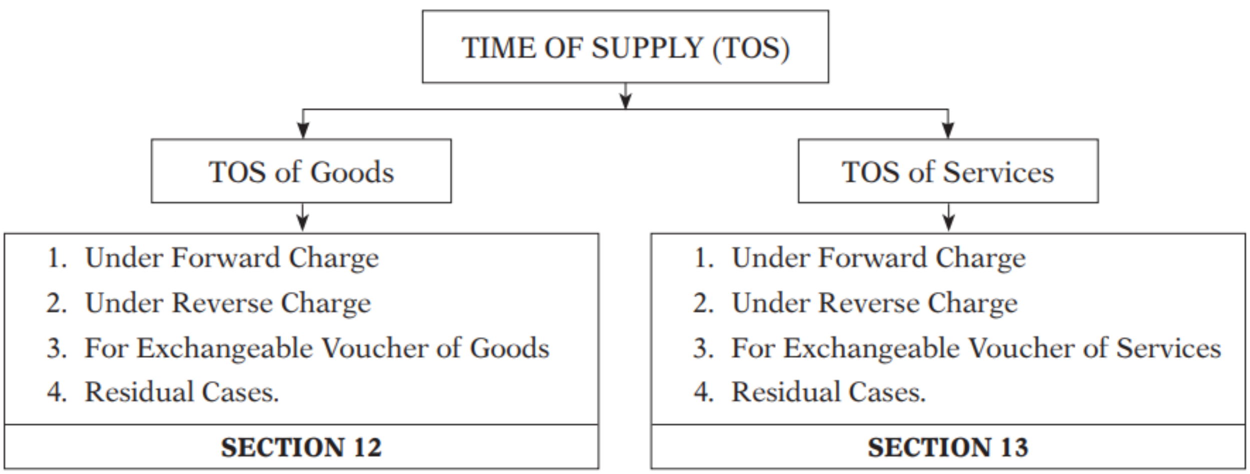
Introduction

Point of Taxation (POT) refers to the point in time when tax is required to be paid. This is a mechanism which is used to determine the point in time when the tax liability will arise.

Under the old indirect tax regime, the point of taxation is different for each of the tax type.

Scenario	Type of Tax	Point of Taxation
Manufacturing of Goods	Central Excise	Incidence of excise duty arises on the manufacture of goods in India, and the liability to pay excise duty arises at the time of removal of the excisable goods from the excise unit. *For example, Goods manufactured on 28th April, 2016 and removed from the excise unit for sale on 5th May,2016. The liability of excise will arise on 5th May, 2016.*
Rendering of Services	Service Tax	Broadly, the time for payment of tax will be the earliest of (a) date of receipt of payment or (b) date of issue of invoice.
Sale of Goods	VAT/CST	VAT/CST, as the case may be, on intrastate and interstate transactions arises on the sale of goods.

Under GST, the taxable event is 'Supply' of goods and services. The point in time when goods or services are supplied will be determined in terms of 'Time of Supply' provisions



<u>Let us understand 'Time of Supply of Goods' under GST on Forward Charge [Section 12(2)]</u>

The liability of GST (CGST and SGST or IGST, as applicable) will arise as shown below:

Earliest of the following	
Date of invoice	The date on which the supplier issues the invoice.
Receipt of payment	The date on which **supplier receives the payment** with respect to the supply. "the date on which supplier receives the payment" means the date on which payment is accounted in the books of accounts of the recipient or the date on which payment is credited to his bank account. Whichever is earlier.
Due date to issue invoice	The last date on which the supplier is required to issue the invoice [under Section 31(1)] with respect to the supply of goods.

Provisions for raising invoice for supply of goods [Section 31(1)]	
Situations	**Time limit for raise the Invoice**

Movement of goods	movement of goods involved in supply than before or at the time of removal of goods.
Other than movement of goods	no movement of goods involved in supply than before or at the time of delivery of goods or making available to the recipient.
Continuous supply of goods	If continuous supply of goods For Example, Supply of Oil etc. than earliest of the following: ♦ Time when each statement is issued. ♦ Time when each payment is received.
Sale on approval basis	If goods sent for approval than earliest of the following: ♦ Time when it becomes known that supply is taken place. ♦ Six month from the date of removal.

Let us understand this with examples.

