

The definition of supply as laid under section 7, of the Central GST Act, 2017 is an inclusive definition. Thus, any form of supply of goods or services would get covered. The term 'supply' includes all forms of supply of goods or services for a consideration, in the course of or for furtherance of business or even without a consideration. Supply can be categorized as follows;

Part I: Supplies for consideration;

Sale	Any sale of goods or services which broadly result in the transfer of title in case of goods, and transfer of right to use in case of services
Transfer	Any branches/stock transfers form a part of supply and are taxable
Barter/Exchange	When the consideration is paid through goods instead of money. For example: a seller has supplied goods and the buyer supplies goods to the extent of payment or when one product is exchanged with another product
License	Any grant of license to use forms part of supply. For example: online subscriptions
Rental	Renting of property fully or partially is a supply under GST
Lease	Lease Letting out the building or property on lease is a supply under GST
Disposal	Disposal of business assets forms part of supply.

Part II: Supplies without consideration

Section 7 (1) (c) read with Schedule I of the Central GST Act, 2017 specifies services which are made or agreed to be made without a consideration. Thus, the following transaction will be subject to GST, even if there is no consideration.

- Permanent transfer/ disposal of business assets where input tax credit has been availed.

In case of event of sale or transfer of business assets where input tax credit has been availed the transaction shall be treated as supply even when these are cleared or transferred without consideration, and the business is liable to pay GST.

- Supply of goods or services or both between related persons, or between distinct persons when made in the course or furtherance of business.

Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or by an agent to his principal where the agent undertakes to supply such goods on behalf of the principal.

As per aforesaid clause, the agent will be liable for GST on value of goods or services only if he undertakes to supply any goods and/or services on behalf of any principal. However, if the agent does not supply goods or services, he is not liable for GST on the value of goods or services. He would be liable for GST only on his commission. Moreover, in case of goods returned by an agent to principal would be covered under this clause and attract GST.

- Importation of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

This implies that services imported without consideration from related persons situated outside India will be subject to levy of GST only if it is in the course of or for furtherance of

business.

Part III: Deemed Supply

As per Schedule II of Central GST Act, 2017 read with Section 7(1)(d) provides clarity on determining the type of supply as supply of goods or supply of services. This aims at eliminating the ambiguity that exists in the current indirect tax system, regarding, Service Tax Vs VAT on works contract, AC Restaurant Service, etc.

It is, therefore, important for businesses to know whether supply amounts to supply of goods or supply of services, and treat them accordingly. The list of the prescribed deemed supply are as under:

Transactions Deemed as Supply of Goods:

- Any transfer of the title in goods is a supply of goods •

Any transfer of title of goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed like hire purchase

- Permanent transfer or disposal of business assets with or without consideration
- Supply of goods by any unincorporated association or body of persons to a member thereof

Transactions Deemed as Supply of Services:

- transfer of right or undivided share in goods without transfer of title
- Any lease, tenancy, easement, license to occupy land
- Any lease or letting out of the building for business or commerce either wholly or partially
- Any treatment or process applied on another person's goods like job work
- Any business assets put for private use whether or not for consideration
- Renting of immovable property
- Construction of a complex, building, civil structure or part thereof
- Temporary transfer or permitting the use or enjoyment of any intellectual property right
- Development, design, programming, customization, adaptation, up -gradation, enhancement, implementation of information technology software
- Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act
- Works contracts

Supply of goods, being food or any other article for human consumption or any drink

Part IV: Specific Exclusions

There are certain categories of services which are specifically excluded from the levy of GST. As in the present service tax law concept of negative list prevails similar concept has been introduced in the GST.

As per schedule III read with section 7(2) (a) of the Central GST Act, 2017 the following matters shall be treated as neither supply of goods nor supply of services:

- Services by an employee to the employer in the course of or in relation to his employment.
- Services by any court or tribunal
- The functions performed by any Members of Parliament, State legislature, Panchayats, Municipalities and other local authorities
- The duties performed by any person as a Chairperson/Member/Director in a body established by the Central Government, State Government or local authority and who is not deemed as an employee before the commencement of this clause
- Services of funeral, burial, crematorium or mortuary including transportation of deceased
- Sale of land, sale of building after the issuance of completion certificate and
- Actionable claims other than lottery, betting and gambling

Certain categories of activities or transaction undertaken by the Central Government, State Government or any local authority in which they are engaged as public authorities as may be specified by the Central/ State Government, shall be treated neither as a supply of goods nor a supply of services. Therefore, no tax is payable by recipient of such services.

Part V: Mixed and Composite Supply

As per Section 8 of the Central GST Act, 2017 certain specific provisions have been made to determine rate of GST in case of composite supply and mixed supply.

“Composite supply” means 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 principal supply. For e.g. In case where goods are packed and transported with insurance, the supply of goods , packing materials, transportation and insurance is a composite supply and supply of goods is the principal supply.

Also the work contracts and supply of goods, being food or any other article for human consumption or any drink are considered to be deemed composite supply as per clause 6 of Schedule II of the law.

Example 1: A gift-wrapped box of chocolates. Here, the chocolates are the principal supply, while the box, gift wrapper, message card and gift wrapping service offered by the salesperson are supporting elements that cannot be supplied individually without the chocolates. This is a composite supply, and its GST rate will be same as the rate for the chocolates.

Example 2: A dealer sells a brand-new vehicle along with registration, insurance, a tool kit

and first aid kit, and 4 free maintenance services. This is a composite supply, because vehicle insurance, registration and free maintenance services cannot be supplied without the vehicle (which is the principal supply).

“Mixed supply” means 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. For e.g. In case of supply of a package consisting of watch, tie, belts as a combo pack then although always these items can be sold individually and are not dependent on each other. Then such a supply would be termed as mixed supply.

1: A plant nursery sells cut flowers, ornamental plants, and gardening services together as a bundle. When they're sold separately, the plants and flowers incur GST at a rate of 5%, and the gardening services incur GST at a rate of 18%. When they're offered together as a bundle, the whole bundle will incur GST at the 18% rate.

Example 2: A travel and tour package includes hotel rooms (room rent < Rs.1000, so GST exempt), taxi service (GST 5%), and meals (non-AC restaurant GST 12%) bundled together. This is a mixed supply because each of these can be offered individually. The meals have the highest GST tax rate, so it is treated as the principal supply, but the hotel rooms and taxi service could still be sold separately if the supplier wished.

Characteristics of supply.

In the GST system, a taxable event is called a Supply. For an event to be considered as a supply by the government, it should have the following characteristics

1. Supply should be taxable: Supply of goods or services can either be taxable or tax-exempt. Taxable supplies are goods and services that attract GST. Tax-exempt supplies include supply of goods or services that belong to a specific category mentioned in the GST Act.

2. Supply should be made by a taxable person: A taxable person is defined as a person who is registered under the GST, or is a liable to register, or a person who has voluntarily registered. Supply between two non-taxable people will not be considered as supply under GST. If a person supplies goods or services in different states or has multiple business verticals, then they are required to register separately for each state or vertical. Each of these registered entities will be considered as a taxable person.

3. Supply should be made within a taxable territory: Taxable territory means any place in India except the State of Jammu and Kashmir. Read more about the place of supply here (insert link).

