

## Chapter II

# Time and Value of Supply

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### FAQ'S

#### Time of supply of goods (Section No: 12)

##### Section 12 of CGST Act, made applicable to IGST vide Section 20 of IGST Act and Section 21 of UTGST

Q 1. How are the provisions relating to 'time of supply' relevant under GST Law?

Ans. The provisions relating to time of supply of goods / services are relevant in ascertaining the time to remit the taxes on a particular transaction involving supply of goods / services under the GST Law. The CGST Act, 2017 provides separate provisions for time of supply of goods and services viz., Section 12 for time of supply of goods and Section 13 for time of supply of services.

Q 2. What will be the time of supply of goods, generally?

Ans. Generally, in terms of Section 12 of CGST Act, 2017, the time of supply of goods shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

Q 3. What will be the date of payment to ascertain the time of supply of goods?

Ans. In terms of the Explanation 2 appended to Section 12, the date of payment shall be the earliest of the following dates:

- (a) The date on which supplier receives the payment; or
- (b) Date on which payment is entered in books of accounts of the supplier; or
- (c) Date on which payment is credited to the bank account.

Q 4. What will be the time of supply where multiple invoices are issued for a single consignment involving supply of goods?

Ans. The time of supply of goods shall be the date of issuance of invoice; or due date for issuance of invoice or receipt of payment by the supplier, whichever is earlier. In the event, the supplier has not received the payment in case of multiple invoices issued for

a single consignment of supply, the time of supply shall be earlier of date of issuance of invoice; or due date for issuance of invoice.

Q 5. What will be the time of supply where tax is liable to be paid under reverse charge mechanism?

Ans. In case of tax liable to be paid under reverse charge mechanism, the time of supply shall be the earliest of the following:

- (a) Date of receipt of goods by the recipient; or
- (b) Date on which the payment is entered in the books of accounts of the recipient; or
- (c) Date on which payment is debited in the bank account of the recipient; or
- (d) Date immediately following thirty days from the date of issue of invoice by the supplier.

Where the time of supply cannot be ascertained as above, the date of entry in the books of accounts of the recipient shall be the time of supply of goods.

To illustrate, Mr. A being registered taxable person procures goods from Mr. B who is unregistered. The chronology of events are as follows:

Date of receipt of goods by Mr. A	July 15, 2017	Time of supply shall be July 15, 2017
Date on which the payment is entered in the books of accounts of Mr. A	July 20, 2017	
Date on which payment is debited in the bank account of Mr. A	July 22, 2017	

In the event, the above details are not available and the date of entry relating to purchase of goods in the books of Mr. A is July 30, 2017, the time of supply of goods will be July 30, 2017.

Q 6. What will be the time of supply in case of supply of vouchers?

Ans. In terms of Section 12(4) of the CGST Act, 2017, time of supply of vouchers shall be the earliest of the following:

- (a) date of issue of voucher, if the supply is identifiable at that point; or
- (b) date of redemption of voucher, in all other cases.

Eg: Mr. A buys vouchers from Lifestyle of worth Rs. 1,000/- for a shirt dated December 01, 2017. Mr. A gifts such vouchers to Mr. B who redeems such vouchers with Amazon India on January 31, 2018. – Time of supply is the date of issue of vouchers viz., December 01, 2017.

Q 7. What is time of supply with respect to escalation in price after the issuance of invoice (Eg: Invoice is issued for Rs. 5,000 on June 22, 2017 by the supplier. Subsequently,

due to variation in price the recipient pays scenario 1: Rs. 5,500/- and scenario 2: 8,000/-)?

Ans. In terms of the proviso to Section 12(2)(b) of the CGST Act, 2017, the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount is received exceeds Rs. 1,000/-, the time of supply of goods shall be the earliest of the following (in case where the invoice is already issued):

- (a) Date on which payment is entered in books of accounts of the supplier; or
- (b) Date on which payment is credited to the bank account.

Accordingly, the time of supply in each of the scenarios given in the example would be as follows:

Scenario 1: The time of supply of goods with respect to the amount of Rs. 500/- received in excess shall be the date of invoice.

Scenario 2: The time of supply would be as follows:

Date on which payment is entered in books of accounts of the supplier	July 30, 2017	Time of supply shall be July 28, 2017
Date on which payment is credited to the bank account	July 28, 2017	

Q 8. What would be the date of payment for ascertaining time of supply of goods?

Ans. The date of payment as referred in provisions relating to time of supply of goods shall be the earliest of the following:

- (a) date when the payment entry in relation to supply of goods is recorded in books of accounts; or
- (b) date on which the payment is credited to suppliers bank account.

