

PLACE OF SUPPLY IN CASE OF GOODS

Section 10 prescribes the provisions for determining the place of supply of goods in domestic transactions i.e., within India. Sub-section (1) of section 10 sets out five rules to provide the place of supply of goods in the following specific situations:

- Supply involving movement of goods
- Goods delivered on bill to ship to model
- Supply not involving movement of goods
- Goods assembled/installed at site
- Goods supplied on board a conveyance

Each of the above situation is discussed below. For residual cases, sub-section (2) of section 10 provides that where the place of supply of goods cannot be determined, the Government may prescribe the manner to ascertain the same. It must be kept in mind that the provisions of section 10 discussed hereunder are all in relation to domestic supply of goods.

SEC 10: PLACE OF SUPPLY OF GOODS OTHER THAN SUPPLY OF GOODS IMPORTED INTO. OR EXPORTED FROM INDIA SECTION 10(1):

The place of supply of goods, other than supply of goods imported into, or exported from India shall be,

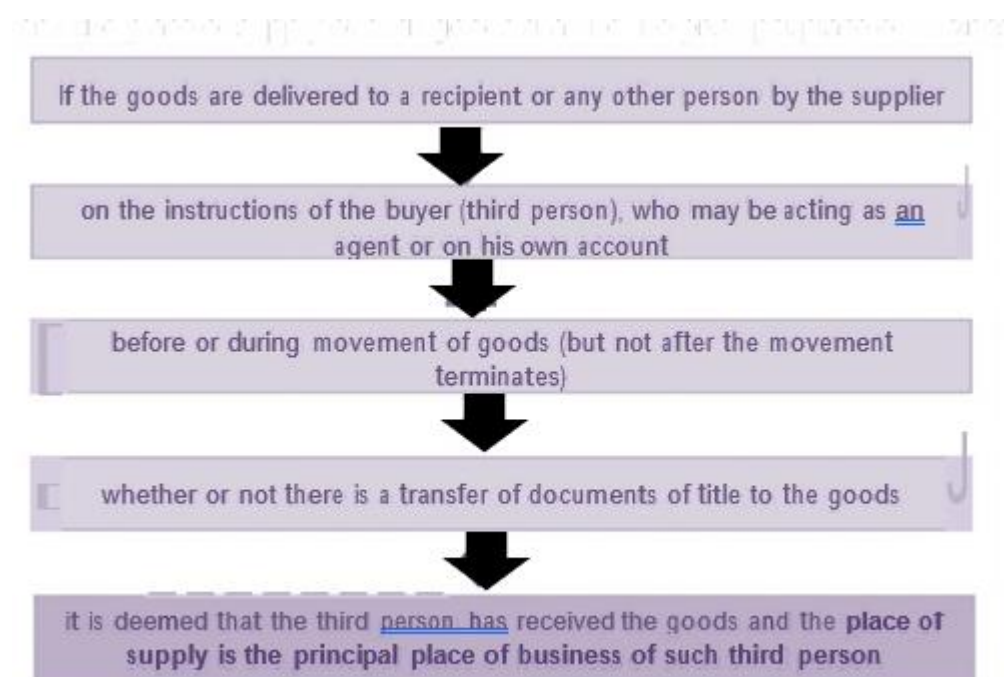
- a) Where the supply involves movement of goods, whether by supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

EXAMPLE: 'A' of UP places an order of books on "B" of Delhi with an instruction to deliver the books at

the location of 'A' in UP.

Since the goods will be moving from Delhi to UP, it involves movement of goods and hence, the place of supply will be the location where the movement terminated for delivery i.e. UP.

- b) Where the goods are delivered by the supplier to the recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during the movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.



EXAMPLE 1: Mr. A of Maharashtra has sold goods to Mr. B of Madhya Pradesh. Mr. B has further sold the same goods to Mr. C of Karnataka by transfer of document of title. Mr. A ships the goods to the location of Mr. Casper the directions received from Mr. B.

Since the goods are delivered to Mr. C as per the directions of Mr. B, the place of supply of goods will be the location of such third person i.e. location of Mr. B i.e. Madhya Pradesh.

EXAMPLE 2:

Mr. X (a supplier registered in Uttar Pradesh having principal place of business at Noida) asks Mr. V of Ahmedabad, Gujarat to deliver 50 washing machines to his buyer Mr. Z at Jaipur, Rajasthan. In this case, two supplies are involved, one between Mr. X and Mr. Z and other between Mr. V and Mr. X.

While the former supply is covered under clause (a) of section 10(1), the latter one i.e., between Mr. V and Mr. X is covered under clause (b) of section 10(1). Accordingly, in this case, the place of supply of goods is not the location of delivery of such goods (Jaipur) but the principal place of business of third person i.e., principal place of business of Mr. X located at Noida.

- d) Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient.

EXAMPLE 1: Over the counter sales from shops, procurement of pre-installed generator in the building, etc.

EXAMPLE 2: Mr. A (Maharashtra) has leased his machine (cost Rs 17,00,000) to Mr. B (Ajmer, Rajasthan) for production of goods on a monthly rent of Rs.55,000. After 16 months Mr. B requested Mr. A to sell the machine to him for Rs 8,50,000, which is agreed to by Mr. A. In this case, there will be no movement of goods and the same will be sold on as is where is basis. Thus, the location of the machine at the time of such sale will be the place of supply i.e., Ajmer.

EXAMPLE 3:

XZ Ltd. (Mumbai, Maharashtra) opens a new branch office at Gurugram, Haryana. It purchases a building for office from KTS Builders (Gurugram). It also enters into a separate contract with KTS Builders for purchase of pre-installed office furniture and fixtures in the building. Though there will be no GST liability on purchase of building, office furniture and fixtures will be liable to GST. Since there

is no movement of office furniture and fixtures, the place of supply of such goods is their location at the time of delivery to the recipient (XZ Ltd.) i.e., Gurugram.

Where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly;

EXAMPLE 1: A new machinery is brought in a knocked down condition and is assembled in factory premises. Since this is a case of assembling, the location will be the location of assemble i.e. factor premises.

EXAMPLE 2: Mr. A (New Delhi) purchases a machine from Mr. B (New Delhi) for being installed in his factory at Noida, Uttar Pradesh. The place of supply is the site at which the machine is installed i.e., Noida.

EXAMPLE 3: Pure Refineries (Mumbai, Maharashtra) gives a contract to PQ Ltd. (Ranchi, Jharkhand) to assemble a power plant in its Kutch, Gujarat refinery. The place of supply is the site of assembly of power plant i.e., Kutch even though Pure refineries is located in Maharashtra.

- e) Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.

EXAMPLE 1: Refreshments are served on board a plane/ we also get breakfast, lunch etc. in trains. Such refreshments, food etc. are goods supplied on board a conveyance. Hence, the location of such supplies will be the location at which such goods are taken on board where such refreshment, etc. are taken on board.

Suppose we are served sandwiches on our journey from Mumbai to Delhi, the place of supply will be Mumbai irrespective of the place of its consumption. We may consume the given sandwiches in Rajasthan, the place of supply will still remain Mumbai.

EXAMPLE 2: Mr. A (Mumbai) boards the Mumbai-Jaipur train at Mumbai. He sells the goods taken on board by him (at Mumbai), at Surat during the journey. The place of supply of goods is the location at which the goods are taken on board i.e., Mumbai and not Surat where they have been sold.

SECTION 10(2): Where the supply of goods cannot be determined, the place of supply of goods shall be determined in such manner as may be prescribed.

SEC 11: PLACE OF SUPPLY OF GOODS IMPORTED INTO. OR EXPORTED FROM INDIA

The place of supply of goods,

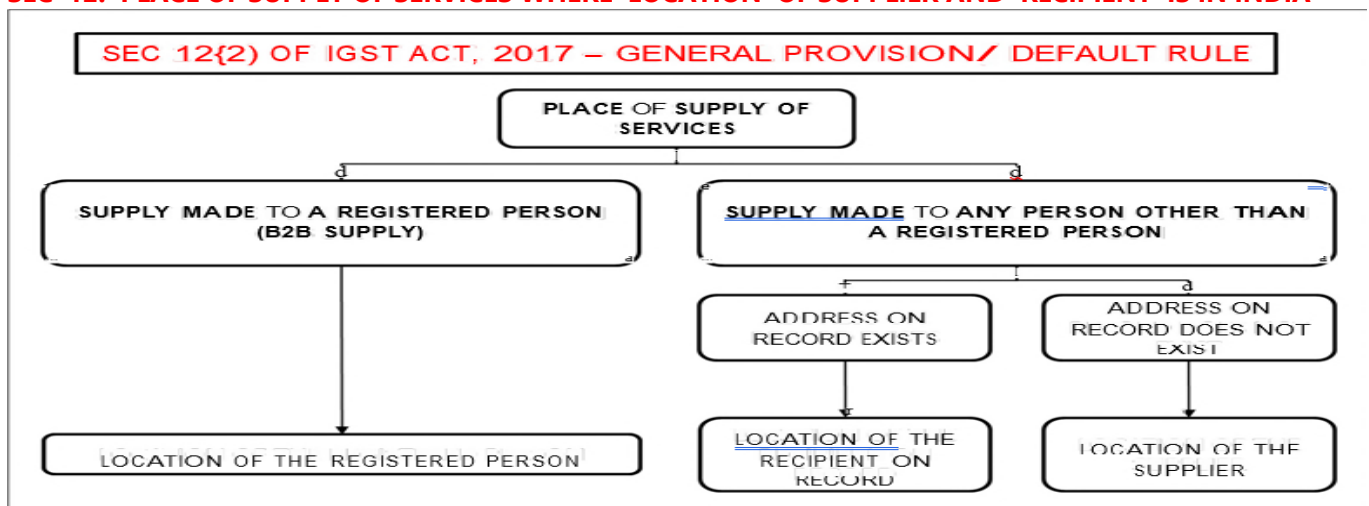
- (a) Imported into India shall be the location of Importer.

EXAMPLE: Ms. R imports electric kettles from Japan for her Kitchen Store in Mumbai, Maharashtra. Ms. R is registered in Maharashtra. The place of supply is Mumbai.

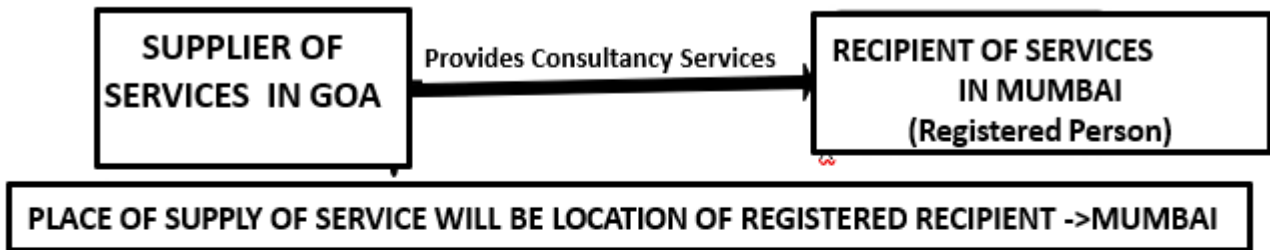
- (b) Exported from India shall be the location outside India.

