

# Time of Supply & Value Of Supply

- CA Arpan Bohra

# Agenda

Time of Supply

Value of Supply

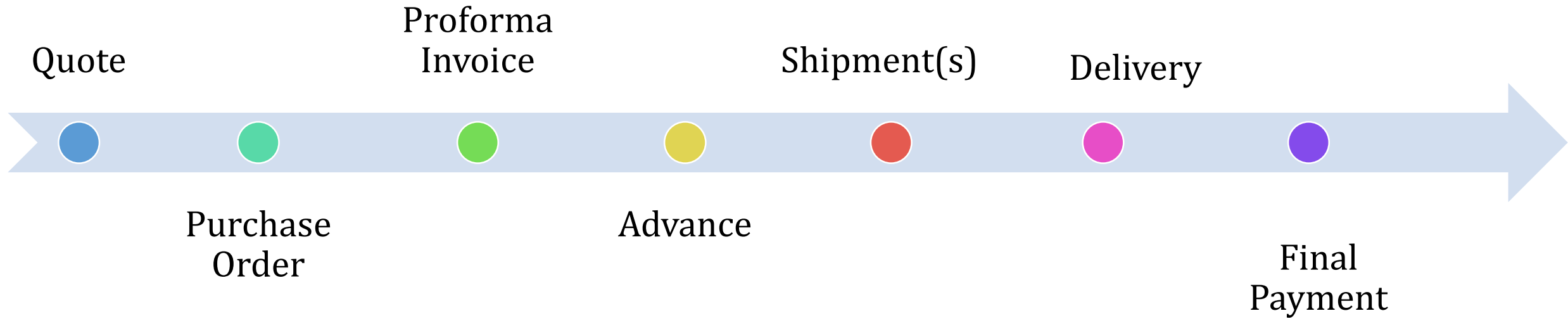
Q&A

# ABBREVIATIONS

- **TOS**: Time of supply
- **POS**: Place of Supply
- **VOS**: Value of Supply
- **RCM**: Reverse Charge Mechanism
- **FCM**: Forward Charge Mechanism
- **Act**: CGST Act,2017
- **DOI**: Date of Invoice
- **DOP**: Date of Payment
- **DOR**: Date of Receipt
- **TV**: Transaction Value
- **G/S**: Good or Services or Both
- **TP**: Taxable Person
- **RP**: Registered Person
- **URP**: Unregistered Person