4. Supply should be made in exchange for consideration: Consideration can be defined as a barter of goods or services, or payment made for a supply in money, or in kind. A prepayment or deposit toward a supply is also as accepted as a consideration by the government. According to CGST Act, the following activities that will be treated as supply even if it is made without consideration.

- ☒ When a business permanently transfers or disposes its assets for which input tax credits have been availed.

- ☒ Supply made between two related or separate persons for business purposes.
- ☒ Supply of goods by an agent on behalf of the supplier or supply received by an agent on behalf of a customer.
- ☒ When a taxable person imports services from a related person, or from his or her own business outside of India for business purposes.

5. Supply should be made in the course of business or in the interest of growing a business:

GST is applicable only on business transactions. Hence, for a transaction to be considered as supply under GST, it has to be made for business purposes. **If supplies are made for personal purposes, it will not be considered as a supply under GST.** Taxable supply refers to a supply of goods and/or services which is chargeable to tax under the GST Act. Supplies which are exempt or subject to NIL rate of tax will not be treated as taxable supplies. However, exempt supplies shall be included for the purpose of computing the aggregate turnover to determine the threshold / composition limits.

IV. Types of Supply:

(i). Taxable supply

Taxable supply refers to a supply of goods and/or services which is chargeable to tax under the GST Act. Supplies which are exempt or subject to NIL rate of tax will not be treated as taxable supplies. However, exempt supplies shall be included for the purpose of computing the aggregate turnover to determine the threshold / composition limits.

(ii). Exempt supply

Exempt supply means supply of any goods and/or services which are not taxable under the GST Act and includes such supply of goods/or services which are specified in the Schedule to the Act or which may be exempt from payment of tax under Sec. 10 of the [GST Law](#).

Under Section 10 of the [GST Law](#), a supply may be exempt generally either absolutely or subject to such conditions as may be specified in a notification issued by the appropriate government. Further, where an exemption in respect of any goods and/or services from the whole of the tax leviable thereon has been granted absolutely, the taxable person providing such goods and/or services shall not be eligible pay tax on such goods and/or services

(iii). Zero-rated supply

Zero rated supply is a supply of any goods and/or services on which no tax is payable but credit of the input tax related to that supply is admissible. Exports shall be treated as zero-rated supply. Zero rated supplies will be treated as taxable supply.

(iv). Composite / Mixed supply

Section 2(27) of the [GST Law](#) defines composite supply to mean a supply consisting of two or more goods, two or more services or a combination of goods and services provided in the course or furtherance of business, whether or not the same can be segregated. Many transactions that fall within the scope of GST may consist of more than one element. These elements may be a mix of goods, or services, or both. Sometimes these elements, if supplied separately, may have different GST liabilities depending upon the rates, applicability of time of supply and place of supply provisions. To avoid disputes about whether the supplier is making a single supply with one liability, or multiple supplies with different liabilities, it has to be determined whether the supply is one of goods, or of services, or it is a supply constituted of both goods and services (composite supplies).

To determine whether a particular supply consists of various elements to be treated as a

single supply or as multiple supplies, one has to first identify the essential features of the transaction which involves, ascertaining what the recipient has received. If a component of the supply is to be treated separately from the overall supply of which it is a part, it should be distinct and independent and should amount to more than merely a component of the overall supply. For instance, when a car is given for servicing, as a part of the service, engine oil may be replaced. The supply of the oil cannot be considered as distinct or independent in the context of the overall service required by the recipient. It is also necessary to ascertain whether each supply shall be properly regarded as a principal supply or some of them are merely ancillary to principal supply.

The [GST Law](#) contains specific provisions [sub-Section (3) Section 3] empowering the Central or a State government to specify, by notification, on the recommendations of the GST Council, whether a transaction involving composite supply will be treated as a supply of goods and not a supply of service or a supply of service and not a supply of goods.

(v). Continuous supply of goods/services

Continuous supply of goods means a supply of goods which is provided or agreed to be provided, continuously or on recurrent basis for more than 3 months under a contract, for which the supplier invoices the recipient on a regular or periodic basis. Continuous supply of services means a supply of service notified by the Central or a State government, provided or agreed to be provided, continuously or on recurrent basis under a contract, for a period of exceeding three months, with periodic payment obligations. A few examples of "Continuous supply" can be supply of bricks for construction, security service, supply of water cans on a weekly basis, annual maintenance contract, or telecom and internet services.

Identifying a supply as a continuous supply of goods/services is required in view of the time of supply of provisions. Section 12 of the [GST Law](#) provides that in the case of continuous supply of goods, involving successive statement of accounts or successive payments, the time of supply shall be the date of expiry of the period to which such successive statements of accounts or successive payments relate. Where there are no successive statements of accounts, the date of issue of invoice or the date of receipt of payment, whichever is earlier, shall be the time of supply.

Section 13 of [GST Law](#) provides that in case of continuous supply of services, the time of supply to be (a) where the due date of payment is ascertainable from the contract, the date on which the payment is liable to be made by the recipient of service, whether or not any invoice has been issued or any payment has been received by the supplier of service;(b) where the due date of payment is not ascertainable from the contract, each such time when the supplier of service receives the payment, or issues an invoice, whichever is earlier;(c) where the payment is linked to the completion of an event, the time of completion of that event.

(vi). Inward/Outward supply

An inward supply [Section 2(61)] refers to receipt of goods and/or services whether by purchase, acquisition or any other means by a person registered under the Act. Section 26 of the [GST Law](#) mandates every registered taxable person other than an input service distributor, a person paying tax under composite scheme or a tax deductor at source, to file details of inward supplies as a part of monthly / quarterly return.

An outward supply [Section 2(73)] refers to supply of goods and/or services, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made by such person in the course or furtherance of business except in case of such supplies where the tax is payable on reverse charge basis. Section 25 of the [GST Law](#) mandates every registered taxable person other than an input service distributor, a person paying tax under composite scheme or a tax deductor at source to file details of outward supplies as a part of monthly / quarterly return.

(vii). Inter/Intra State supply

The location of the supplier and the place of supply determines whether a supply is treated as an Intra State supply or an Inter State supply. Determination of the nature of supply is essential to ascertain which type of GST is payable (i.e. CGST/SGST or IGST). Inter State supply of goods means (subject to Section 5 of the draft IGST Act), supply of goods where the location of the supplier and place of supply are in different States. Inter State supply of service means (subject to Section 6 of the draft IGST Act), supply of services where the location of the supplier and place of supply are in different States.

Intra State supply of goods means (subject to Section 5 of the draft IGST Act), supply of goods where the location of the supplier and place of supply are in the same State. Intra State supply of service means (subject to Section 6 of the draft IGST Act), where the location of supplier and the place of supply are in the same State.

(viii). Deemed supply

Schedule I of the [GST Law](#) lists specific transactions made without consideration as deemed supply for GST purposes. They include (i) permanent transfer / disposal of business assets (ii) temporary application of business assets to a private or non-business use (iii) services put to a private or non-business use (iv) assets retained after deregistration of a company and (v) supply of goods / or services by a taxable person to another taxable or non-taxable person in the course or furtherance of business.

