

# Understanding Time of Supply of Goods under GST – Section 12 Explained

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## Introduction

In the Goods and Services Tax (GST) framework, determining the **"time of supply"** is crucial. It defines **when the liability to pay GST arises**. For the supply of goods, this is governed by **Section 12 of the CGST Act, 2017**.

This blog covers the key provisions under Section 12 in detail, including **forward charge, reverse charge, vouchers, interest/penalty receipts**, and more, with reference to relevant notifications and practical notes.

## What is Time of Supply?

Time of supply refers to the **point in time when goods or services are considered to be supplied**, and consequently, **the liability to pay tax arises**.

### Section 12(1) – General Rule

"The liability to pay tax on goods arises at the time of supply as determined under Section 12."

### Section 12(2) – Forward Charge Basis (Supplier Liable to Pay Tax)

When tax is paid on a **forward charge basis**, the **time of supply** is the **earlier of**:

1. **Date of invoice** (or the last date on which it should have been issued as per Section 31)
2. **Date of receipt of payment**

### Time for Issuance of Invoice (Sec. 31):

| Scenario                   | Invoice to be Issued                              |
|----------------------------|---|
| Movement of goods involved | Before or at the time of removal                  |
| No movement                | Before or at the time of delivery or availability |

**Exception: No GST on Advance for Goods (Post 15.11.2017)**

From **15th Nov 2017** (N. No. 66/2017-CT), suppliers of goods (excluding composition scheme taxpayers) **need not pay tax on advances**. Only **invoice-based tax liability** is applicable.

**Applicable to:**

- Turnover  $\leq$  ₹1.5 crore in previous FY
- Newly registered persons expected to have turnover  $\leq$  ₹1.5 crore

**Notification 50/2023-CT (from 01.10.2023)** – Reinforces that **GST is payable on invoice date** only, not advance, for most suppliers except specified actionable claims.

**Section 12(3) – Reverse Charge Mechanism (RCM)**

In case of **reverse charge**, the **recipient** is liable to pay tax. The **time of supply** is the **earliest of**:

1. Date of receipt of goods
2. Date of payment (entered in books or debited in account, whichever is earlier)
3. 31st day from invoice date

**Note:**

If none of the above can be determined, the **date of entry in the books of recipient** is considered.

**Section 12(4) – Supply of Vouchers**

| Type of Voucher                           | Time of Supply     |
|---|--------------------|
| Identifiable with specific goods/services | Date of issue      |
| Not identifiable                          | Date of redemption |

**Section 12(5) – Residuary Cases**

When time of supply **cannot be determined under Sub-sections (2), (3), or (4)**:

| Case                        | Time of Supply      |
|-----------------------------|---------------------|
| Return required to be filed | Due date of return  |
| Tax paid before return      | Date of tax payment |

**Section 12(6) – Interest, Late Fee, or Penalty**

If a supplier receives **interest/penalty for delayed payment**, the **time of supply** is:

**Date of receipt of such additional amount**

## Additional Provisions & Explanations

### Proviso (₹1,000 excess)

If the amount received is up to ₹1,000 **more than the invoice**, the supplier **can choose** the invoice date as the time of supply for the excess.

### Explanation 1

Supply is deemed to have occurred **to the extent** it is covered by invoice/payment.

### Explanation 2

"Date of receipt of payment" means **earlier of**:

- Entry in books
- Credit in bank account

Currently **not relevant** for suppliers paying GST on invoice basis (as per latest notifications).

## Conclusion

Understanding the **time of supply under Section 12** is essential for **timely GST compliance** and **accurate tax calculation**. Businesses must closely monitor invoice issuance and payment dates to avoid interest and penalties.

Whether you're dealing with **forward charge**, **reverse charge**, or **special transactions** like vouchers or penalties—this guide helps you stay on top of GST obligations.

# TIME OF SUPPLY-GOODS

[FORWARD & REVERSE CHARGE, VOUCHERS, MISC.]

## 12(2) FORWARD CHARGE - S.O.G

- (a) Invoiced date ✓  
 or  
 Last date to issue Invoice } w.e.e Ex) (Movement)  
 Inv. Dt 5 July } T.O.S = 5 July  
 Goods remd. 6 July } Advance not  
 Payment 8 July } Fixed \*
- (b) Date of receipt of Payment
- Invoice to be Issued [Sec 31] → If movement - at the time of removal  
 → No movement - at delivery / make available

## 12(3) REVERSE CHARGE - S.O.G

- (a) Dt. of rec. of goods ✓  
 (b) Dt. of payment ✓  
 Entry in books / debit in bank } w.e.e Goods rec - 4 July  
 31<sup>st</sup> Day from Inv. dt } T.O.S = 2 July  
 D + Invoice dt - 1 July  
 Payment in - 2 July  
 Books

## 12(4) SUPPLY via VOUCHERS

- (a) Identifiable - Dt. of Voucher Issue → eg:- Flipkart Voucher red. only for - D.O. Issu Electronics
- (b) Non-Ind. - D.O. Redemption → Amz gift Card usable for all - D.O. Redp

## 12(5) RESIDUARY PROVISION

- (a) If periodic return - D.O. of Return Return DID - 20 July } T.O.S - 18 July  
 (b) If tax is paid before D.O.P Payment - 18 July } When 12(2), (3), (4) don't determine time

## 12(6) Interest, Late fees, Penalty on delayed payment

- Dt. on which Supplier rec. the amt Invoice - 10,000 ✓  
 Pay. delayed - 500 Int. rec. on 10 July } T.O.S = 10 July  
 Not Due

## NOTIFICATIONS

| PERIOD              | NOTIFICATION   | IMPLICATION   |
|---------------------|----------------|---|
| 13.10.17 - 14.11.17 | NIN 40/2017-CT | Small Supplier (CT/10 ≤ 1.5 Cr.) not liable to tax on Advance |
| 15.11.17 - 30.9.23  | NIN 66/2017-CT | Extended to all Supplier of goods, pay tax on (I) only        |
| From 1.10.23        | NIN 50/2023-CT | GST on specified actionable claims (like lottery, betting)    |

COMMENT "DT" FOR NOTES !!