PLACE OF SUPPLY IN CASE OF SERVICES

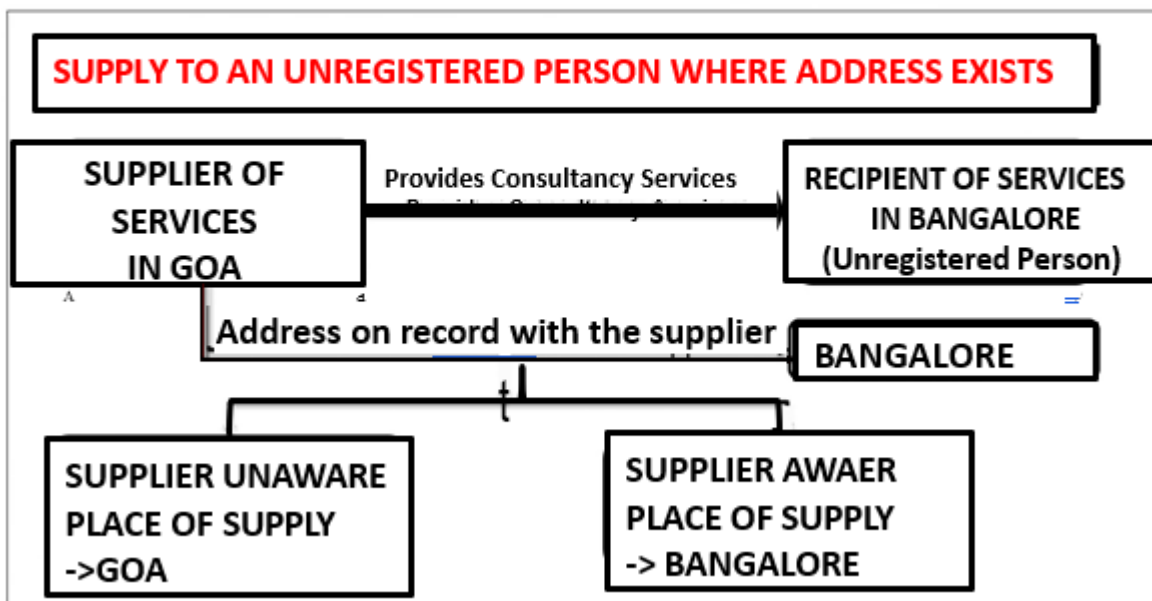
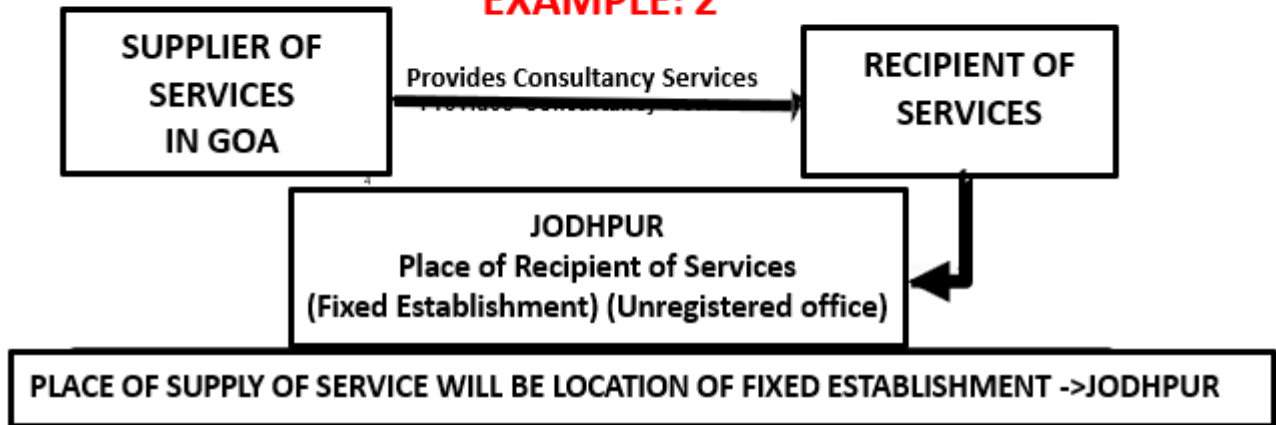
SEC 12: PLACE OF SUPPLY OF SERVICES WHERE LOCATION OF SUPPLIER AND RECIPIENT IS IN INDIA



EXAMPLE: 1



EXAMPLE: 2



SUPPLY TO AN UNREGISTERED PERSON & NO ADDRESS EXISTSSUPPLIER OF
SERVICE IN UDAIPURProvides Consultancy Services
Does not have the address of the
unregistered recipient on recordRECIPIENT OF
SERVICE IN DELHI
(Unregistered Person)PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF THE SUPPLIER -> **UDAIPUR****SUPPLY OF SERVICES IN ABSENCE OF PLACE OF BUSINESS**SUPPLIER OF
SERVICE IN GOA

Provides Consultancy Services

RECIPIENT OF
SERVICE IN GOA
(Does not own a place of
business)PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF USUAL RESIDENCE OF RECIPIENT-> **GOA****SERVICES RECEIVED AT MORE THAN ONE ESTABLISHMENT**SUPPLIER OF
SERVICE IN
GOAProvides audit Services to multiple
Offices of a company

GOA

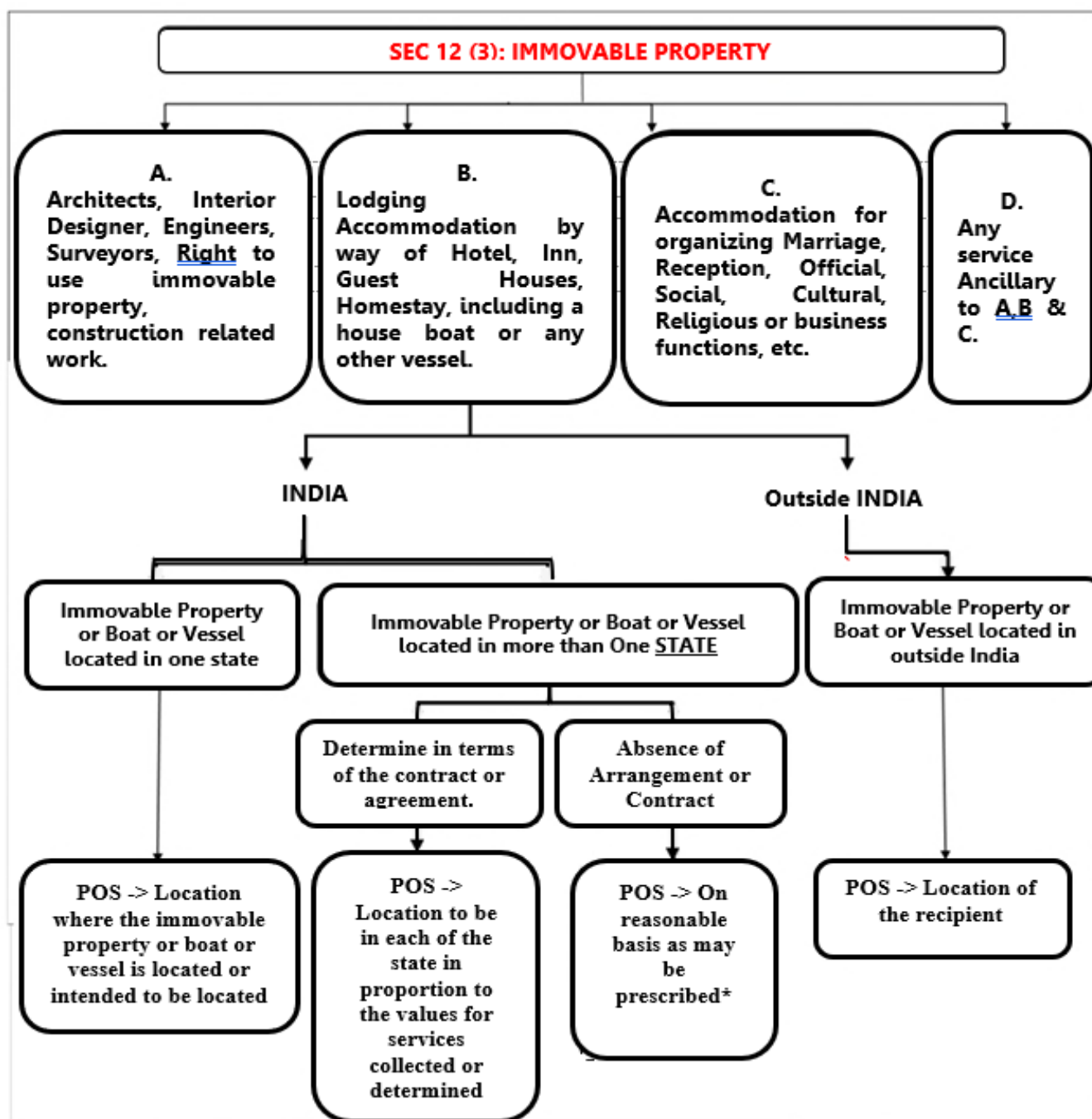
UP

DELHI

KARNATAKA(Head office)PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF ESTABLISHMENT MOST DIRECTLY
CONCERNED WITH THE RECEIPT OF SUPPLY-> **KARNATAKA**

EXAMPLE 1: Mr. V (a Chartered Accountant registered in New Delhi) makes a supply of service to his client Mr. R of Noida, Uttar Pradesh (registered in Uttar Pradesh). In this case, since the supply is made to a registered person, the place of supply is the location of the registered recipient i.e., Noida

EXAMPLE 2: Mr. P, a Chartered Accountant in Gurugram, Haryana, (registered in Haryana) provides consultancy services to his client Mr. Q who is a resident of New Delhi but is not registered under GST. If the address of Mr. Q is available in the records of Mr. P, location of Mr. Q i.e., New Delhi will be the place of supply, else the location of Mr. P, which is Gurugram, will be the place of supply.



SR. NO.	TYPE OF SERVICE IN RELATION TO IMMOVABLE PROPERTY	FACTOR WHICH DETERMINES THE PROPORTIONATE VALUE OF SERVICE
(a)	Service provided by way of lodging accommodation by hotel, inn, guest house etc. and its ancillary services (other than the cases where such property is a single property located in 2 or more contiguous States/ UT or both)	Number of nights stayed in such property [Refer Example 1]
(b)	All other services provided in relation to immovable property including <ul style="list-style-type: none"> • services by way of accommodation in any immovable property for organizing any marriage or reception etc. • supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called where such property is a single property located in 2 or more contiguous States or/and UT • services ancillary to services mentioned above 	Area of the immovable property lying in each State/UT [Refer Example 2]
(c)	Services by way of lodging accommodation by a house boat or vessel and its ancillary services	Time spent by the boat or vessel in each such State/ UT, to be determined on the basis of declaration made by the service provider [Refer Example 3]

EXAMPLE 1:

A hotel chain X charges a consolidated sum of Rs.30,000/- for stay in its two establishments in Delhi and Agra, where the stay in Delhi is for 2 nights and the stay in Agra is for 1 night. The place of supply in this case is both in the Union territory of Delhi and in the State of Uttar Pradesh and the service shall be deemed to have been provided in the Union territory of Delhi and in the State of Uttar Pradesh in the ratio 2:1 respectively. The value of services provided will thus be apportioned as Rs. 20,000/- in the Union territory of Delhi and Rs. 10,000/- in the State of Uttar Pradesh.

EXAMPLE 2:

There is a piece of land of area 20,000 square feet which is partly in State S1 say 12,000 square feet and partly in State S2, say 8000 square feet. Site preparation work has been entrusted to T. The ratio of land in the two states works out to 12:8 or 3:2 (simplified). The place of supply is in both S1 and S2. The service shall be deemed to have been provided in the ratio of 12:8 or 3:2 (simplified) in the States S1 and S2 respectively. The value of the service shall be accordingly apportioned between the States.

