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MALDIVES
INLAND REVENUE
AUTHORITY

Guide to Time of Supply

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Taxpayers can rely on this guide as to the MIRA's interpretation of the relevant tax laws and regulations. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.

I. Introduction

This guide explains the rules to determine the time of supply, for Goods and Services Tax (GST) purposes.

To understand *when* a particular supply is subject to GST, it is critical to understand the concept of “time of supply” specified in the GST Act. It determines the taxable period in which the GST pertaining to the supply must be accounted for to MIRA. In addition, time of supply is used to determine the correct GST rate to be charged for particular transactions, in the case of rate change.

2. Time of supply

The general rule

In general, the time of supply is the date on which the tax invoice for a supply is raised or the date on which payment for that supply is received, whichever comes first.

Example 1: The general time of supply rule

Shareef, a GST registered person, sold goods worth of MVR 2,500 to one of his customers on 28 January 2017 and received the payment on the same day. Shareef issued a tax invoice in respect of the supply on 3 February 2017.

In this case time of supply is 28 January 2017. Assuming that Shareef is a monthly filer, Shareef must include the GST for the above mentioned transaction in his GST Return for January 2017, as the time of supply of this transaction occurred in January 2017.

Example 2: The general time of supply rule

On 5 February 2017, Company B sold MVR 3,600 worth of goods to Company A. Company B issued a tax invoice on the same day, but payment was settled by Company A on 4 May 2017.

In this case, the time of supply of this transaction is 5 February 2017. Assuming that Company B is a quarterly filer, Company B must account for the GST applicable to this transaction in its GST Return for the first quarter of 2017, which would be due on 28 April 2017 despite not receiving the payment from Company A by that date.

Example 3: The general time of supply rule

On 31 December 2022, SS Private Limited bought goods worth of MVR 5,000 from H Furniture, and the goods were delivered subsequently. H Furniture issued a tax invoice on 2 January 2023, but the payment was made by SS Private Limited on 5 January 2023.

Even though the goods were delivered on 31 December 2022, the time of supply of this transaction is 2 January 2023 (the date on which the tax invoice was issued). Assuming SS Private Limited is a monthly filer, SS Private Limited must account for the GST applicable to this transaction in its GST Return of January 2023.

As the time of supply of this transaction occurred after 1 January 2023, GST must be charged at the prevailing rate of 8%.

A pro forma invoice must not be considered as an invoice for time of supply purposes, and thus issuance of a pro forma invoice will not trigger time of supply.

The 3-day rule

GST registered persons are required to issue a tax invoice or receipt within 3 days of removal of goods from the place of supply. The same rule applies if the goods are not removed from the place of supply but are made available to the recipient. For all services supplied, a tax invoice or a receipt must be issued within 3 days of completion of the service. In such cases, even if the registered person fails to physically issue a tax invoice or receipt within 3 days, for the purpose of time of supply rule, it would be deemed that a tax invoice or receipt was issued on the 3rd day.

Example 4: 3-day rule

Company G sold 25 computer systems to Company H. Computer systems were delivered to Company H on 2 January 2017, while the invoice was issued on 10 January 2017. Company H paid for the invoice on 15 April 2017.

In this case, the time of supply of this transaction is 5 January 2017 because under the 3-day rule, Company G was required to issue a tax invoice by 5 January 2017. Although Company G did not issue a tax invoice on 5 January 2017, it was deemed that it did, and time of supply was deemed to have occurred on that day.

Example 5: 3-day rule

Ibrahim Rasheed sought legal advice from Litigate LLP. The engagement started on 20 September 2016 and ended on 25 September 2016. Litigate LLP sent the tax invoice to Ibrahim Rasheed on 1 October 2016.

In this case, the time of supply of this transaction is 28 September 2016, as under the 3-day rule, it was deemed that Litigate LLP issued the tax invoice on the 3rd day of completion of the service.