Q 9. What would be the 'due date of issuance of invoice' with reference to the provisions relating to time of supply of goods?

Ans. Section 31(1) of the CGST Act, 2017 prescribes the time at which the tax invoice should be issued by a registered taxable person supplying goods. Accordingly, the due date for issuance of invoice would be as follows:

- (a) Supply involves movement of goods – It is provided that the tax invoice should be issued before or at the time of removal of goods for supply to the recipient. As such, it is inferred that the date of removal of goods shall be the 'due date of issuance of invoice';
- (b) Any other case – delivery of goods or making goods available to the recipient. As such, it is inferred that the date on which goods are delivered to the recipient or the date on which goods are made available to the recipient is the 'due date of issuance of invoice'.

Proviso to Section 31(1) of the CGST Act, 2017 also empowers the Central / State Government prescribe the time limit for issuance of invoice by way of notification in certain categories of supplies. In such a scenario, the invoice should be issued within the time limit as notified.

Q 10. Time of supply in case of Composite supply?

Ans. In terms of Section 2(30) of CGST Act, 2017 'composite supply' is defined to mean a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. The illustration appended to the definition of 'composite supply' reads as follows:

Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

Section 8(a) provides that the composite supply whether involves supply of goods or services shall be decided based on the principal supply forming part of 'composite supply'. In other words, if the composite supply involves supply of services as principal supply, such composite supply would qualify as supply of services and accordingly the provisions relating to time of supply of services would be applicable. Alternatively, if composite supply involves supply of goods as principal supply, such composite supply would qualify as supply of goods and accordingly, the provisions relating to time of supply of services would be applicable.

Q 11. What would be the time of supply where composite supply involves supply of goods as principal supply?

Ans. The general provisions relating to time of supply of goods will be applicable where composite supply involves goods as principal supply. Accordingly, the time of supply of such composite supply shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

Q 12. Time of supply in case of continuous supply of goods?

Ans. In terms of Section 2(32) of the CGST Act, 2017, 'continuous supply of goods' is defined to mean a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire,

cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis.

Due date for issuance of invoice in terms of Section 31(4) involving successive statement of accounts (SOA) or successive payments is

- Before/ at the time of issue of each SOA or
- Before/ at the time of receipt such successive payment

Accordingly, the time of continuous supply of goods, in terms of Section 12 shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

Q 13. Time of supply in case of supply of goods through e-commerce entities?

Ans. The CGST Act, 2017 do not provides separate provisions for ascertaining time of supply of goods by e-commerce entities. Here the supplier of goods is a person who make the supply through an e commerce entity. Accordingly, in terms of Section 12 time of supply shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

Q 14. Time of supply in case of addition in value by way of interest, late fee or penalty?

Ans. In terms of Section 12(6) of the CGST Act, 2017 the date on which the supplier receives interest, penalty or late fee which forms part of value will be the time of supply. However, reference can also be drawn to proviso to Section 12(2) where such additional value is received in the form of interest, penalty and late fee. Accordingly, the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount received exceeds Rs. 1,000/-, the time of supply of goods shall be the earliest of the following (in case where the invoice is already issued):

- (a) Date on which payment is entered in books of accounts of the supplier; or
- (b) Date on which payment is credited to the bank account.

### Time of supply of services (Section No 13)

Q 15. How to ascertain the time of supply of services?

Ans. In terms of Section 13, the time of supply of services shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice under Section 31; or
- (c) Date when the payment entry in relation to supply of services is recorded in books of accounts; or
- (d) Date on which the payment is credited to suppliers bank account.

Illustration:

Date of invoice	December 31, 2017	Time of supply of services shall be December 10, 2017
Due date of issue of invoice under Section 31	December 15, 2017	
Advance payment received by way of cheque and the entry for receipt of payment is recorded in books of accounts	December 10, 2017	
Amount credited to bank account of supplier	December 12, 2017	

Q 16. What is time of supply with respect to escalation in price after the issuance of invoice (Eg: Invoice is issued for Rs. 5,000 on June 22, 2017 by the supplier. Subsequently, due to variation in price the recipient pays scenario 1: Rs. 5,500/- and scenario 2: 8,000/-)?

Ans. In terms of the proviso to Section 13(2)(b) of the CGST Act, 2017 the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount received exceeds Rs. 1,000/-, the time of supply of services shall be the earliest of the following (in case where the invoice is already issued):

- (a) Date on which debit note is issued; or
- (b) Date on which payment is entered in books of accounts of the supplier; or
- (c) Date on which payment is credited to the bank account.