Time of Supply

I. Introduction

The liability to pay the goods and services tax arises only when a supply has been made. The time of supply fixes the point when the liability has to be discharged. The time of supply is the time when a supply of goods and / or services is treated as being made under the GST law. It is important to determine the time of supply because a taxable person should charge GST at the time when the supply is made / deemed to have been made. A supplier becomes liable to account for GST once a tax point has occurred and must include it in the return covering the period in which it falls. The time of supply differs for supply of goods and supply of services. This is because goods are tangible and involve physical movement / removal or transport whereas services are intangible that involve performance, for making supply.

2. There are general provisions for determining the time of supply. However in certain cases and in particular situations, specific time of supply provisions are to be applied. It is important to note that where a specific time of supply provision applies, it will override the general provisions

Important terminologies:

1. "Open market value" (OMV)– which is the 'full value in money payable by an unrelated person as its sole consideration at the same time as the supply under inquiry;

2. "supply of goods or services or both of like kind and quality" means any other supply of goods or services or both made under similar circumstances that, in respect of the characteristics, quality, quantity, functional components, materials, and reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or

Time of supply of goods: (Section 12) :

(1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) The time of supply of goods shall be the earlier of the following dates, namely: –

(a) the date of issue of invoice by the supplier or the last date on which he is required, under

sub-section (1) of section 31, 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:

Provided that 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.

Explanation 1. --For the purposes of clauses (a) and (b), "supply" shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.

Explanation 2. --For the purposes of clause (b), "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.

(3) 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, namely:

(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

(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:

Provided that 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.

(4) 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.

(5) Where it is not possible to determine the time of supply under the provisions of subsection (2) or sub-section (3) or sub-section (4), the time of supply shall--

(a) in a case where a periodical return has to be filed, be the date on which such return is to be filed; or

(b) in any other case, be the date on which the tax is paid.

(6) 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;

Section 31(1) provides that a registered person supplying taxable goods shall before or at the time of

(a) Removal of goods for supply to the recipient where supply involves the movement of goods or

(b) Delivery of goods or making available thereof to the recipient in any other case.

issue a tax invoice showing the description, quantity and value of goods, the tax charged etc.

2) A registered person supplying taxable services shall, before or after the provision of

service but within a prescribed period, issue a tax invoice, showing the description, value, the tax charged thereon and such other particulars as may be prescribed.

Prescribed period is the time limit beyond which tax invoice to be issued in arrears cannot be delayed after completion of the provision of service

(3) Notwithstanding anything contained in sub-sections (1) and (2):

(a) a registered taxable person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him;

(b) a registered person may not issue a tax invoice if the value of goods or services or both supplies is less than two hundred rupees' subject to such conditions and in such manner as may be prescribed;

(c) A registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed:

(d) a registered person shall, on receipt of advance payment with respect to any supply of goods or services or both,, issue a receipt voucher or any other document, containing such particulars as may be prescribed, evidencing receipt of such payment;

(e) where on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who made the payment, refund voucher against such payment;

(f) a registered person who is liable to pay tax under sub-section (3) or sub section (4) of section 9 shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both ;

(g) a registered person who is liable to pay tax under sub section 3 or sub section 4 of section 9 shall issue a payment voucher at the time of making payment to the supplier.

(4) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

(5) Subject to the provisions of clause (d) of sub section 3, in case of continuous supply of

Services;

(a) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;

(b) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;

(c) where the payment is linked to the completion of an event, the invoice shall be

issued on or before the date of completion of that event.ec

(6) 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.

(7) Notwithstanding anything contained in sub-section (1), where the goods (being sent or taken on approval for sale or return) are removed before the supply takes place, the invoice

shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

The above provisions have been discussed in detail as under:

1. Time of Supply-Forward charge:

The [GST Law](#) provides that the time of supply of goods shall be the earliest of the following dates:

(a) (i) the date on which the goods are removed by the supplier for supply to the recipient, in a case where the goods are required to be removed or

(ii) the date on which the goods are made available to the recipient, in a case where the goods are not required to be removed, or

(b) the date on which the supplier issues the invoice with respect to the supply, or

(c) the date on which the supplier receives the payment with respect to the supply, or

(d) the date on which the recipient shows the receipt of the goods in his books of account.

Where goods are made available to the recipient refers to cases where the goods (i) are physically not capable of being moved; or (ii) are supplied in assembled or installed form; or (iii) are supplied by the supplier to his agent or his principal.

The expression 'made available to the recipient' mean when the goods are placed at the disposal of the recipient. For the purposes of clauses (b) and (c) above, the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment. For the purpose of clause (c) above, "the date on which the supplier receives the payment" shall be the date on which the payment is entered in his books of accounts or the date on which the payment is credited to his bank account, whichever is earlier.

2. Time of Supply-Reverse Charge: In case of reverse charge, the time of supply shall be the earliest of the following dates: 1.the date of receipt of goods; 2.the date of payment; 3.the date immediately after 30 days from the date of issue of an invoice by the supplier. If it is not possible to determine the time of supply, the time of supply shall be the date of entry in the books of account of the recipient.

Illustration:

1. Date of receipt of goods 15th May 2018
2. Date of invoice 1st June 2018
3. Date of entry in books of receiver 18th May 2018

The Time of supply of goods, in this case, will be 15th May 2018

3. Time of Supply – Vouchers

The Act introduces time of supply in respect of 'vouchers' as a separate category such that the provisions relating to time of supply of goods is made inapplicable when the supply is of such vouchers.

Vouchers are not defined in the Act but its general definition is "a small printed piece of paper that entitles the holder to a discount or that may be exchanged for goods or services"

and examples of voucher are coupon, token, ticket, license, permit, pass.

Now, the time of supply in the case of vouchers is stated to be:

- (i) the date of issue of voucher if the supply is identifiable at that point or
- (ii) and in all other instances, the date of redemption of the voucher.

Interesting situations arise in respect of such transactions. For instance, the points accumulated in a credit card could be used to exchange for goods or issue of an air ticket. Difficulty arises in taxing such transactions in the hands of the person issuing such points. However, the taxability or otherwise of such accumulated points would need detailed deliberations based on facts and surrounding circumstances of each case

4. Time of Supply – Residuary

Where none of the above provisions are able to satisfactorily answer the time of supply, it is to

be determined based on the residuary provision which states that the time of supply is:

- (i) where a periodical return has to be filed, the due date prescribed for such return or
- (ii) in any other case, the date of payment of the tax

Time of supply under this residuary provision is applicable only when the other provisions are

found to be inapplicable and not merely when there is some difficulty in determining the facts

that are sought for by the relevant provision.

5. Time of Supply – Special Charges

Special charges imposed for delay in payment of consideration will enjoy the facility of time of supply being date of receipt of the charges imposed, that is, cash-basis of payment of GST. The various issues involved in these special charges are discussed in detail under time of supply of services which may kindly be referred.