Concept illustrations Section 12(2)	Invoice date	Invoice due date	Payment entry in supplier's books	Credit in bank account	Time of supply
Invoice raised before removal	10-Oct-17	20-Oct-17	26-Oct-17	30-Oct-17	10-Oct-17
Advance received	30-Oct-17	20-Oct-17	10-Oct-17	30-Oct-17	10-Oct-17

Supply involves movement of goods Section 12(2) r/w Section 31(1)(a)	**Invoice/ document date**	**Removal of goods**	**Delivery of goods**	**Receipt of payment**	**Time of supply**
Delayed issue of invoice	26-Oct-17	20-Oct-17	26-Oct-17	26-Oct-17	20-Oct-17
Inter-State stock transfer	10-Oct-17	20-Oct-17	26-Oct-17	10-Nov-17	10-Oct-17
Advance received, invoice for full amount issued on same day (40% advance, 60% post supply payment)	30-Oct-17	10-Nov-17	14-Nov-17	30-Oct-17	30-Oct-17
				20-Nov-17	30-Oct-17

Supply otherwise than by involving movement of goods Section 12(2) r/w Section 31(1)(b)	**Invoice date**	**Receipt of invoice by recipient**	**Delivery of goods**	**Receipt of payment**	**Time of supply**
Delayed issue of invoice	30-Oct-17	05-Nov-17	26-Oct-17	10-Nov-17	26-Oct-17
Invoice issued prior to delivery	20-Oct-17	10-Nov-17	26-Oct-17	10-Nov-17	20-Oct-17

Continuous supply of goods Section 12(2) r/w Section 31(4)	Invoice date	Removal of goods	Due date of payment as per agreement	Receipt of payment	Time of supply
Contract provides for successive statements of account/ successive payments	01-Nov-17	15-Oct-17	05-Nov-17	01-Nov-17	01-Nov-17
		25-Oct-17			
	11-Dec-17	08-Nov-17	05-Dec-17	11-Dec-17	05-Dec-17
		30-Nov-17			
	08-Jan-18	14-Dec-17	05-Jan-18	01-Jan-18	01-Jan-18
		23-Dec-17			

Sale on approval basis Section 12(2) r/w Section 31(7)	Removal of goods	Issue of invoice	Accepted by recipient	Receipt of payment	Time of supply
Acceptance communicated within 6 months of removal	01-Nov-17	25-Nov-17	15-Nov-17	25-Nov-17	15-Nov-17
Amount paid to supplier before informing acceptance	01-Nov-17	25-Nov-17	15-Nov-17	12-Nov-17	12-Nov-17
Acceptance not communicated within 6 months of removal	01-Oct-17	15-May-18	15-May-18	02-May-18	01-Apr-18

Point to be noted:-

GST if advance upto Rs 1,000 received can be paid at the time of issue of invoice - Where the supplier of taxable goods receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess shall, at the option of the said supplier, be the date of issue of invoice - proviso to section 12(1) of CGST Act.

Thus, if advance upto Rs 1,000 is received, GST is not payable at that stage. In that case, GST will be payable when invoice is raised.
Example:-
If a supplier of goods has received an amount of ` 1500/- against an invoice of ` 1,100/- on 25.07.17 and the date of invoice of next supply to the said recipient is 14.08.17.
Find the following in respect of excess amount over and above invoice value:
(a) Time of Supply of goods
(b) Due date of payment of tax.
Answer
(a) Since, excess amount received over and above invoice value not exceeds ` 1,000, supplier has an option to treat the time of supply w.r.t ` 400/- either as 25.07.17 or 14.08.17.
(b) Due date of payment of tax
• If Time of Supply = 25.07.2017, then due date is 20.8.2017
• If Time of Supply = 14.08.2017, then due date is 20.9.2017

*Note: GST is not applicable to advances in case of supply of goods under GST except composition dealer. GST on Advance is payable at the time of issue of the invoice. Notification No. 66/2017 – Central Tax issued on 15.11.2017 (Applicable from Nov. 18 Exam)

Let us understand time of supply for goods under Reverse Charge Mechanism [Section 12(3)]

The liability of GST (CGST and SGST or IGST as applicable) will arise as shown below:

Earliest of the following	
Date of Receipt of Goods	The date on which the goods are received by the recipient.
Date of Payment	The date on which **supplier receives the payment** with respect to the supply. "the date on which supplier receives the payment" means the date on which payment is accounted in the books of accounts of the recipient or the date on which payment is credited to his bank account. Whichever is earlier.
30 Days from Date of Invoice	The date immediately following 30 days from the date of issue of invoice/any other document by the supplier 31st day from supplier's invoice

If it is not possible to determine the time of supply through above parameters, THEN TIME OF SUPPLY WILL BE

→ **Date on which goods are recorded in the books of account of the recipient of supply**

Let us understand with examples.