# Time of Supply

# Multiple stages of a transaction



# Example

**Arpan has sold goods (Cricket Bat) to Virat Kohli for Rs. 100,000/-**

**Date of Invoice - 25.03.2023**

**Date of delivery – 26.03.2023**

**Date of Payment – 05.04.2023**



# Example

**Arpan has taken tailoring services from Deepika for Rs. 100,000/-**

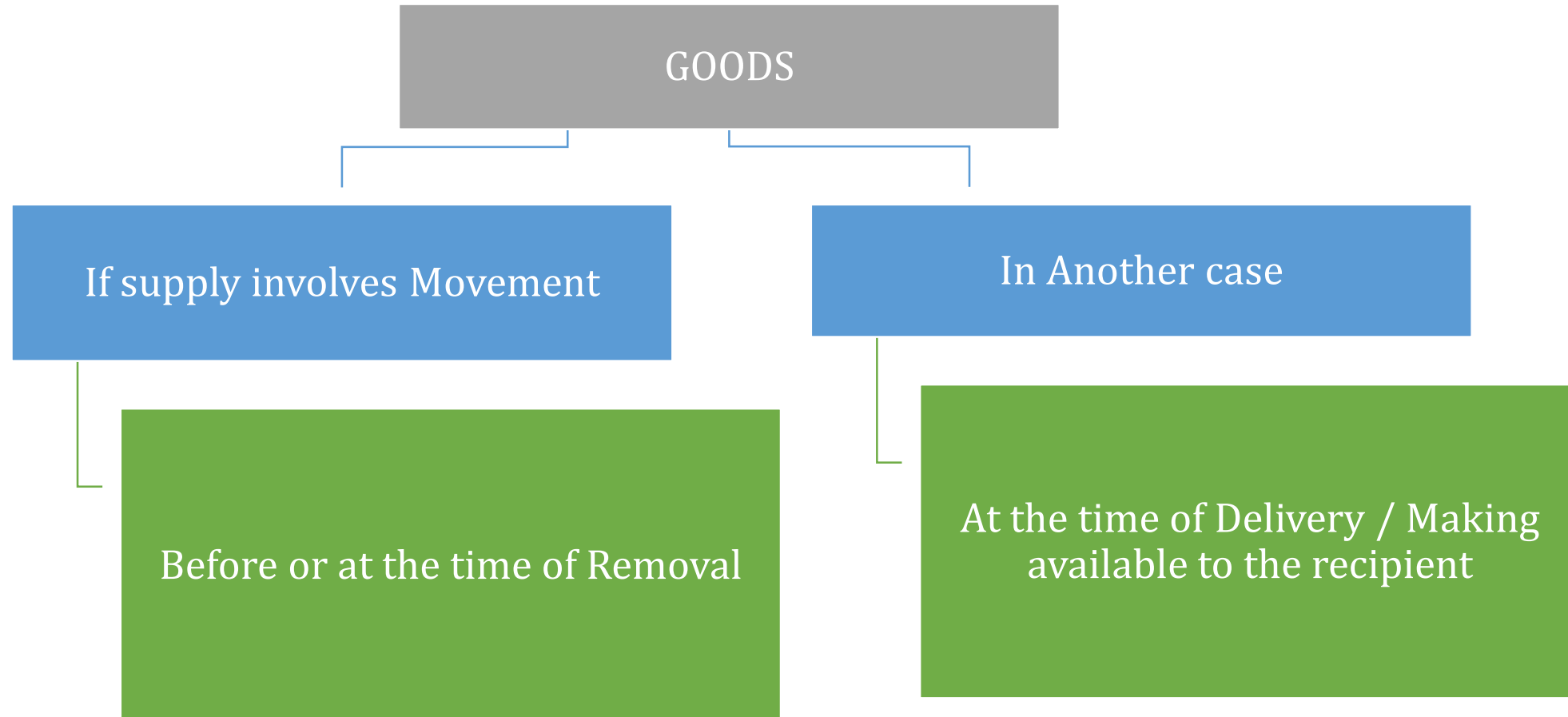
**Date of Invoice - 01.03.2023**

**Date of provision of Services – 28.02.2023**

**Date of Payment – 05.04.2023**

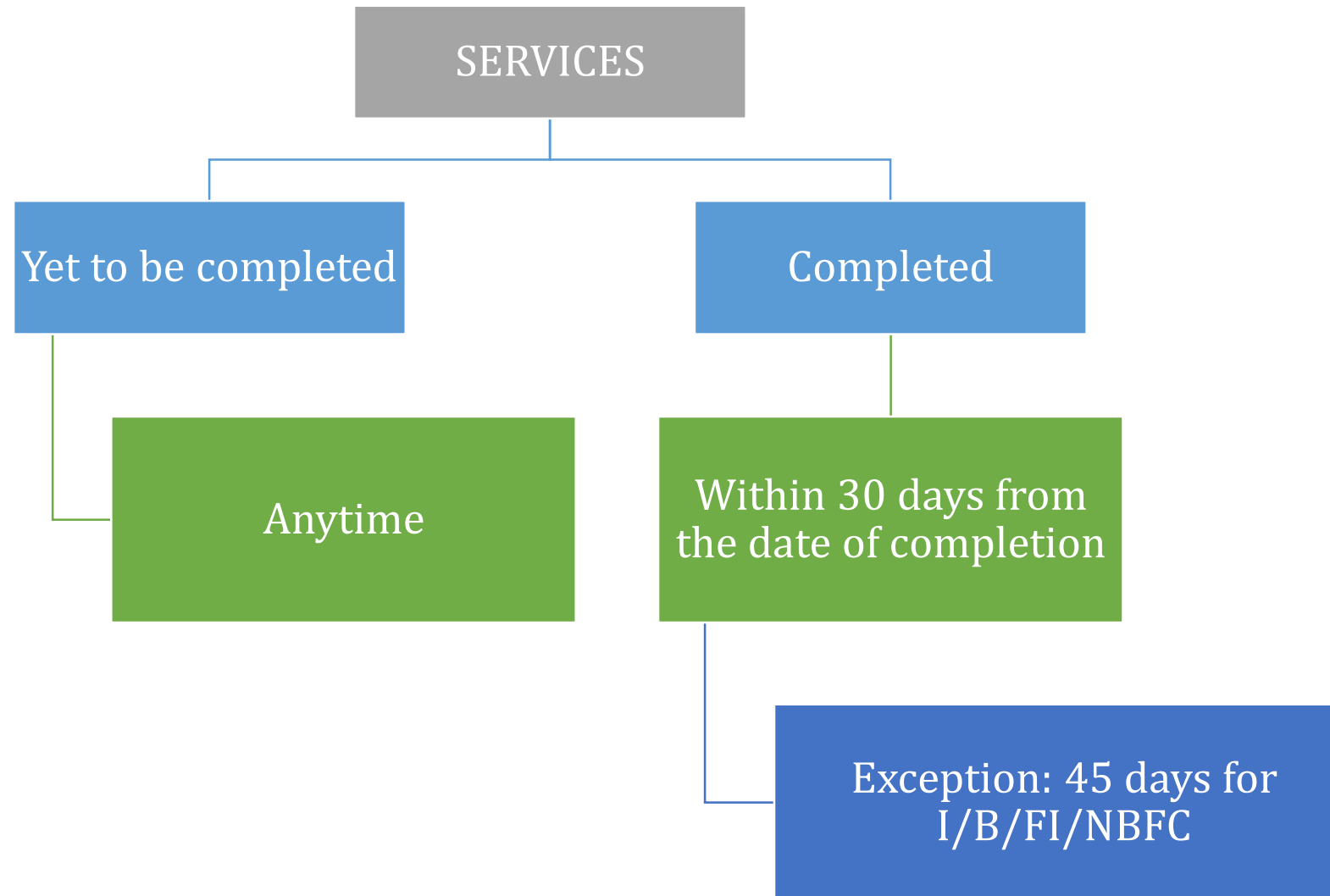


# TIME LIMIT FOR ISSUING INVOICE (Sec 31)

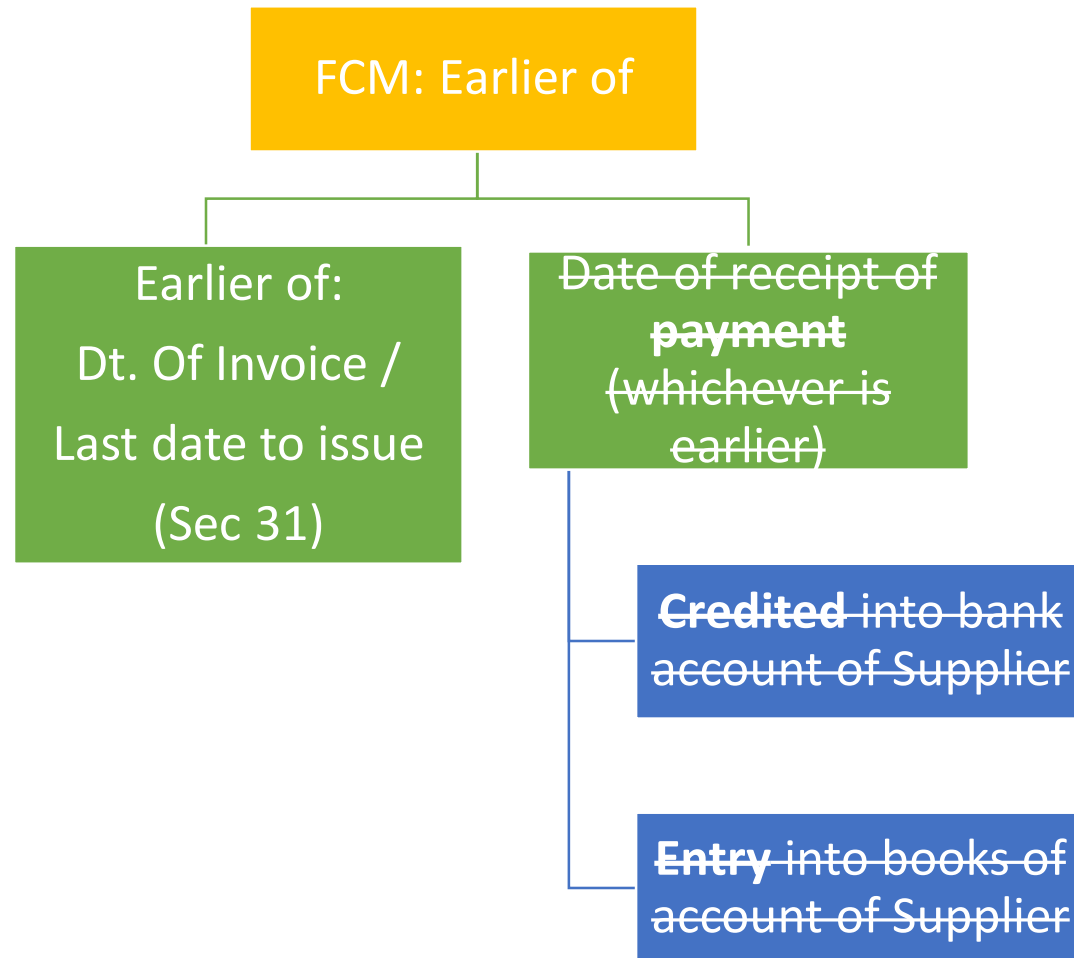




# TIME LIMIT FOR ISSUING INVOICE (Sec 31)



# Sec-12 : Time of Supply of Goods



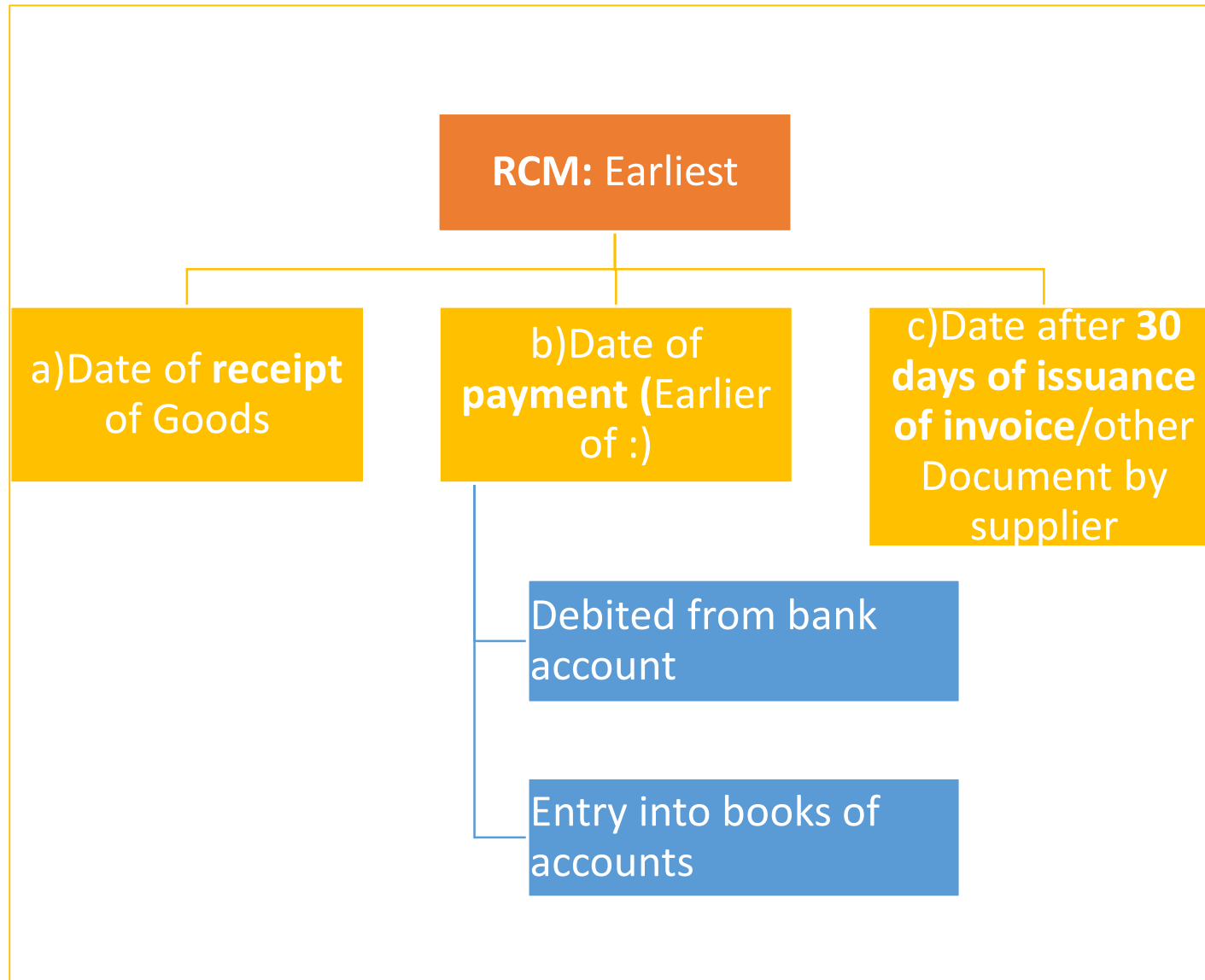
# Sec-12 : Time of Supply of Goods

Sec 12(2)(a) Forward Charge @ Outward Supply

- a. Date of issue of invoice or
- b. Last Date of issue of Invoice

Which ever is earlier

# Sec-12 : Time of Supply of Goods



# Sec-12 : Time of Supply of Goods

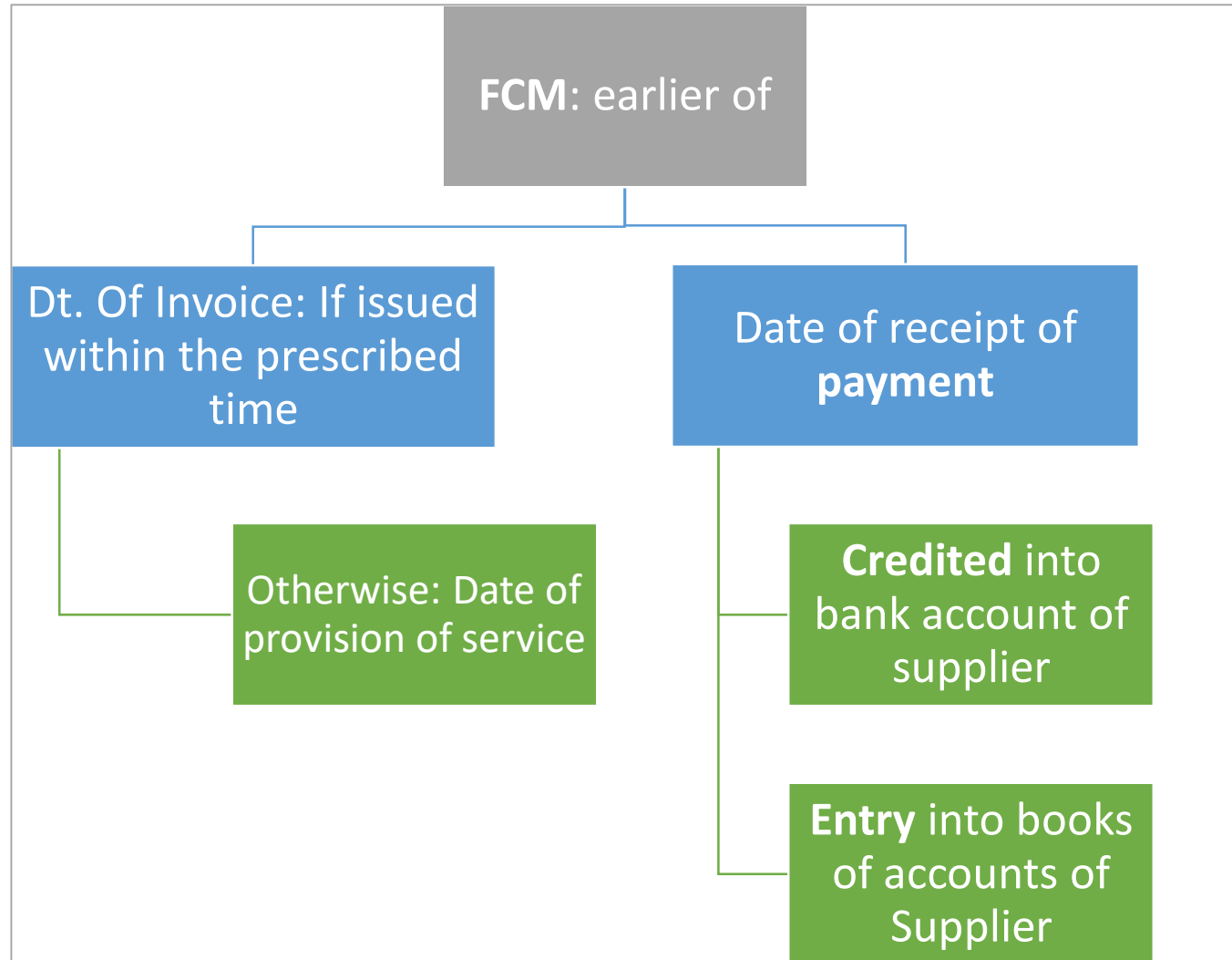
## Sec 12(3) Reverse Charge @ Outward Supply

- a. Date of receipt of goods
- b. Date of payment (Date of book entry or credited to bank account)
- c. 31<sup>st</sup> day from the invoice date of supplier

Which ever is earlier

**Proviso:** If all the above do not apply then the date of entry in the books of accounts of recipient.

# Sec-13 : Time of Supply of Services



# Sec-13 : Time of Supply of Services

- Sec 13(2)
  - a. Invoice issued within time (i.e., 30 days / 45 days)**
    - Date of issue of invoice
    - Payment received whichever is earlier
  - b. Invoice not issued within time**
    - Date of Completion
    - Payment received which ever is earlier
- **If not a & b**, date on which recipient shows the receipt of service in his books of accounts.

# Sec-13 : Time of Supply of Services

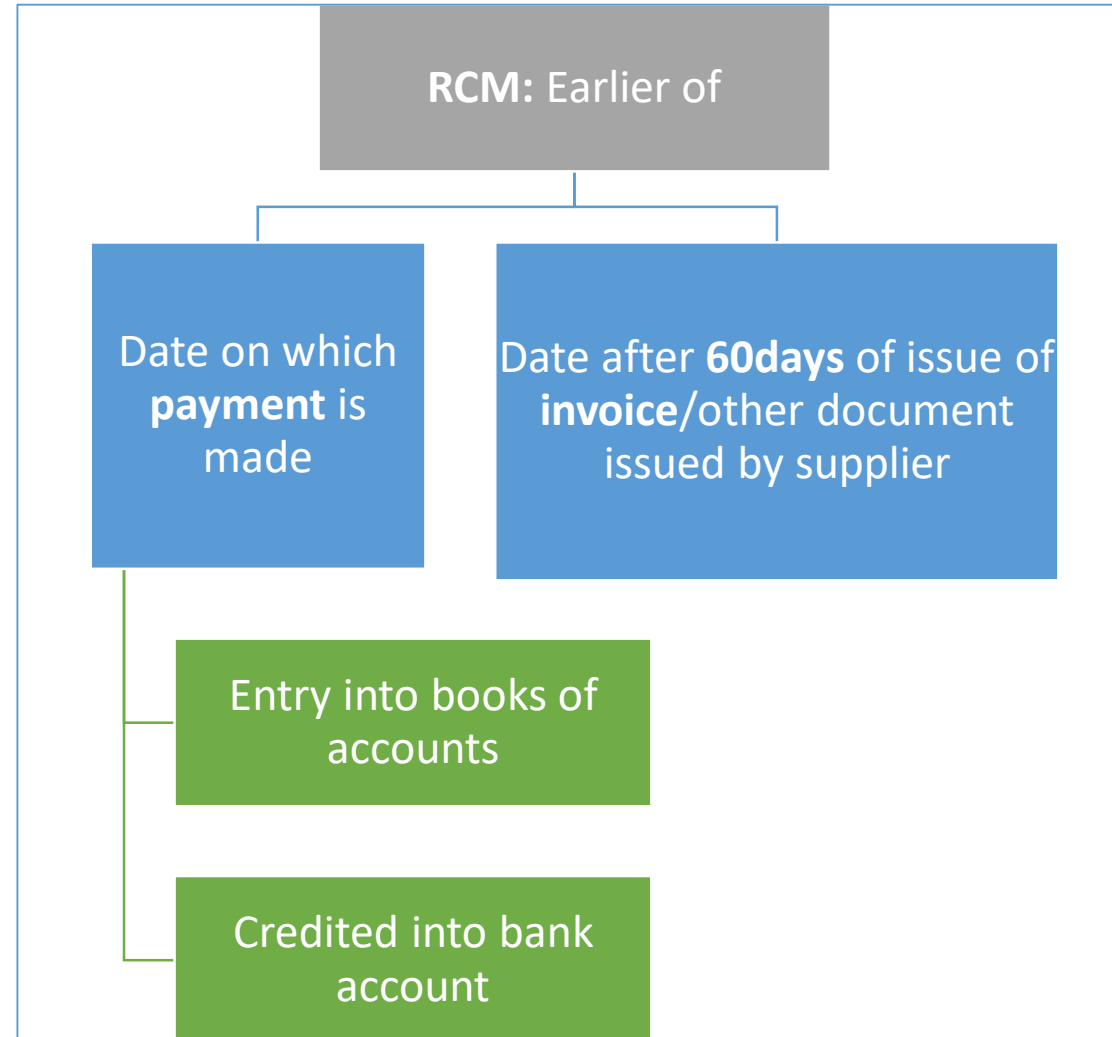
- Sec 13(3) RCM Services
  - a. Date of payment (Date of book entry or credited to bank account)