From the following particulars determine the date of supply of goods:

1. when invoice issued before the removal of goods

SL No	Date of issue of invoice	Invoice due date	Payment entry in supplier's books	Credit in bank account
01	10/10/2017	20/10/2017	26/10/2017	30/10/2017
	Answer	10/10/2017		

2. When advance payment is received

SL No	Date of issue of invoice	Invoice due date	Payment entry in supplier's books	Credit in bank account
01	30/10/2017	20/10/2017	10/10/2017	30/10/2017
	Answer	10/10/2017		

3. When supply involves movement of goods

SL No	Date of issue of goods	Removal of goods	Delivery of goods	Receipt of goods	Ans:

	invoice			payment	Date of supply
01	26/10/2017	20/10/2017	26/10/2017	26/10/2017	20/10/2017
02	25/05/2017	30/05/2017	1/06/2017	4/06/2017	25/05/2017
03	10/07/2017	12/07/2017	13/07/2017	09/07/2017	09/07/2017
04	16/08/2017	24/08/2017	25/07/2017	14/08/2017	14/08/2017
				Advance received	

Time of supply of services: Section 13 deals with time of supply of services:

(1) The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.

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(2) The time of supply of services in case of forward charge shall be the earliest of the following dates, namely:—

(a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of section 31 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 period prescribed under sub-section (2) of section 31 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:

Provided that 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.

(3) 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

Explanation: --For the purposes of clauses (a) and (b)--

(i) the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment;

(ii) "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

4) 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.

5) Where it is not possible to determine the time of supply under the provisions of subsection (2) or sub-section (3) or sub-section (4), the time of supply shall--

(a) in a case where a periodical return has to be filed, be the date on which such return is to be filed; or (b) in any other case, be the date on which the tax is paid.

(6) 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.

Illustration:

1. Date of payment 15th July 2018

2. Date of invoice 15th May 2018

3. Date of entry in books of receiver 18th July 2018

The Time of supply of service, in this case, will be 15th May 2018

The [GST Law](#) provides that the time of supply of services shall be;

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

(b) The date of completion of the provision of service or the date of receipt of payment, whichever is earlier, if the invoice is not issued within the prescribed period, 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 (b) do not apply.

For the purposes of clauses (a) and (b) above , the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment. For the purpose of clause (a) and (b) above, "the date of receipt of payment" shall be the date on which the payment is entered in the books of accounts of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

(ii) Continuous supply of services:

In case of continuous supply of services, the time of supply shall be –

(a) where the due date of payment is ascertainable from the contract, the date on which the payment is liable to be made by the recipient of service, whether or not any invoice has been issued or any payment has been received by the supplier of service;

(b) where the due date of payment is not ascertainable from the contract, each such time when the supplier of service receives the payment, or issues an invoice, whichever is earlier;

(c) Where the payment is linked to the completion of an event, the time of completion of that event;

The [GST Law](#) empowers the Central or State government to notify specified supply of services as continuous supply of services.

iv) Residual provisions:

In a case where the supply of services ceases under a contract before the completion of the supply, such services shall be deemed to have been provided at the time when the supply ceases. Where it is not possible to determine the time of supply of services under any of the above mentioned provisions, the time of supply shall be (a) in a case where a periodical return has to be filed, the date on which such return is to be filed or in any other case, the date on which the CGST/SGST is paid.

V. Change in rate of tax in respect of supply of goods and services-Section 14:

14. Change in rate of tax in respect of supply of goods or services:

Notwithstanding anything contained in section 12 or section 13, the time of supply, where there is a change in the rate of tax in respect of goods or services or both, shall be determined in the following manner, namely: --

(a) 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

(b) 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.

Explanation. --For the purposes of this section, "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.

Examples:

1. Mr. A, a manufacturer, sold goods to Mr. B, wholesaler, and issued invoice for the sale on 01st August 2017. Now, determine the time of supply of goods for the following cases:

- a. Mr. A removes the goods for delivery to Mr. B on 16th August 2017.
- b. Mr. B collects the goods from premises of Mr. A on 10th August 2017.
- c. Mr. B made full payment on 26th July 2017.
- d. Mr. B credited the payment in bank account of Mr. A on 28th July 2017 for 3/4th of goods, Mr. A recorded the same as receipts in his books on 3rd August 2017. The goods were dispatched on 5th August 2017 from the warehouse:

A.1-a. 1st August 2017 is the time of supply of goods

i.e. Earlier of the following:

Date of Invoice – 1st August 2017 or

Date on which invoice is required to be issued – 16th August 2017.

b. 1st August 2017 is the time of supply of goods

i.e. Earlier of the following:

Date of Invoice – 1st August 2017 or

Date on which goods is delivered – 10th August 2017.

c. 26th July 2017 is the time of supply of goods

i.e. Earlier of the following:

– Date of Invoice – 1st August 2017 or

– Date of Payment – 26th July 2017.

d. The time of supply of goods for 3/4th of the goods will be 28th July 2017 as the payment has been made prior to the date of invoice and the time of supply of goods will be 1st August 2017 for remaining 1/4th. The late recording of receipt in the books by Mr. A will have no impact.

Q.2- Mr. A entered into a contract with Mr. B to supply of oil throughout the year. Mr. A issues monthly statement for the oil supplied to Mr. B. Now, determine the time of supply of goods in following cases: a. Mr. B made payment for the month of July on 31st July 2017 and Mr. A issued statement for the month of July on 8th August 2017.

b. Mr. A issued statement for the month of August on 5th September 2017, the payment of which not received till 30th September 2017.

A.2-a. 31st July 2017 will be the time of supply.

Earliest of the following:

Date of Invoice: 8th August 2017

Last date on which invoice has to be issued: Date of payment or statement whichever is earlier i.e. 31st July 2017.

b. 5th September 2017 will be the time of supply.

Earliest of the following:

Date of Invoice: 5th September 2017.

Last date on which invoice has to be issued: Date of payment or statement whichever is earlier i.e. 5th September 2017.

Q.3. ABC Consultancy services issued invoice for services rendered to Mr. P on 5th August 2017. Determine the time of supply in following cases:

- a. The provisions of services were completed on 1st July 2017.
- b. The provisions of services were completed on 15th July 2017.
- c. P made the payment on 3rd August 2017, where provisions of services were remaining to be completed.
- d. P made the payment on 15th August 2017, where provisions of services were remaining to be completed.

A.3-a. 1st July 2017 will be the time of supply of services as invoice is not issued within the time frame of 30 days.

b. 5th August 2017 will be the time of supply of services as invoice is issued within the time frame.

c. 3rd August 2017 will be the time of supply of services as payment received before invoice date.

d. 5th August 2017 will be the time of supply of services as invoice is issued before the completion of provisions of services

Q.4- Mr. A, a registered dealer received goods from Mr. B, an unregistered dealer. Mr. B issues invoice on 1st July 2017. Now, determine time of supply of goods in following cases:

- a. Mr. A received goods on 15th July 2017, payment of which is not made yet.
- b. Mr. A received goods on 3rd August 2017 & made payment for the same on 4th August 2017.
- c. Mr. A made payment on 8th July and received goods on the same date.
- d. Mr. A received goods on 10th July 2017 & made payment for the same on 9th July 2017.

A.4- a. 15th July 2017 will be the time of supply of goods.

Earliest of the following:

Receipt of Goods = 15th July 2017

Date of Payment = NA

30 days from the date of invoice = 30th July 2017

b. 30th July 2017 will be the time of supply of goods.

Earliest of the following:

Receipt of Goods = 3rd August 2017

Date of Payment = 4th August 2017

30 days from the date of invoice = 30th July 2017

8th July 2017 will be the time of supply of goods.

Earliest of the following:

Receipt of Goods = 8th July 2017

Date of Payment = 8th July 2017

30 days from the date of invoice = 30th July 2017

d. 9th July 2017 will be the time of supply of goods.