Goods or service supplied under an installment agreement

If the payment for a good or service being supplied has been agreed to be made within a stipulated period under an installment agreement, each installment paid or payable accordingly would be regarded as a separate taxable transaction. The time of supply in relation to any such transaction would be deemed to be the time the installment payment was received, or the time the installment payment would otherwise fall due, whichever is earlier.

Example 6: Payment under an installment agreement

Dhondheeni Motors is a vehicle dealer. Shiyam wanted to buy a motor-bike from Dhondheeni Motors. Outright sale price was of the motor-bike was MVR 84,000 (inclusive of GST). Under a finance lease agreement, Shiyam was able to buy the motor bike for MVR 108,000. The lease was for one year, with monthly installment payment of MVR 9,000 to be paid by the 5th day of every month.

In this case each monthly payment will be considered as a separate taxable transaction and the time of supply of the transaction would be 5th day of every month (if the payment was not made before that date). If the payment was made before 5th day of the month, time of supply would be the payment date.

Note: Since the increase in price of MVR 24,000 is the cost of finance lease, GST applies only to the outright sale price of MVR 84,000. Hence, the GST of 8% included in each monthly installment would be MVR 519.

3. Specific time of supply rules

Advance payments and non-refundable deposits

When an advance payment or non-refundable deposit is paid before a tax invoice is issued for the whole supply, GST is applicable only on the amount of the advance payment or deposit, and the time of supply of that transaction would be the date of the advance payment or deposit.

Example 7: Advance payment

Company H, a GST registered wholesaler, received MVR 9,000 as advance payment from a retailer on 15 December 2016. A tax invoice was issued to the retailer on 7 January 2017 when the retailer collected the goods from Company H's warehouse.

The time of supply for the advanced payment of MVR 9,000 would be the day the retailer paid the advance payment, which is 15 December 2016. Assuming that Company H is a monthly GST filer, he must include the GST of advance payment in his GST Return for December 2016, which together with the payment would be due on 28 January 2017. Note that the time of supply for the whole supply did not occur on the date of advance payment.

If a tax invoice is issued for the whole supply before any payment in relation to the supply was made, whether as an advance payment or otherwise, the time of supply would occur on the date of issue of the tax invoice.

Retention money received by a supplier of construction service

Retention money is the amount of progress payment which is not paid until the conditions specified in the contract for the payment of such amounts have been met or until defects have been rectified. Most of the construction contracts include a provision to retain part of the amount of consideration.

Where a construction service is provided, the supplier must account for the GST in relation to the retention money only when a payment in respect of such amount is received or a tax invoice for such retention money is issued by the supplier, whichever is the earlier.

Example 8: Retention money

A construction company, JJ Construction Private Limited, entered into an agreement with Hassan Didi for the construction of a 10-storey building. The project cost is MVR 10,000,000 (exclusive of GST). The construction contract entered by both parties allow Hassan Didi to withhold 5% from the payment of the entire contract as a retention money.

In this case, the amount held back as retention money would be MVR 500,000 exclusive of GST. JJ Construction must account for GST of MVR 40,000 ($\text{MVR } 500,000 \times 8\%$) after JJ Construction receive that amount from Hassan Didi, or when they issue a tax invoice for the retention money, whichever is earlier.

Refundable deposits

GST must not be charged on refundable deposits which have been collected for the purpose of compensating for any likely loss or damage to the property, and which would be refunded in full to the recipient of the property.

Example 9: Refundable deposits

Bike Rental, a bicycle rental service provider, requires a refundable deposit of MVR 200 from their customers, which is returned to the customer when the customer returns the bicycle and settles the payment. In this case Bike Rental must not charge any GST from the customer for the deposit, if the deposit is refunded in full to the customer.

Goods and services supplied to related parties

Time of supply in relation to goods and services supplied to related parties are as below:

- If the supply is taken for the person's own use, at the time that the goods are taken for the person's own use or the services are performed for the person's own use.
- If the supply is to a person related to the supplier, at the time that the goods are made available to the recipient or the services are performed.

