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Time and value of supply under GST law

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This chapter will focus on time of supply of goods and services vis a vis valuation of supply which includes goods and services. Both are very significant part of any business vis a vis taxation . Time is important for point of tax that when the liability to pay tax will arise on goods and service . Similarly Valuation on what value the tax shall be levied by Government. For valuing any goods what to include and not to include is subject of big discussion. This has all been incorporated in Section 12,13,14 and 15 of the MGL. Main basis of valuation is transaction value where the parties are not related. Important is when parties are related, what value shall be applied and how the same shall be considered in "Determination of value of supply of Goods and Services Rule,2016." Let us address the issue one by one.

Time of Supply of Goods

1. The liability to pay CGST and SGST shall arise only at the time of supply of goods. Earliest of the following shall be the time of supply

    - ✓ When the goods are moved, if the goods to be moved
    - ✓ Goods made available to recipient when goods not to be moved
    - ✓ At the time of issue of invoice
    - ✓ At the time of receipt of payment
    - ✓ When recipient shows the receipt of goods in his books of account

2. Where there is continuous supply of goods , time shall be

    - ✓ At the of successive statement of a/c or payment as per contract
    - ✓ Date of issue of invoice or receive of payment whichever is earlier

3. Time of supply in case of reverse charges shall be earliest of the following;

    - ✓ Date of received of goods
    - ✓ Date on which payment is made
    - ✓ Date of receipt of invoice
    - ✓ Date of debit in books

4. In case of goods sent on approval, time of supply shall be , at the time of approval or six months from the date of removable, which ever is earlier.

5. In case it is not possible to establish the time of supply as discussed above then

    - ✓ Date of periodical return has to be filed
    - ✓ Date on which SGST / CGST is paid

Time of supply of services

1. The liability to pay CGST and SGST shall arise only at the time of supply of services. Time of supply of services shall be :

    - ✓ Date of issue of invoice or receipt of payment which ever is earlier if invoice is issued in prescribed time
    - ✓ Date of completion of services or receipt of payment whichever is earlier if invoice is not raised in prescribed time
    - ✓ Where the above said clause do not apply, date on which recipient shows the receipt of services in his books.

2. In case of continuous supply of services ;

    - ✓ Due date of payment as per the contract whether the invoice is issued or not or any payment has been received or not by the supplier of services
    - ✓ Where payment date is not mentioned in the contract, issue of invoice or receipt of payment whichever is earlier shall be the time of supply of services.
    - ✓ Where the payment is linked to completion of some event , time of completion of that event

3. In case where tax is payable on supply of services under reverse charge, earliest of the following;

    - ✓ Date of receipt of services
    - ✓ Date on which payment is made
    - ✓ Date of receipt of invoice
    - ✓ Date of debit in the books of account

4. Where the supply of services ceases under any contract before the completion of services, such services deemed to be completed on the cessation of contract.

5. Where it is not possible to ascertain the time of supply as mentioned above, in this case time of supply shall be ;

    - ✓ Due date of filing the periodical return
    - ✓ In any other case , date on CGST/SGST is paid

Change in rate of tax for supply of services

Where there is change in effective rate of tax , time of supply shall be determined as below;

1. In the case of taxable services has been provided before the change of effective rate of tax

    - ✓ Where the invoice is raised and payment is received after the change of rate of tax , time of supply shall be earliest of the invoice or payment
    - ✓ Where the invoice is raised before the change of rate of tax and payment is received after the change of rate of tax, date of invoice shall be time of supply.
    - ✓ Where payment is received before change of rate of tax and invoice is issued after the change of rate of tax, time of supply shall be date of receipt of payment

2. In the case of taxable services has been provided after the change of effective rate of tax

   - ✓ Where the payment is received after the change of rate of tax and invoice is raised before change of rate of tax, time of supply of services shall be date of date of receipt of payment.
   - ✓ Where the invoice is raised after the change of rate of tax and payment is received before the change of rate of tax , time of supply shall be date of date of invoice.
   - ✓ Where the invoice is raised and payment is received before the change of rate of tax , time of supply shall be earlier of the invoice or receipt of payment date.

