

# Goods and Service Tax



July 6<sup>th</sup>, 2017



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# Goods and Service Tax

Day 4 Session I

## Time and Value of Supply



# Time of Supply of Goods/ Services

(Section 12 to 14)



# Time of supply of goods Section 12

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, u/s 31(1), 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 **Rs. 1000** 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.



# Time of supply of goods Section 12

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.

**Section 31(1)** A registered person supplying taxable goods shall, before or at the time of,—  
(a) removal of goods for supply to the recipient, if supply involves 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 thereon and such other particulars as may be prescribed:

Provided that the Govt may, on the recommendations of the Council, by notification, specify the categories of goods/supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.





# Time of supply of goods Section 12

(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 30 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**.



# Time of supply of goods Section 12

- (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 sub-section (2) or (3) or (4), the time of supply shall—
- (a) in a case where a periodical return has to be filed, date on which such return 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.



# Time of supply of goods Section 12

An invoice can evidence not only a sale but every other form of supply such as transfer, barter, exchange, license, rental, lease or disposal.

If issuance of Invoice is uncommon for barter or a rental arrangement, then it is to do with our own unfamiliarity and nothing to do with its impermissibility.

Absence of an invoice will not defeat the occasion of levy.





# Time of supply of services Section 13

- (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.
- (2) The time of supply of services 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 u/section 31(2) 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 u/ section 31(2) 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 amt up to Rs. 1000 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.



# Time of supply of services Section 13

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.

**Section 31(2)** A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period (**30 days**), issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed:

Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which— (a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or (b) tax invoice may not be issued.



# Time of supply of services Section 13

- (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 **60 days** from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:

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.



# Time of supply of services Section 13

- (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 sub-section (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.



# Change in rate of tax in respect of supply of goods or services Section 14

14. 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;



# Change in rate of tax in respect of supply of goods or services Section 14

- (b) in case the goods or services or both have been supplied after the change in rate of tax,—
- (i) If 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) If invoice issued and payment 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) If 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 a/c is after 4 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.



# Valuation of Supply of Goods/ Services



# Value of taxable supply Section 15

(1) The value of a supply of goods or services or both shall be **the transaction value**,

**Transaction Value** 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.

Two conditions:

Supplier and Recipient **Not related**

**price sole consideration**



# Value of taxable supply Section 15

- (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 recognized partners** in business;
  - (iii) such persons are **employer and employee;**
  - (iv) any person **directly or indirectly owns, controls or holds 25% or more**
  - (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/ indirectly control a 3rd person; or members of the same family;**
- (b) the term “person” also includes legal persons; (c) sole agent or sole distributor or sole concessionaire, howsoever described shall be deemed to be related.



# Transaction value: Inclusions & exclusions

- Transaction Value INCLUDES:
- Amounts charged by supplier to recipient in respect of any taxes, duties, cesses, fees and charges levied under any statute, other than taxes paid under GST regime;
- Amount incurred by Recipient which is liable to be paid by the Supplier;
- Charged by Supplier to Recipient being:
  - Incidental expenses (e.g.: packing, commission)
  - Charges for anything done by the Supplier at the time or before the supply, in respect thereof
  - Interest/ late fee/ penalty for delayed payment of consideration
  - Subsidies directly linked to price – (excluding Central and State Govt subsidies)



# Transaction value: Inclusions & exclusions

Transaction Value EXCLUDES discount given:

- **Before/ at the time of supply**
  - Single condition: Such discount is duly recorded in the invoice
  
- **After the supply:**

Cumulative conditions:

  - Agreement establishing discount is entered into before/ at the time of supply
  - Discount specifically linked to relevant invoices
  - ITC attributable to discount is reversed by the recipient



# Transaction value: Recourse to Valuation Rules

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

1. Price is not the sole consideration
2. Supplier-recipient are related persons:

Recourse to Rules even if the Supplier-Recipient relationship:

- Did not influence the price;
- Precedes agreement to the supply;
- Has no bearing on pricing;
- Has no bearing on Agreement to the Supply;
- Has no relevance to the Supply;
- Was to meet with different criteria or purpose;

B. In case of notified supplies





# Valuation Rules – Rule 27

## **If consideration is not wholly in money**

the value of the supply shall,

- (a) be the **open market value** of such supply;
- (b) if open market value is not available, 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 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 application of **rule 30** or **rule 31** in that order.