Accordingly, the time of supply in each of the scenarios given in the example would be as follows:

Scenario 1: The time of supply of services with respect to the amount of Rs. 500/- received in excess shall be the date of invoice.

Scenario 2: The time of supply would be as follows:

Date on which payment is entered in books of accounts of the supplier	July 30, 2017	of supply shall be July 28, 2017
Date on which payment is credited to the bank account	July 28, 2017	

Q 17. Whether the advance received prior to provision of service is liable to tax under GST Law?

Ans. In terms of Section 13 of the CGST Act, 2017 the time of supply of services refers to the date on which payment is received by the supplier. Accordingly, the service provider should remit the applicable taxes on such advances in the month in which the money is received in advance even otherwise the services are not supplied / provided.

Subsequently, when the invoice is issued with respect to the advance payments received earlier, the same shall be declared in the returns pertaining to the month in which the invoice is issued, by giving reference of the 'Transaction ID' generated at the time of remitting taxes on the advance payments (in the earlier tax periods).

Q 18. What would be the time of supply of services taxable under reverse charge mechanism?

Ans. In terms of Section 13(3) of the CGST Act, 2017, the time of supply of services for remittance of tax under reverse charge mechanism shall be the earliest of the following:

- Date of payment recorded in the books of accounts;
- Date of debit in bank account;
- Sixty days from the date of issue of invoice or any other document by the supplier; or
- Date of entry in the books of accounts of the recipient.

Q 19. Whether the date of completion of service would be relevant for determining time of supply?

Ans. Section 13 of the CGST Act, 2017 does not refer to the date of completion of provision of service. However, it refers to the due date of issuance of invoice. In terms of Section 31(2), a registered taxable person supplying taxable services shall, before or after the provision of service but within a period prescribed in this behalf, issue a tax invoice, showing the description, value, the tax payable thereon and such other particulars as may be prescribed.

Q 20. What would be the date of payment for ascertaining time of supply of services?

Ans. The 'date of payment' referred in provisions relating to time of supply of services shall be the earliest of the following:

- date when the payment entry in relation to supply of services is recorded in books of accounts; or

(b) date on which the payment is credited to suppliers bank account.

Q 21. Time of supply of services under reverse charge mechanism where the supplier of service is associated enterprises?

Ans. In case of associated enterprises located within India, the time of supply in terms of Section 13(3) shall be the earliest of the following:

- (a) Date of payment as per books of accounts; or
- (b) Date on which payment is debited in the bank account of the supplier; or
- (c) Sixty days from the date of issuing invoice by the supplier; or
- (d) Date of entry in the books of accounts of the recipient.

Where associated enterprises is located outside India, the time of supply shall be the earliest of the following dates:

- (a) Date of entry in the books of accounts of the recipient; or
- (b) Date of payment.

Particulars	Non-associated enterprises	Associated Enterprises
Date on which payment is entered in books of accounts	December 15, 2017	December 15, 2017
Date on which payment is debited to bank account	December 17, 2017	December 17, 2017
Date of issuance of invoice	December 10, 2017	December 10, 2017
Sixty days from the date of issuing invoice	February 09, 2018	February 09, 2018
Date of entry in the books of accounts of the recipient	December 10, 2017	December 10, 2017
Time of supply	December 10, 2017	December 15, 2017

Q 22. What does associated enterprises referred to in Section 13(3) of the CGST Act, 2017 mean?

Ans. In terms of Section 2(12), the 'associated enterprises' shall have the meaning assigned to it in Section 92A of the Income Tax Act, 1961.

Q 23. What would be the 'due date of issuance of invoice' with reference to the provisions relating to time of supply of services?

Ans. A registered taxable person supplying services, in terms of Section 31(2) shall issue the tax invoice before or after the provision of service but within a period prescribed in this behalf. Accordingly, the last date within which the invoice should be issued will be the 'due date of issuance of invoice'.



As per the draft Invoice Rules, 2017 the time limit for issuing a tax invoice is thirty days from the date of provision of service.

Q 24. What would be the time of supply in case of works contract?

Ans. In terms of entry (a) to clause 6 of schedule II, the works contract in relation to immovable property under the GST regime should be treated as supply of service. Accordingly, in terms of Section 13, the time of supply of services shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice under Section 31; or
- (c) Date when the payment entry in relation to supply of services is recorded in books of accounts; or
- (d) Date on which the payment is credited to suppliers bank account.

Q 25. What would be the time of supply where composite supply involves supply of services as principal supply?