  - b. 61<sup>st</sup> day from invoice of supplier

Whichever is earlier

- **If not a & b**, date on which recipient shows the receipt of service in his books of accounts.



# Sec-13 : Time of Supply of Services



# ToS (Summary)

• Time of Supply shall be earlier of the following

a. Due date of Invoice u/s 31

b. Actual date of Invoice

Supply involves movement

**Yes**

**No**

Before or at the time of removal of goods

At the time of Delivery of goods

Time of Supply shall be determined as follows

Invoice is issued on or before the due date of invoice

**Yes**

**No**

Earlier of

Earlier of

DOI

DOC

DOR

DOR

\* DD of Invoice=30 days from completion / 45days B, FI, NBFC, etc.,

# Exception to Sec 12(2)

- When an amount is received in excess of tax invoice up to Rs 1,000/-, the time of supply in respect of such excess at the option of the supplier, shall be the date of such invoice.

(Amount received – Invoice amount) < Rs 1000. Such excess @ option of supplier,

>>> invoice date or receipt date

- Goods sent by Principal to Job worker
- Advance received in case of goods

# Exception to Sec 12(2)

- Advance received in case of goods

Period	Aggregate T/o <Rs 1.5 crores and not covered under composition scheme	Aggregate T/o > Rs 1.5 crores	Applicable Notification
1.7.2017 to 12.10.2017	Taxable	Taxable	-
13.10.2017 to 14.11.2017	Not taxable	Taxable	Central Tax Notification no. 40/2017 dated 13 <sup>th</sup> October 2017
15.11.2017 and onwards	Not taxable	Not taxable	Central Tax Notification no. 66/2017 dated 15 <sup>th</sup> November 2017

# ToS in case of Associated Enterprises

- Associate enterprises shall have the same meaning as assigned to it in Section 92A of the Income Tax Act
- As per the 2<sup>nd</sup> proviso, in case of associated enterprises, where the supplies of service is located outside India (Import of Service)

## **The Time of Supply shall be**

- Date of entry in books of accounts the recipient
- The date of payment

Which ever is earlier.