EXAMPLE 3:

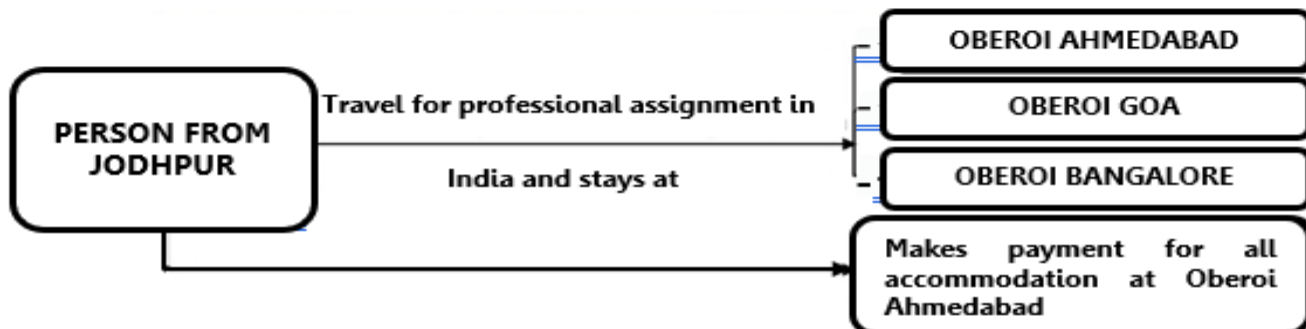
A company C provides the service of 24 hours accommodation in a houseboat, which is situated both in Kerala and Karnataka in as much as the guests board the house boat in Kerala and stay there for 22 hours but it also moves into Karnataka for 2 hours (as declared by the service provider). The place of supply of this service is in the States of Kerala and Karnataka. The service shall be deemed to have been provided in the ratio of 22:2 or 11:1 (simplified) in the states of Kerala and Karnataka, respectively. The value of the service shall be accordingly apportioned between the States.

EXAMPLE 4 : SERVICES BY INTERIOR DECORATOR



PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF IMMOVABLE PROPERTY-> **HARYANA**

EXAMPLE 5 : SERVICES RECEIVED AT MORE THAN ONE ESTABLISHMENT



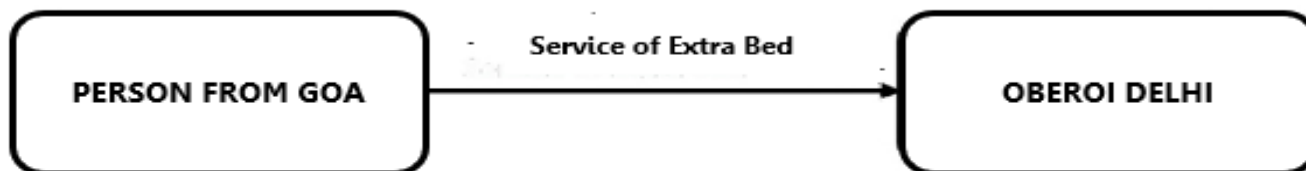
PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF ALL 3 CITIES WHERE THE ACCOMODATION IS PROVIDED ie -> **AHMEDABAD, GOA AND BANGLORE**

EXAMPLE 6 : ACCOMODATION FOR ORGANIZING ANY FUNCTION



PLACE OF SUPPLY OF SERVICES WILL BE LOCATION OF ALL 3 CITIES WHERE THE ACCOMODATION IS PROVIDED ie -> **AHMEDABAD, GOA AND BANGLORE**

EXAMPLE 7 : SERVICES ANCILLARY TO IMMOVABLE PROPERTY SERVICES



PLACE OF SUPPLY OF SERVICE OF EXTRA BED WILL BE LOCATION WHERE THE IMMOVABLE PROPERTY IS SITUATED -> **DELHI**

EXAMPLE 5:

M Builders (Mumbai) is constructing a factory building for KS Pvt. Ltd. (Gujarat), in Bangalore. The place of supply is the location of the immovable property i.e., Bangalore.

Chapter 5 - Place of Supply

EXAMPLE 6:

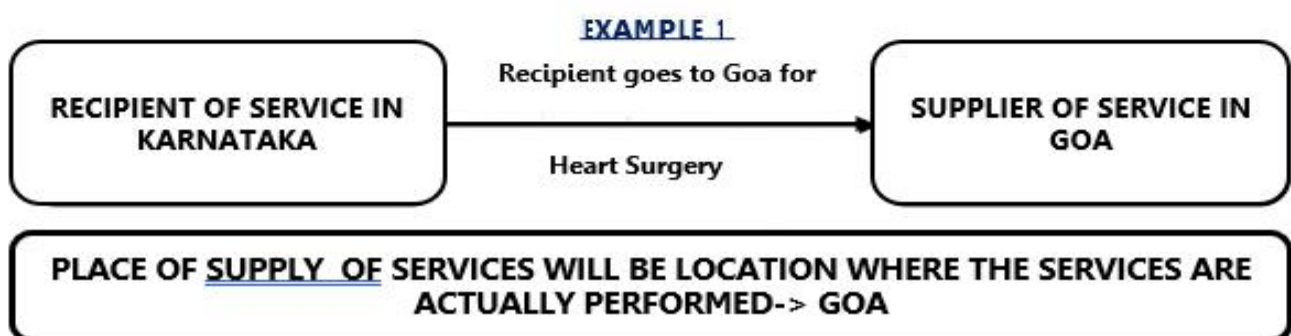
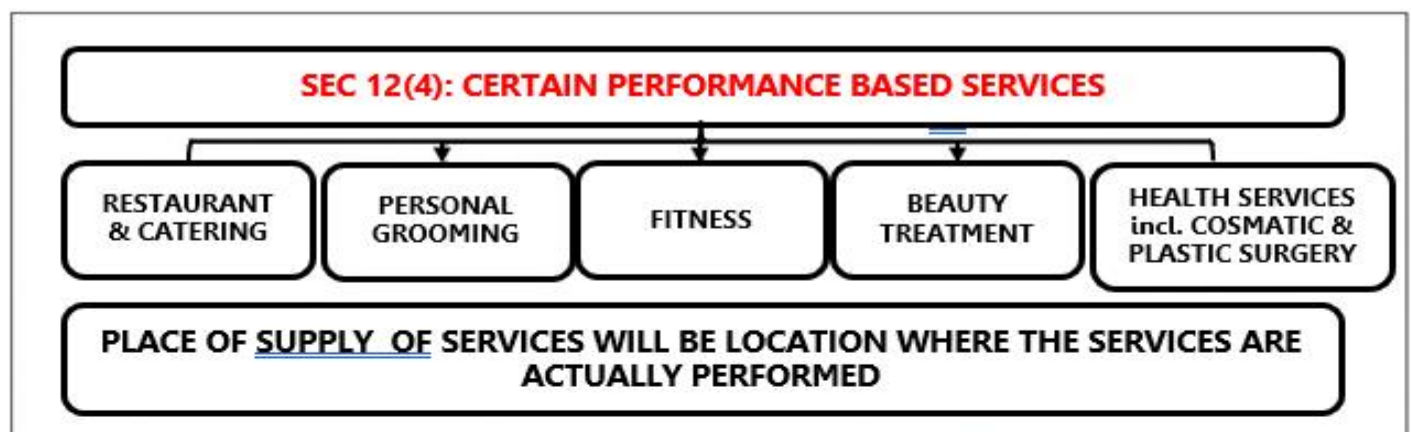
Mr. Amit, a consulting engineer based in Ajmer, Rajasthan renders professional services in respect of an immovable property of Mr. Vishwas (Mumbai) located in France. Since the immovable property is located outside India, the place of supply of service is the location of recipient i.e., Mumbai and not the place where the immovable property is located (France).

EXAMPLE 7:

Shah and Shah, an architectural firm at Kolkata, has been hired by MKF Builders of Mumbai to draw up a plan for a high rise building to be constructed by them in Ahmedabad, Gujarat. The place of supply is the place where the immovable property is intended to be located i.e., Ahmedabad.

EXAMPLE 8:

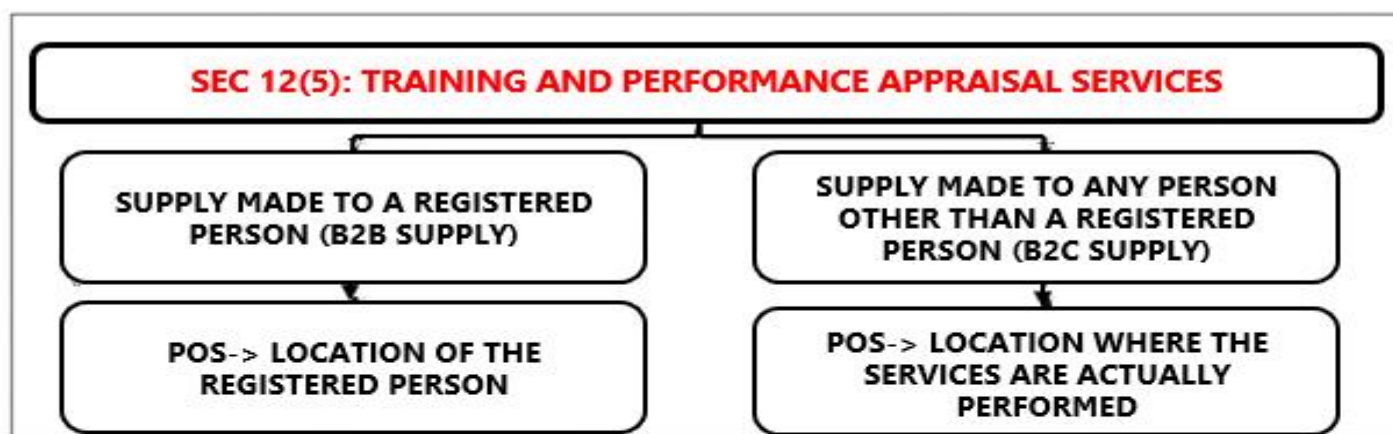
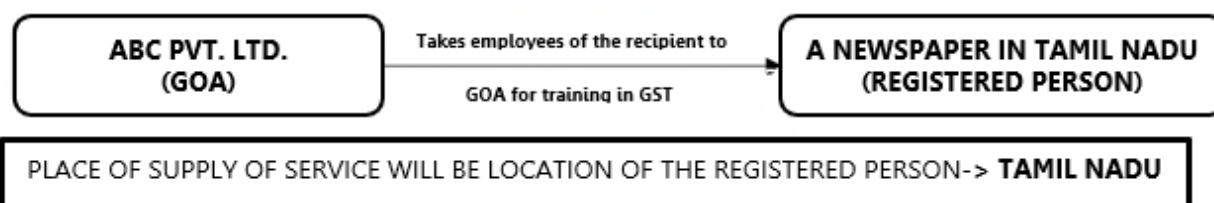
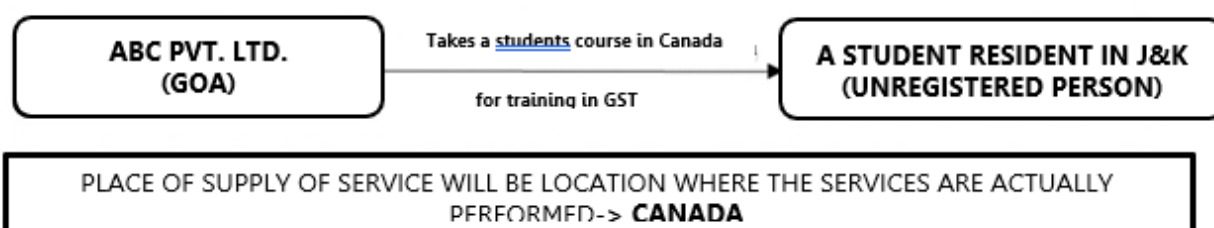
Mr. Ramesh, a Chartered Accountant, (New Delhi) travels to Mumbai for business and stays in a hotel there. The place of supply of accommodation service is the place where the hotel is located i.e., Mumbai.

**EXAMPLE 1:**

Mr. Ravi, a business man from Kolhapur dines in a restaurant at Pune while on a business trip. The place of supply of restaurant service is the location where such service is performed i.e., Pune.