Ans. The general provisions relating to time of supply of services are applicable where composite supply involves services as principal supply. In terms of Section 13, the time of supply of services shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice under Section 31; or
- (c) Date when the payment entry in relation to supply of services is recorded in books of accounts; or
- (d) Date on which the payment is credited to suppliers bank account.

Q 26. Time of supply in case of mixed supplies?

Ans. In terms of Section 2(74) of the CGST Act, 2017 'mixed supply' is defined to mean two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. The illustration appended to the definition of 'mixed supply' reads as follows:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Section 8(b) provides that the mixed supply whether involves supply of goods or services shall be ascertained on the basis of a particular supply forming part of the mixed supply which attracts highest rate of tax. In other words, the mixed supply, if involves supply of services liable to tax at the higher rates than any other goods or

services, such mixed supply would qualify as supply of services and accordingly the provisions relating to time of supply of services would be applicable. Alternatively, the mixed supply, if involves supply of goods liable to tax at the higher rates than any other goods or services, such mixed supply would qualify as supply of goods and accordingly the provisions relating to time of supply of services would be applicable.

Eg: During an exhibition, the package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices are supplied by the organizer of exhibition. This would qualify as mixed supply since exhibition of services and other goods are supplied in conjunction. The rate of tax applicable (presumed) to each of the goods and services:

Exhibition services	18%
Dry fruits and fruit juices	5%
Canned foods, sweets, chocolates, cakes and aerated drink	12%
Nature of supply (highest rate)	Supply of services

Q 27. Time of supply in case of continuous supply of services?

Ans. 'Continuous supply of services' in terms of Section 2(32) of CGST Act, 2017 means supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such service as the Central or a State Government may, whether or not subject to any condition, by notification, specify. Accordingly, in terms of Section 13, the time of supply of services shall be the earliest of the following:

- (a) date of issue of invoice; or
- (b) due date of issue of invoice under Section 31; or
- (c) date when the payment entry in relation to supply of services is recorded in books of accounts; or
- (d) date on which the payment is credited to suppliers bank account.

Q 28. Time of supply where services are supplied online?

Ans. The CGST Act, 2017 does not provide separate provisions for ascertaining the time of supply of service where such services are supplied online. Accordingly, in terms of Section 13, the time of supply of services shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice under Section 31; or
- (c) Date when the payment entry in relation to supply of services is recorded in books of accounts; or
- (d) Date on which the payment is credited to suppliers bank account.

Q 29. Time of supply of services in case of import of services?

Ans. In terms of Section 7(1) of the CGST Act, 2017 supply includes import of services for a consideration whether or not in the course or furtherance of business. Accordingly, the recipient of services would be liable to pay tax on import of service.

The CGST Act, 2017 does not provide separate provisions for ascertaining the time of supply in case of import of services. Accordingly, in terms of Section 13 shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

Q 30. Time of supply in case of addition in value by way of interest, late fee or penalty?

Ans. In terms of Section 13(6) of the CGST Act, 2017 the date on which the supplier receives interest, penalty or late fee which forms part of value will be the time of supply. However, reference can also be drawn to proviso to Section 13(2) where such additional value is received in the form of interest, penalty and late fee. Accordingly, the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount received exceeds Rs. 1,000/-, the time of supply of goods shall be the earliest of the following (in case where the invoice is already issued):

- (a) Date on which payment is entered in books of accounts of the supplier; or
- (b) Date on which payment is credited to the bank account.

## MCQ'S

### Time of supply of goods (Section 12)

Q 1. When does the liability to pay GST arise in case of supply of goods?

- (a) On raising of invoice
- (b) At the time of supply of goods
- (c) On receipt of payment
- (d) Earliest of a ,b or c

Ans. (b) Earliest of a, b or c

Q 2. What is time of supply of goods under CGST Act, 2017?

- (a) Date of issue of invoice

- (b) Date of receipt of consideration by the supplier
- (c) Date of dispatch of goods
- (d) Earlier of (a) & (b)

Ans. (d) Earlier of (a) & (b)

Q 3. What is time of supply of goods liable to tax under reverse charge mechanism?

- (a) Date of receipt of goods
- (b) Date on which the payment is made
- (c) Date immediately following 30 days from the date of issue of invoice by the supplier
- (d) Earlier of a/b/c

Ans. (d) Earlier of a/b/c

Q 4. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

Ans. (a) Date of issue of voucher

Q 5. 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) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

Ans. (b) Date of redemption of voucher

Q 6. What is date of receipt of payment?