# COMMON PROVISIONS

Vouchers (12(4)/13(4))

- **If supply is identifiable at that point** - Date of issue
- **Other cases:** Date of redemption

If TOS isn't possible to determine (12(5)/13(5))

- **Residual Method**
- **If return has to be filed:** Due date of filing of return
- **All other cases:** Date on which tax is to be paid

Interest , late fee, penalty  
etc.  
(12(6)/13(6))

- Date on which supplier receives such addition in value

# CHANGE IN EFFECTIVE RATE OF TAX (CERT)

## **Notwithstanding Clause**

### **Events - Supply / Invoice / Receipt**

#### **Sec 14(a) Supply of Goods / Services BEFORE CERT**

ToS is on the date of invoice or receipt whichever is earlier.

#### **Sec 14(b) If Supply of Goods/ Services is AFTER CERT**

ToS is the date of invoice or receipt whichever is **later**.

- But if the invoice or receipt is occurred before CERT then TOS is on Invoice or receipt which ever is earlier.

# CHANGE IN RATE OF TAX

Supply of G/S	Issue of Invoice	Receipt of Payment	Rate of Tax	Time of Supply
Before	<b>Before</b>	After	Before	Date of issue of invoice
Before	After	<b>Before</b>	Before	Date of receipt of payment
Before	After	After	After	Earlier of Date of invoice or date of receipt of payment
After	<b>After(L)</b>	Before	After	Date of issue of invoice
After	Before	<b>After(L)</b>	After	Date of receipt of payment
After	Before	Before	Before	Earlier of Date of invoice or date of receipt of payment



# CHANGE IN EFFECTIVE RATE OF TAX (CERT)

## Proviso to date of payment

Entry in Books | CERT | Credit in Bank



- a. Credit in bank after 4 working days from the date of CRT
- b. Payment is made by way of an instrument



**Date of payment received** = Date of credit in bank

# Continuous Supply of Goods & Services

## **Sec 2(32) - Continuous supply of goods:**

1. Supply of goods should be on a continuous or recurrent basis
2. Under a contract
3. Whether or not by means of wire, cable, pipeline or other conduit, and
4. For which the supplier invoices the recipient on a regular or periodical basis.

Includes supply of such goods as the govt, subject to such conditions, as it may by notification, specify.

## **Sec 2(33) - Continuous supply of Services:**

1. Supply of services should be on a continuous or recurrent basis
2. Under a contract
3. Contract period >3 months with periodical payment obligations

Includes supply of such services as the govt, subject to such conditions, as it may by notification, specify.

# Questions & Answers

# Value of Supply

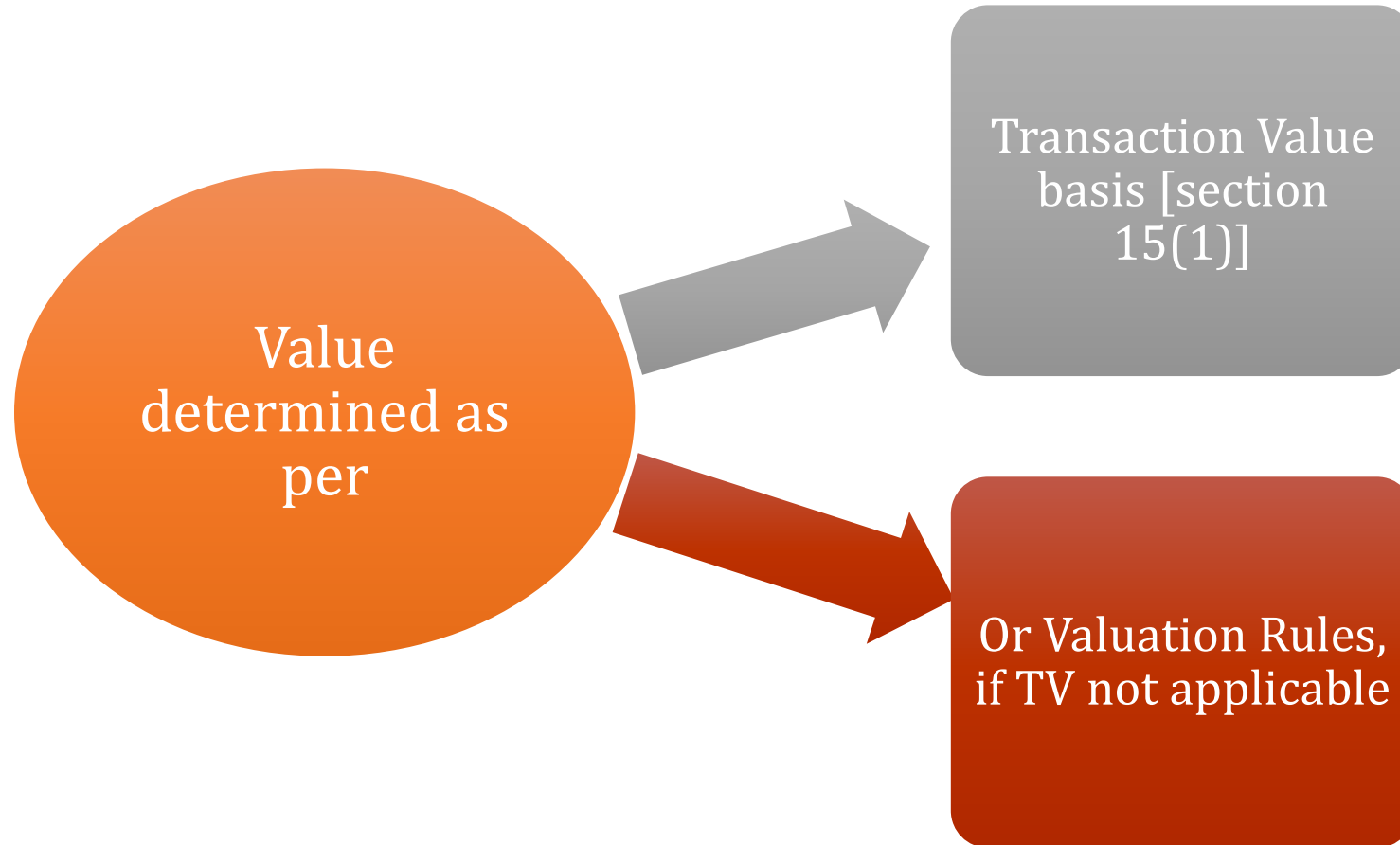
# VALUE OF SUPPLY

$$\text{Tax} = \text{Value of Supply} * \text{Rate}$$



Section 15

# VALUE of supply



# Conditions for Accepting TV



# Example

**Arpan has sold goods (Cricket Bat) to Virat Kohli for Rs. 100,000/-**

Value of supply shall be Rs. 100,000/-

- Arpan & Virat are un-related person
- Price is the sole consideration



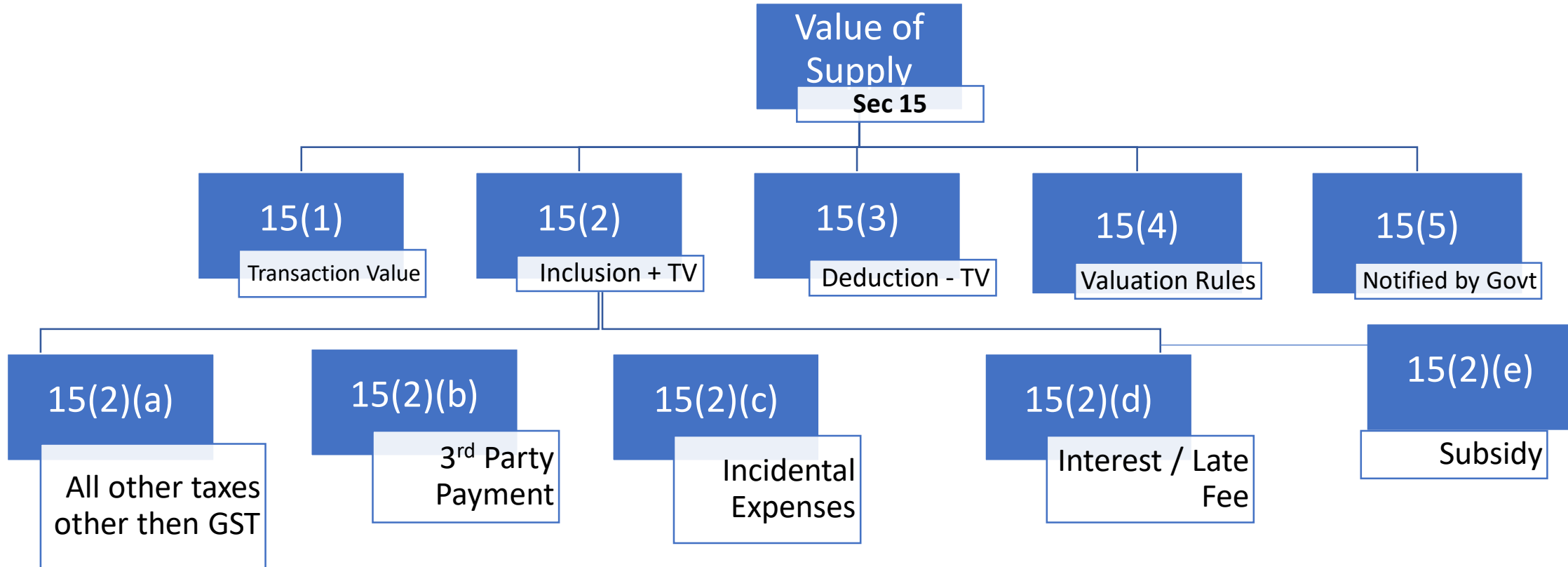


# Related persons

## Related Person:

- such persons are **officers or directors** of one another's businesses;
- such persons are legally recognized **partners** in business;
- such persons are **employer and employee**;
- **any person** directly or indirectly **owns, controls or holds twenty-five per cent.** or more of the outstanding **voting stock** or shares of both of them;
- **one of them** directly or indirectly **controls** the other;
- both of them are directly or indirectly **controlled by a third person**;
- together they directly or indirectly **control a third person**; or
- they are members of the **same family ( Family as defined u/s 2(49) )**;
- Sole agent / distributor of the other