EXAMPLE 2:

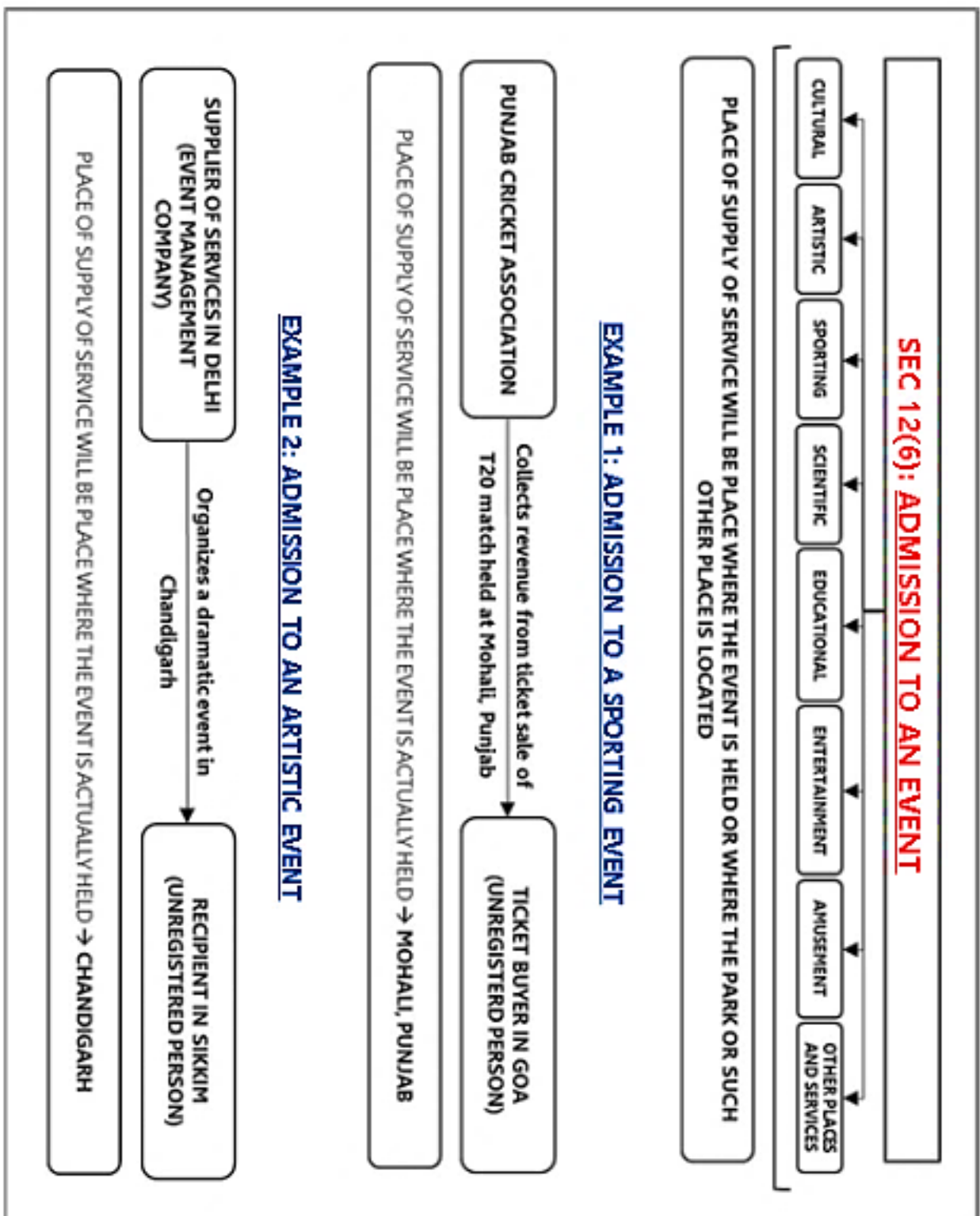
Mr. X, a makeup artist at Mumbai, goes to Madgaon, Goa for doing the makeup of Ms. Y, a Bollywood actress based in Kolkata. The place of supply is the location where such service is performed i.e., Madgaon.

**EXAMPLE 1****EXAMPLE 2****EXAMPLE 3:**

DEO Consultants (Kolkata) impart GST training to accounts and finance personnel of Sun Cements Ltd. (Guwahati, Assam) at the company's Kolkata office. Since the recipient is registered, the place of supply is the location of the registered person i.e., Guwahati.

EXAMPLE 4:

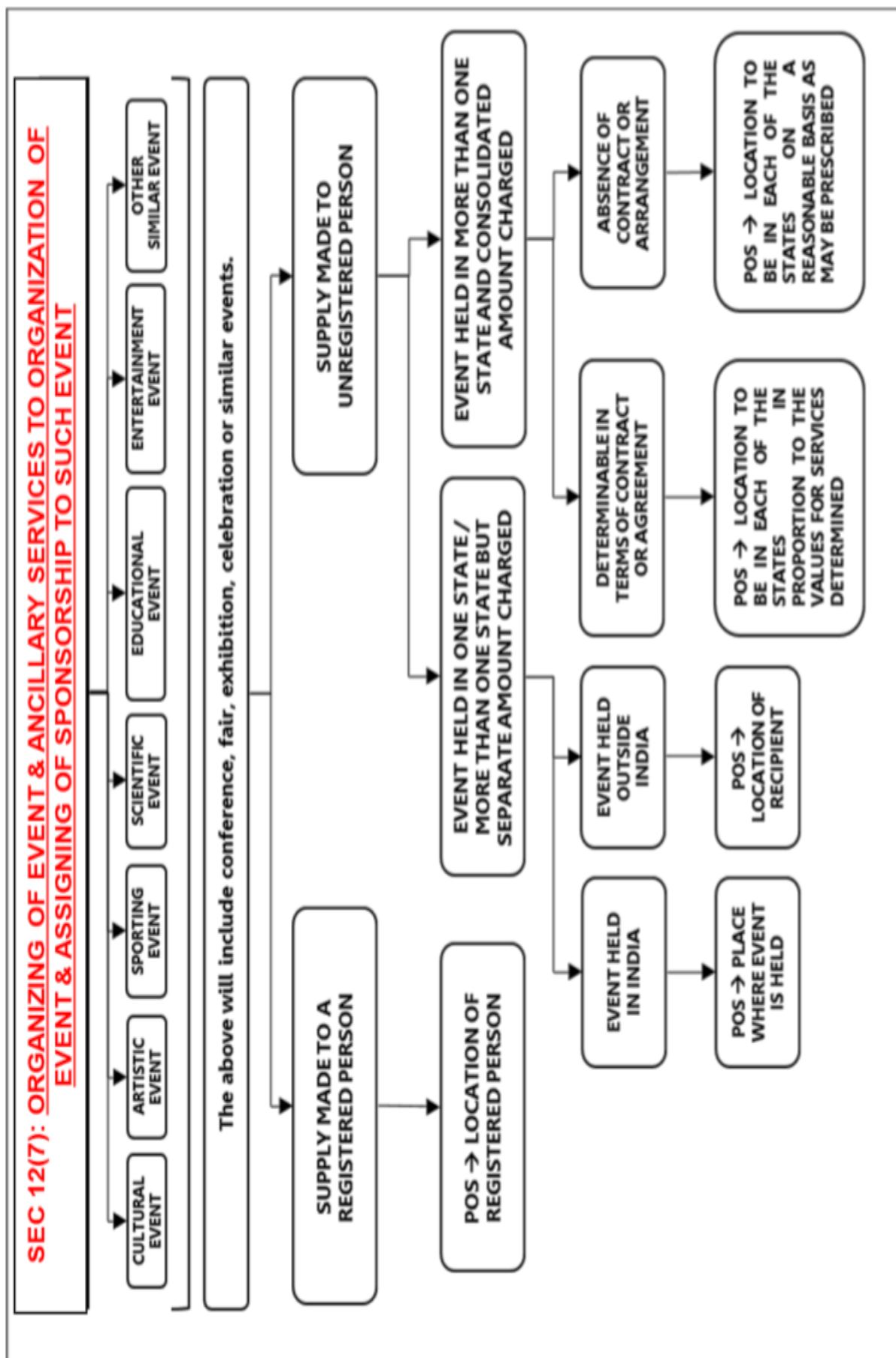
Mr. Suresh (unregistered person based in Noida) signs up with Excellent Linguistics (New Delhi) for training on English speaking at their New Delhi Centre. Since the recipient is unregistered, the place of supply is the location where services are provided i.e., New Delhi.

**EXAMPLE 3:**

Mr. A, a resident of Ghaziabad, Uttar Pradesh, buys a ticket for a circus organized at Gurugram, Haryana by a circus company based in New Delhi. The place of supply is the location where the circus is held i.e., Gurugram.

EXAMPLE 4:

Mr. B of New Delhi buys a ticket for an amusement park located in Noida, Uttar Pradesh. The place of the supply is the location where the park is located i.e., Noida.

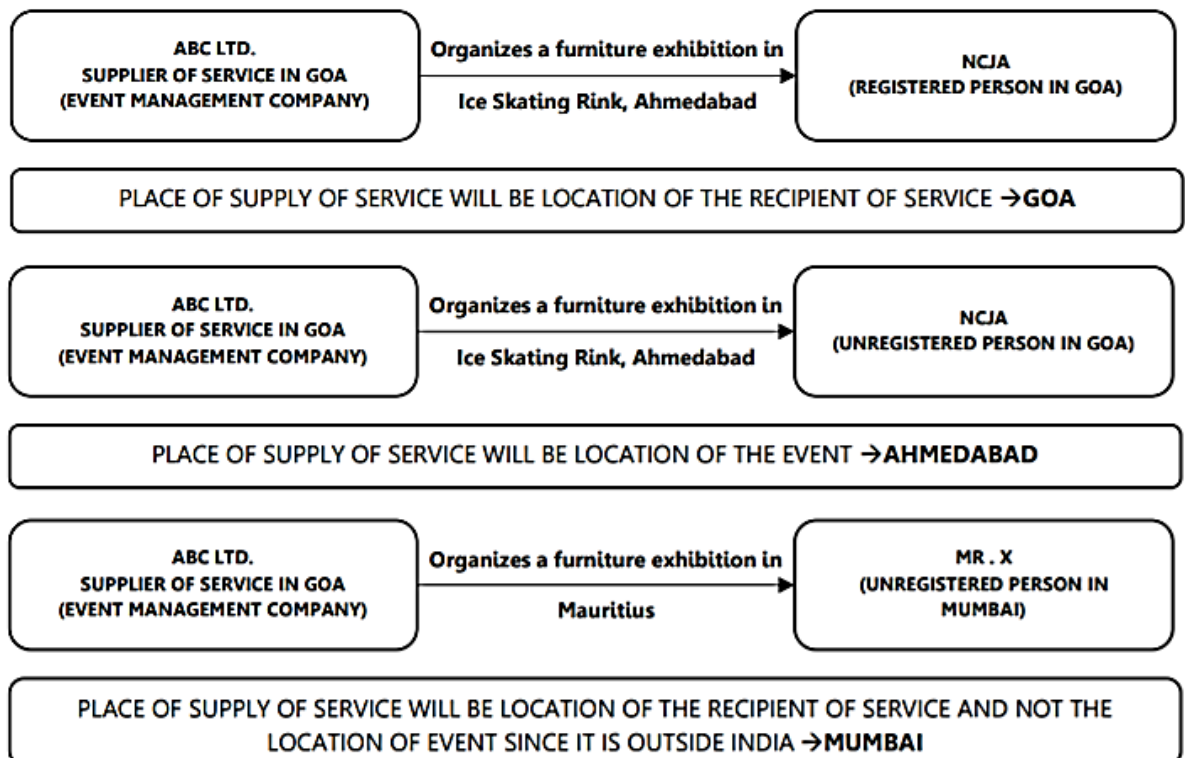


NOTE:

If the event is held in more than one State/ UT and a consolidated amount is charged for services relating to such event, the place of supply of such service is deemed to be in each of the respective State/ UT in proportion to the value of services determined in terms of the contract or agreement entered into in this regard. **In the absence of any such contract or agreement, the value is determined in accordance with rule 5 by the application of generally accepted accounting principles.**

EXAMPLE 1:

An event management company E has to organize some promotional events in States S 1 and S2 for recipient R (unregistered). 3 events are to be organized in S1 and 2 in S2. They charge a consolidated amount of Rs.10,00,000 from R. The place of supply of this service is in both the States S 1 and S2. Say the proportion arrived at by the application of generally accepted accounting principles is 3:2. The service shall be deemed to have been provided in the ratio 3:2 in S1 and S2 respectively. The value of services provided will thus be apportioned as Rs. 6,00,000/- in S1 and Rs. 4,00,000/- in S2.