Value of Taxable Supply

1. The value of supply of goods or supply of services shall be transaction value where the supplier and recipient of supplier is not related party

2. Transaction value mentioned above shall include the following;

   - ✓ Any amount incurred by the recipient of supply with respect to such supply and paid and payable by the supplier which has not been included in transaction value
   - ✓ Supply of goods or services free of cost by recipient directly or indirectly to supplier which has not been included in transaction value.
   - ✓ Royalty or license fees related to supply of goods or services which is to be paid by recipient if it is not included in transaction value
   - ✓ Ant taxes, duties, fees and charges levied other than SGST and CSGT
   - ✓ Incidental expenses such as commission or packing charged by supplier to recipient of services including any amount charged by supplier for the supply of goods or services at the time or before the time of supply.
   - ✓ Subsidy provided linked to the supply
   - ✓ Any reimbursement of expenses or cost incurred in relation to supply
   - ✓ Any discount or incentive allowed after the supply has been effected

3. Transaction value shall not include any discount allowed before or at the time of supply provided such discount allowed as normal course of business and trade practice

4. In the following situation or circumstances value of supply of goods or services can not be valued as mentioned in point no.1 means thereby “transaction value”

   - ✓ Consideration is not money
   - ✓ Supplier and recipient is related
   - ✓ Reason to doubt the transaction value
   - ✓ Business transaction done by pure agent, insurer, money changer, air travel agent and distributor or selling agent of lottery

   In the above case Rule 4 to 6 of the “Determination of value of Supply of goods and services, Rule 2016 “ shall apply. Same is illustrated below

Determination of value of supply of goods and services Rule,2016

Method of determination of Value [Rule 3]

1. Value of goods and services shall be transaction value
2. Transaction value is value determined in monetary terms
3. Transaction value shall be accepted even though the parties are related and not influenced the price
4. In case of stock transfer from one business place to another business or from agent to principal and vice versa , value of such supply shall be transaction value, weather or not place of business is in the same state.

Value of supply by comparison [Rule-4]

Where the value can not be determined under Rule 3, the value shall be determined of like kind and quality supplied at or about the same time to other customer adjusted below;

Proper officer will make the reasonable adjustment as appear to him taking the following factor in to consideration;

- ✓ Difference in date of supply
- ✓ Difference in commercial level and quantity level
- ✓ Difference in composition, quality and design of goods and service being compared
- ✓ Difference in freight and insurance depending on place of supply

Computed Value Method [Rule-5]

If the value could not be computed under Rule- 4, it will be computed as follows ;

- ✓ Cost of production, manufacturing , processed of the goods or the cost of provision of service
- ✓ Add: Charges of brand or design if any
- ✓ Add : Amount for profit and general expenses

Residual Method [Rule -6]

Where the value of goods or supply can not be established under rule 4 & 5 as mentioned above , value shall be determined using reasonable means consistent with the principle and general provision of these rules .

FAQ on Valuation of supply of goods and services

1. What is transaction value?

   Transaction value refers to price actually paid or payable for supply of goods or services where the supplier and recipient are not related.

2. Are there separate provision for valuation in SGST,CGST and IGST for goods and service ?

   No. Section 15 is common for all three taxes and also common for goods and services.

3. Is reference to valuation required in all cases?

   No. Reference of valuation required only in cases listed in S. 15[4].

4. Weather post supplies discounts are to be included in transaction value ?

   Yes . unless linked to agreement that it is known at the time of supply.

5. Weather pre supply discount allowed before or at the time of supply includable in transaction value?

   No. unless allowed as normal trade practice and recorded in invoice.

6. What are the method provided for determining the value in GST Rules?

   There are three methods. Comparative method, Computation method and Residual method. Beside, some specific valuation methods have been prescribed for Agent and money changer.

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