# Section 15



# Inclusions – 15(2)(a)

- Taxes, duties, cesses, fees and charges **if charged separately by the Supplier** and levied under any law in force except CGST Act, SGST Act, UTGST Act, GST (Compensation to States) Act
- Eg: Mr. A sells tobacco products for whos basic price is Rs. 100,000/- and excise duty applicable on tobacco products is 30%.
- Import of goods (BCD)

# What is Consideration by third party? 15(2)(b)



Any payment incurred by recipient on which supplier is liable to pay

## **Consideration:**

- 1.Payment made/ to be made (+) Monetary value of any act / forbearance Deposit unless it is applied towards supply.
- 2.By Recipient or any other person
- 3.In respect of in response to / for inducement of supply

## **Exclusions:**

Subsidies provided by Government

# Inclusions - 15(2)(c)

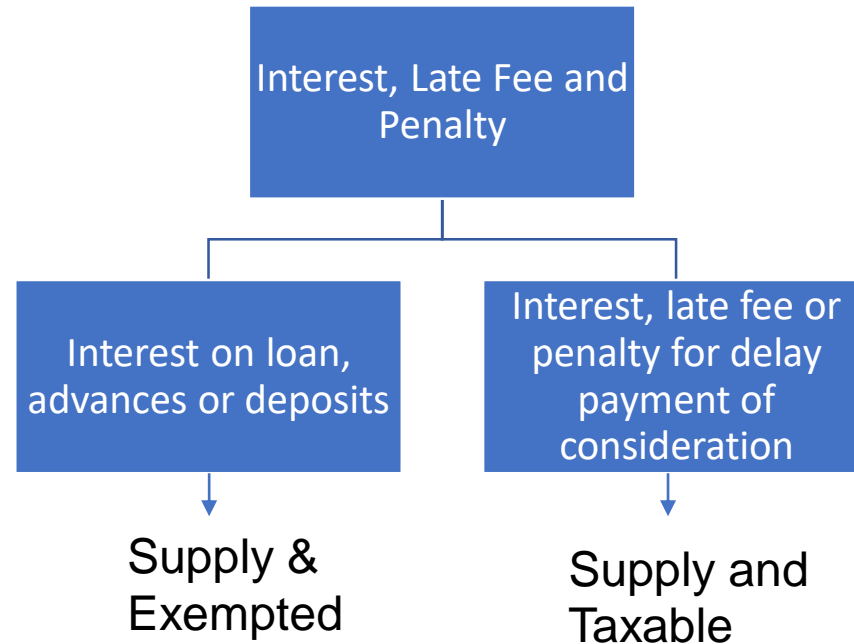
## Incidental Expenses

Any incidental expenses incurred by the supplier and any amount charged for anything done by the supplier at the time of supply or before delivery

- Packing, labelling, designing, etc.,
- Royalty, warranty charges, etc.,
- Insurance charges, etc.,
- Dharmada
- Weighment Charges
- Loading, weighing, coolie
- Fright shown separately on invoice
- Erection and installation service
- Predelivery inspection charges

# Inclusions - 15(2)(d)

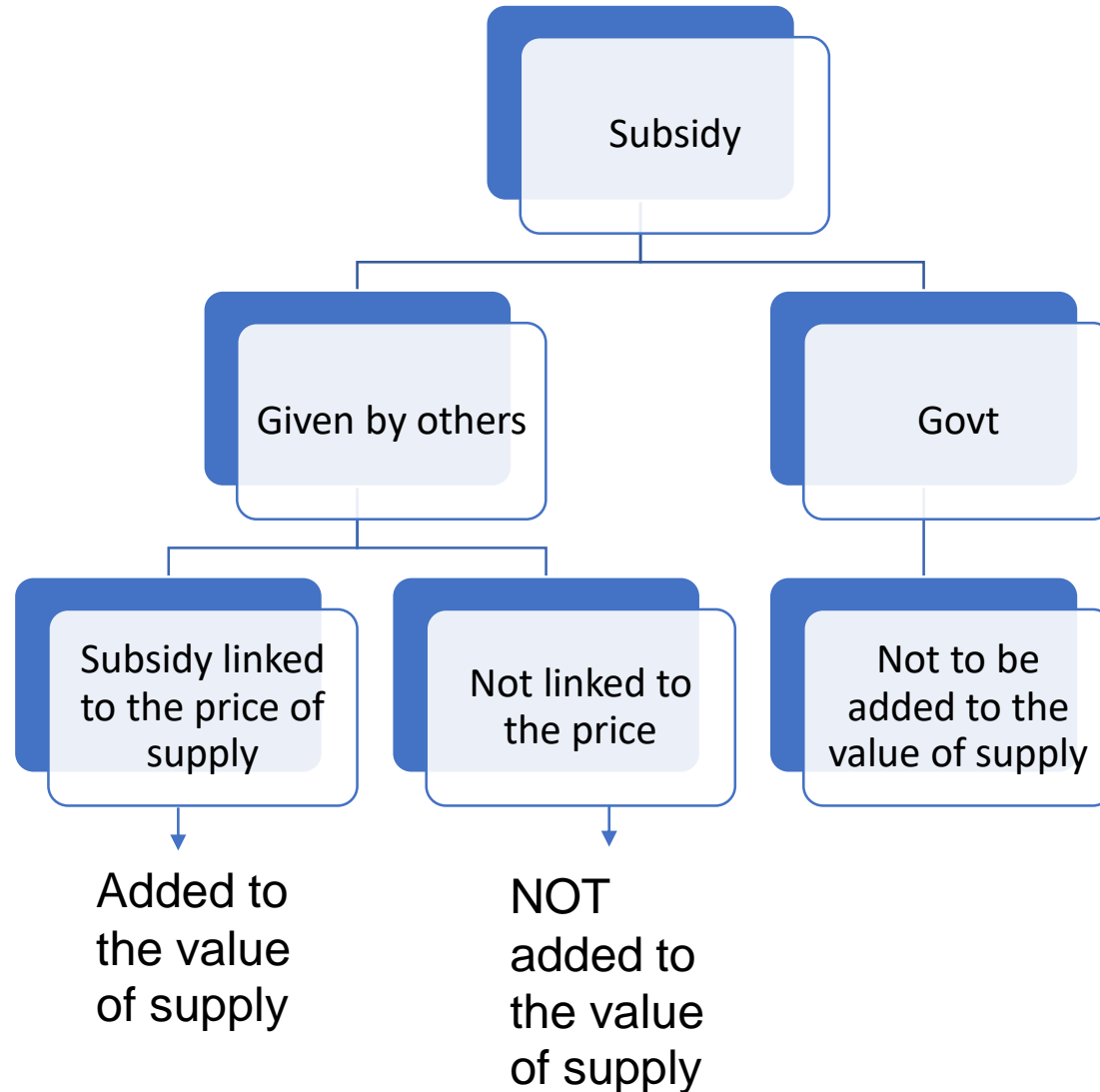
- Interest – Late Fee – Penalty : for delayed payment of consideration