EXAMPLE 2: ORGANIZATION OF EVENT**EXAMPLE 3:**

Mega Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), at Mumbai. Since the recipient is a registered person, the place of supply is the location of the recipient, i.e., Ahmedabad.

EXAMPLE 4:

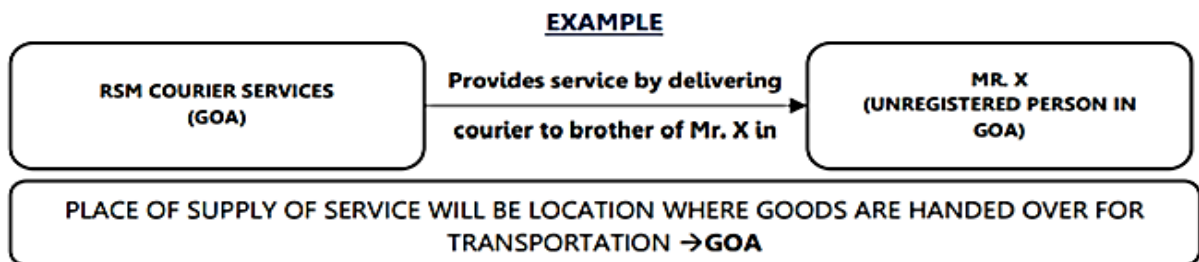
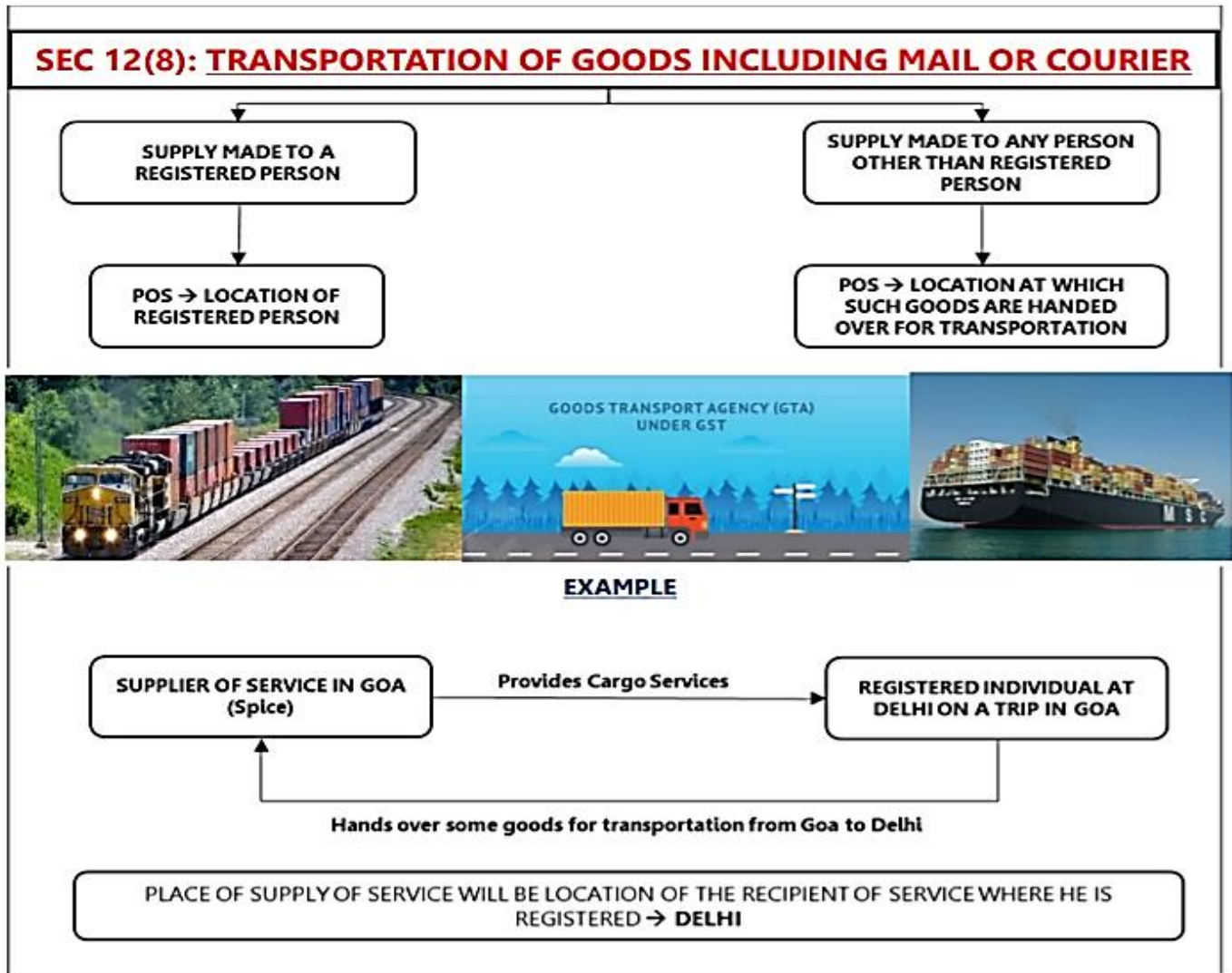
Mega Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), at Mauritius. Since the recipient is a registered person, the place of supply is the location of the recipient, i.e., Ahmedabad.

EXAMPLE 5:

Grand Wedding Planners (Chennai) is hired by Mr. Ramesh (unregistered person based in Hyderabad) to plan and organise his wedding at New Delhi. The recipient being an unregistered person, the place of supply is the location where the event is held i.e., New Delhi.

EXAMPLE 6:

Grand Wedding Planners (Chennai) is hired by Mr. Ramesh (unregistered person based in Hyderabad) to plan and organise his wedding at Seychelles. The recipient being an unregistered person and the event held outside India, the place of supply is the location of the recipient i.e., Hyderabad and not the location where the event is held i.e., Seychelles.



Note:

Where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods. Therefore, in case where the location of supplier and recipient is in India and goods are transported to a place outside India, the place of supply of transportation service shall be the place of destination of such goods, i.e. outside India.

EXAMPLE 3:

M/s XYZ Pvt. Ltd. is a registered company in New Delhi. It sends its courier to Pune through M/s Brue Air Courier Service. The recipient being registered person, the place of supply is the location of recipient i.e., New Delhi.

EXAMPLE 4:

Mr. Y, an unregistered person, of New Delhi sends a courier to his brother in Amritsar, Punjab. The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation i.e., New Delhi.

EXAMPLE 5:

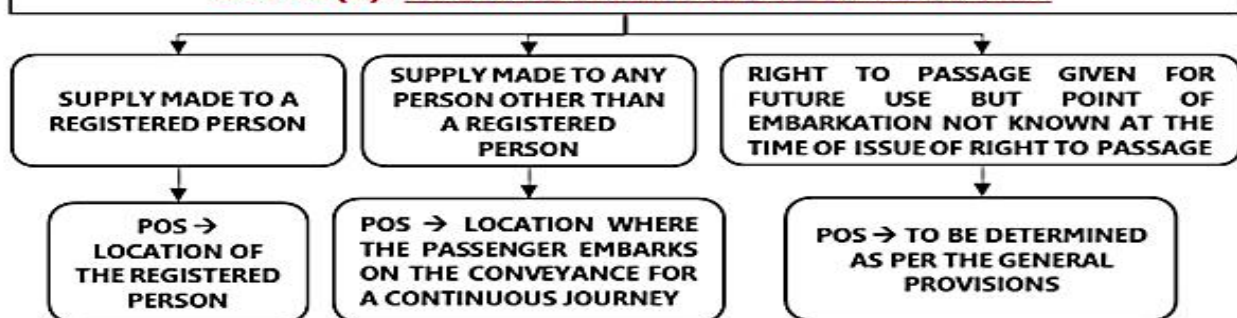
PR Pvt. Ltd., a Goods Transportation Agency based in Kanpur, Uttar Pradesh, is hired by Hajela Enterprises (registered supplier in Kanpur) to transport its consignment of goods to a buyer in New Delhi. The recipient being registered, the place of supply is the location of recipient i.e., Kanpur.

EXAMPLE 6:

ST Pvt. Ltd., a Goods Transportation Agency based in Noida, Uttar Pradesh, is hired by Chhaya Trade Links (registered supplier in New Delhi) to transport its consignment of goods to a buyer in Kanpur, Uttar Pradesh. The recipient being registered, the place of supply is the location of recipient i.e., New Delhi.

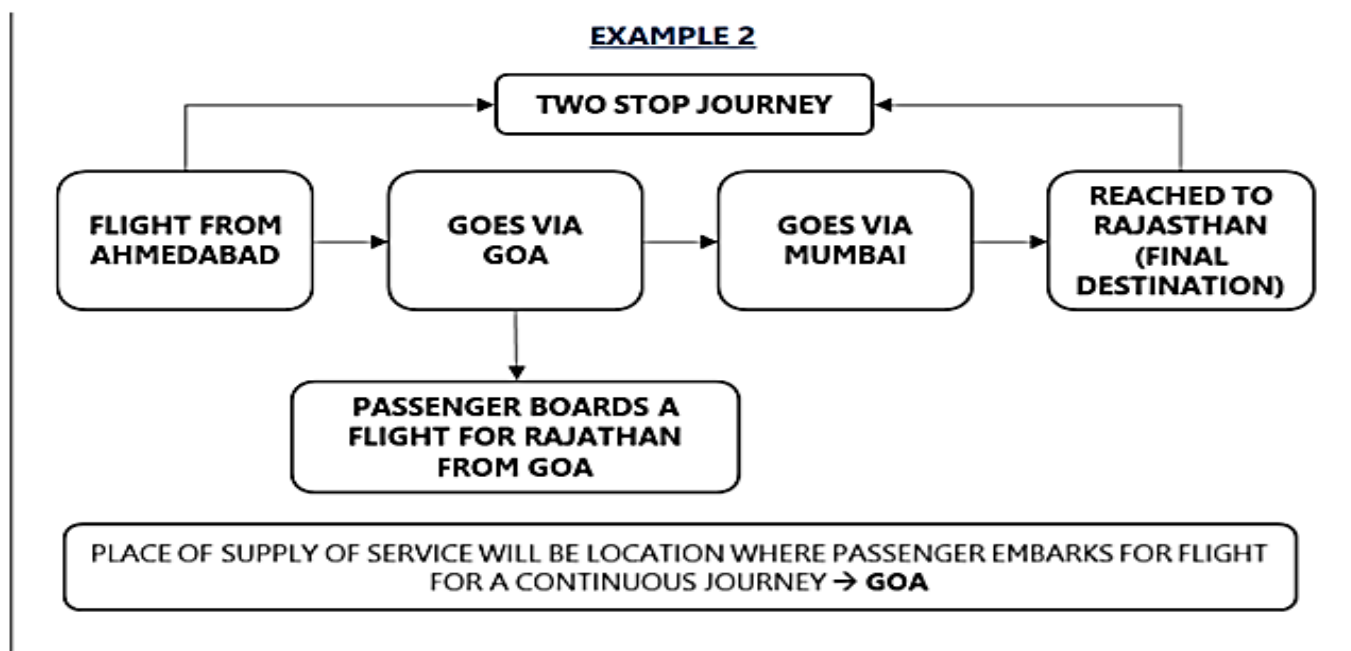
EXAMPLE 7:

Mr. Srikant, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Srikant's family is stationed in Kanpur, Uttar Pradesh. He hires Goel Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal. The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation i.e., Kanpur.

SEC 12(9): TRANSPORTATION OF PASSENGERS**NOTE:**

The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time.

**EXAMPLE 1**

**EXAMPLE 3:**

Mr. Ajay (registered person in Goa) travels from Pune to Kolkata in Air India flight. Mr. Ajay has bought the tickets for the journey from Air India's office registered in Goa. The place of supply is the location of recipient i.e., Goa.