Earliest of the following:

Receipt of Goods = 10th July 2017

Date of Payment = 9th July 2017

30 days from the date of invoice = 30th July 2017

Q.5. ABC Ltd., a registered firm received services from PQR Ltd., an unregistered firm. PQR Ltd. issued invoice to ABC Ltd. on 1st July 2017. ABC Ltd. & PQR Ltd. is not associated enterprises. Determine the time of supply of services:

a. ABC Ltd. made the payments to PQR Ltd. on 15th August 2017.

b. ABC Ltd. made the payments to PQR Ltd. on 11th September 2017.

A.5-a. 15th August 2017 will be the time of supply of services as payment made earlier than the date immediately following 60 days from date of issue of invoice.

b. 30st August 2017 will be the time of supply of services as payment made after the date immediately following 60 days from date of issue of invoice when rates change:

Q.7- Mr. A has supplied goods to Mr. B on 28th December 2017. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. A issued invoice on 28th December 2017 and payment is credited in his bank account on 30th December 2017. What is the time of supply in this case?

A.7 - Following Event have been done before change in effective rate of tax:

Goods Supplied

Invoice Issued

Payment Received

Time of supply will be earliest of the following:

28th December 2017

30th December 2017

Time of Supply will be 28th December 2017.

Q.8- Mr. A supplied goods to Mr. B on 28th December 2017. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. A issued invoice on 2nd January 2018 and payment is credited in his bank account on 29th December 2017. What is the time of supply in this case?

A.8 - Following Event have been done before change in effective rate of tax:

Goods Supplied

Payment Received

Time of supply will be Date of receipt of payment i.e. 29th December 2017.

Q.9-Mr. A supplied goods to Mr. B on 28th December 2017. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. A issued invoice on 28th December 2017 and payment is credited in his bank account on 4th January 2018. What is the time of supply in this case?

A.9 -Following Event have been done before change in effective rate of tax:

Goods Supplied

Invoice Issued

Time of supply will be Date of Invoice i.e. 28th December 2017

Q.10-Mr. A supplied goods to Mr. B on 2nd January 2018. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. A issued invoice on 28th December 2017 and payment is credited in his bank account on 30th December 2017. What is the time of supply in this case?

A.10 -Following Event have been done before change in effective rate of tax:

Invoice Issued

Payment Received

Time of supply will be earliest of the following:

28th December 2017

30th December 2017

Time of Supply will be 28th December 2017.

Q.11-Mr. A supplied goods to Mr. B on 2nd January 2018. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. A issued invoice on 29th December 2017 and payment is credited in his bank account on 4th January 2017. What is the time of supply in this case?

A.11 -Following Event have been done before change in effective rate of tax:

Invoice issued

Time of supply will be Date of receipt of payment i.e. 4th January 2018.

UNIT II

Valuation of Supply

I. Introduction

The value of the supply is the value on which the GST is chargeable. Determination of value of the supply is not only required to charge the goods and services tax, but also for arriving at the value of supply to compute the turnover prescribed for obtaining registration under GST. The [GST Law](#) proposes to adopt the concept of 'transaction value' for determining the taxable value of supply on which the goods and services tax shall be levied. Currently, the concept of transaction value is followed both under Central Excise and Customs legislations for levying central excise and customs duties by the Central government.

Section 15: Value of taxable supply

(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include---

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;

(b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

(c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;

(d) interest or late fee or penalty for delayed payment of any consideration for any supply; and

(e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.

Explanation.--For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

(3) The value of the supply shall not include any discount which is given--

(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) after the supply has been effected, if-- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

(4) Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.

(5) Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.

Explanation.--For the purposes of this Act,--

(a) persons shall be deemed to be "related persons"

if-- (i) such persons are officers or directors of one another's businesses;

(ii) such persons are legally recognised partners in business;

(iii) such persons are employer and employee;

(iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;

- (v) one of them directly or indirectly controls the other;
 - (vi) both of them are directly or indirectly controlled by a third person;
 - (vii) together they directly or indirectly control a third person; or
 - (viii) they are members of the same family;
- (b) the term “person” also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

We need to understand four important terms involved in the definition.

Transaction Value: – Transaction value is the consideration charged from the recipient for supply.

Consideration in relation to the supply of goods or services or both includes--

(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

Price actually paid or payable: – It means the consideration paid or to be paid by the supplier for the supply.

Condition-1: Supplier and Recipient of the supply are not related: Supplier and recipient should not be related party.

Condition-2: Price is the sole consideration: Price will be sole consideration if it is on the arm length price. It means if the price charged which is equivalent to Open Market Value or [Fair Market Value](#) then the same will be sole consideration.

One important aspect is that both the conditions will apply simultaneously. It means if only one condition is dissatisfied then the actual consideration will be value of supply.

If the above conditions are not satisfied then value of supply will be determined with the help of valuation rules.

Examples:

Question: 1

Mr. A sold goods to Mr. B for Rs. 20,000. Mr. A is charging packing charges of Rs. 800. Mr. A is also paying freight of Rs. 2800 from Mr. A's premises to Mr. B's premises. Whether packing charges or freight is required to include in the invoice to determine taxable value?

Answer: 1

Yes, packing charges or freight is required to include in the invoice to determine taxable value. Hence, Value of Supply will be Rs. 23,600.

Question: 2

Mr. A sold goods worth of Rs. 50,000. Mr. A also charged interest of Rs. 750 for delay in payment. Determine the taxable value for levy of GST.

Answer:2

Taxable Value includes Interest & Penalty charged for delayed payment. Hence, In this case Taxable Value for levy of GST will be Rs. 50,750.

Question: 3

Mr. A sold goods to Mr. B for Rs. 20,000. Mr. A is allowing discount of Rs. 2000 at the time of supply. Determine value of supply for the purpose of levy of GST?

Answer: 3

Discount is given at the time of supply. In this case value of taxable supply in the invoice after giving effect of discount will be Rs. 18,000 for the purpose of levy of GST.

Question: 4

Mr. A sold 1000 unit of goods to Mr. B for Rs. 20,000 and total unit sold during the year to Mr. B after including these units is 2500 unit. As per terms of the agreement if Mr. A is purchasing more than 2000 unit of goods in a year then Mr. A is allowing 10% discount on all the supplies. Assuming IGST rate is 18%. How discount will be recorded?

Answer: 4

In this case discount is given after sale. Mr. A will issue a credit note with the amount of discount i.e. Rs. 5,000 and GST on such discount i.e. Rs. 900.

Question: 5

Mr. X is providing construction services to Mr. Y. In addition to the consideration, Mr. Y is also supplying construction material to Mr. X. Determine Value of Supply to levy of GST?

Answer: 5

In this case Value of construction material will form part of value of supply

Valuation rules under GST Act 2017-

Rule-27 Value of supply of goods or services where consideration is not wholly in money:

Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall,

(a) be the open market value of such supply;

(b) if the open market value is not available under clause (a), be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;

(c) if the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality;

(d) if the value is not determinable under clause (a) or clause (b) or clause (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 the application of rule 30 or rule 31 in that order.

