

## Gst on Advances on Goods Vs Advances received on services

Important aspects to be considered here are:

1. CBIC issued Notification 66/2017 dated 15<sup>th</sup> November 2017 exempting the payment of GST on advance paid on goods, however the liability on advance payment in case of services continues.
2. In case of Advances, time of supply is at the time of receipts of advance.
3. In circumstances where part advance is received then time of supply for such advance is at the time of receipt of advance and for balance amount, once Invoice is raised. If transaction is cancelled after receipt of advance then advance received may be refunded or adjusted as the case may be based on the contract
4. If GST rate at the time of advance payment is higher and then reduced subsequently by the time of raising of Invoice then differential rate can be adjusted at the time of Invoice if supply occurred post the reduction in the tax rate.
5. If there is no clarity on the rate %age at the time of paying advance, then 18% to be considered as rate of tax as per Rule 50.
6. If the nature of supply not determinable at the time of payment of advance then the same shall be considered as Inter State supply as per Rule 50.
7. Notification 66/2017 exempting payment of GST on advance is not applicable for Composition dealers.

8. As per Section 31 (3) (d) of the CGST Act, 2017, 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 as contained in Rule 50 of the CGST Rules, 2017.
9. If supply is not made subsequent to receipt of advance then the advance may be refunded back and refund voucher shall be issued as per Rule 51 of CGST rules
10. CBDT vide circular No. 23/2017 that TDS to be deducted only on base amount and not on tax portion.
11. As per this circular, wherever the tax component is indicated separately therefore can it be inferred that in receipt voucher if GST component shown separately then TDS to be deducted excluding such component however where there is no tax component shown separately and one amount shown mentioning as inclusive of tax then TDS may have to be deducted on the whole amount.