EXAMPLE 4:

Mr. X (unregistered person in Kolkata) has come to Mumbai on a vacation. He buys pre-paid Mumbai Metro Card from Mumbai Metro (Mumbai) for hassle free commute in the City. Recipient being unregistered person, the place of supply is the address of Mr. X i.e., Kolkata. If address of Mr. X is not available with the Mumbai Metro, the place of supply will be the location of the supplier of services i.e., Mumbai.

EXAMPLE 5:

An airline may issue seasonal tickets, containing say 10 leaves which could be used for travel between any two locations in the country.

EXAMPLE 6:

The card issued by New Delhi metro could be used by a person located in Noida, or New Delhi or Faridabad, without the New Delhi metro being able to distinguish the location or journeys at the time of receipt of payment.

EXAMPLE 7:

Mr. Shyam, an unregistered person, based in Gurugram, Haryana books a two-way air journey ticket from New Delhi to Mumbai on 5th December. He leaves New Delhi on 10th December in a late-night flight and lands in Mumbai the next day. He leaves Mumbai on 14th December in a morning flight and lands in New Delhi the same day.

The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time. Thus, being an unregistered person, the place of supply for the outward and return journeys are the locations where the unregistered person embarks on the conveyance for the continuous journey i.e., New Delhi and Mumbai respectively.

SEC 12(10): SERVICES ON BOARD CONVEYANCE**VESSEL****AIRCRAFT****TRAIN****MOTOR
VEHICLE**

PLACE OF SUPPLY OF SERVICE WILL BE LOCATION OF FIRST SCHEDULED POINT OF DEPARTURE OF THAT CONVEYANCE

**EXAMPLE**

**SUPPLIER OF SERVICE
IN AHMEDABAD
(REGISTERED PERSON)**

Takes a Chartered flight on hire for a
business tour from Delhi to Hong Kong

**RECIPIENT IN DELHI
(MULTINATIONAL COMPANY)
(REGISTERED PERSON)**

CATERING SERVICES WAS PROVIDED ON BOARD BY THE OPERATOR OF THE FLIGHT

PLACE OF SUPPLY OF SERVICE WILL BE LOCATION OF FIRST SCHEDULED POINT OF DEPARTURE OF THAT CONVEYANCE → **DELHI**

EXAMPLE 2:

Mr. X is travelling from Delhi to Mumbai in an Airjet flight. He desires to watch an English movie during the journey by making the necessary payment. The place of supply of such service of showing 'movie on demand' is the first scheduled point of departure of the conveyance for the journey i.e., Delhi

SEC 12(11): TELECOMMUNICATION SERVICES, INCLUDING DATA TRANSFER, BROADCASTING, CABLE AND DIRECT TO HOME TELEVISION SERVICES TO ANY PERSON

NATURE OF SUPPLY	PLACE OF SUPPLY	RECIPIENT
<ul style="list-style-type: none"> ✦ Fixed telecommunication line ✦ Leased circuits ✦ Internet leased circuit ✦ Cable or dish antenna 	Location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services	A N Y P E R S O N
Post-paid mobile connection and internet services	<ul style="list-style-type: none"> • Location of billing address of the recipient of services in the records of the supplier of services • Location of the supplier of services, if the address is not available 	
Pre-paid mobile connection, internet services and DTH services (recharge coupon, vouchers, net pack etc.) Services provided through a <ul style="list-style-type: none"> ✦ selling agent ✦ re-seller ✦ distributor of subscriber identity module card or recharge voucher 	Address of the selling agent/ re-seller/ distributor at the time of supply	
Services provided by any person to final subscriber	Location where such prepayment is received or such vouchers are sold	
Pre-paid services, the payment for which is made through internet banking/other electronic mode of payment	Location of the recipient of services in the records of the supplier of services	
Other Cases	<ul style="list-style-type: none"> • Location of billing address of the recipient of services in the records of the supplier of services • Location of the supplier of services, if the address is not available 	

LEASED CIRCUIT IS INSTALLED IN MORE THAN ONE STATE/UNION TERRITORY

If the leased circuit is installed in more than one State/Union territory and a consolidated amount is charged for supply of services, the place of supply is deemed to be in each of the respective States/Union territories in proportion to the value of services.

In the absence of any such contract or agreement, the value is determined in accordance with rule 6 in proportion to the number of points lying in the State/ UT.

The number of points in a circuit is determined in the following manner:

SR.NO	NUMBER OF POINTS	EXAMPLE
(i)	In the case of a circuit between two points or places, the starting point or place of the circuit and the end point or place of the circuit will invariably constitute two points	<p>EXAMPLE:</p> <p>A company T installs a leased circuit between the Delhi and Mumbai offices of a company C. The starting point of this circuit is in Delhi and the end point of the circuit is in Mumbai. Hence, one point of this circuit is in Delhi and another in Maharashtra. The place of supply of this service is in the Union territory of Delhi and the State of Maharashtra. The service shall be deemed to have been provided in the ratio of 1:1 in the Union territory of Delhi and the State of Maharashtra, respectively.</p>
(ii)	Any intermediate point or place in the circuit will also constitute a point provided that the benefit of the leased circuit is also available at that intermediate point	<p>EXAMPLE</p> <p>A company T installs a leased circuit between the Chennai, Bengaluru and Mysuru offices of a company C. The starting point of this circuit is in Chennai and the end point of the circuit is in Mysuru. The circuit also connects Bengaluru. Hence, one point of this circuit is in Tamil Nadu and two points in Karnataka. The place of supply of this service is in the States of Tamil Nadu and Karnataka. The service shall be deemed to have been provided in the ratio of 1:2 in the States of Tamil Nadu and Karnataka, respectively.</p> <p>EXAMPLE</p> <p>A company T installs a leased circuit between the Kolkata, Patna and Guwahati offices of a company C. There are 3 points in this circuit in Kolkata, Patna and Guwahati. One point each of this circuit is, therefore, in West Bengal, Bihar and Assam. The place of supply of this service is in the States of West Bengal, Bihar and Assam. The service shall be deemed to have been provided in the ratio of 1:1:1 in the States of West Bengal, Bihar and Assam, respectively</p>



EXAMPLE 1:

Mr. Y (Mumbai) gets a landline phone installed at his home from MTNL. The place of supply is the location where the telecommunication line is installed i.e., Mumbai.

EXAMPLE 2:

Mr. Z (Mumbai) purchases a pre-paid card from a selling agent in Pune. The place of supply is the address of the selling agent or re-seller i.e., Pune.

EXAMPLE 3:

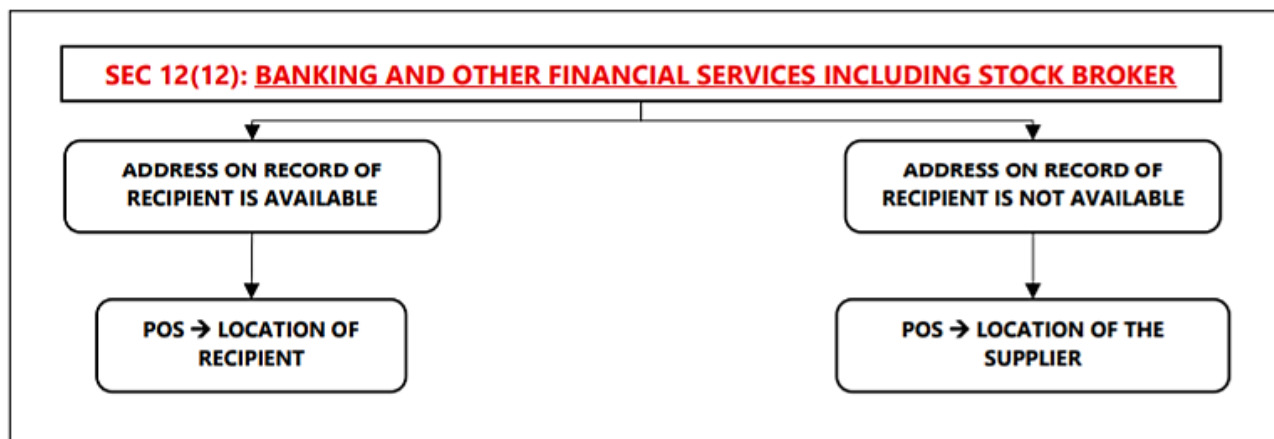
Mr. A (Mumbai) gets his post-paid bill paid online from Delhi. The payment being made through electronic mode, the place of supply is the location of the recipient in the records of the supplier i.e., Mumbai.

EXAMPLE 4:

Mr. Y (Mumbai) gets a DTH installed at his home from RT Ltd. The place of supply is the location where the DTH is installed i.e., Mumbai.

EXAMPLE 5:

Mr. D (Mumbai) takes a post-paid mobile connection in Mumbai from Skybel Ltd. The place of supply is the location of billing address of the recipient i.e., Mumbai.

**EXAMPLE 1:**

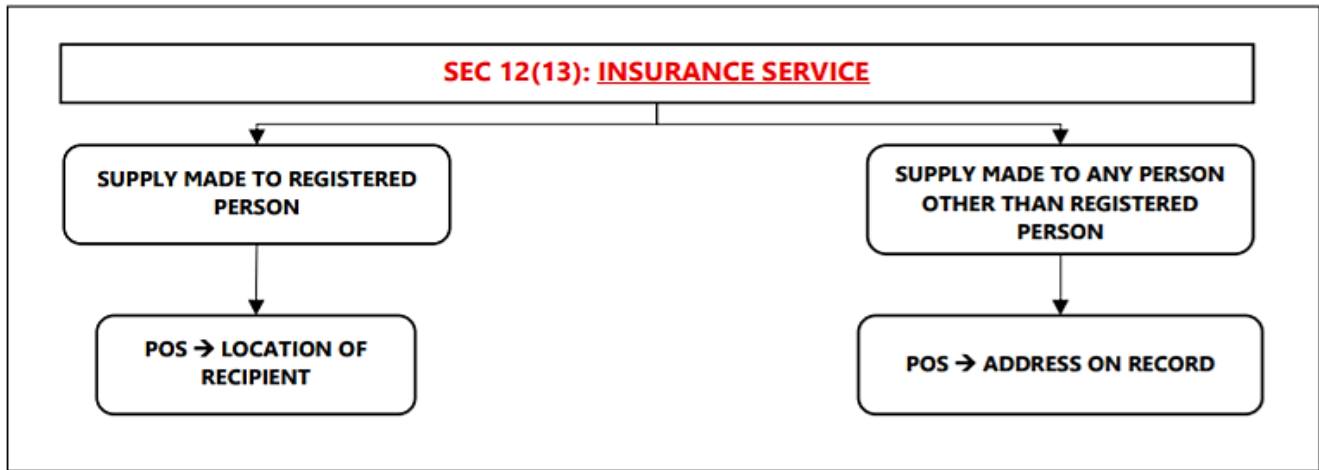
Mr. Ajay (Mumbai) buys shares from a broker in BSE (Kolkata). The place of supply is the location of the recipient of services on the records of the supplier i.e., Mumbai.

EXAMPLE 2:

Mr. X (Mumbai) withdraws money from SBI's ATM in Goa. Mr. X has crossed his limit of free ATM withdrawals. The place of supply is the location of the recipient of services in the records of the supplier i.e., Mumbai.

EXAMPLE 3:

Mr. Raj, an unregistered person from Mumbai, Maharashtra, visits a bank registered in Chennai for getting a demand draft made. Since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services i.e., Chennai.

**EXAMPLE 1:**

Mr. Arun, CEO of AB Ltd., Jaipur (a company registered in Rajasthan) buys insurance cover for the inventory stored in company's factory located at Jaipur, from Suraksha Insurers, Mumbai (registered in Maharashtra). The place of supply is the location of the registered recipient i.e., Jaipur.

EXAMPLE 2:

Ms. Vijay (unregistered resident of Chennai) goes to his native place Pune, Maharashtra and buys a medical insurance policy for his parents there from Jeevan Insurers, Pune (registered in Maharashtra). The place of supply is the location of the recipient of services on the records of the supplier i.e., Pune.