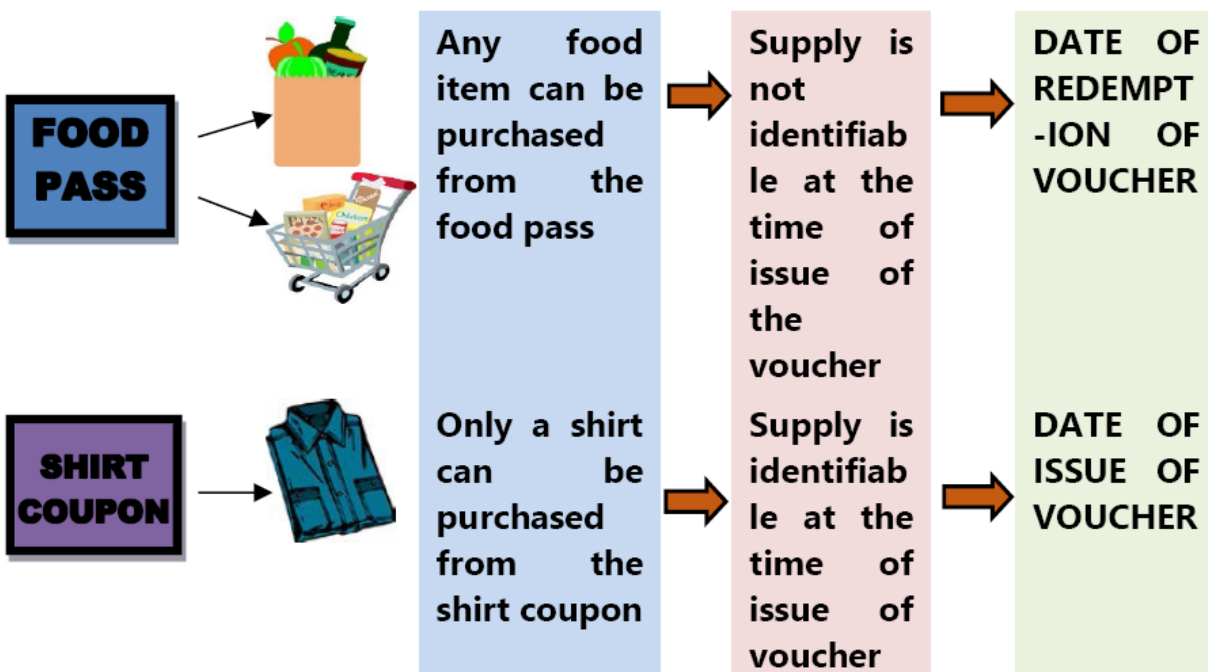
Reverse charge Section 12(3)	Date of invoice issued by supplier	Removal of goods	Receipt of goods	Payment by recipient	Time of supply
General	31-Oct-17	31-Oct-17	20-Nov-17	30-Nov-17	20-Nov-17
Advance paid	31-Oct-17	31-Oct-17	20-Nov-17	05-Nov-17	05-Nov-17
No payment made for the supply	31-Oct-17	30-Dec-17	05-Jan-18	-	30-Nov-17

<u>Let us understand Time of Supply of Vouchers Exchangable for goods under GST on Forward Charge basis [Section 12(4)]</u>

As per section 12(4), the time of supply of vouchers exchangeable for goods is-

Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
Date of redemption of the voucher in other cases.

TIME OF SUPPLY OF VOUCHERS EXCHANGEABLE FOR GOODS



Example

Acmesales Limited sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /provisions in the outlets that are part of the program.

As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food / provision items of his choice.

