

J S PG COLLEGE SIKANDRABAD, College Code 626

GOODS AND SERVICE TAX

TIME AND VALUE OF SUPPLY OF GOODS

Time of Supply of Goods – Sec 12(2)

Actual date of issue of invoice by the supplier

Due date for issue of invoice by the supplier [Section 31(1)*]:

- **Non-Continuous Supply involves movement:** Time of removal of goods for supply [31(1)(a)]
- **Non-Continuous Supply - Other cases:** Delivery of goods/ making available to the recipient or [31(1)(b)]
- **Continuous Supply:** Date of issue of statement of account/receipt of payment [31(4)]
- **Sale on approval basis:** Earlier of time at which it becomes known that the supply has taken place OR 6 months from date of removal [31(7)]

Date of receipt of payment (date on which payment is entered in the books of Accounts of supplier or Date on which payment is credited to the supplier's bank a/c whichever is earlier- Explanation 2 to Section 12(2))

As per Section 12(2) of CGST ACT, time of supply of goods shall be earlier of invoice/ payment, i.e., –

**Where payment is received in advance, the Supplier shall issue a receipt voucher, and NOT a tax invoice*

Time of Supply of Goods – Sec 12(2)

Excess payment of upto Rs. 1000/- is received in respect of any invoice

- Time of supply shall at option of the supplier is date of issue of invoice in respect of such excess amount.
(*Proviso to Sec 12(2)*)

No tax on advance received against the supply of goods

As per Notification No. 40/2017- CT dated 13-10-2017, suppliers of goods having aggregate turnover of upto Rs 1.50 crores in the last year or current year have been exempted to pay tax upon receipt of advance (w.e.f 13-10-2017) as the **time of supply in such cases would be the date of invoice or due date of issue of invoice** in light of Clause (a) of Section 12(2). Subsequently this exemption has been extended w.e.f. 15-11-2017 to all tax payers vide Notification No 66/2017-CT dated 15-11-2107.

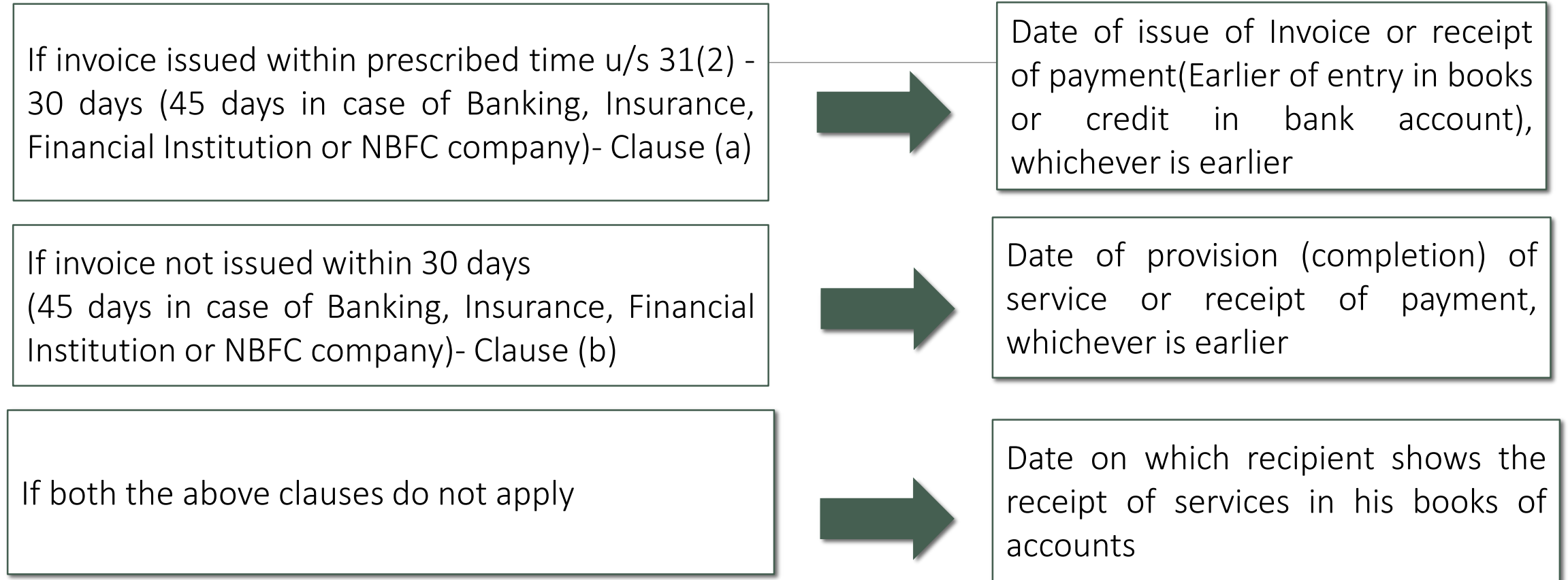
This benefit is not available to person covered under Composition Scheme.