- (a) Date of entry in the books
- (b) Date of payment credited into bank account
- (c) Earlier of a and b
- (d) Date of filing of return

Ans. (c) Earlier of (a) and (b)

Q 7. Mr. A supplies goods worth Rs. 24,300 to Mr. B and issues an invoice dated 25.7.2017 for Rs. 24,300 and Mr. B pays Rs. 25,000 on 30.7.2017 against such supply of goods. The excess Rs. 700 (being less than Rs. 1,000) is adjusted in the next invoice for supply of goods issued on 5.8.2017. Identify the time of supply and value of supply:

- (a) Rs. 25,000 – 30.7.2017
- (b) For Rs. 24,300 – 25.7.2017 and for Rs. 700 – 30.7.2017
- (c) Rs. 25,000 – 25.7.2017
- (d) For Rs. 24,300 – 25.7.2017 and for Rs. 700 – 5.8.2017

Ans. (c) Rs. 25,000 – 25.7.2017

### Time of supply of services (Section 13)

Q 8. 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)

Ans. (d) Earlier of (a) & (b)

Q 9. What is the time of supply of service for the supply of taxable services up to Rs.1000 in excess of the amount indicated in the taxable invoice?

- (a) At the option of the supplier – Invoice date or Date of receipt of consideration
- (b) Date of issue of invoice
- (c) Date of receipt of consideration.
- (d) Date of entry in books of account

Ans. (a) At the option of the supplier – Invoice date or Date of receipt of consideration

Q 10. How is the date of receipt of consideration by the supplier determined?

- (a) Date on which the receipt of payment is entered in the books of account
- (b) Date on which the receipt of payment is credited in the bank account
- (c) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

Ans. (c) Earlier of (a) & (b)

Q 11. 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) & (b)

Ans. (d) Earlier of (a) & (b)

Q 12. What is the time of supply of service in case an associated enterprise receives services from the service provider located outside India?

- (a) Date of entry in the books of account of associated enterprise(recipient)
- (b) Date of payment
- (c) Earlier of (a) & (b)
- (d) Date of entry in the books of the supplier of service

Ans. (c) Earlier of (a) & (b)

Q 13. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

Ans. (a) Date of issue of voucher

Q 14. 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) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

Ans. (b) Date of redemption of voucher

Q 15. Value of services rendered is Rs. 1,00,000/-. Date of issue of invoice is 5<sup>th</sup> August 2017. Advance Received is Rs. 25,000/- on 20<sup>th</sup> July 2017. Balance amount received on 7<sup>th</sup> August 2017. What is the time of supply for Rs. 1,00,000/-

- (a) 5<sup>th</sup> August 2017 for Rs. 1,00,000/-
- (b) 20<sup>th</sup> July 2017 for Rs. 1,00,000/-
- (c) 20<sup>th</sup> July 2017- Rs. 25,000/- and 5<sup>th</sup> August 2017 for Rs. 75,000/-
- (d) 20<sup>th</sup> July 2017- Rs. 25,000/- and 7<sup>th</sup> August 2017 for Rs. 75,000/-

Ans. (c) 20<sup>th</sup> July 2017- Rs. 25,000/- and 5<sup>th</sup> August 2017 for Rs. 75,000/-

## FAQs

### Change in Rate of Tax (Section 14)

Q 1. How do we determine the rate of tax in case there is change in the tax rates?

Ans. Three important events need to be considered – Date of raising invoice, receipt of payment and completion of supply. If any of the two events occur before the change in rate of tax then the old rate will apply else the new rate will apply.

Illustration – Rate of GST on Supply made on or after September 1, 2017 increased from say 18% to 20% then the tax to be applied on supplies will be as under

Before – Event occurred before September 1, 2017

After – Event occurred on or after September 1, 2017

Supply Provided	Invoice issued	Payment received	GST Rate
Before	After	After	20%
Before	Before	After	18%
Before	After	Before	18%
After	Before	After	20%
After	Before	Before	18%
After	After	Before	20%

Q 2. I have received the payment but I have not deposited the cheque in the bank account. What is the date of receipt of payment?

Ans. The date of receipt of payment is date of entry in the books or date of credit in the bank account whichever is earlier.

Q 3. What is the rate of GST to be charged on advances received before the change in rate of tax if the supply is completed after the change is rate of tax?

Ans. If the invoices is also raised before the change in rate of tax then the old rate will be applicable even though the supply is complete after the change in rate of tax. Else, the new rate will be applicable.

Q 4. If 95% of the work is complete before the change in rate of tax but invoice can be raised only after completion of supply then what is the rate of tax to be applied?

Ans. Assuming the supply is completed after the change in rate of tax, new rate will apply.