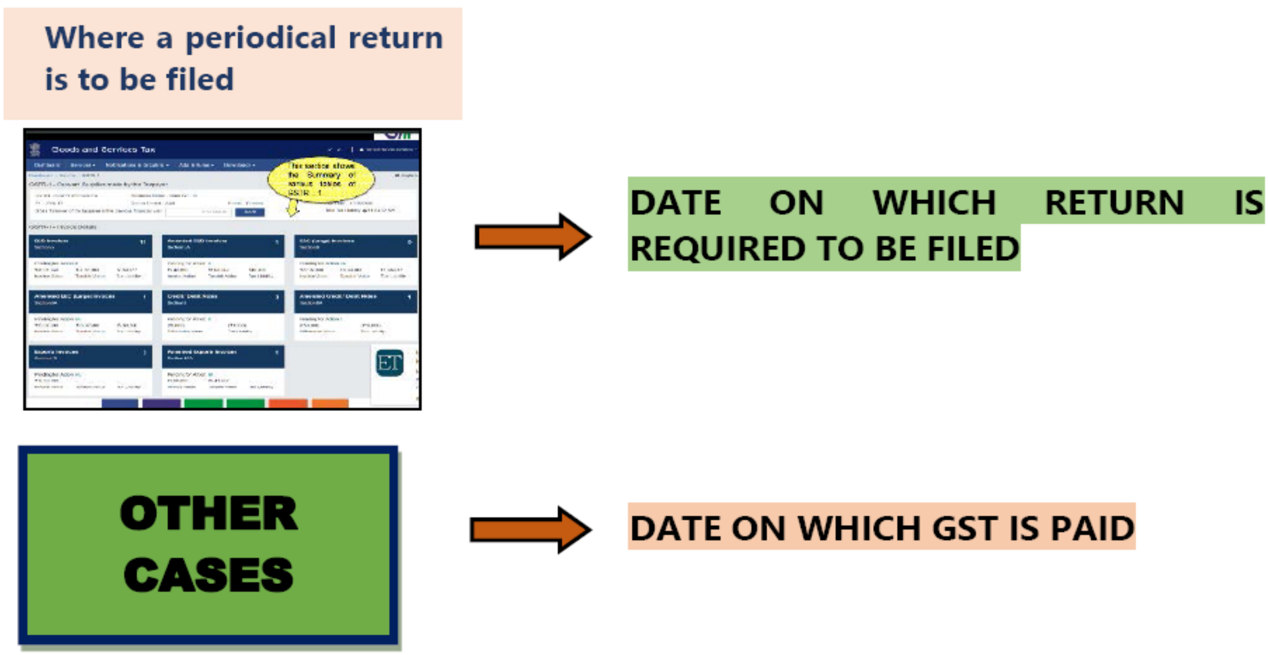
Example
With each purchase of a large pizza during the Christmas week from Perfect Pizza, one can buy a voucher for Rs. 20 which will be redeemable till 5 Jan for a small pizza.
As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

Let us understand Time of Supply of goods under Residual case under GST on Forward Charge basis [Section 12(5)]

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 12, in the following manner:

- ✓ Where a Periodical return is required to be filed - Due date of filing such return, or
- ✓ In any other case - Date on which GST is paid.

TIME OF SUPPLY OF GOODS UNDER RESIDUAL CASE



Example
An Investigation team detect illegal removal of goods by a supplier who is not registered under GST. The evidence is in the form of noting, often undated, and some corroborative material. The supplier voluntarily pays tax during the investigation, to close the case. The time of supply will be the date on which the tax is paid, as being unregistered, the supplier is not required to file periodical returns.

Enhancement in value on account of interest/late fee etc. for delayed payment of consideration [Section 12(6)]
Commercially, all the contract of supplies stipulate payment of interest/late fee/penalty etc. for payment of consideration beyond the agreed time period.
Such interest etc. is includible in value of taxable supply So, the question arises as to when would the liability to pay GST arise in such cases of addition in value.
Section 12(6) prescribes that time of supply in case of **addition** in value by way of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in **value**.

Addition in value by way of interest, late fee/penalty for delayed payment of consideration for goods → Time of supply → Date on which the supplier receives such addition in value

Example

Mr. X being a supplier receives consideration in the month of September 2017, instead of due date of July 2017, and for such delay he is eligible to receive an interest amount of Rs. 1000/- and the said amount is received on 15.12.2017.
Find the time of supply for the interest portion and due date of payment.
Answer:
The time of supply = 15.12.17
i.e. the date on which it is received by the supplier and
Due date of tax liability = 20.01.18.