Time of Supply of Goods – Sec 12(2)

In summary, the taxability of the consideration received in advance in respect of goods for non-composition dealers would be as follows:

Period	Taxability of consideration received in advance	
	Aggregate turnover less than Rs 1.50 crores	Aggregate turnover more than Rs 1.50 crores
01.07.2017 to 12.10.2017	Taxable	Taxable
13.10.2017 to 14.11.2017	Not taxable	Taxable
15.11.2017 and onwards	Not taxable	Not taxable

Time of Supply of Services – Sec 13(2)



**Where payment is received in advance, the Supplier shall issue a receipt voucher, and NOT a tax invoice*

**Where payment of Rs. 1000/- is received in excess, then time of supply for goods or services at the option of supplier is date of issue of invoice (Proviso to section 13(2)).*

Time of Supply of Goods / Services - Reverse Charge – Sec 12(3) / 13(3)

Date of receipt of Goods (applicable only for goods)	Date on which payment is entered in the books of recipient or debited to the recipient's bank a/c (whichever is earlier)
Where tax liable to be paid on reverse charge basis, the time of supply of goods/services shall be <u>earliest</u> of	
31 st day (in case of goods) / 61 st day (in case of services) from the date of issue of invoice by supplier <i>Note: This factor is not relevant in case of import of services from an associated enterprise outside India</i>	Where it is not possible to determine time of supply in the 3 other cases: Date of entry in the books of account of the recipient <i>Note: This factor is relevant in case of import of services from an associated enterprise outside India</i>

In case of import of services from an associated enterprises the time of supply is the date of entry in the books of account of recipient of supply OR date of payment, whichever is earlier. (2nd proviso to Section 13(3) of CGST Act).

Time of Supply of Vouchers – Sec 12(4)/13(4)

Time of supply in case of supply of voucher–

Date of issue – *If supply is identifiable at the point of issue of voucher*

Date of redemption of voucher – *Other cases*

Note: *Voucher – can be for goods or services*

Residual Provision – Sec 12(5) / 13(5)

Where it is not possible to determine the time of supply under any of the circumstances discussed, it shall be determined as:

Due date for filing of such return
– *If periodical return has to be filed*

Date on which the Tax is paid –
Other cases

Time of Supply of Goods / Services - Value Addition – Sec 12(6) / 13(6)

Time of supply
for value
addition by way
of

Interest,
Late Fees,
Penalty

For Delayed
payment of
Consideration
shall be

Date on which
the supplier
receives such
addition in value

As per Section 15(2)(d) of CGST Act the value of supply shall include interest or late fee or penalty for delayed payment of any consideration for any supply.

Value of Supply

Value of Taxable Supply – Sec 15

Value of Taxable Supply

Value of supply of goods or services or both shall be the 'Transaction Value', where

- Supplier and recipient of supply are unrelated
- Price is actually paid / payable – AND price is the sole consideration for the supply

Explanation to Section 15 of the CGST Act deems the persons below to be “related persons”:

- Officers / Directors of one another's business
- Partners in business
- Employer – employee
- A person directly / indirectly owns / controls / holds 25% of shares of both the persons
- One directly / indirectly controls the other
- Both are directly / indirectly controlled by a third person
- Together, they directly / indirectly control a third person
- Members of the same family
- Sole agent / distributor / concessionaire of the other

Transaction value: Inclusions and exclusions

Transaction Value INCLUDES:

- Amounts charged separately by supplier to recipient in respect of any **taxes, duties, cesses, fees and charges levied** under any law, other than taxes paid under GST regime;
- **Amount incurred by Recipient** which is liable to be paid by the Supplier and not included in the price;
- Charges by Supplier to Recipient being:
 - **Incidental expenses** (e.g.: packing, commission)
 - **Charges for anything done by the Supplier** at the time or before the supply, in respect thereof
 - **Interest/ late fee/ penalty** for delayed payment of consideration
 - **Subsidies directly linked to price** – for supplier receiving the subsidy (excluding Central and State Govt subsidies; i.e., Government subsidies will not be included in transaction value)