Illustration: (1) Where a new phone is supplied for Rs.20000 along with the exchange of an old phone and if the price of the new phone without exchange is Rs.24000, the open market value of the new phone is Rs 24000. (2) Where a laptop is supplied for Rs.40000 along with a barter of printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs.4000 but the open market value of the laptop is not known, the value of the supply of laptop is Rs.44000.

Examples:

Question: 1

Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike is Rs. 52,000. Old Bike can be sold in the market for Rs. 20,000. Determine the value of supply for the purpose of levy of GST.

Answer: 1

In this case Open Market Value is available. Hence, Value of Supply will be Rs. 52,000.

Question: 2

Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike is not available. Old Bike can be sold in the market for Rs. 20,000. Determine the value of supply for the purpose of levy of GST.

Answer: 2

In this case Open Market Value of new bike is not available. Hence, Value of Supply will be:

Consideration in money i.e. Rs. 34,000 + Amount in money as is equivalent to the consideration not in money i.e. Rs. 20,000 = Rs. 54,000.

Question: 3

Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike as well as old bike is not available. A bike with the same features of other company is selling in the market for Rs. 51,000. Determine the value of supply for the purpose of levy of GST.

Answer: 3

In this case Open Market Value of new bike as well as old bike is not available. Value of like kind bike of another company i.e. Rs. 51,000 will be considered as value of supply.

Rule-28 Value of supply of goods or services or both between distinct or related persons, other than through an agent :

The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall(a) be the open market value of such supply;

(b) if the open market value is not available, be the value of supply of goods or services of like kind and quality;

(c) if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order:

Provided that where the 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 ninety percent 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: Provided further that 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 the goods or services.

Question: 1

Mr. A sold a bike without consideration to Mr. B. Open Market price of the bike is Rs. 52,000. Mr. B is family member of Mr. A. Determine the value of supply for the purpose of levy of GST.

Answer: 1

In this case Mr. A & Mr. B is related party. Hence, Value of Supply will be open market value i.e. Rs. 52,000.

Question: 2

X Enterprises sold a bike for Rs. 30,000 to Y Enterprises. Open Market price of the bike is Rs. 52,000. Both firms are registered under the same PAN. Determine the value of supply for the purpose of levy of GST.

Answer: 2

In this case X Enterprises & Y Enterprises is distinct person. Hence, Value of Supply will be open market value i.e. Rs. 52,000.

Question: 3

Mr. A sold a product for Rs. 84,000 to Mr. B. Open Market price of the product is not available. A product with the same features of other company is selling in the market for Rs. 1,34,000. Mr. B is employee of the Mr. A. Determine the value of supply for the purpose of levy of GST.

Answer: 3

In this case Open Market Value of the product is not available. Mr. A & Mr. B is related person. Value of like kind product of another company i.e. Rs. 1, 34,000 will be considered as value of supply.

Question: 4

A Ltd. sold a product for Rs. 34,000 to Mr. X. Open Market price of the product is not available. Product of same like kind & quality is also not available in the market. Cost of purchase of product is Rs. 50,000. Mr. X holds 30% share in A Ltd. Determine the value of supply for the purpose of levy of GST.

Answer: 4

Mr. X is related party for A Ltd. In this case Open Market Value of the product is not available. Also Value of like kind product is not available. Hence, value of supply will be Cost of acquisition plus 10% i.e. $\text{Rs. } 50,000 + \text{Rs. } 5,000 = \text{Rs. } 55,000$.

Question: 5

A Ltd. sold a product for Rs. 34,000 to Mr. X. Open Market price of the product is not available. Product of same like kind & quality is also not available in the market. Mr. X is selling the same like kind of product to his consumer for Rs. 60,000. Mr. X holds 30% share in A Ltd. Determine the value of supply for the purpose of levy of GST.

Answer: 5

Mr. X is related party for A Ltd. In this case Open Market Value of the product is not available. Also Value of like kind product is not available. Value of supply will be 90% of the price charged from the consumer i.e. $Rs. 60,000 \times 90\% = Rs. 54,000$.

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

The value of supply of goods between the principal and his agent shall: (a) be the open market value of the goods being supplied, or at the option of the supplier, be ninety per cent 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 goods are intended for further supply by the said recipient.

(b) where the value of a supply is not determinable under clause (a), the same shall be determined by the application of rule 30 or rule 31 in that order

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 the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such service

Question:

Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike as well as old bike is not available. Product of same like kind & quality is also not available in the market. Cost of purchase of the bike is Rs. 47,000. Determine the value of supply for the purpose of levy of GST.

Answer:

In this case Open Market Value of new bike as well as old bike is not available. Also Value of like kind bike is not available. Hence, value of supply will be Cost of acquisition plus 10% i.e. $Rs. 47,000 + Rs. 4,700 = Rs. 51,700$.

Rule-31. Residual method for determination of value of supply of goods or services or both:

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter: Provided that in the case of supply of services, the supplier may opt for this rule, ignoring rule 30.

Rule 32. Determination of value in respect of certain supplies:

(1) Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall, at the option of the supplier, be determined in the manner provided hereinafter.

(2) The value of supply of services in relation to the purchase or sale of foreign currency, including money changing, shall be determined by the supplier of services in the following manner, namely:-

(a) For a currency, when exchanged from, or to, Indian Rupees, the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India reference rate for that currency at that time, multiplied by the total units of currency:

Provided that in case where the Reserve Bank of India reference rate for a currency is not available, the value shall be one per cent. of the gross amount of Indian Rupees provided or received by the person changing the money:

Provided further that in case where neither of the currencies exchanged is Indian Rupees, the value shall be equal to one per cent of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into Indian Rupee on that day at the reference rate provided by the Reserve Bank of India.

Provided also that a person supplying the services may exercise the option to ascertain the value in terms of clause (b) for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

(b) At the option of the supplier of services, the value in relation to the supply of foreign currency, including money changing, shall be deemed to be

(i) one per cent of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees;

(ii) one thousand rupees and half of a per cent. of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and

iii) Five thousand and five hundred rupees and one tenth of a per cent. of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to a maximum amount of sixty thousand rupees.

(3) The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of five per cent. of the basic fare in the case of domestic bookings, and at the rate of ten per cent. of the basic fare in the case of international bookings of passage for travel by air. Explanation.- For the purposes of this sub-rule, the expression "basic fare" means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

(4) The value of supply of services in relation to life insurance business shall be,-

(a) the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such an 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), ten per cent. of single premium charged from the policy holder; or

(c) in all other cases, twenty five per cent. of the premium charged from the policy holder in the first year and twelve and a half per cent. of the premium charged from the policy holder in subsequent years: Provided that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance.

(5) Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:

Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

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

(7) The value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendations of the Council, as referred to in paragraph 2 of Schedule I of the said Act between distinct persons as referred to in section 25, where input tax credit is available, shall be deemed to be NIL.

Question: 1

Mr. A second hand car dealer purchased a second hand car for Rs. 3,00,000. Dealer has sold the same to X Ltd. for Rs. 3,50,000. Determine Value of Supply?

Answer: 1

Value of Supply will be difference between purchase price and sale price i.e. $3,50,000 - 3,00,000 = \text{Rs. } 50,000$. In this case, Mr. A shall not issue tax invoice and X Ltd. are not eligible to take ITC.

Question: 2

Mr. A sold a car on finance to Mr. B on 01/01/2018 for Rs. 50,000. Due to default B Car is repossessed by Mr. A on 30/06/2018. Determine Value of Supply.

