2016

Time and value of supply under Revised GST law

CA. Sanjeev Singhal
Sanjeev Kavish and Associates, Chartered Accountants
11/15/2016

Time and Value of Supply under Revised GST Law

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 matter 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. Now under revised GST law "Determination of value of supply of Goods and Services Rule,2016." has been withdrawn . Let us address the issue one by one. Time of supply of goods and services has been defined in Section -2.

Section 2[104] "Time of Supply of Goods" shall have the meaning as assigned to it in section 12 .

Section 2[105] "Time of Supply of Services" shall have the meaning as assigned to it in section 13 .

Time of Supply of Goods [Sec.12]

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

   - ✓ Date of issue of invoice or the last date of issue of invoice u/s 28
   - ✓ At the time of receipt of payment

   If the payment received by the supplier is up to Rs. 1000 in excess of amount written in invoice, time of supply for such excess shall be at the option of supplier, may be the date of issue of invoice.

2. 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 immediately after 30 days from the date of invoice

   Where it is not possible to determine the time of supply as above, time of supply shall be date of entry in the books of account of recipient of supply

3. In case of supply of vouchers

   - ✓ Date of supply of voucher, if it can be identify
   - ✓ Date of redemption of voucher in all other cases

4. 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 [Sec. 13]

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 the last date of issue of invoice u/s 28
    - ✓ At the time of receipt of payment

    If the payment received by the supplier is up to Rs. 1000 in excess of amount written in invoice, time of supply for such excess shall be at the option of supplier, may be the date of issue of invoice

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

    - ✓ Date on which payment is made
    - ✓ Date immediately after 60 days from the date of invoice

    Where it is not possible to determine the time of supply as above, time of supply shall be date of entry in the books of account of recipient of supply.

    In case of "Associated Enterprises" Where the supplier of service is located outside India, the time of supply shall be the date of entry in books of account or payment whichever is earlier.

3. In case of supply of vouchers

    - ✓ Date of supply of voucher, if it can be identify
    - ✓ Date of redemption of voucher in all other cases

4. 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 goods or services [Sec.14]

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

1. In the case of goods or services have been supplied 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 goods or services have been supplied 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 that is price actually paid or payable where the supplier and recipient of supply is not related party and price is the sole consideration for supply.

2. Transaction value mentioned above shall include the following;

   - ✓ Any amount incurred by the recipient of supply with respect to such supply and which was paid and payable by the supplier which has not been included in transaction value
   - ✓ Any taxes, duties, fees and charges levied under any statute 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 directly linked to the price excluding subsidy provided by the Central or State Government
   - ✓ Interest or late fees or penalty for delayed payment of consideration for any supply.

3. Following shall not be included;

   i] Transaction value shall not include any discount allowed before or at the time of supply provided such discount is recorded in the invoice.

   ii] discounts is given after the supply but such discount is as per the agreement already entered before the supply and is linked to relevant invoices. And Input tax credit is reversed by the recipient of supply on such discount.

4. Where the value can not be determined as per sub section 1, the same shall be determined as may be prescribed.

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. 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.

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

   No. if it is recorded in invoice.

Disclaimer :

The contents of this article are solely for information and knowledge and does not constitute any professional advice or recommendation. Author does not accept any liability for any loss or damage of any kind arising out of this information set out in the article and any action taken based thereon.

About the Author:

Author is practicing chartered accountant in Gurgaon and having specialization in Service Tax and Haryana VAT. He can be reached at sanjeev.singhal@skaca.in WWW. skaca.in