Transaction Value EXCLUDES discount:

- **Before / at the time of supply**
 - **Single condition:** Such discount is duly recorded in the invoice
- **After the supply: Cumulative conditions:**
 - Agreement establishing discount entered into before / at the time of supply
 - Discount specifically linked to relevant invoices
 - ITC reversed by the recipient to the extent of discount

Transaction value: Recourse to Rules

A. Where value cannot be determined u/s 15(1), i.e., when:

1. Price is not the sole consideration
2. Supplier-recipient are related persons: Recourse to Rules even if the Supplier-Recipient relationship:

Did not influence the price;

Precedes agreement to the supply;

Has no bearing on pricing;

Has no bearing on Agreement to the Supply;

Has no relevance to the Supply;

Was to meet with different criteria or purpose;

(Rules will apply both ways – supplier to recipient and recipient to supplier)

B. In case of notified supplies

CGST Rules, 2017 (Rule 27 to 35)

Rule 27 of CGST Rules

Value of supply of goods or services where consideration is not wholly in money

The value of supply shall be-

- a) The open market value of such supply
- a) If open market value not available, be the sum total of consideration in money and such further amount in money as is equivalent to consideration not in money if such amount is not known at the time of supply

Rule 27 of CGST Rules continued

- c) If value is not determinable under (a) or (b), the value of supply of goods/ services of like kind and quality
- d) If value not determinable under (a), (b) or (c), be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by application of rule 30 or 31 in that order.

Rule 27 of CGST Rules continued

Illustration:

- (1) Where a new phone is supplied for Rs. 20,000/- along with the exchange of an old phone and if the price of the new phone without exchange is Rs. 24,000/- , the open market value of the new phone is Rs. 24,000/-.*
- (2) Where a laptop is supplied for Rs. 40,000/- along with the barter of a printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs. 4,000/- but the open market value of the laptop is not known, the value of the supply of the laptop is Rs. 44,000/-.*

related persons

(a) The open market value of such supply

(b) If open market value is not available

Value of supply of goods or services of like kind and quality

(c) If value of supply is not determinable under clause (a) or (b)

Value as determined by application of Rule 30 or Rule 31, in that order

Provided that where goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person

Where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of goods or services

Rule 29: Value of supply of goods made or received through an agent

- a) open market value, or
 - at the option of the supplier, be 90% of the price charged for the supply of goods of like kind and quality by the recipient (agent) to his customer not being a related person,
 - where the goods are intended for further supply by the said recipient (agent)
- b) where the value of a supply is not determinable under clause (a), the same shall be determined by application of rule 30 or rule 31 in that order.

Rule 29: Value of supply of goods made or received through an agent

Illustration:

A principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of five thousand rupees per quintal on the day of the supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of four thousand five hundred and fifty rupees per quintal. The value of the supply made by the principal shall be four thousand five hundred and fifty rupees per quintal or where he exercises the option, the value shall be 90 per cent. of five thousand rupees i.e., four thousand five hundred rupees per quintal.

Rule 30: Value of supply of goods or services or both based on cost

- Where value is not determinable by any of the preceding rules,
- the value shall be 110% of the:
 - cost of production or manufacture or
 - cost of acquisition of such goods or
 - cost of provision of such services.

Rule 31: Residual Method

- Where value cannot be determined under Rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and general provisions of Sec 15 and these Rules.
- Further, in case of supply of services, the supplier may opt for this rule, disregarding rule 30.

Rule 31A : Value of supply in case of lottery, betting, gambling and horse racing

Value of supply of lottery run by State Governments shall be deemed to be higher of :-

- 100/112 of the face value of ticket
- Price as notified in the Official Gazette by the organising State

Value of supply of lottery authorised by State Governments shall be deemed to be higher of :-

- 100/128 of the face value of ticket
- Price as notified in the Official Gazette by the organising State

Rule 31A : Value of supply in case of lottery, betting, gambling and horse racing

Explanation:-

- a) “lottery run by State Governments” means a lottery not allowed to be sold in any State other than the organizing State
- b) “lottery authorised by State Governments” means a lottery which is authorised to be sold in State(s) other than the organising State also.
- c) “Organising State” has the same meaning as assigned to it in clause (f) of sub-rule (1) of rule 2 of the Lotteries (Regulation) Rules, 2010

Value of supply of actionable claim in the form of chance to win in betting, gambling or horse racing in a race club shall be:

- 100% of the face value of the bet or
- the amount paid into the totalisator

Rule 32: Determination of value in respect of certain supplies

Rule 32(2): Purchase or sale of forex including money changing

Option-1

When exchanged from or/ to INR:

- difference of buying rate/ selling rate and RBI reference rate X total units of currency
(If RBI reference rate is not available, value shall be 1% of gross amount of INR received or provided)
- If neither of two currencies exchanged in INR, the value shall be equal to:
 - 1% of the lesser of the two amounts
 - received by converting any of the two currencies into INR
 - on that day at the reference rate provided by RBI.