Example 10: Supply of goods and services to a related party

Nawaaz is a GST registered motorcycle re-seller. On 15 February 2017, from the available stock, he took two motorcycles, one for his own use and the other one for his brother, which was given to his brother on the same day.

In this case the time of supply for the motorcycles would be 15 February 2017.

Goods and services supplied from a machine operated by coins or tokens

Time of supply for supplies made through machines, meters, or other devices operated by a coin, is the date when the coins are taken from that machine, meter, or other devices.

Example 11: Goods and services supplied from a machine operated by coins

Cool Ferry Private Limited owns and operates a coin-operated vending machine at Hulhumale' Ferry Terminal. Stock is refilled and coins are removed from the machine on every Thursday.

Time of supply for the goods vended will be the date on which the coins are removed from the vending machine, and not the date on which the goods are bought from the machine.

Where a supply is by means of any machine, meter, or other device operated by a token, the time of supply is the time that any consideration is received for such token.

Example 12: Goods and services supplied from a machine operated by tokens

Magoo Guesthouse has a token operated laundry service available to guests. Laundry tokens can be purchased for cash from the reception, and can be used anytime to use the laundry service.

Time of supply for the laundry service occurs when the tokens are sold whether or not the tokens are used for laundry service by the guests.

Consideration or a supply is a voucher or other such thing

The supplier should treat the issue or sale of a voucher or other such things as a supply for GST purpose at the time a customer receives or buys them.

If the consideration is redemption of a voucher or other such thing, the time of supply of good and services obtained by redeeming the voucher would be the time of supply of the voucher or other such thing.

In case the consideration is partly the redemption of the voucher or other such thing and partly other consideration, for the part of the consideration paid by voucher or such thing, the time of supply rule above applies, and for the part of the consideration the general time of supply rule applies.

Example 13: Issue or sale of a voucher

Adone Fashion sells gift vouchers. On 2 March 2017, Maan bought a gift voucher of MVR 500 and gave the voucher as a gift to Shazma. Shazma buys cosmetics with that voucher at Adone Fashion on 1 May 2017.

In this case, time of supply for the transaction is 2 March 2017. In other words, the GST amount included in the MVR 500 must be accounted for on 2 March 2017 whether or not voucher was redeemed.

Consideration is points gained in a loyalty scheme

Where the consideration for the supply of goods and services is the redemption of points gained by the recipient in a loyalty scheme, the time of supply of goods and services is the time that the loyalty points are redeemed. This applies whether or not the operator of the loyalty scheme is the supplier of the goods and services.

Example 14: Points gained in a loyalty scheme

A supermarket runs a loyalty scheme where the customers can earn points whenever they purchase goods from the supermarket. Ahmed, a customer of the supermarket, earns 100 points at the end of the April and he redeems his points and buys some items from the supermarket.

In this case the supermarket must account for the GST on this transaction at the time Ahmed redeems his points.

Consideration is for participation in a lottery

Where a person pays an amount to participate in a lottery, the amount of money paid to participate is treated as a payment for the supply of services by the conductor of the lottery. The time of supply of the services is the date that the person pays the amount of consideration to participate in the lottery.

Consideration is paid in non-monetary form

Where the consideration is paid in a non-monetary form, the time of supply is the earlier of the time at which an invoice was prepared in relation to that good or service OR the time at which the full or partial consideration for the good or service was paid.

In this case, it will be deemed that both parties have provided a good or service to the other and the good or service received by each party will be deemed the consideration for the supply made by that party.

4. Relevant laws, regulations and tax rulings

The following laws, regulations and tax rulings provide the legal basis for the guidelines provided in this guide:

- Goods and Services Tax Act (Law Number 10/2011): <http://bit.ly/2dTPXsE>
- Goods and Services Tax Regulation (Regulation Number 2011/R-43): <http://bit.ly/2iEaW7>
- Twenty Eighth amendment to the Goods and Services Tax Regulation (Reference number 2020/R-119) : <https://bit.ly/3rih2eL>



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