<u>Let us understand Time of Supply for Services under GST on Forward Charge basis [Section13(2)]</u>

The liability of GST (CGST and SGST or IGST, as applicable) will arise as shown below:

Situation 1:- If the invoice is issued within the time period prescribed under section 31(2) of the CGST Act, i.e. Invoice issued ≤ 30 Days from supply of service Sec 31(2) In case of Banking/ NBFC/Insurer ≤ 45 Days **the time of supply of services shall be the <u>earliest</u> of the following:**	**Situation 2:- If the invoice is not issued within the time period prescribed period under section 31(2) of the CGST Act, the time of supply of services shall be the <u>earliest</u> of the following:.**
(a) Date of issue of invoice; or .	(a) Date of provision of service; or
(b) Date when the payment entry in relation to supply of services is recorded in books of accounts of the supplier; or	(b) Date when the payment entry in relation to supply of services is recorded in books of accounts of the supplier; or
(c) Date on which the payment is credited to supplier's bank account	(c) Date on which the payment is credited to supplier's bank account.
Situation 3 :- **When the above events (i.e. Situation 1 & Situation 2) are unascertainable**	

If time of supply cannot be determined by both the above methods, then →

→ **Date of receipt of services in the books of account of the recipient**

Provisions for raising invoice for supply of services [Section 31(2),(5), (6) with rule 47]	
Situations	**Time limit for raise the Invoice**
in case of insurance	The tax invoice needs to be issued either before the provision of service or

<table>
<tr><td>companies/ banking companies/ financial institutions including NBFCs</td><td colspan="2">within 45 days from the date of supply of service.</td></tr>
<tr><td>Other than case of insurance companies/ banking companies/ financial institutions including NBFCs</td><td colspan="2">The tax invoice needs to be issued either before the provision of service or within 30 days from the date of supply of service.</td></tr>
<tr><td rowspan="3">In case of continuous supply of services [Section 31(5)]</td><td>Where the due date of payment is ascertainable from the contract</td><td>The invoice shall be issued on or before the due date of payment;
For example, telecom service provider sends telephone bill every month. This is mentioned in the contract with the telecom company.</td></tr>
<tr><td>Where the due date of payment is not ascertainable from the contract</td><td>The invoice shall be issued before or at the time when the supplier of service receives the payment;</td></tr>
<tr><td>Where payment is linked to the completion of an event</td><td>The invoice shall be issued on or before the date of completion of that event.</td></tr>
<tr><td>Cessation of services

[Section 31(6)]</td><td colspan="2">In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.
For example, a works contract starting on 1st August 2017 was due for completion in March 2018. But it was stopped on 11th Nov 2017. The contractor will issue an invoice on 11th November 2017 to the extent of work performed.</td></tr>
<tr><td>taxable supplies between distinct persons as specified in section 25</td><td colspan="2">In case of
o Insurance companies
o Banking companies
o Financial institutions including NBFCs
o Telecom companies
o Notified supplier of services
making taxable supplies between distinct persons as specified in section 25, invoice may be issued before or at the time of recording such supply in the books of account or before the expiry of the quarter during which the supply was made.</td></tr>
</table>

Point to be noted:-

1. Excess payment upto Rs. 1000: Option of taking invoice date as time of supply

In terms of the proviso to sub-section (2) of section 13, if payment received is up to Rs. 1,000 in excess of the invoice value, the supplier can choose to take the related invoice date as the time of supply in relation to this excess value.

Example: - A telephone company receives ` 5000 against an invoice of Rs. 4800. The excess amount of Rs. 200 can be adjusted against the next invoice.

The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of Rs. 200 received in excess against the earlier invoice.

Let us understand this with examples.

Date of Invoice	Date of Receipt of Payment	Time of Supply	Explanation
20th October, 2017	10th November, 2017	20th October, 2017	In this case, the date of invoice is earlier than the date of receipt of payment. Hence, The time of supply will be 20th October, 2017.
5th December, 2017	**25th November, 2017**	25th November, 2017	In this case, the date of receipt of payment (advance receipt) is earlier than the date of invoice. Hence, the time of supply will be 25th November, 2017
5th December, 2017	**Date of Entry in Books**: *20th November, 2017* **Date of Payment credited to Bank**: *25th November, 2017*	20th November, 2017	The time of supply will be the earliest of date of invoice or receipt of payment. The date of receipt of payment will be the earliest of: • The date on which the payment is entered in the books of accounts or • The date on which the payment is credited to the bank account. In this case, the date on which the receipt of payment is entered in the books of account is earlier than the date on which payment is credited to the bank account.
5th December, 2017	**Date of Entry in Books**: *15th November, 2017* **Date of Payment credited to Bank**: *10th November, 2017*	10th November, 2017	The time of supply will be the earliest of date of invoice or receipt of payment. The date of receipt of payment will be the earliest of: • The date on which the payment is entered in the books of accounts or • The date on which the payment is credited to the bank account. In this case, the date on which payment is credited to the bank account is earlier than the date on which payment is entered in the books of account.