Answer: 2

In this case value of supply will be original purchase price reduced by five percentage point for every quarter i.e. $50,000 - 5000 = \text{Rs. } 45,000$

An insurance agent

Rule-33- Value of supply of services in case of pure agent:

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely,-

- (b) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on transportation by such recipient;
- (ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- (iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Explanation.- For the purposes of this rule, the expression "pure agent" means a person who

(a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;

© does not use for his own interest such goods or services so procured; and

(d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

Illustration Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B

Rule-34- Rate of exchange of currency, other than Indian rupees, for determination of value

The rate of exchange for the determination of the value of taxable goods or services or both shall be the applicable reference rate for that currency as determined by the Reserve Bank of India on the date of time of supply in respect of such supply in terms of section 12 or, as the case may be, section 13 of the Act.

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

Where the value of supply is inclusive of integrated tax or, as the case may be, central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner, namely,- Tax amount = (Value inclusive of taxes X tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) ÷ (100+ sum of tax rates, as applicable, in %). Explanation.- For the purposes of the provisions of this Chapter, the expressions

(a) "open market value" of a supply of goods or services or both means the full value in money, excluding the integrated tax, central tax, State tax, Union territory tax and the cess payable by a person in a transaction, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made;

(b) "supply of goods or services or both of like kind and quality" means any other supply of goods or services or both made under similar circumstances that, in respect of the characteristics, quality, quantity, functional components, materials, and the reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.

1. From the following particulars calculate the value of supply:

Mr. X agrees to sell a product to his customer Y

The details of cost and other items are as under:

1. Raw materials purchased Rs. 50000 and IGST paid Rs.9000
2. Purchased components from a supplier for Rs.15000 and CGST paid 2700 AND SGST Rs.2700
3. Subsidy received from the Central government towards purchase of raw materials Rs.5000
4. Labour charges incurred Rs. 25,000
5. Overheads incurred Rs.12,000
6. Profit charged 10% on the production cost
7. Discount allowed to customers Rs.5000 as per the terms of the agreement of sale

8. Package charges paid by the supplier Rs.5000

9. The customer incurred Transportation cost Rs.5,000 on behalf of the supplier

Particulars	Rs.	Rs.
Raw materials and components	75,000	
Labour charges	5,000	
Overheads incurred	12,000	
Production cost of the supply		82,000
Add profit 10%		8,200
Price of the supply		90,200
Packaging charges		5,000
Transportation cost		5,000
Total		1,00,200
Less; Discount		5,000
Assessable value under GST		95,200

Note: the taxes paid under GST are not taken for computing the transaction value;

2- XYZ limited imported a component for sale in India – 5000 units at the rate of Rs.15 each.

a. Customs duty paid on the components is 15%.

b. Education cess payable is 3%;

c. IGST payable is 18%.

d. The compensation cess payable is 10%.

e. The company received a subsidy from its associate company Rs.5000.

f. It sold the components after incurring the following;

1. Packing charges Rs.8,000

2. The selling commission paid by the customer which is an obligation of supplier Rs. 3000.

3. Transportation cost incurred by the buyer on behalf of the supplier

Rs.6500.

Compute the value of transaction under GST

Sl No	particulars	Rs.	Rs.
1	Assessable Value of components imported		75000
	Customs duty paid 15%		11250
	Education Cess 3% on Customs duty		338
	IGST 18% (75000+11250+338)		15586
	Total		102174
	Add Compensation cess 10%		10217
	On 102174		
	Total value		112391

Add Packing charges	8000	
Selling commission	3000	
Transportation cost	6500	17500
		130891
Less subsidy received		5000
Assessable value under GST		125891

A buyer purchased machinery from a supplier and details concerning the supply of machinery are as under:

1. Price of machinery excluding taxes and duties Rs.5,50,000
2. Installation and erection charges Rs.21,000
3. Packing charges (primary and secondary) Rs.11,500
4. Design and engineering charges Rs.2,000
5. Cost of material supplied by buyer free of charges Rs,8500
6. Pre-delivery and inspection charges-Rs.500

Other information:

- a. Cash discount @2% on price of machinery was allowed as per terms of contract
- b. Bought out accessories supplied along with machinery valued at Rs.6,000

Required to compute:

(i) The transaction value and

(ii) Compute GST at the rate of 18% (HSN Code 8445) assuming it as (1) Inter state transaction and (2) Intra-state transaction;

Answer :

Price of machinery		5,50,000
Packing charges		11,500
Installation and erection charges		21,000
cost of material supplied by buyer free of charges		8500
Design and Engineering charges		2,000
pre-delivery and inspection charges-Rs		500
Bought out accessories supplied along with machinery		6,000
Total value		5,99,500
Less : cash discount 2% on 5,50,000		11,000
Transaction value		5,88,500
GST when Inter- state transaction-18% on		1,05,930
GST when Intra- state transaction	CGST-9%	52965
	SGST-9%	52965

4.From the following particulars compute the taxable value of the following supply of services by Regalis hotel, Mysore:

- 1.Rented a room to traveler X Rs.5,450 per day for 10 days
2. Rented a room to traveler Y Rs. 7,500 per day for 10 days

3. Rented a room to traveler B Rs. 6500 per day for 15 days
4. Served alcoholic drinks for the inmates of the hotel Rs.5,50,000
5. Rented cabs and the amount received there from the hotel guests Rs.5,50,000
6. Amount collected towards provision of food by the restaurant section Rs.7,50,000
7. A function hall was rented out to XYZ Ltd and amount received is 25,000 per day for 4 days
8. Currency exchanged for the foreign tourists was Rs. 15,00,000
9. Laundry services provided Rs.54,000
10. Beauty parlour services provided and amount collected thereon Rs.7,500
11. Collection from gymnasium services provided to the inmates Rs. 25,500
12. business support services provided Rs. 2,50,000
13. Wi-fi charges collected from the guests Rs.10,000
14. Club facility availed by the guests and value of service collected from them Rs.58,000

Answer :

Room Rent collections	
X-5450x10 days	54500
Y-7500x10 days	75000
z-6500x15 days	97500
Collection from room rent	2,27,000
Alcoholic drinks not taxable under GST	-
Cab service provided	25,000
Collection from restaurant services	7,50,000
Function hall charges	1,00,000
Foreign currency exchange service charges:	6,000
5500 up to 10,00,000 and on remaining	
500000 x.001=500	
Laundry services provided	54,000
Beauty Parlour services	7,500
Collection from gymnasium services	25,500
Business service support services	2,50,000
Wi-fi charges collected from guests	10,000
Transaction value being Assessable value	14,55,000

Problem-5 :From the following particulars calculate transaction value of services provided:

1. a. purchased US\$ 25,000 for Indian currency at the rate of 62 Rs. in exchange of Indian currency and sold US\$ 15000 at the rate of Rs.65 per dollar and RBI reference rate is 63/64 Rs.
- b. Sold 25000 US dollars in exchange of euro dollars (1 Euro=1.21 US dollar) and the 1 US dollar= Rs.63.3914 and 1 Euro currency =76.5418
- c. Exchanged Rs. 6,50,000 for Canadian dollars where RBI reference rate is not available

2. premiums collected on insurance policies are as under:

a. Premium received towards single premium policies Rs. 2,50,000

b. premium collected from the policy holders Rs.55,00,000 and invested in different securities Rs.45,00,000 as per the agreement in the policy

c. other policies first year premium collected Rs. 10,00,000 and subsequent year premiums collected Rs.5,00,000

d. premium collected towards risk coverage life insurance policies is. Rs.100000

3. Air fare collected from the tickets sold to domestic airline passengers - basic fare Rs. 5,00,000 and international passengers Rs.15,00,000

4. purchased a second hand car for Rs. 5,00,000 and sold for Rs.5,50,000. Another second hand car was purchased for Rs. 2,50,000 and sold for Rs.1,50,000;

5. vouchers distributed to customers and they were exchanged for goods worth Rs.55,000

6. a car loan of Rs. 4,00,000, Purchase price for customer Rs. 5,00,000, was given on 30/09/2016.

