<u>Notes on POT for CA Final</u>

Rule 4: Determination of POT in case of change in effective rate of tax.

Shortcut Method:

Symbols to be used in shortcut method:

Three Events C, I & R where -
C = Date of completion of service
I = Date of raising Invoice
R = Date of receipt of payment

And two signs "+" and "-"where –
"+" sign means event occurred after change in effective rate of tax.
"-"sign means event occurred before change in effective rate of tax.

Shortcut:

Step I: Write C I R on rough page.

Step II: Give positive or negative signs based on the conditions given in the problem.

Step III: If the signs given to the events I & R are same then POT will be event I or R whichever is earlier. If the signs given to the events I & R are different then POT will be that event from I & R which has the same sign as of C.

It's very Simple right!!!

More analysis of Rule 4:

In problems on Rule 4 of POT rules only 6 conditions can arise, all the conditions with POT are illustrated in the table below:

Sr. No.	Situation	POT	Notes
1.	+C +I -R	Event I	As signs are different the event having sign same as event C will be POT.
2.	+C -I -R	Event I or R Whichever Earlier	As the signs are same.
3.	+C -I +R	Event R	As signs are different the event having sign same as event C will be POT.
4.	-C +I -R	Event R	Same as in 1.
5.	-C +I +R	Event I or R Whichever Earlier	As the signs are same.
6.	-C -I +R	Event I	Same as in 1.

Notes: 1. Event C can never be a POT.

2. Conditions +C +I +R and –C –I –R are not possible because in that case rule 4 does not come into existence.

3. Situation can be read as for e.g. +C +I–R means Services and raising of invoice is completed after change in effective rate of tax but payment is received before change in effective rate of tax.

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