- ToS: 12(6) and 13(6)
- Rate: Based on Original Supply

# Inclusions - 15(2)(e)

- Subsidy directly linked to the price by person other than government

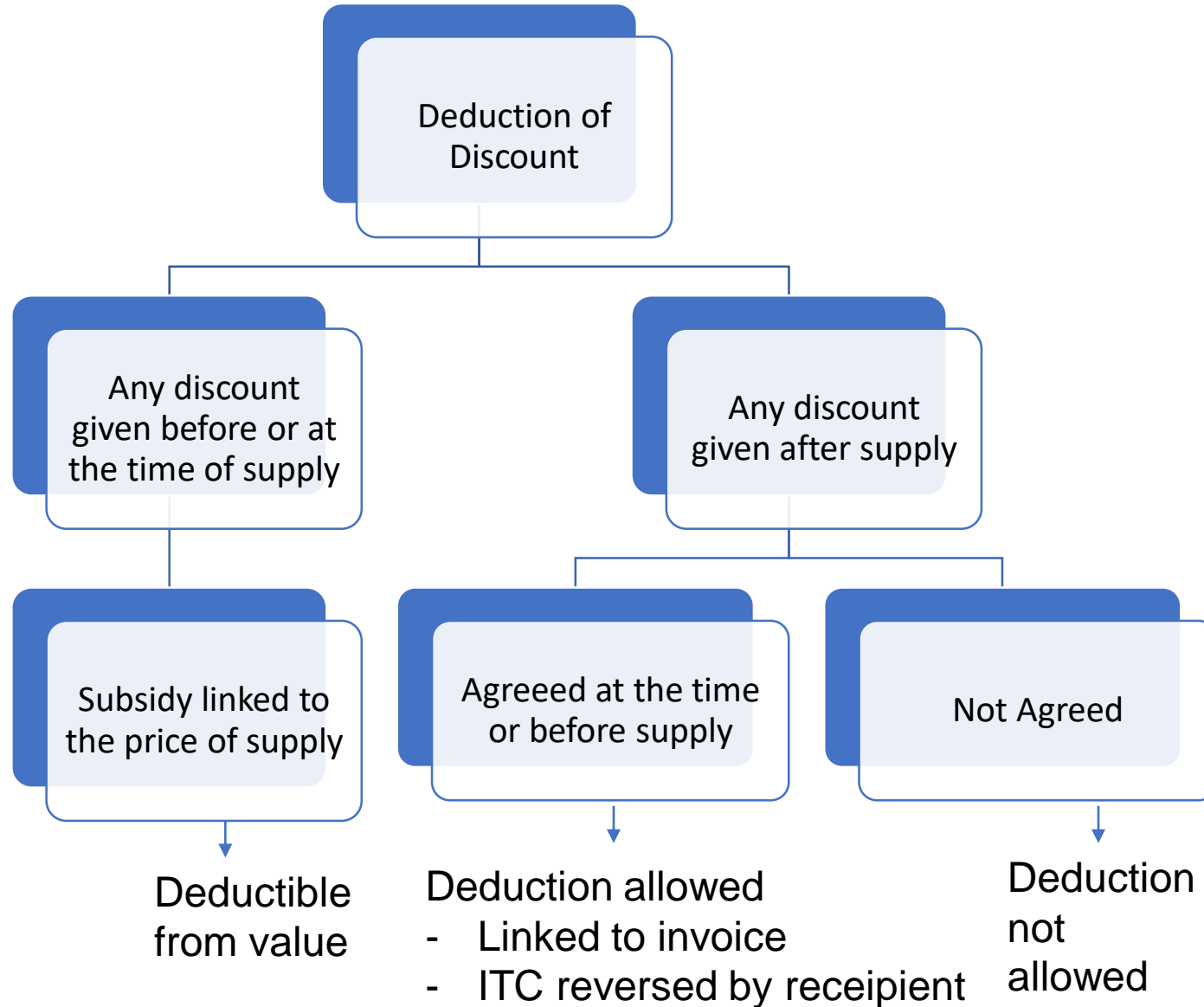


# Exclusions (Sec 15(3))

- Discounts :
  - **Before or at the time of supply** – If such **discount is shown in invoice** .
  - **After the time of Supply** – if
    - There is a agreement.
    - Discount is related to specific invoice.
    - ITC is reversed by the recipient.
- Expense incurred as pure-agent subject to conditions



# Exclusion - 15(3)



# Exclusion - 15(3)

**Staggered Discount (Buy More, Save More offers):** Generally shown in the invoice and are excluded

**Periodical year end discount or Volume Discount:** Generally it is agreed before and excluded provided conditions of Sec 15(3)(b) are satisfied

**Secondary discounts (not known at the ToS):** Not be excluded

# Clarification

## **Circular no 102/21//2019**

GST on delayed payment charges in case of late payment of instalment

**If supplier gives discount himself:** Additional penal interest shall form part of value of supply 15(2)(d)

**If third party (finance company) gives loan or instalment facility:** Such penal interest is exempt under section 27 of exemption notification

**Levy of additional or penal interest:** Not a consideration received for agreeing to the obligation to refrain from an act or to tolerate an act or situation or to do an act.

# Various Types of Discount

- In-bill discounts
- Cash discounts
- Quantity discounts
- Special discounts
- Discounts in kind
- Free stocks
- Buy one take two
- Nominal value supplies

Is Bad debts includible in the value of supply?

Generally a post supply transaction

ABC Ltd is registered startup and is providing advisory services towards agriculture. Telangana Govt provides subsidy to the ABC Startup of Rs. 100/- towards each consultation they make. The cost of each consultation of ABC Ltd towards their service is say Rs. 200/-.

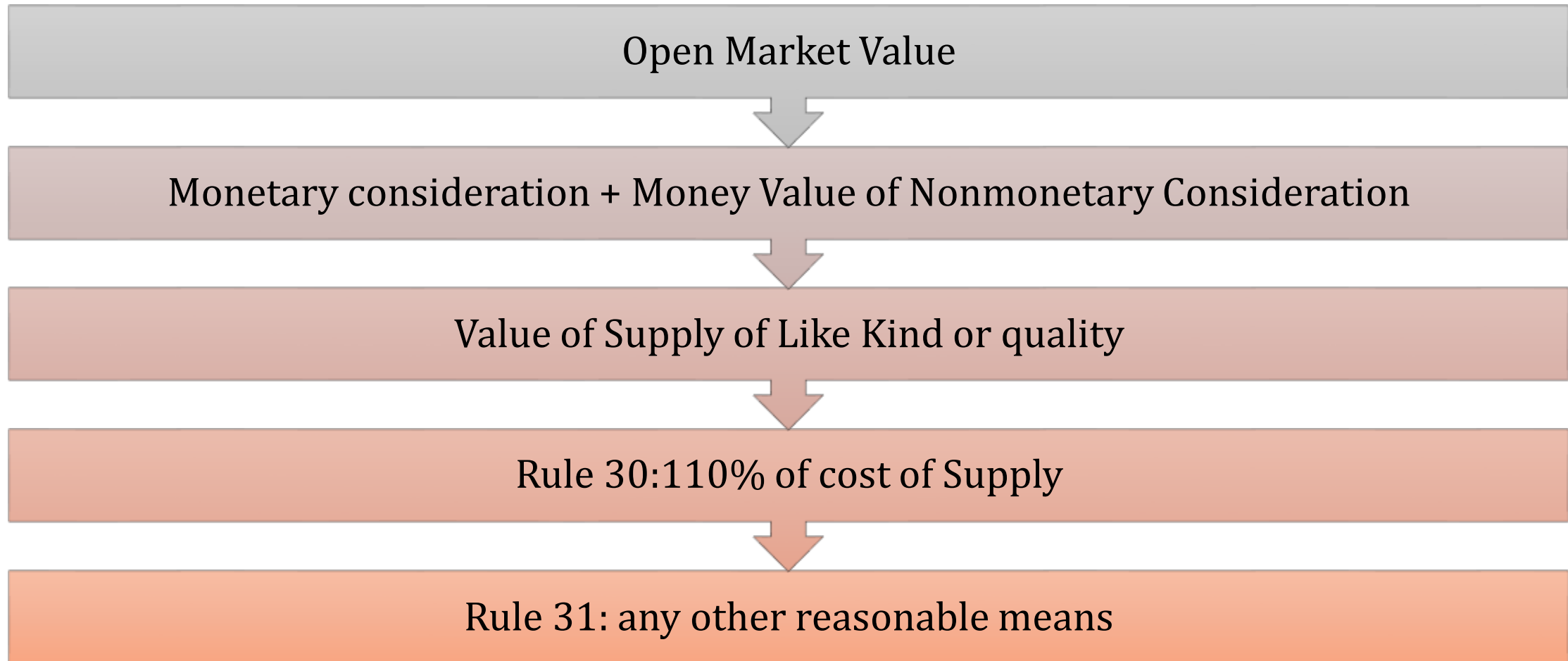
Taxable Value on which GST needs to be paid ?

# RULES

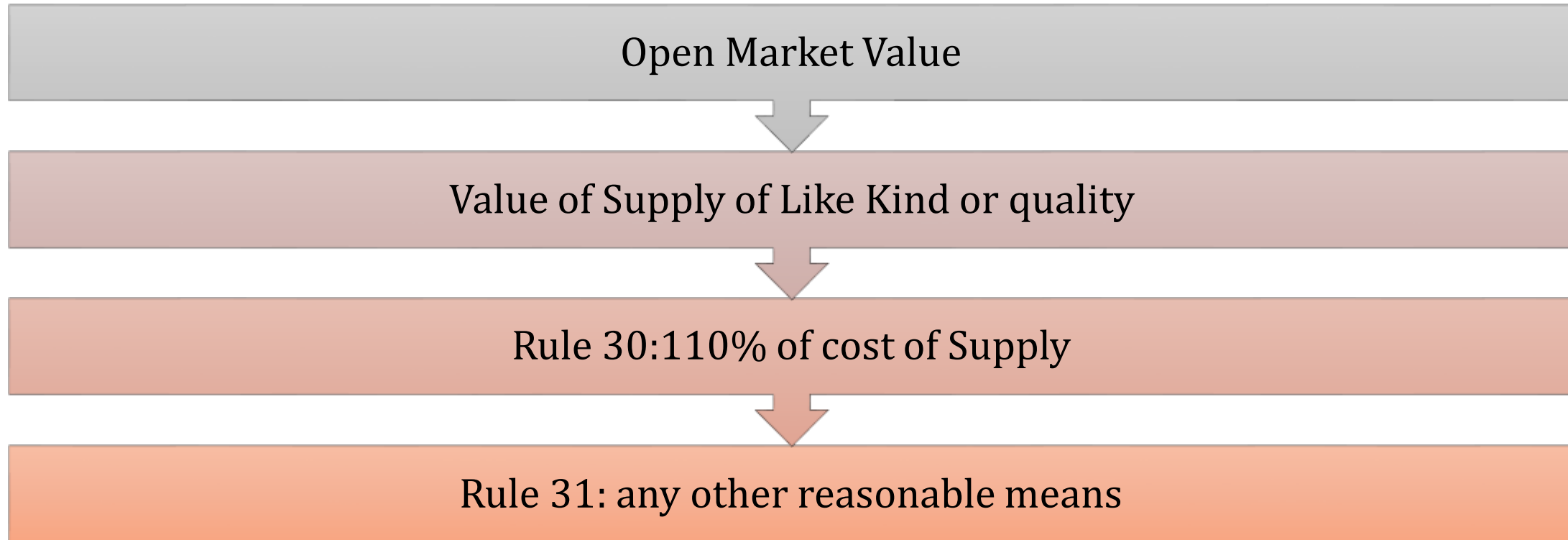
- The TV shall be determined as per the rules which shall be described, Where value cannot be determined u/s 15(1)
- 27 : Consideration is not wholly in money.
- 28 : Supply between distinct or related persons, other than through an agent.
- 29 : Supply made or received through an agent.
- 30 : Based on cost.
- 31 : Residual method
- 32 : Specific supplies
- 33 : Pure agent - Reimbursement
- 34 : Rate of Exchange of currency.