Rule 32: Determination of value in respect of certain supplies

OPTION-2

Amount of currency exchanged up to Rs.1 lakh

1% of the gross amount of currency exchanged or Rs. 250/-, whichever is higher

Amount of currency exchanged exceeding Rs.1 lakh and up to Rs.10 lakhs

Rs. 1,000/- + 0.5% of the gross amount of currency exchanged above Rs. 100,000/-

Amount of currency exchanged exceeding Rs.10 lakhs

Rs. 5,500/- + 0.10% of the gross amount of currency exchanged above Rs.10 lakhs or Rs. 60,000/-, whichever is lower

Rule 32: Determination of value in respect of certain supplies

Rule 32(3) - Air Travel Agents:

- Domestic bookings: 5% of Basic Fare
- International bookings: 10% of Basic Fare

“Basic fare” means that part of the air fare on which commission is normally paid to the air travel agent by the airline.

Rule 32: Determination of value in respect of certain supplies

Rule 32(4)-Life Insurance Business

- a) gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such amount is intimated to the policy holder at the time of supply of service;
- b) in case of single premium annuity policies other than (a) - 10% of single premium charged from the policy holder; or
- c) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from policy holder in subsequent years;

Not apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance.

Rule 32: Determination of value in respect of certain supplies

Rule 32(5)- Second Hand Goods

- Supply of used goods as such or after such minor processing which does not change the nature of the goods and where no ITC has been availed on purchase of such goods,
- the value of supply shall be:
 - the difference between the selling price and purchase price and
 - where the value of such supply is negative, it shall be ignored.

Rule 32: Determination of value in respect of certain supplies

Rule 32(6)- Token / Coupon / Voucher / Stamp

- The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply shall be equal to:-
 - money value of the goods or services or both redeemable against such token, voucher, coupon, or stamp.

Rule 32(7)- Distinct Persons

- The value of taxable services provided by such class of service providers; as may be notified by the Government between distinct persons, (Entry-2 of Schedule I); other than those where ITC is not available under S.17(5); shall be deemed to be NIL.

Rule 33: Definition of Pure Agent

Agency supplies are different from 'pure agent' in relation to valuation

There is a payment made to third party by a payer

Payer is a supplier of goods or services or both to a beneficiary (client)

Underlying obligation to pay third party is of the beneficiary (client)

Payment by payer is to discharge beneficiary's obligation toward third party

Third party enjoys recourse to beneficiary in case of non-payment by payer

For example, income-tax liability of a client is paid by the CA

Rule 33: Value of supply of services in case of Pure Agent

The expenditure or costs incurred by the pure agent shall be excluded from the value of supply, if all the following conditions are satisfied, namely:

- (i) the supplier acts as a pure agent of the recipient of the supply,
- (ii) Receive supply in his capacity as pure agent of the recipient of supply;
- (iii) the recipient of supply is liable to make payment to the third party;
- (iv) the recipient of supply authorises the supplier to make payment on his behalf;
- (v) the recipient of supply knows that the services shall be provided by third party;
- (vi) separately indicated in the invoice of service;
- (vii) the supplier recovers only such amount as has been paid to third party; and
- (viii) services as pure agent are in addition to supply he provides on his own account.

Rule 34: Rate of exchange of currency, other than INR, for determination of value

(1) The rate of exchange for determination of value of **taxable goods** shall be:-

the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.

(2) The rate of exchange for determination of value of **taxable services** shall be:-

the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.

Rule 35: Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax

Where Value of Supply is inclusive of IGST/ CGST/ SGST/ UTGST then:

$$\text{Tax Amount} = \frac{\text{Value inclusive of taxes} \times \text{tax rate in \% of IGST or as the case may be CGST, SGST or UTGST}}{(100 + \text{sum of tax rates, as applicable, in \%})}$$

Thank You

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