



**M/s PRANJAL JOSHI & CO**  
**CHARTERED ACCOUNTANTS**

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**At what time supply is liable to tax under GST ? (i.e. Time of Supply)**

**Objectives and Importance of this chapter –**

The time of supply fixes the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. The CGST/SGST Act provides separate time of supply for goods and services.

**Time of supply of goods**

**Forward Charge**

**A.** The **time of supply of goods** shall be the **earlier** of the following dates, :—

(a) the **date of issue of invoice** by the supplier or **the last date** on which he is **required to issue the invoice** with respect to the supply; or

(b) the **date** on which the **supplier receives the payment** with respect to the supply:

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 amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount

“the date on which the supplier receives the payment” shall be the date on which the payment is entered in his books of account or the date on which the payment is credited to his bank account, whichever is earlier.

**However, vide Notification No.- 66/2017-Central Tax dated 15.11.2017,** the registered person who did not opt for the composition levy under section 10 shall pay the central tax on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e. the date of issue of invoice by the supplier or Due date of issue of invoice. **Therefore, no GST is payable on advances received against supply of goods.**

It is pertinent to mention here that earlier vide Notification No.40/2017- Central Tax dated 13.10.2017, the benefit was granted to only small assesses. i.e., registered persons whose aggregate turnover in the preceding financial year did not exceed Rs 1.50 crore or the registered person whose aggregate turnover in the year in which such person has obtained registration is likely to be less than ` 1.50 crore and who did not opt for the composition levy under section 10 of the said Act as the class of persons who shall pay the central tax on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act.

**Supply involves movement**

Before the goods are to be sent off, the invoice is required to be issued where the removal is by the supplier.

Where the movement is by the recipient, the point of removal will arise when the goods are collected by the recipient from the premises of the supplier. So, the invoice is to be issued by the



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supplier just before the point when the recipient (or his agent or transporter) collects the goods from his premises.

**Supply does not involve movement**

Where the supply involves movement of goods then an invoice must be issued at the exact time when the goods are about to be removed. And where the supply does not involve movement of goods then an invoice must be issued at whatever is the time when the goods are delivered or made available to the recipient.

**Continuous supply of goods**

Two important conditions to be satisfied for a supply to be called as continuous supply of goods:

- a) The supply of goods should be provided on a continuous or recurrent basis
- b) The supplier should be invoicing the recipient on a regular or periodic basis

For the purpose of continuous supply, it is necessary that successive statement of accounts or successive payments or both are involved for the purpose of determining the consideration for such supply. As per Section 31, in respect of continuous supply of goods, it has been stated that invoice should be issued before or at the time each such statement is issued or each such payment is received.

**Goods sent or taken on approval for sale or return basis**

The last date of issuance of invoice in such cases as per Section 31(7) of the CGST Act 2017 has been given as earlier of: a) Before at the time of supply b) Six months from the date of removal

**Goods sent to Job worker**

The provisions relating to job-work provides for supply of capital goods / inputs to the job-worker without payment of tax (section 143). The intention of the law is not to tax capital goods / inputs sent to job-worker as supply since in such an arrangement the goods are received back by the principal. However, if such goods are not received back within three years and one year respectively, it would qualify as supply by way of operation of deeming fiction.

In this regard, the Central Government has issued a Circular No. 38/12/2018 dated 26.03.2018 wherein it is clarified that the principal should issue an invoice on expiry of three years / one year and should declare such supplies in the return filed for the month in which the time period of three years / one year is expired.

**B.** In case of **supplies** in respect of which tax is **paid or liable to be paid on reverse charge basis**, the **time of supply** shall be the **earliest of** the following dates:—

(a) the **date of the receipt of goods**; or

(b) the **date of payment** as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or



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(c) the **date** immediately **following thirty days from the date of issue of invoice** or any other document, by whatever name called, in lieu thereof by the supplier

Where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

**C.** In case of supply of vouchers by a supplier, the time of supply shall be—

(a) the date of issue of voucher, if the supply is identifiable at that point; or

(b) the date of redemption of voucher, in all other cases.

