

Time and Value of Supply of GST

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Meaning of Supply under GST

Supply is considered a taxable event for charging tax under GST. The liability to pay tax arises at the time of supply of goods or services. Thus determining whether or not a transaction falls under the meaning of supply, is important to decide GST's applicability.

Supply includes sale, transfer, exchange, barter, license, rental, lease and disposal. If a person undertakes either of these transaction during the course or furtherance of business for consideration, it will be covered under the meaning of Supply under GST.

Elements of Supply- Supply has two important elements:

- Supply is done for a consideration
- Supply is done in course of furtherance of business

Classification of supply:

1 Composite Supply – “A supply made by a taxable person to a recipient comprising two or more supplies of goods or services or any combination thereof which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.”

Example- Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

2 Mixed Supply – Two or more individual supplies of goods or services or any combination thereof made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.”

Example- A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other like supply of toothpaste with toothbrush.

Tax Liability on a ‘Composite’ or a ‘Mixed Supply’

‘Composite supply’ comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such ‘principal supply’.

'Mixed supply' comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.

Meaning of Time of Supply under GST

Time of supply means the point in time when goods or services are considered supplied. When the seller knows the 'time', it helps him identify due date for payment of taxes.

CGST/SGST or IGST must be paid at the time of supply. Goods and services have a separate basis to identify their time of supply.

(i) Time of Supply of Goods – Time of Supply of Goods is earliest of:

1. Date of issue of invoice
2. Last date on which invoice should have been issued

3. Date of receipt of advance/payment.

Example: Mr. A sold goods to Mr. B worth Rs.10,000. The invoice was issued on 15th January. The payment was received on 31st January. The goods were supplied on 20th January. In this example **date of issue of invoice is 15th January** and **last date on which invoice should have been issued 20th January**.

Note: GST is not applicable to advances under GST. GST in Advance is payable at the time of issue of the invoice.

(ii) Time of Supply for Services- Time of supply of services is earliest of:

1. Date of issue of invoice.
2. Date of receipt of advance or payment.
3. Date of provision of services (if invoice is not issued with in

prescribed period).

(iii) **Time of Supply under Reverse Charge-** In case of reverse charge the time of supply for service receiver is earliest of:

1. Date of payment

2. 30 days from date of issue of invoice for goods(60 days for services)

Example: M/s XYZ Pvt. Ltd under took services of a director Mr. A worth Rs. 25,000 on 15th January . The invoice was raised on 1st February. M/s XYZ Pvt. Ltd made the payment on 1st May. In this example date of payment is 1st May and 60 days from date of invoice is 2nd April. Thus the time of supply of services is 2nd April.

Value of Supply of Goods or Services- Value of supply means

the money that a seller would want to collect for the goods and services supplied. The amount collected by the seller from the

buyer is the value of supply.

But where parties are related and a reasonable value may not be charged, or transaction may take place as a barter or exchange; the GST Law prescribes that the value on which GST is charged must be 'transaction value'.

This is the value at which unrelated parties would transact in the normal course of business. It makes sure GST is charged and collected properly, even though the full value may not have been paid.