Time of supply in cases where invoice is not available

Date of Completion of Service	Receipt of Payment	Time of Supply of Services	Explanation
1st November, 2017	5th December, 2017	1st November, 2017	The time of supply will be the earliest of **Date of Completion of Services** and **receipt of payment**. Hence, the time of supply will be 1st November, 2017. This is because the **date of completion of services** is earlier than the **date of receipt of payment**.

S. No.	Concept illustrations Section 13(2)	Invoice date	Invoice due date	Payment entry in supplier's books	Credit in bank account	Time of supply
1	Invoice raised before completion of service	10-Oct-17	20-Oct-17	26-Oct-17	30-Oct-17	10-Oct-17
2	Advance received	30-Oct-17	20-Oct-17	10-Oct-17	30-Oct-17	10-Oct-17

	Based on due date for invoicing Section 13(2) r/w Section 31(2) r/w Rule – 47 related to invoice	Invoice date	Commencement of service	Completion of service	Receipt of payment	Time of supply
3	Delayed issue of invoice	26-Dec-17	20-Oct-17	16-Nov-17	28-Jan-18	16-Nov-17
4	Advance received, invoice for full amount issued on same day (40% advance, 60% post supply payment)	30-Oct-17	30-Oct-17	30-Dec-17	30-Oct-17	30-Oct-17
					04-Dec-17	30-Oct-17

	Continuous supply of services Section 13(2) r/w Section 31(5)	Invoice date	Date as per contract	Receipt of payment	Entry of provision of services in books	Time of supply
5	Section 31(5)(a) Contract provides for payments monthly on the 10th of succeeding month	02-Nov-17	10-Nov-17	15-Nov-17	31-Oct-17	02-Nov-17
		17-Dec-17	10-Dec-17	15-Dec-17	30-Nov-17	10-Dec-17
		10-Jan-18	10-Jan-18	06-Jan-18	31-Dec-17	06-Jan-18
6	Section 31(5)(c)	12-Nov-17	10-Nov-17	25-Nov-17	12-Nov-17	10-Nov-17
	Contract provides for payments on completion of event. Recipient to pay within 1 month from date of completion	24-Apr-18	24-Apr-18	20-Apr-18	24-Apr-18	20-Apr-18

Let us understand time of supply for services under Reverse Charge Mechanism Section 13(3)

The liability of GST (CGST and SGST or IGST as applicable) will arise as shown below:

Earliest of the following	
Date of payment	Earliest of date of payment entered in books of accounts or the date on which payment is credited to the bank accounts
61 days from issue of invoice of supplier	In case payment is not made by recipient to service provider within 60 days, the time of supply will the date immediately following the expiry of 60 days.  61st day from issue of invoice by the supplier

If it is not possible to determine the time of supply through above parameters,
THEN
TIME OF SUPPLY WILL BE

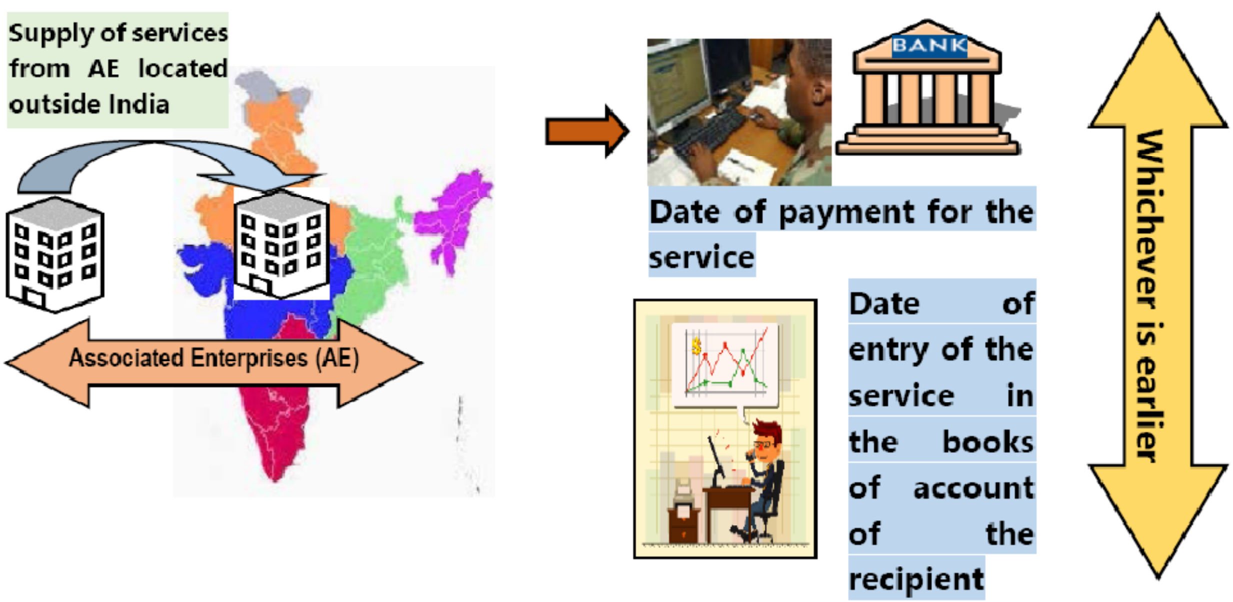
Date of entry of service in the books of account of the recipient of supply