Q 5. In case of Construction Contracts, builders remit taxes on receipt of payment or completion of slabs as provided in the contract. What will the impact due to change in the tax rates?

Ans. For payments received before the change in rate of tax, if invoices are also raised

before the change in rate of tax, old rate will be applicable. Else the new rate will be applicable.

For slab completion before the change in rate of tax, if invoices are also raised before the change in rate of tax, old rate will be applicable. Else the new rate will be applicable.

Q 6. How do we compute GST liability on supplies which are liable to tax under reverse charge?

Ans. Separate provisions have been provided under the present service tax laws to determine the service tax payable on reverse charge mechanism which is linked to date of payment to the service provider unless the payment is made within 3 months of the date of invoice. However, such provisions are not forthcoming from the CGST Act, 2017. Accordingly, general provisions relating to change in rate of tax shall be applied in determining the appropriate rate of tax.

Q 7. Will I be required to pay GST at the new GST rate on Debtors outstanding as on the date of change in the rate of tax?

Ans. If the supply was complete for such outstanding balances and the invoice is also issued before change in rate of tax then old rate will be applicable. Else the new rate will be applicable.

Q 8. I have raised the invoice with old rate of tax but now I am required to remit the taxes based on new rate of tax. Can I recover the additional tax payable from my customer?

Ans. Yes. You can raise a supplementary invoice / debit note to recover the additional tax from the customer.

Q 9. Will the customer be able to take credit of additional taxes referred at Q8?

Ans. If the customer is entitled to claim the credit of tax mentioned in the original invoice, the input tax credit of additional taxes can be availed which is subject to conditions specified in this regard.

### **Value of taxable supply (Section 15)**

Q 10. Is there any specific valuation mechanism provided for composite supplies and mixed supplies?

Ans. No. Section 15 and the rules prescribed under this Section are common for supply of goods and supply of services. The provisions of valuation and the rules would apply to composite supplies and mixed supplies equally.

Q 11. Are the valuation provisions similar for both inter-State and intra-State supplies?

Ans. Yes. Section 15 is common for all all supplies.

Q 12. Will the valuation rules provided in Section 15 apply to IGST payable on import of goods?



Ans. No. Customs Law will be applicable for valuation of imported goods.

Q 13. Will the Customs Valuation apply to IGST payable on import of services?

Ans. No. Customs Law is applicable only for valuation of imported goods. Section 15 read with valuation rules will apply for valuation of import of services

Q 14. Is contract price not sufficient to determine valuation of supply?

Ans. Contract price is more specifically referred to as 'transaction value' and that is the basis for computing tax. However, the transaction will not be accepted as the value of supply where the supply is between related persons (including different registrations of the same PAN and principal-agent supplies), or where the consideration payable is not wholly in money..

Q 15. Is reference to Valuation Rules required in all cases?

Ans. No. Reference to Valuation Rules is required only when the supply is between related persons (including different registrations of the same PAN and principal-agent supplies), or where the consideration payable is not wholly in money. However, in specific cases where the categories of goods and services are notified in this regard (such as money-changing), the valuation rules must be referred to, irrespective of the fact that the supplier and recipient are unrelated and price is the sole consideration.

Q 16. What is to be done if there are certain factors affecting price but same cannot be quantified?

Ans. Where transaction value is partly, or not wholly in money, the same cannot be accepted. The value of supply should be determined under the Valuation Rules.

Q 17. Can the value of supplies be a deemed value?

Ans. Section 15(5) empowers the Government to prescribe the value of certain supplies which may or may not be linked to the transaction value. Thus, in cases such as inter-State stock transfer to a branch would be valued based on a "deemed value" as determined under the valuation rules.

Q 18. When will the recipient and supplier be treated as related?

Ans. The relationship will be examined based on the explanation appended to Section 15 which defines the term "related persons". Accordingly, the following persons would be treated as "related persons" for the purpose of GST:

- such persons are officers or directors of one another's businesses;
- such persons are legally recognised 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;
- persons who are associated in the business of one another where one is the sole agent/ sole distributor/ sole concessionaire of the other.

Q 19. If related persons transact at arm's length price, can the valuation still be questioned?

Ans. The law mandates a reference to valuation rules where the supply is between related persons. However, since the supply is at "arm's length price", the fact that the price assigned to the transaction is an 'open market value' should be established.

Q 20. What is the meaning of the term "Price is not the sole consideration"?

Ans. Under the GST law, consideration can be in "money or otherwise", and also includes the monetary value of an act or forbearance, in relation to a supply. Consideration may also flow from any person other than the recipient. In cases where the money received in respect of the supply is not the sole consideration, the "price is not the sole consideration". E.g. Buyer of capital goods discharges the loan of seller, goods purchased on exchange offer, etc.