SECTION 12(14): ADVERTISEMENT SERVICES TO THE CENTRAL GOVERNMENT. A STATE GOVERNMENT. A STATUTORY BODY OR A LOCAL AUTHORITY MEANT FOR THE STATES OR UNION TERRITORIES IDENTIFIED IN THE CONTRACT OR AGREEMENT

- Place of supply shall be taken as being in each of such States or Union Territories.
- Value of such supplies specific to each State or Union Territory shall be in proportion to:
 - Amount attributable to services provided by way of dissemination in the respective States or Union Territories as may be determined in terms of the contract or agreement entered into in this regard or,
 - In the absence of such contract or agreement, on such other basis as may be prescribed.

NATURE OF SUPPLY	PLACE OF SUPPLY
Advertisement service to the Central Government / State Government / Statutory body / Local authority meant for the State / Union Territory identified in contract or agreement	Each of such States/ Union territories where the advertisement is broadcasted / run / played / dissemination.

The value of such supplies is in proportion to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard. However, in the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories will be computed in accordance with rule 3 of IGST Rules, 2017. The provisions of the said rule are tabulated below:

SR. NO.	TYPE OF ADVERTISEMENT	FACTOR WHICH DETERMINES THE PROPORTIONATE VALUE OF SERVICE ATTRIBUTABLE TO THE DISSEMINATION IN EACH STATE/UNION TERRITORY
1.	Advertisements in newspapers and publications	Amount payable for publishing advertisement in all the editions of a newspaper or publication, which published in each State/Union territory. (Refer Example 1)
2.	Advertisements through printed material like pamphlets, leaflets, diaries, calendars, T-shirts, etc.	Amount payable for the distribution of a specific number of such material in each State/Union territory (Refer Example 2)
3.	Advertisements in hoardings (other than those on trains)	Amount payable for the hoardings located in each State/ Union territory (Refer Example 3)
4.	Advertisements on trains	Length of the railway track in each State/Union Territory, for that train (Refer Example 4)
5.	Advertisements on the back of utility bills of oil and gas companies, etc	Amount payable for the advertisements on bills pertaining to consumers having billing addresses in each State/Union territory.
6.	Advertisements on railway tickets	Number of Railway Stations in each State/Union territory (Refer Example 5)
7.	Advertisements on radio stations	Amount payable to such radio station, which by virtue of its name is part of each State/Union territory (Refer Example 6)
8.	Advertisement on television channels	<p>Number of viewers of such channel in each State/union Territory.</p> <p>Viewership can be ascertained from the channel viewership figures published by the Broadcast Audience Research Council. Figures for the last week of a given quarter will be used for calculating viewership for the succeeding quarter.</p> <p>Where the channel viewership figures relate to a region comprising of more than one State/Union territory, the viewership figures for a State/ Union territory of that region, will be calculated in ratio of the populations of that State/Union territory, as determined in the latest Census. (Refer Example 7)</p>
9.	Advertisement in cinema halls	Amount payable to a cinema hall or screens in a multiplex in each State/ Union territory.)Refer Example 8)
10.	Advertisement on internet	<p>In case of advertisements over internet, the advertisement service shall be deemed to have been provided all over India. Thus, the value of such service will be apportioned amongst all States and UTS, of India in the manner prescribed therein.</p> <p>Manner Prescribed:</p> <p>Number of internet subscribers in each State/Union Territory</p> <p>Internet subscribers can be ascertained from the internet subscriber figures published by the Telecom Regulatory Authority of India (TRAI). Figures for the last quarter of a given financial year will be used for calculating the</p>

		<p>number of internet subscribers for the succeeding financial year.</p> <p>Where the internet subscriber figures relate to a region comprising of more than one State/Union territory, the subscriber figures for a State/Union territory of that region shall be calculated in the ratio of the populations of that State/Union territory, as determined in the latest census. (Refer Example 9)</p>
11.	Advertisement through SMS	<p>Number of telecom subscribers in each State/Union Territory</p> <p>Telecom subscribers in a telecom circle can be ascertained from the telecom subscribers figures published by the TRAI. Figures for a given quarter will be used for calculating the subscribers for the succeeding quarter.</p> <p>Where such figures relate to a telecom circle comprising of more than one State/Union territory, the subscriber figures for that State/Union territory shall be calculated in the ratio of the populations of that State/Union territory, as determined in the latest census. (Refer Examples 10-13)</p>

EXAMPLE 1

ABC is a government agency which deals with all the advertisement and publicity of the Government. It has various wings dealing with various types of publicity. In furtherance thereof, it issues release orders to various agencies and entities. These agencies and entities thereafter provide the service and then issue invoices to ABC indicating the amount to be paid by them. ABC issues a release order to a newspaper for an advertisement on 'Beti bachao beti padhao', to be published in the newspaper DEF (whose head office is in Delhi) for the editions of Delhi, Pune, Mumbai, Lucknow and Jaipur. The release order will have details of the newspaper like the periodicity, language, size of the advertisement and the amount to be paid to such a newspaper.

The place of supply of this service shall be in the Union territory of Delhi, and the States of Maharashtra, Uttar Pradesh and Rajasthan. The amounts payable to the Pune and Mumbai editions would constitute the proportion of value for the State of Maharashtra which is attributable to the dissemination in Maharashtra. Likewise, the amount payable to the Delhi, Lucknow and Jaipur editions would constitute the proportion of value attributable to the dissemination in the Union territory of Delhi and States of Uttar Pradesh and Rajasthan respectively. DEF should issue separate State-wise and Union territory-wise invoices based on the editions.

EXAMPLE 2

As a part of the campaign 'Swachh Bharat', ABC has engaged a company GH for printing of 1,00,000 pamphlets (at a total cost of Rs. 1,00,000) to be distributed in the States of Haryana, Uttar Pradesh and Rajasthan. In such a case, ABC should ascertain the breakup of the pamphlets to be distributed in each of the three States i.e., Haryana, Uttar Pradesh and Rajasthan, from the Ministry or department concerned at the time of giving the print order. Let us assume that this breakup is 20,000, 50,000 and 30,000 respectively. This breakup should be indicated in the print order.

The place of supply of this service is in Haryana, Uttar Pradesh and Rajasthan. The ratio of this breakup i.e., 2:5:3 will form the basis of value attributable to the dissemination in each of the three States. Separate invoices will have to be issued State-wise by GH to ABC indicating the value pertaining to that State, i.e., Rs. 20,000 - Haryana, Rs. 50,000 - Uttar Pradesh and Rs. 30,000 - Rajasthan.

EXAMPLE 3

ABC as part of the campaign 'Saakshar Bharat' has engaged a firm IJ for putting up hoardings near the Airports in the 4 metros, i.e., Delhi, Mumbai, Chennai and Kolkata. The release order issued by ABC to IJ will have the city-wise, location-wise breakup of the amount payable for such hoardings.

The place of supply of this service is in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal. In such a case, the amount actually paid to IJ for the hoardings in each of the 4 metros will constitute the value attributable to the dissemination in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal respectively. Separate invoices will have to be issued State-wise and Union territory-wise by IJ to ABC indicating the value pertaining to that State or Union territory.

EXAMPLE 4

ABC places an order on KL for advertisements to be placed on a train with regard to the 'Janani Suraksha Yojana'. The length of a track in a State will vary from train to train. Thus, for advertisements to be placed on the Hazrat Nizamuddin Vasco Da Gama Goa Express which runs through Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka and Goa, KL may ascertain the total length of the track from Hazrat Nizamuddin to Vasco Da Gama as well as the length of the track in each of these States and Union territory from the website www.indianrail.gov.in. The place of supply of this service is in the Union territory of Delhi and States of Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra Karnataka and Goa. The value of the supply in each of these States and Union territory attributable to the dissemination in these States will be in the ratio of the length of the track in each of these States and Union territory. If this ratio works out to say 0.5:0.5:2:2:3:3:1, and the amount to be paid to KL is Rs. 1,20,000, then KL will have to calculate the State-wise and Union territory-wise breakup of the value of the service, which will be in the ratio of the length of the track in each State and Union territory.

In the given example, the State-wise and Union territory-wise breakup works out to Delhi (Rs. 5,000), Haryana (Rs. 5,000), Uttar Pradesh (Rs. 20,000), Madhya Pradesh (Rs. 20,000), Maharashtra (Rs. 30,000), Karnataka (Rs. 30,000) and Goa (Rs. 10,000). Separate invoices will have to be issued State-wise and Union territory-wise by KL to ABC indicating the value pertaining to that State or Union territory.

EXAMPLE 5

ABC has issued a release order to MN for display of advertisements relating to the 'Ujjwala' scheme on the railway tickets that are sold from all the Stations in the States of Madhya Pradesh and Chattisgarh.

The place of supply of this service is in Madhya Pradesh and Chattisgarh. The value of advertisement service attributable to these two States will be in the ratio of the number of railway stations in each State as ascertained from the Railways or from the website www.indianrail.gov.in.

Let us assume that this ratio is 713:251 and the total bill is Rs. 9,640. The breakup of the amount between Madhya Pradesh and Chattisgarh in this ratio of 713:251 works out to Rs.7,130 and Rs. 2,510 respectively. Separate invoices will have to be issued State-wise by MN to ABC indicating the value pertaining to that State.

EXAMPLE 6

For an advertisement on 'Pradhan Mantri Ujjwala Yojana', to be broadcast on a FM radio station OP, for the radio stations of OP Kolkata, OP Bhubaneswar, OP Patna, OP Ranchi and OP Delhi, the release order issued by ABC will show the breakup of the amount which is to be paid to each of these radio stations.

The place of supply of this service is in West Bengal, Odisha, Bihar, Jharkhand and Delhi. The place of supply of OP Delhi is in Delhi even though the studio may be physically located in another State. Separate invoices will have to be issued State-wise and Union territory-wise by MN to ABC based on the value pertaining to each State or Union territory.

EXAMPLE 7

ABC issues a release order with QR channel for telecasting an advertisement relating to the 'Pradhan Mantri Kaushal Vikas Yojana' in the month of November, 2017. In the first phase, this will be telecast in the Union territory of Delhi, States of Uttar Pradesh, Uttarakhand, Bihar and Jharkhand.

The place of supply of this service is in Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. In order to calculate the value of supply attributable to Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand, QR has to proceed as under -

I. QR will ascertain the viewership figures for their channel in the last week of September 2017 from the Broadcast Audience Research Council. Let us assume it is 1,00,000 for Delhi and 2,00,000 for the region comprising of Uttar Pradesh and Uttarakhand and 1,00,000 for the region comprising of Bihar and Jharkhand.

II. Since the Broadcast Audience Research Council clubs Uttar Pradesh and Uttarakhand into one region and Bihar and Jharkhand into another region, QR will ascertain the population figures for Uttar Pradesh, Uttarakhand, Bihar and Jharkhand from the latest census.

III. By applying the ratio of the populations of Uttar Pradesh and Uttarakhand, as so ascertained, to the Broadcast Audience Research Council viewership figures for their channel for this region, the viewership figures for Uttar Pradesh and Uttarakhand can be calculated. Let us assume that the ratio of the populations of Uttar Pradesh and Uttarakhand works out to 9:1. When this ratio is applied to the viewership figures of 2,00,000 for this region, the viewership figures for Uttar Pradesh and Uttarakhand work out to 1,80,000 and 20,000 respectively.

IV. In a similar manner, the breakup of the viewership figures for Bihar and Jharkhand can be calculated. Let us assume that the ratio of populations is 4:1 and when this is applied to the viewership figure of 1,00,000 for this region, the viewership figure for Bihar and Jharkhand works out to 80,000 and 20,000 respectively.

V. The viewership figure for each State works out to Delhi (1,00,000), Uttar Pradesh (1,80,000), Uttarakhand (20,000), Bihar (80,000) and Jharkhand (20,000). The ratio is thus 10:18:2:8:2 or 5:9:1:4:1 (simplification).