# Valuation Rules

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.



# Valuation Rules – Rule 27

## 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.



# Valuation Rules – 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 (Persons having multiple registration under GST) 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 open market value is not available, be the value of supply of goods or services of **like kind and quality**;
- (c) if value is not determinable under clause (a) or (b), be the value as determined by application of **rule 30 or rule 31**, in that order:

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



# Valuation Rules – 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 **90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person**, where the goods are intended for further supply by the said recipient;

Illustration: Where 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 Rs.5000 per quintal on the day of supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of Rs.4550 per quintal. The value of the supply made by the principal shall be Rs.4550 per quintal or where he exercises the option the value shall be 90% of the Rs.5000 i.e. is Rs.4500 per quintal.

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



# Valuation Rules – Rule 30 and Rule 31

## **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, the value shall be **110% of the cost of production** or manufacture or cost of acquisition of such goods or cost of provision of such services.





# Valuation Rules – Rule 30 & Rule 31

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 29**, the same shall be determined using reasonable means consistent with the principles and general provisions of section 15 and these rules:

Provided that in case of supply of services, the supplier may opt for this rule, disregarding **rule 30**.



# Valuation Rules – Rule 32

Determination of value in respect of certain supplies

- **The value of supply of services in relation to foreign currency, including money changing, shall be determined by the supplier in the following manner:-**
  - (a) difference in the buying / selling rate, and RBI reference rate for that currency at that time, multiplied by the total units of currency:

Provided if RBI reference rate is not available, the value shall be 1% of the gross amt of INR provided or received by the person changing the money:

Provided further if neither of the currencies exchanged is INR, the value shall be equal to 1% of the lesser of the two amt the person changing the money would have received by converting any of the two currencies into INR on that day at the reference rate provided by RBI.



# Valuation Rules – Rule 32

Determination of value in respect of certain supplies

- **The value of supply of services in relation to foreign currency, including money changing, shall be determined by the supplier in the following manner:-**

(b) At the option (for a financial year) of supplier of services

- (i) **1%** of the gross amt of currency exchanged for an amount < Rs. 1 lakh, **subject to min amt of Rs. 250;**
- (ii) **Rs. 1000 and 0.5%** of the gross amt of currency exchanged for amt > Rs. 1 lakh and up to Rs. 10lakh;
- (iii) **Rs. 5000 and 0.1%** of the gross amt of currency exchanged for amt > Rs. 10 lakh, subject to max **Rs. 60K**



# Valuation Rules – Rule 32

- The value of services of booking of tickets for travel by air provided by an air travel agent, shall be an amount calculated at the rate of **5% of the basic fare for domestic bookings**, and **10% of the basic fare for international bookings**. “basic fare” means that part of the air fare on which commission is normally paid to the air travel agent by the airline.
  
- In case of life insurance business shall be:
  - (a) **the gross premium charged reduced by the amt. allocated for investment**, on behalf of the policy holder, if policy holder is intimated at the time of service;
  - (b) in case of single premium policies other than (a), **10% of single premium** charged, or
  - (c) **in all other cases, 25% of the premium charged** from the policy holder **in the 1<sup>st</sup> yr and 12.5% of the premium charged 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.



# Valuation Rules – Rule 32

- In case of service of buying and selling of second hand goods and no ITC availed on purchase of such goods, the value of supply shall be the **difference between the selling price and purchase price** and where the value of such supply is negative it shall be ignored.
- The value of a token/ voucher/ 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.
- The value of taxable services provided by such class of service providers as notified by Govt on recommendations of Council as referred to in Entry 2 of Schedule I between distinct persons as referred to in section 25, other than those where ITC is not available u/s 17(5), shall be NIL.



# Valuation Rules – Rule 33 Pure Agent

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

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





# Valuation Rules – Rule 33 Pure Agent

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 Registrar of the Companies.

The fees charged by the Registrar of the companies 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.



# Valuation Rules – 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 RBI 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.



# Valuation Rules – Rule 35

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 %)



# Question *n* Answer Session





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# Thank You

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