, the time of supply will be 15th January.

B. Time of Supply for Services

Time of supply of services is earliest of:

1. Date of issue of invoice
2. Date of receipt of advance/ payment.
3. Date of provision of services (if invoice is not issued within prescribed period)

Let us understand this using an **example**:

Mr. A provides services worth Rs 20000 to Mr. B on 1st January. The invoice was issued on 20th January and the payment for the same was received on 1st February.

In the present case, we need to 1st 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

This means that the time of supply of services will be 20th January.

C. Time of Supply under Reverse Charge

In case of reverse charge the time of supply for service receiver is earliest of:

1. Date of payment*
2. 30 days from date of issue of invoice for goods (60 days for services)

*w.e.f. 15.11.2017 'Date of Payment' is not applicable for goods and applies only to services. Notification No. 66/2017 – Central Tax

For example:

M/s ABC Pvt. Ltd undertook service of a director Mr. X worth Rs. 50,000 on 15th January. The invoice was raised on 1st February. M/s ABC Pvt Ltd made the payment on 1st May.

The time of supply, in this case, will be earliest of –

1. Date of payment = 1st May
2. 60 days from date of date of invoice = **2nd April**

Thus, the time of supply of services is 2nd April.

Time of supply for vouchers

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 OR
- (b) The date of redemption of voucher, in all other cases;

When time of supply cannot be determined

If it is not possible to determine the time of supply by the above provisions, then it will be-

- (a) The date on which a periodical return has to be filed
- or
- (b) The date on which the CGST/SGST is paid, in any other case.

In GST regime, the tax collection event will be earliest of the dates as given above. The various events like issuing invoice/making payment in case of supply of goods /services or completion of event-in case of supply of service triggering the tax levy, confirms that the Government wants to ensure tax is collected at the earliest point of time.

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RAJPUT JAIN & ASSOCIATES

www.carajput.com

P-6/90, Connaught Circus
Connaught Place
New Delhi 110001 INDIA

Mobile No.: 9811322785, 955555480

E-mail: info@carajput.com



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