Let us understand this with examples.

Date of Invoice	Date of Payment	Time of Supply of services	Explanation
20th July, 2017	10th August, 2017	**10th August, 2017**	The date of payment is earlier than 60 days from date of invoice. Hence time of supply will be 10th August, 2017.
1st July, 2017	10th September, 2017	**30th August, 2017**	In this case, 60 days from date of invoice is earlier than the date of payment. Hence time of supply will be 30th August, 2017.

Import of services between associated enterprises
In the case of service received from an associated enterprise located outside India, the time of supply will be

(a) the date of entry in the books of account of the receiver
OR
(b) The date of payment
-whichever is earlier



Example :
X Ltd. & Y Ltd. (London) is associated enterprises. X Ltd., a registered firm received the services of Y Ltd., a unregistered firm. Determine the time of supply in following cases:
(i) X Ltd. recorded the liability in the books on 15th July 2017 and payment will be made in the next month.
(ii) X Ltd. made advance payment to Y Ltd. on 10th July and recorded liability in the books on 15th Aug 2017.
Answer:
(i) Time of supply =15-07-2017
Note: as the date of entry in the books is prior to the date of payment.
(ii) Time of supply = 10-07-2017
Note: as the payment is made earlier to the date of entry in the books.

Let us understand Time of Supply of Vouchers Exchangable for Servicess under GST on Forward Charge basis [Section 13(4)]

As per section 13(4), the time of supply of vouchers exchangeable for Services is-

Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
Date of redemption of the voucher in other cases.

Let us understand Time of Supply of Servicess under Residual case under GST on Forward Charge basis [Section 13(5)]

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 13, in the following manner:

- ✓ Where a Periodical return is required to be filed - Due date of filing such return, or
- ✓ In any other case - Date on which GST is paid.

Enhancement in value on account of interest/late fee etc. for delayed payment of consideration [Section 13(6)]

Section 13(6) prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for a service is the date on which the supplier receives such addition in value.

Time of Supply in case of Change in Rate of Tax [Section 14]

In case of change in rate of tax, determination of rate of tax depends upon three events namely,-

- ✓ Date of supply of goods or services,
- ✓ Date of invoice; and
- ✓ Date of receipt of payment

If any two of the above events occur before the change of rate, the time of supply is before the change of rate. If any two of them occur after the change of rate, the time of supply is after the change of rate and the new rate becomes applicable to the supply. Using this principle, time of supply, in case of change in rate of tax, can be determined as under:

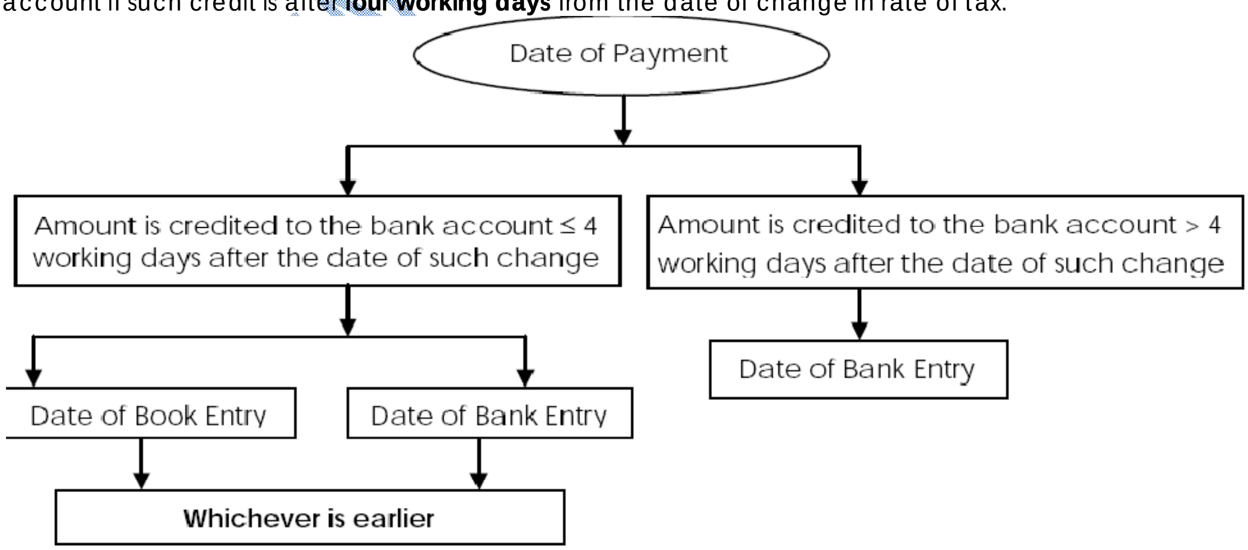
S.No.	Supply is completed before the change in rate of tax	Invoice issued before the date of change in tax	Payment received before the date of change in tax rate	Time of supply	Applicable rate of tax
1	Yes	No	No	Earliest of the date of invoice or payment	New Rate of Tax
2	Yes	Yes	No	Date of issue of invoice	Old Rate of tax
3	Yes	No	Yes	Date of receipt of payment	Old Rate of tax
4	No	Yes	Yes	Earliest of the date of invoice or payment	Old Rate of Tax
5	No	Yes	No	Date of receipt of payment	New Rate of tax
6	No	No	Yes	Date of issue of Invoice	New Rate of tax

Rate of Tax before 01.08.2017 was 18% and has been reduced to 12% w.e.f 01.08.2017

Sr No	Case	Date of Supply of Goods /Services	Invoice date	Payment by Recipient	Time of supply	Applicable GST Rate
1	Case-1	10-Jul-17	20-Jul-17	21-Jul-17	20-Jul-17	18%
2	Case-II	10-Jul-17	20-Jul-17	10-Aug-17	20-Jul-17	18%
3	Case-III	10-Jul-17	2-Aug-17	20-Jul-17	20-Jul-17	18%
4	Case-IV	10-Jul-17	2-Aug-17	1-Aug-17	1-Aug-17	12%
5	Case-V	10-Aug-17	20-Jul-17	21-Jul-17	20-Jul-17	18%
6	Case-VI	10-Aug-17	20-Jul-17	1-Aug-17	1-Aug-17	12%
7	Case-VII	10-Aug-17	2-Aug-17	21-Jul-17	2-Aug-17	12%
8	Case-VIII	10-Aug-17	3-Aug-17	4-Aug-17	3-Aug-17	12%

Date of crediting of payment in bank account to be the "date of receipt of payment" if such crediting takes place after 4 working days of change in rate of tax

Normally the date of receipt of payment is the date of credit in the bank account of the recipient of payment or the date on which the payment is entered into his books of account, whichever is earlier. However, in cases of change in rate of tax, the date of receipt of payment is the date of credit in the bank account if such credit is after **four working days** from the date of change in rate of tax.



Example :-
Rate of tax is changed on 10th July. Receipt of payment is recorded in the books of account of the supplier on 8th July. The payment is credited in the supplier's bank account on 15th July. The Bank was open all days between 10th and 15th July. Here, the date of receipt of payment is 15th July.

Example :
Mr. X being a supplier receives consideration in the month of September 2017, instead of due date of July 2017, and for such delay he is eligible to receive an interest amount of Rs. 1000/- and the said amount is received on 15.12.2017.
Find the time of supply for the interest portion and due date of payment.
Answer:
The time of supply = 15.12.17
i.e. the date on which it is received by the supplier and
Due date of tax liability = 20.01.18.