

GST Alert 02/2025-26

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Time of Supply – Deciding the Correct Tax Rate

56th GST Council meeting has changed the rate landscape for many goods and few services, these changes as we all know are effective from midnight of 22nd September 2025. This brings up the core question of how to decide the GST rate on transactions which fall in both the time periods. In any commercial transactions there are 3 major events:

- Invoice
- Supply
- Receipt of payment

In normal business scenario when Tax rates are steady, invoice date is considered to be sacrosanct for selecting which rate applies – this in technical terms is called the “Time of Supply.” But when Rate change occurs from a specified date, it becomes more important to affix exact ‘time of supply’ so that taxpayers can know what rate to charge in the invoice. Section 14 of the CGST Act prescribes certain conditions for deciding whether to tax at old rate or the new rate. We call this as the 2 by 3 rule for ease of understanding; it can simply be understood in following manner:

2 by 3 Rule (Section 14 of the CGST Act):

- If any two of the 3 listed above [Supply, invoice and payment] occur after 21st Sept, tax is payable at new rate.
- If any two events occur before 22nd Sept, tax is payable at old rate.



This alert deals gives a detailed breakdown on these aspects:

I. Time of Supply where Rates have changed

There could be 2 different scenarios possible going forward

Goods/Services Supplied BEFORE 22.09.2025

Invoice	Payment	GST Rate Applicability
Before 22.09.2025	Before 22.09.2025	Old Rate
After 22.09.2025	After 22.09.2025	New Rate
Before 22.09.2025	After 22.09.2025	Old Rate
After 22.09.2025	Before 22.09.2025	Old Rate

Goods/Services Supplied AFTER 22.09.2025

Invoice	Payment	GST Rate Applicability
Before 22.09.2025	Before 22.09.2025	Old Rate
After 22.09.2025	After 22.09.2025	New Rate
Before 22.09.2025	After 22.09.2025	New Rate
After 22.09.2025	Before 22.09.2025	New Rate

We all know the exact time of Invoice and Payment; question is how to interpret when goods or services have been “supplied”

Exact phrase used in section 14 is “Supplied before” and “Supplied after”.
Term ‘Supply’ has been defined in Section 7; relevant abstract is as under:

7(1) For the purposes of this Act, the expression “supply” includes—



*(a) all forms of supply of goods or services or both such as **sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made** for a consideration by a person in the course or furtherance of business;*

If the above provision is deciphered, the common thread that comes out is that when the **title over the goods or services is transferred** by supplier to recipient, that process can be termed as "Supply" or "Supplied". So if a supplier issues an invoice and with it if the ownership/title over the goods get transferred, along with the risk and reward, then it can be legally and constructively presumed that delivery of the goods has been given to the recipient even though the physical possession of those goods is still with the supplier.

In view of the above understanding, 3 transactional events discussed above can now be read as under:

- Invoice
- Transfer of title or Constructive Delivery
- Receipt of payment

II. Important issues:

1. If risk and reward over the goods or services being sold get transferred on the day of Invoice, then 2 events get combined and get fulfilled on single date and rate applicable on that day will be payable.
2. In case of services, if advance is received before 22.09.2025, tax must be paid at the old rate as advances for services are taxable. However, if both the supply of service and the invoice are issued after 22.09.2025, the tax



becomes payable at the new rate. In such cases, tax already paid on the advance can be adjusted against the new liability.

3. 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.
4. 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.

III. Conclusion

This is a very critical issue which needs to be taken into consideration before choosing the tax rate on those goods and services where rates have changed. 2 by 3 rule needs to be diligently applied for each transaction so as to avoid any hassles in assessment.

Formulated by:

N J Jain & Associates

Chartered Accountants

CA Nitesh Jain

Managing Partner

CA Gaurav Khetan

Senior Partner

CA Praveen Maheshwari

Partner

CA Jay Dalwadi

Partner

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