Q 21. Can any additions be made to the contracted price when 'Transaction Value' is acceptable?

Ans. Yes. Section 15 provides for inclusions to the transaction value (on which GST will be payable). The below are broadly, the inclusions prescribed:

- (a) any taxes, duties, cesses, fees and charges levied under a law other than the GST law, if charged separately by the supplier;
- (b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient, but not included in the price;
- (c) incidental expenses, including commission and packing, charged by the supplier to the recipient, and any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services;
- (d) interest or late fee or penalty for delayed payment of any consideration for any supply; and
- (e) subsidies directly linked to the price excluding subsidies provided by the Government.

Q 22. While calculating the transaction value of an intra-State supply, is there any order of calculating CGST and SGST/ UTGST?

Ans. Transaction Value does not include the taxes payable under GST. Therefore, there is no order required to be followed for arriving at the amount of tax. Both CGST and SGST/UTGST should be calculated on the 'transaction value'.

Note: Taxes, cesses etc. applicable under any other law will have to be included in the transaction value for computation of taxes under GST.

Q 23. Will the flight tickets booked by client for travel of Chartered Accountants to facilitate an outstation audit be liable to GST, even if the engagement contract provides that any travel expenses incurred by the supplier in this behalf will be reimbursable to the chartered accountants?

Ans. The law provides that expenses incurred by the recipient in relation to supplies made by supplier of goods / services is to be included in the transaction value, only where such expenses were to be borne by the supplier. However, in the instant case, it cannot be said that the suppliers are liable to incur the cost of booking of flight tickets or that the cost was incurred by the recipient on behalf of the supplier. Hence, the value of flight tickets booked are not required to be included by the Chartered Accountants on their invoice, for computation of transaction value of audit service.

Q 24. Are transport charges for supply, paid by the supplier required to be included in the transaction value?

Ans. All the expenses incurred by the supplier, in relation to the supply, -are required to be included in the transaction value to the extent they are charged for. Even if the contract is for delivery of goods ex-factory, and the supplier incurs the cost of transportation on behalf of the recipient for delivery of goods to the recipient, the cost should be included in the transaction value if the supplier charges the recipient for the same. However, if the contract price is for delivery of goods is at the location of the recipient, then the transportation charges incurred by the supplier would not be required to be added to the transaction value, as the cost is contained in the said value.

Q 25. Will discounts given to customers be allowed as deduction from transaction value?

Ans. Yes, the following two types of discounts would be excluded from transaction value:

- Discount at the time of Sale – Allowed as a deduction provided if the discount is recorded on the face of invoice.
- Post-supply Discount – If such discount is based on the arrangement entered into before or at the time of supply, AND where the same can be linked to relevant invoices, then the same is allowed as a discount on the condition that the recipient reverses the tax credit related to such discount availed earlier.

Q 26. Quantity discounts are not recorded on the face of the invoice. Can the Quantity discounts be claimed as deduction while computing GST?

Ans. Quantity Discounts are allowed based on the volume / value of purchases made by the customer for a particular period. The discount is allowed at the end of a particular period based on the pre-agreed rates entered into between the supplier and the recipient. Such discounts will be eligible for exclusions by way of credit notes, only where the supplier is in a position to link the discount to each and every invoice, and the recipient reverses the credit to the extent of such discount.

Q 27. Can the transaction value be questioned if supplier and recipient's relationship come into existence after entering into a contract/arrangement to supply goods or services?

Ans. The laws assume that the relationship between the contracting parties prima facie has influenced the price at which the transaction is being carried out. Since the relationship did not exist on the date the prices were finalized (i.e., entering into the contract), the transaction value should be accepted in case of supplies effected prior to the forming of such relationship. However, for supplies effected after the two persons become 'related persons' for the purpose of the GST law, the transaction value cannot be accepted and reference must be made to the valuation rules.

Q 28. Will GST be applicable on any interest charged for payment after the credit period?

Ans. Interest, Penalty or Late fee charged from the customer would also be liable to GST. However, the law provides that the GST liability on such values can be paid only on receiving such additional amounts.

Q 29. In certain cases, the selling price of the final product is less since subsidy is received from Government. Are subsidies received from Government required to be included in the transaction value?

Ans. Subsidies received by the supplier, from Central / State Governments are not required to be included in the transaction value of supplies effected by him, even if the subsidies are directly linked to the supplies made by him.

Q 30. Are subsidies received from Private Enterprises on procurement of eco-friendly capital goods required to be included in the transaction value?