# 27 : Consideration is not wholly in money.

**Consideration not wholly in money would mean Presence of Non-Monetary consideration**



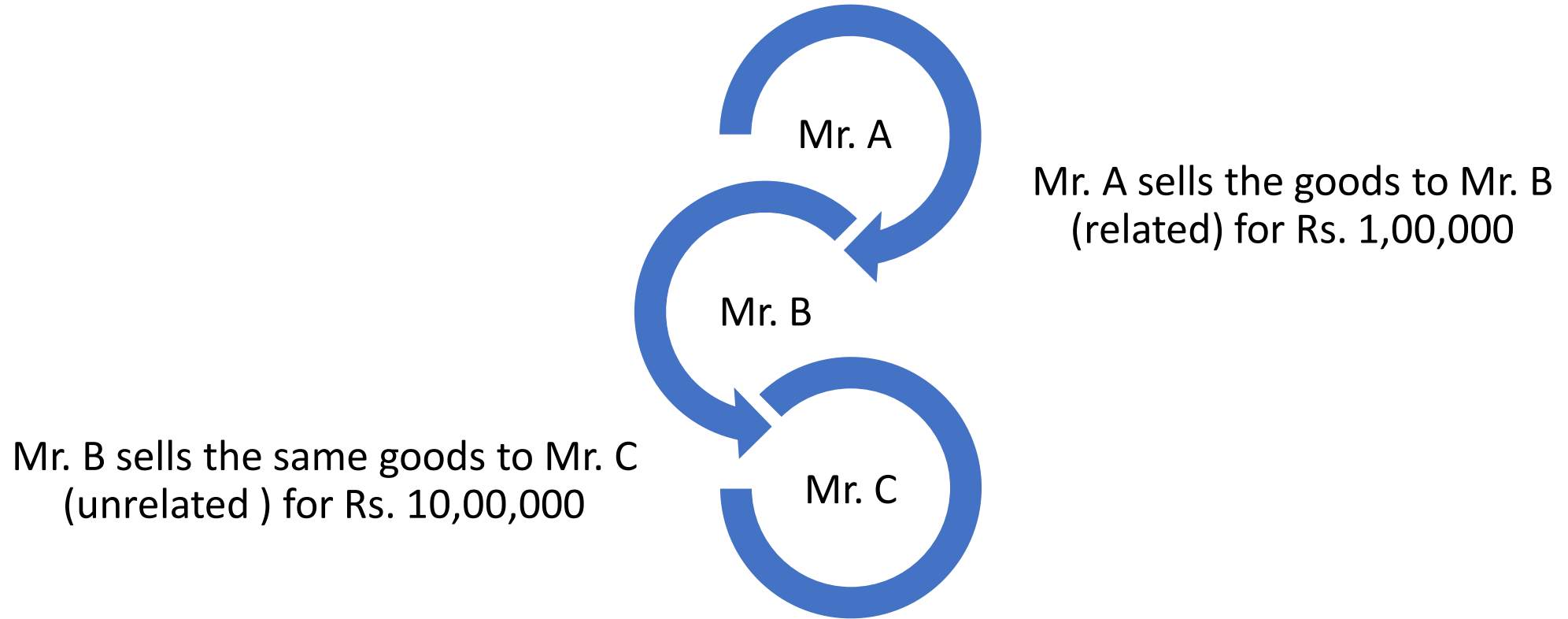
# 28 : Distinct or related persons



- Where the **goods** are **intended for further supply as such by the recipient**, Option of supplier 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person:
- Where the **recipient is eligible for full input tax credit**, the value declared in the invoice shall be deemed to be the open market value of the **goods or services**.

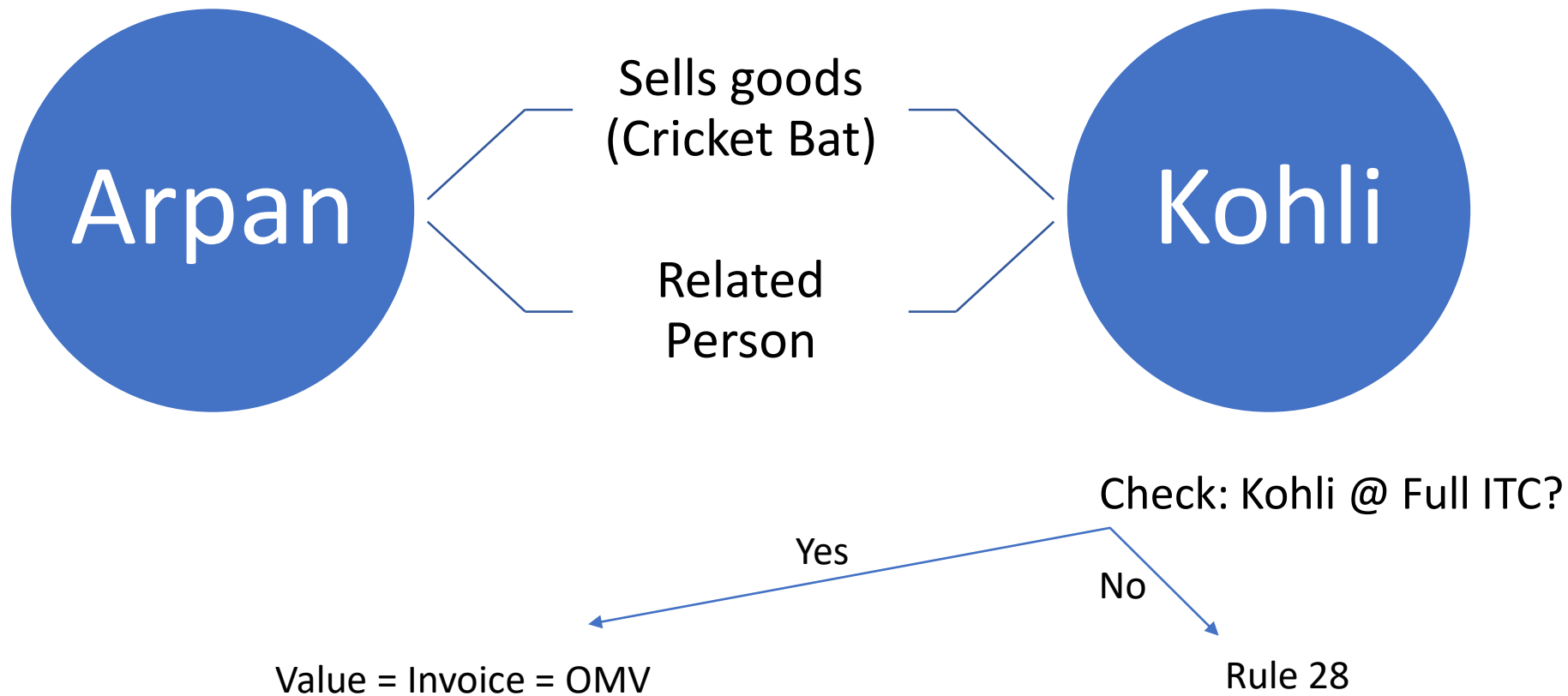


# 90% @ Related Person

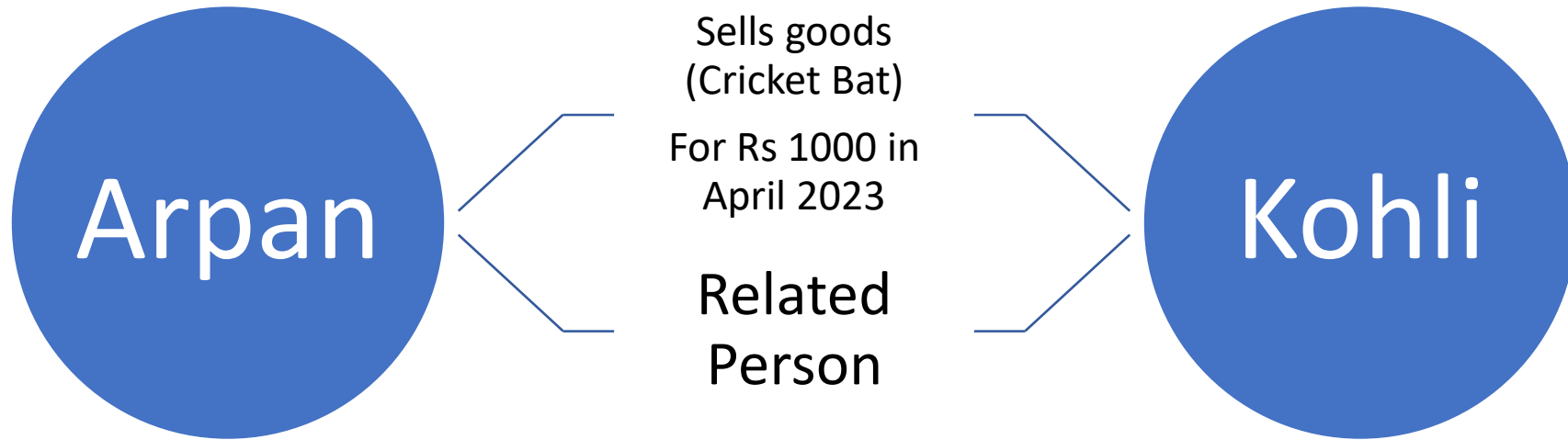


Value determined as per rule 28 shall be Rs \_\_\_\_\_ ?