The borrower failed to pay the EMIs and the same was repossessed on 30/09/2017 and sold the same for Rs.4,50,000

1. Value of currency purchased \$25000x(63-62)	25,000	
a. Value of currency sold -15,000x(65-64)	15000	
b. Value of currency – Us dollar 25,000x63.3914=15,84,785	15814	
or 20,661 eurox76.5418= 15,81,430- the value of the supply shall be 1% of the two Re values whichever is less ie 15847 or 15814		
c. Conversion of Canadian dollars into Indian rupee where reference rate is not available-1% of6,50,000	6500	
Total value		62,314
2. Insurance premiums		
a. 10% on single premiums	25,000	
b. Premium collected and invested 55,00,000-45,00,00	5,00,000	
c. Premium collected -25% of the premium collected for 1 year premium 10,00,000x.25	2,50,000	
	62,500	
Second year premium -5,00,000x.125		
a. Premium for risk coverage policies	Nil	
Total value		8,37,500
4 a. air fare collected domestic 5,00,000 x5%	25,000	
b. international airfare 15,00,000x10%	150,000	
Total value		1,75,000
5. sale of second hand cars	50,000	
1. 5,50,000- 5,00,0000	Nil	
2. since sale vale is less than the cost		
Total value		50,000
5. value of vouchers redeemed		55,000
6. value of car reposed from the defaulter and sold		75,000
5,00,000 – depreciation 5% for each quarter ie 25%)500000-		

125000= 3,75,000 deemed purchase on repossession

Value of supply =450000-375000

Total transaction value of services supplied by the
Southern star Hotel

12,54,814

NOTE : REFER VALUATION RULE 32- Determination of value of certain supplies.

1.Rajguru Industries stock transfers 1,00,000 units (costing Rs.10,00,000) requiring further processing before sale, from Bijapur in Karnataka to its Nagpur branch in Maharashtra. The Nagpur branch, apart from processing units of its own, engages in processing of similar units by other persons who supply the same variety of goods, and thereafter sells these processed goods to wholesalers. There are no other factories in the neighbouring area which are engaged in the same business as that of its Nagpur unit. Goods of the same kind and quality are supplied in lots of 1,00,000 units each time, by another manufacturer located in Nagpur. The price of such goods is Rs.9,70,000. Determine the value of supply under GST.

Ans. In case of transfer of goods between two registered units of the same person (having the same PAN), the transaction will be treated as a supply even if the transfer is made without consideration, as such persons will be treated as 'distinct persons' under the GST law. The value of the supply would be the open market value of such supply. If this value cannot be determined, the value shall be the value of supply of goods of like kind and quality. In this case, although goods of like kind and quality are available, the same may not be accepted as the 'like goods' in this case would be less expensive given that the transportation costs would be lower. Therefore, the value of the supply would be taken at 110% of the cost, i.e., Rs. 11,00,000 (i.e., 110% * 10,00,000). [Section 15(4) r/w Rule 28(b) & (c) r/w Rule 30 of Central Goods and Service Tax Rules]

2.M/s. Monalisa Painters owned by Vasudev is popularly known for painting the interiors of banquet halls. M/s. Starry Night Painters (also owned by Vasudev) is engaged in painting machinery equipment. A factory contracts M/s. Monalisa Painters for painting its machinery to keep it free from corrosion, for a fee of Rs.1,50,000. M/s. Monalisa Painters sub-contracts the work to M/s. Starry Night Painters for Rs.1,00,000, and ensures supervision of the work performed by them. Generally, M/s/ Starry Night Painters charges a fixed sum of Rs.1,000 per hour to its clients; it spends 120 hours on this project.determine the value of the supply as per the GST provisions.

Ans.: Since M/s. Monalisa Painters and M/s. Starry Night Painters are controlled by Mr. Vasudev, the two businesses will be treated as related persons. Therefore, Rs.1,00,000 Ch-IV : Time and Value of Supply Sec. 12-15 158 CGST Act being the sub-contract price will not be accepted as transaction value. The value of the service would be the open market value being Rs. 1,20,000 (i.e., Rs. 1,000 per hour * 120 hours) *. Note: This view is based on the grounds that there are no comparables to this supply. [Section 15(4) r/w Rule 28(a) of Central Goods and Service Tax Rules]

3.Prestige Appliances Ltd. (Bangalore) has 10 agents located across the State of Karnataka (except Bangalore). The stock of chimneys is dispatched on Just-In-Time basis from Prestige Appliances Ltd. to the locations of the agents, based on receipt of orders from various dealers, on a weekly basis. Prestige Appliances Ltd. is also engaged in the wholesale supply of chimneys in Bangalore. An agent places an order for dispatch of 30 chimneys on 22-Sep-2017. Prestige had sold 30 chimneys to a retailer in Bangalore on 18-Sep-2017 for Rs. 2,80,000. The agent effects the sale of the 30 units to a dealer who would effect the sales on MRP basis (i.e., @ Rs.10,000/unit). Ascertain the value of supply.

Ans.: The law deems these supplies between the principal and agent to be supplies for the purpose of GST. Therefore, the transfer of goods by the principal (Prestige) to its agent for him to effect sales on behalf of the principal would be deemed to be a supply although made without consideration. The value would be either the open market value, or 90% of the price charged by the recipient of the intended supply to its customers, at the option of the supplier. Thus, the value of the supply by Prestige to its agent would be either Rs. 2,80,000,

or 2,70,000 (i.e., $90\% \times 10,000 \times 30$), based on the option chosen by Prestige. [Section 15(5) r/w Rule 29(a) of Central Goods and Service Tax Rules]

4. Mr. & Ms. Mehta purchase 10 gift vouchers for Rs. 500 each from Crossword, and 5 vouchers from Four Fountains Spa costing Rs. 1,000 each, and gives them as return gifts to children and their parents for their son's birthday party. The vouchers from Four Fountains Spa had a special offer for couples – services for both persons at the price chargeable to one. Calculate the value of supply.

Ans. The value of the supply would be the money value of the goods redeemable against the voucher. Thus, in case of vouchers from Crossword, the value would be Rs. 5,000 (i.e., $\text{Rs.}500 \times 10$) and the value of vouchers in case of Four Fountains Spa would be Rs. 10,000 (i.e., $\text{Rs.} 1,000 \times 2 \times 5$). [Section 15(5) r/w Rule 32(6) of Central Goods and Service Tax Rules]