**D.** The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

#### **Time of supply of services**

##### **Forward Charge**

**A.** The time of supply of services shall be the earliest of the following dates, :—

(a) the **date of issue of invoice** by the supplier, if the invoice is issued within the prescribed period or the **date of receipt of payment**, whichever is earlier; or

(b) the **date of provision of service**, if the invoice is not issued within the prescribed period or the **date of receipt of payment**, whichever is earlier; or

(c) **the date on which the recipient shows the receipt of services in his books of account**, in a case where the provisions of clause (a) or clause (b) do not apply

Where the supplier of taxable service 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 amount shall, at the option of the said supplier, be the date of issue of invoice relating to such excess amount.

“the date on which the supplier receives the payment” shall be the date on which the payment is entered in his books of account or the date on which the payment is credited to his bank account, whichever is earlier.

Rule 47 of the CGST Rules, 2017 prescribes the time period within which such invoice should be issued. It states that in case of the taxable supply of services, invoice should be issued **within thirty days from the date of supply of services**. In case of banking company/financial institution/non-banking financial company, the time period becomes forty five days from the date of supply of services.



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**Continuous supply of services**

There important conditions to be satisfied in order to be a continuous supply of services:

- a) The services should be provided continuously or on recurrent basis
- b) The contract period should be exceeding three months
- c) The payment obligations should be periodical

The date of issuance of invoice in respect of continuous supply of services –

- i. Where the due date of payment is ascertainable from the contract, the invoice will be issued on or before the due date of payment.
- ii. Where the due date of payment is not ascertainable from the contract, the invoice will be issued before or at the time when the supplier of services receives the payment
- iii. When the payment is linked to the completion of an event, the invoice will be issued on or before the date of completion of that event.

**Cessation of supply of services before the completion of the supply**

Where the supply of services ceases before the completion of the supply, the invoice is to 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.

**B.** In case of **supplies** in respect of which tax is paid or liable to be paid on **reverse charge basis**, the time of supply shall be the **earlier** of the following dates, namely:—

- (a) the **date of payment** as entered in the books of account of the recipient or the **date on which the payment is debited in his bank account**, whichever is earlier; or
- (b) the **date** immediately **following sixty days from the date of issue of invoice** or any other document, by whatever name called, in lieu thereof by the supplier:

Provided that where it is not possible to determine the time of supply under clause (a) or clause (b), the time of supply shall be the date of entry in the books of account of the recipient of supply:

Provided further that in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

**C.** In case of supply of vouchers by a supplier, the time of supply shall be—

- (a) the date of issue of voucher, if the supply is identifiable at that point; or
- (b) the date of redemption of voucher, in all other cases.



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**D.** The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

### Change in rate of tax in respect of supply of goods or services

1. In case the goods or services or both have been supplied **before the change in rate of tax,—**

(i) where the invoice for the same has been issued and the payment is also received after the change in rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier; or

(ii) where the invoice has been issued prior to the change in rate of tax but payment is received after the change in rate of tax, the time of supply shall be the date of issue of invoice; or

(iii) where the payment has been received before the change in rate of tax, but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the date of receipt of payment

2. In case the goods or services or both have been supplied after the change in rate of tax,—

(i) where the payment is received after the change in rate of tax but the invoice has been issued prior to the change in rate of tax, the time of supply shall be the date of receipt of payment; or

(ii) where the invoice has been issued and payment is received before the change in rate of tax, the time of supply shall be the date of receipt of payment or date of issue of invoice, whichever is earlier; or

(iii) where the invoice has been issued after the change in rate of tax but the payment is received before the change in rate of tax, the time of supply shall be the date of issue of invoice:

Provided that the date of receipt of payment shall be the date of credit in the bank account if such credit in the bank account is after four working days from the date of change in the rate of tax.

“the date of receipt of payment” shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier

### Important FAQ's

**Let's say there was increase in tax rate from 18% to 20% w.e.f.1.6.2017. What is the tax rate applicable when services provided and invoice issued before change in rate in April 2017, but payment received after change in rate in June2017?**

Ans. The old rate of 18% shall be applicable as services are provided prior to 1.6.2017.

**Let's say there was increase in tax rate from 18% to 20% w.e.f. 1.6.2017. What is the tax rate**



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**applicable when goods are supplied and invoice issued after change in rate in June 2017, but full advance payment was already received in April 2017?**

Ans. The new rate of 20% shall be applicable as goods are supplied and invoice issued after 1.6.2017