



Lawgics

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Serial No. 008
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Corrigendum to Lawgics Serial No.007 dated 09-01-2023 (Section 10 of CGST Act, 2017)

10. Composition Levy

The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is **up to Rs. 1.5 crores (Rs. 75 lakhs in case of few States)**.

Notification No. 14/2019 – Central Tax dated 07.03.2019 was issued to supersede Notification No. 08/2017 – Central Tax dated 27.06.2017 in order to extend the limit of threshold of aggregate turnover for availing Composition Scheme u/s 10 of the CGST Act, 2017 w.e.f. **01.04.2019**.

Section 12 of CGST Act, 2017

12. Time of supply of goods.

(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 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 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.

Our Interpretation

Section
12(1)

Time of Supply of Goods

The point of time when Liability to pay tax arises is to be determined as per Section 12 of the CGST Act for supply of Goods. If it is wrongly determined resulting into delayed payment, the Interest provision would be attracted but in case of early payment, it would affect Cash Flow of the dealer.

Time of supply in respect of Goods is broadly classified into these five situations:

- Forward Charge
- Reverse Charge
- Vouchers issued by suppliers
- Residuary cases
- Additional payment of Interest, Penalty, Late fee, etc.

This Section must be read with Section 31 of CGST Act for better understanding and clarity.

Section
12(2)

Time of Supply of Goods under forward charge

In such cases Time of supply shall be **earlier of:**

- **Original date of Issue of Invoice**, or the **due date of Invoicing u/s 31** of the CGST Act and as per Section 31, an invoice for supply of goods needs to be issued before or at the time of removal of goods for supply to the recipient where the supply involves movement of goods. Where the supply does not involve the movement of goods, the invoice shall be issued when goods made available to the recipient.
- Date on which the **payment is entered in suppliers' books of accounts** or the date on which the **payment is credited to his bank account**.

Please note that payment received **in excess up to Rs. 1,000/- as compared to Invoice Amount**, then it is the **Discretion of the Supplier** to treat its time of supply either date of receipt of such excess amount or the next billing date.

Another point to be noted here is that Time of Supply in case of advance received against supply of goods at a future date **should have been the earliest** of Date on which the **payment is entered in suppliers' books of accounts** or the date on which the **payment is credited to his bank account**. However, vide

	<p>Notification No. 40/2017 Central Tax dated 13.10.2017, it was notified that a small dealer having turnover up to Rs. 1.5 crore need not pay tax on Advance Receipts against supply of Goods only. Thereafter, another Notification No. 66/2017 Central Tax Dated 15.11.2017 was issued by which liability to pay tax on Advance Receipt against Goods was totally removed for every registered taxpayer who are not under Composition Scheme and hence presently there is No liability to pay tax on receipt of Advance against Supply of Goods and hence Time of supply in case of Advance Receipt for supply of Goods shall be calculated on the basis of Invoicing against such advance.</p>
Section 12(3)	<p><u>Time of Supply of Goods under RCM</u></p> <p>In such cases Time of supply shall be <u>earlier of:</u></p> <ul style="list-style-type: none"> (a) Date of receipts of Goods (b) Date of payment made {earlier of date of book entry or date of debit in bank} (c) Date immediately following 30 days from date of issue of invoice by supplier <p>In case none of the above could be determined, then time of supply shall be the date of entry in the books of account of the recipient of supply.</p>
Section 12(4)	<p><u>Meaning and type of Vouchers</u></p> <p>Voucher simply means, an instrument which can be accepted as consideration or part consideration against the supply. Suppliers issue vouchers which may specify the potential suppliers, its periodicity, either the name of some specific supply or its valuation.</p> <p>Following types of vouchers are generally seen in the market:</p> <ul style="list-style-type: none"> ➤ Single Purpose vouchers – Name of potential supplier, its periodicity, and name of specific supply already mentioned on the voucher means everything is mentioned on the voucher. ➤ Multipurpose voucher – Only potential supplier, periodicity, and maximum value is mentioned but specific supply is not mentioned. ➤ Monetary Vouchers - Only potential supplier, and maximum value is mentioned but specific supply and periodicity is not mentioned. ➤ Non-Monetary Voucher - Name of potential supplier and name of specific supply is mentioned but periodicity is not mentioned <p><u>Time of supply in case of Vouchers</u></p> <ul style="list-style-type: none"> ❖ If <i>supply is identifiable</i> then <u>Date of Issue of Voucher</u> {Single Purpose Vouchers & Non-Monetary Vouchers} ❖ In <i>all other cases</i> – <u>Date of Redemption of Voucher</u> {Multipurpose Voucher & Monetary voucher}
Section 12(5)	<p><u>Residuary provision in case of time of supply of Goods</u></p> <p>If time of supply cannot be identified as per section 12(2), 12(3) or 12(4), then Time of Supply shall be</p> <ul style="list-style-type: none"> (a) Due Date of filing return, where a periodical return has to be filed (b) Otherwise, the date on which tax is paid
Section 12(6)	<p>In case of an addition in the value of supply by way of Interest, late fees or penalty for delayed payment of any consideration, time of supply shall be the date on which the supplier receives such additional amount.</p>

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