# 90% & Full ITC @ Related Person



# Full ITC @ Related Person



Value of Supply in case of

Arpan – Rs \_\_\_\_\_ ?

Kohli – Rs \_\_\_\_\_ ?

Kohli sells the same Bat to Sachin  
Tendulkar for Rs 100,000/- in the  
month of May 2023

↓  
Rule 28

# 29 : Supplies made or received through Agent

Open Market Value **(or)**

```
graph TD; A[Open Market Value (or)] --> B[90% of the price charged for the supply of goods of like kind and quality by the recipient to his non-related customer]; B --> C[Rule 30: 110% of cost of Supply]; C --> D[Rule 31: any other reasonable means];
```

90% of the price charged for the supply of goods of like kind and quality by the recipient to his non-related customer

Rule 30: 110% of cost of Supply

Rule 31: any other reasonable means

# 30: Based on cost

Value not determinable under Rule 27/28/29, Value of supply is

110% of Cost of (Production / manufacture / acquisition of such goods / Provision of such services)

# 31: Residual method

**Value not determinable under Rule 30, Value of supply then**

determined using reasonable means consistent with Principles and general provisions of Section 15 & Chapter IV of CGST Act, 2017

In case of supply of services – Supplier can opt to ignore Rule 30 and consider Rule 31.

# 31A : lottery, betting, gambling and horse racing

- Value of lottery, betting, gambling and horse racing = Higher of
  - 100/128 of Face Value of ticket or
  - Price notified in Official Gazette
- Value of supply of Actionable claim in the form of chance to win in betting, gambling or horse racing in a race club shall be
  - 100% of the face value of the bet or the amount paid into the totalizator.

# Rule-32: Special valuation procedure

S.No	Supplies
1	Purchase or sale of Foreign currency including money changing
2	Booking of tickets by Air travel agent
3	Life Insurance Business
4	Value of Supply of Secondhand goods
5	Value of Redeemable Vouchers/ stamps



# Rule-33 : Pure Agent

**Pure Agent** : A person who

- Enters into a contract to act as a pure agent to incur expenditure or cost in course of supply of goods or services or both
- Neither intends nor hold any title of goods or services or both
- Doesn't use his own interest on goods/service procured
- Receives only the actual amount incurred (100%reimbursement).

Value shall exclude the **expenditure or cost** incurred by the him if

- He acts as a pure agent and makes payment on authorization
- Payment made by pure agent and the same has been shown separately on his invoice
- Supplies procured by the pure agent from the third party are in addition to the supplies on his own account

Ex: Legal / CA Firm, Construction work, etc.,

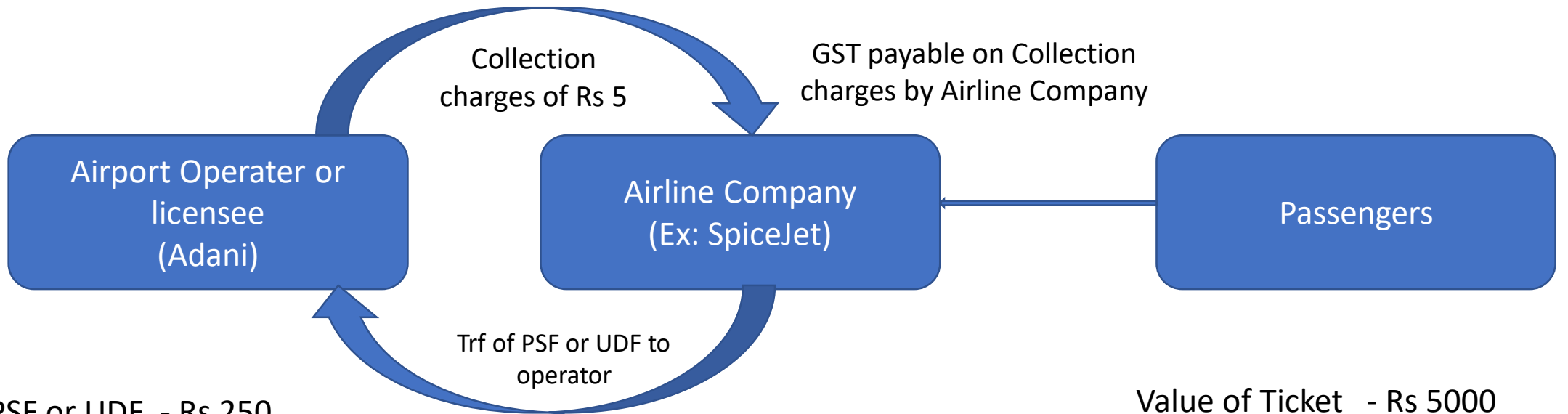
# Rule – 34 & 35

- Rule – 34 : **Rate of exchange** of currency, other than Indian rupees, for determination of value of Goods and services.

Rate of Exchange for	Applicable Rate
Taxable Goods	Rate notified by CBIC under Sec-14
Taxable Services	Rate as per GAAP

**Rule – 35** : Value of supply **inclusive** of integrated tax, central tax, State tax, Union territory tax

**Tax Amt : (Value inclusive of Tax \* Tax Rate in %) / (100+ sum of tax rate in %)**



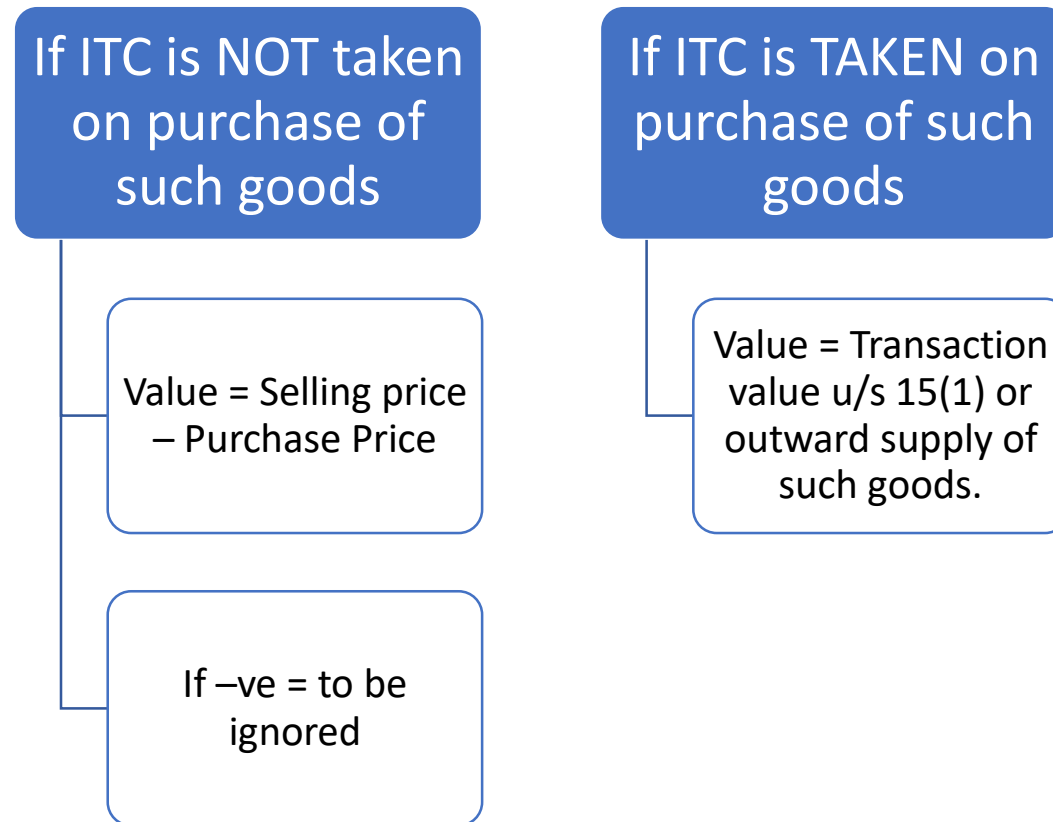
PSF or UDF - Rs 250  
 GST @ 18% on Rs 250  
 i.e.,  $\text{Rs } 250 * 18/118$

GST payable on Collection charges by Airline Company

Value of Ticket - Rs 5000  
 PSF or UDF - Rs 200  
 Total - Rs 5200

GST @ 5% on Rs 5000 i.e., 250

# Value of supply in buying and selling of second hand goods



## In case of repossessed goods from defaulting borrowers

Purchase Price = Purchase price of defaulting borrowers - 5 % each Quarter thereof between date of Purchase of defaulting borrower and date of disposal by person

# Questions & Answers

“

If you are not afraid of your dreams,  
Think **BIG**

”

**THANK YOU**

ORGANIZERS & VIEWERS FOR THE OPPORTUNITY AND SUPPORT

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