Ans. Subsidies directly linked to the price of the supply are to be included in the transaction value, where such subsidies are not provided by the Central/ State Governments. Where it can be established that the price of the supply is not directly linked to the subsidy given on capital goods, the same is not required to be included.

Q 31. Will the out-of-pocket expenses charged by professionals to claim reimbursement of expenses incurred by them for rendering services to their clients be included in the transaction value?

Ans. Yes. Any expenses incurred by the supplier relating to supply until the services are delivered, and which are charged to the recipient, will have to be included in the transaction value.

Q 32. Will the Customs duty paid by Customs House Agent on behalf of the client also be required to be included in the transaction value?

Ans. Presently, under the Service tax law, the aforementioned expenses are treated as reimbursements as 'pure agent' and are hence, not liable to service tax. Similar treatment exists in case of pure agents under the GST law as well, where the expenditure/ costs are incurred by the supplier acting as a pure agent of the recipient, on fulfilment of prescribed conditions.

## MCQ'S

### Change in rate of tax in respect of supply of goods or services (Section 14)

Q 1. There was increase in tax rate from 20% to 24% w.e.f. 1.6.2018. Which of the following rate is applicable when services are provided after change in rate of tax in June 2017 but invoice issued and payment received, both in April 2017

- (a) 20% as it is lower of the two
- (b) 24% as it is higher of the two
- (c) 20% as invoice and payment were received prior to rate change
- (d) 24% as the supply was completed after rate change

Ans. (c) 20% as invoice and payment were received prior to rate change

Q 2. There was increase in tax rate from 20% to 24% w.e.f. 1.6.2018. Which of the following rate is applicable when services provided and invoice raised after change in rate of tax in June 2017, but payment received in April 2017

- (a) 20% as it is lower of the two
- (b) 24% as it is higher of the two
- (c) 20% as payment (being one of the factors) was prior to rate change
- (d) 24% as invoice was issued in the period during which supply is completed

Ans. (d) 24% as invoice was issued in the period during which supply is completed

Q 3. There was increase in tax rate from 20% to 24% w.e.f. 1.6.2018. Which of the following rate is applicable when invoice was issued after change in rate of tax in June 2017 but payment received and goods supplied in April 2017

- (a) 20% as it is lower of the two
- (b) 24% as it is higher of the two
- (c) 20% as payment was issued in the period during which the supply was effected
- (d) 24% as invoice being one of the factors was issued after rate change

Ans. (c) 20% as payment was issued in the period during which the supply was effected

Q 4. There was decrease in tax rate from 24% to 20% w.e.f. 1.6.2018. Which of the following rate is applicable when invoice was issued after change in rate of tax in June 2017 but payment received and goods supplied in April 2017

- (a) 20% as it is lower of the two
- (b) 24% as it is higher of the two

- (c) 24% as two of the three factors occurred prior to rate change
- (d) 20% as one of the factors occurred after rate change

Ans. (c) 24% as two of the three factors occurred prior to rate change

**Value of taxable supply (Section 15)**

Q 5. The value of supply of goods and services shall be the

- (a) Transaction value
- (b) MRP
- (c) Market Value
- (d) None of above

Ans. (a) Transaction value

Q 6. The value of supply should include

- (a) Any non-GST taxes, duties, cesses, fees charged by supplier separately
- (b) Interest, late fee or penalty for delayed payment of any consideration for any supply
- (c) Subsidies directly linked to the price except subsidies provided by the Central and State Government
- (d) All of the above

Ans. (d) All of the above

Q 7. When can the transaction value be rejected for computation of value of supply

- (a) When the buyer and seller are related and price is not the sole consideration
- (b) When the buyer and seller are related or price is not the sole consideration
- (c) It can never be rejected
- (d) When the goods are sold at very low margins

Ans. (b) When the buyer and seller are related or price is not the sole consideration

Q 8. What deductions are allowed from the transaction value

- (a) Discounts offered to customers, subject to conditions
- (b) Packing Charges, subject to conditions
- (c) Amount paid by customer on behalf of the supplier, subject to conditions
- (d) Freight charges incurred by the supplier for CIF terms of supply, subject to conditions

Ans. (a) Discounts offered to customers, subject to conditions

Q 9. If the goods are supplied to related persons then how should the taxable person ascertain the value of supplies?

- (a) Seek the help of the GST officer
- (b) Use the arm's length price as required under the Income Tax law
- (c) Identify the prices at which goods are sold by the unrelated person to his customer
- (d) Refer the Rules which will be prescribed for this purpose

Ans. (d) Refer the Rules which will be prescribed for this purpose