VI. This ratio has to be applied when indicating the breakup of the amount pertaining to each State. Thus, if the total amount payable to QR by ABC is Rs. 20,00,000, the State-wise breakup is Rs. 5,00,000 (Delhi), Rs. 9,00,000 (Uttar Pradesh) Rs. 1,00,000 (Uttarakhand), Rs. 4,00,000 (Bihar) and Rs. 1,00,000 (Jharkhand). Separate invoices will have to be issued State-wise and Union territory-wise by QR to ABC indicating the value pertaining to that State or Union territory.

EXAMPLE 8

ABC commissions ST for an advertisement on 'Pradhan Mantri Awas Yojana' to be displayed in the cinema halls in Chennai and Hyderabad. The place of supply of this service is in the States of Tamil Nadu and Telangana. The amount actually paid to the cinema hall or screens in a multiplex, in Tamil Nadu and Telangana as the case may be, is the value of advertisement service in Tamil Nadu and Telangana respectively. Separate invoices will have to be issued State-wise and Union territory-wise by ST to ABC indicating the value pertaining to that State.

EXAMPLE 9

ABC issues a release order to WX for a campaign over internet regarding linking Aadhaar with one's bank account and mobile number. WX runs this campaign over certain websites. In order to ascertain the State-wise breakup of the value of this service which is to be reflected in the invoice issued by WX to ABC, WX has to first refer to the Telecom Regulatory Authority of India figures for quarter ending March, 2017, as indicated on their website www.trai.gov.in. These figures show the service area wise internet subscribers. There are 22 service areas. Some relate to individual States some to two or more States and some to part of one State and another complete State. Some of these areas are metropolitan areas.

In order to calculate the State-wise breakup, first the State-wise breakup of the number of internet subscribers is arrived at. (In case figures of internet subscribers of one or more States are clubbed, the subscribers in each State is to be arrived at by applying the ratio of the respective populations of these States as per the latest census.). Once the actual number of subscribers for each State has been determined, the second step for WX involves calculating the State-wise ratio of internet subscribers. Let us assume that this works out to 8:1:2 and so on for Andhra Pradesh, Arunachal Pradesh, Assam ... and so on. The third step for WX will be to apply these ratios to the total amount payable to WX so as to arrive at the value attributable to each State. Separate invoices will have to be issued State-wise and Union territory-wise by WX to ABC indicating the value pertaining to that State or Union territory.

EXAMPLE10

In the case of the telecom circle of Assam, the amount attributed to the telecom circle of Assam is the value of advertisement service in Assam.

EXAMPLE 11

The telecom circle of North East covers the States of Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Manipur and Tri.pura. The ratio of populations of each of these States in the latest census will have to be determined and this ratio applied to the total number of subscribers for this telecom circle so as to arrive at the State-wise figures of telecom subscribers. Separate invoices will have to be issued State-wise by the service provider to ABC indicating the value pertaining to that State.

EXAMPLE 12

ABC commissions UV to send short messaging service to voters asking them to exercise their franchise in elections to be held in Maharashtra and Goa. The place of supply of this service is in Maharashtra and Goa. The telecom circle of Maharashtra consists of the area of the State of Maharashtra (excluding the areas covered by Mumbai, which forms another circle) and the State of Goa. When calculating the number of subscribers pertaining to Maharashtra and Goa, UV has to •

- I. obtain the subscriber figures for Maharashtra circle and Mumbai. circle and add them to obtain a combined figure of subscribers;
- II. obtain the figures of the population of Maharashtra and Goa from the latest census and derive the ratio of these two populations
- III. this ratio will then have to be applied to the combined figure of subscribers so as to arrive at the separate figures of subscribers pertaining to Maharashtra and Goa;
- IV. the ratio of these subscribers when applied to the amount payable for the short messaging service in Maharashtra circle and Mumbai. circle, will give breakup of the amount pertaining to Maharashtra and Goa. Separate invoices will have to be issued State-wise by UV to ABC indicating the value pertaining to that State.

EXAMPLE13

The telecom circle of Andhra Pradesh consists of the areas of the States of Andhra Pradesh, Telangana and Yanam, an area of the Union territory of Puducherry. The subscribers attributable to Telangana and Yanam will have to be excluded when calculating the subscribers pertaining to Andhra Pradesh.

SECTION 13: PLACE OF SUPPLY OF SERVICES WHERE LOCATION OF SUPPLIER OR LOCATION OF RECIPIENT IS OUTSIDE INDIA

Section 13 provides for determination of place of supply of services in cases where either the location of the supplier of services or the recipient of services is outside India. Thus, this section provides the place of supply in relation to international or cross-border supply of services. Place of supply of a service is one of the factors which determines as to whether a service can be termed as import or export of service. Similar to section 12, section 13 also lays down a general rule to determine the place of supply of services as well as few other rules to determine place of supply of certain specific services. Thus, place of supply is determined as per general rule in respect of services other than the ones covered by the specific rules.

Further, sub-section (13) of section 13 empowers the Central Government to notify services or circumstances for which the place of supply will be the place of effective use and enjoyment of service so as to prevent double taxation/nontaxation of the supply of a service.

It must be kept in mind that the provisions of section 13 discussed hereunder are all in relation to cross border supply of services.

SEC 13(2): PLACE OF SUPPLY OF SERVICES

WHERE LOCATION OF RECIPIENT
AVAILABLE IN ORDINARY COURSE OF
BUSINESS

POS → LOCATION OF
RECIPIENT

WHERE LOCATION OF RECIPIENT
NOT AVAILABLE IN ORDINARY
COURSE OF BUSINESS

POS → LOCATION OF THE
SUPPLIER

EXAMPLE 1

GRAPHIC DESIGNER IN
FRANCE

Designs a digital card and sends it

RECIPIENT IN KOLKAA

PLACE OF SUPPLY OF SERVICE WILL BE LOCATION OF THE RECIPIENT → **KOLKATA**

EXAMPLE 2

SUPPLIER OF SERVICE IN
GUJARAT

Provides IT Consultancy by Registering on
a freelancing website

RECIPIENT (ADDRESS NOT
AVAILABLE)

PLACE OF SUPPLY OF SERVICE WILL BE LOCATION OF THE SUPPLIER → **GUJARAT**

SEC 13(3): PERFORMANCE BASED SERVICES

GOODS REQUIRED TO BE MADE
PHYSICALLY AVAILABLE BY THE
RECIPIENT OR HIS REPRESENTATIVE

Services
provided from a
remote
location by
electronic
means

POS → LOCATION
WHERE
GOODS ARE
SITUATED AT
THE TIME OF
SUPPLY OF
SERVICE

Goods
Temporarily
imported into
India and
exported after
repairs,
treatment or
process.

POS →
GENERAL
PROVISIONS

Other cases,
when goods
are required to
be made
physically
available

POS → LOCATION
WHERE
SERVICES ARE
ACTUALLY
PERFORMED

SERVICE SUPPLIED TO AN INDIVIDUAL
Which require the physical presence of
the recipient or a person acting on his
behalf

POS → LOCATION WHERE
SERVICES ARE ACTUALLY
PERFORMED



NOTE:

The provisions of sub-section (3) will also not apply in case of Goods that are temporarily imported into India for any other treatment or process (apart from repairs) and are exported after such treatment or process without being put to any use in India, other than that which is required for such treatment or process

→ GENERAL PROVISIONS**EXAMPLE 1:**

A software company located in UAE takes services of a software company located in Pune to service its software in UAE. The Indian software company provides its services through electronic means from its office in India. The place of supply is the location where goods are situated at the time of supply of service i.e., UAE.

EXAMPLE 2:

Mr. Ramesh (Mumbai) imports a machine from France for being installed in his factory at Mumbai. To install such machine, Mr. Ramesh takes the service of an engineer who comes to India from France for this specific installation. The place of supply of installation service, which requires the physical presence of machinery, is the location where the service is actually performed i.e., Mumbai.

EXAMPLE 3:

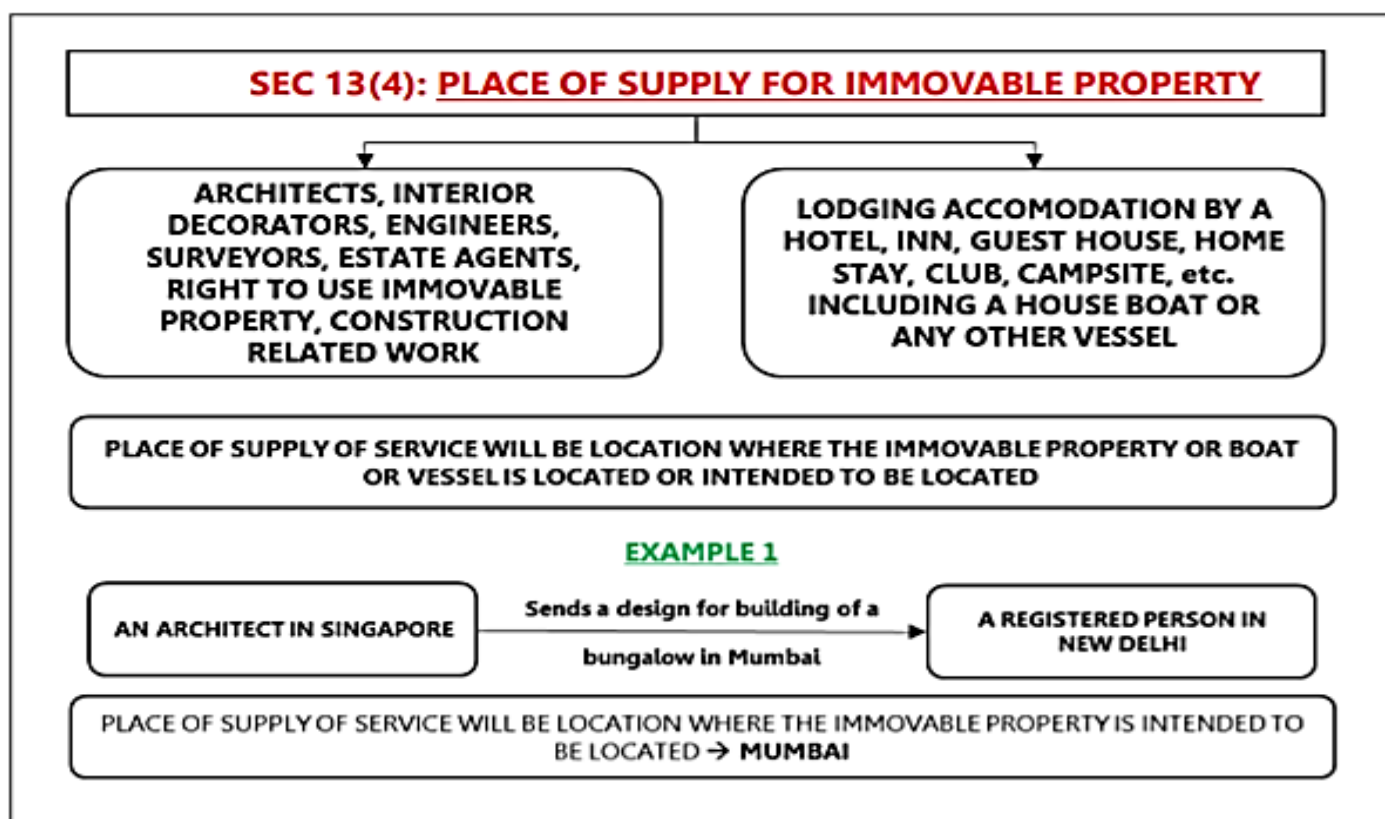
XYZ Ltd., Mumbai has exported a machine to a company in Mexico. The machine stops functioning and is thus, imported by XYZ Ltd. for free repairs in terms of the sale contract. The machine is exported after repairs. The place of supply of repair service is the location of the recipient i.e., Mexico.

EXAMPLE 4:

Mr. X, a hair stylist registered in New Delhi, travels to Singapore to provide his services to Ms. Y, a resident of Singapore. The place of supply is the location where the services are actually performed i.e., Singapore.

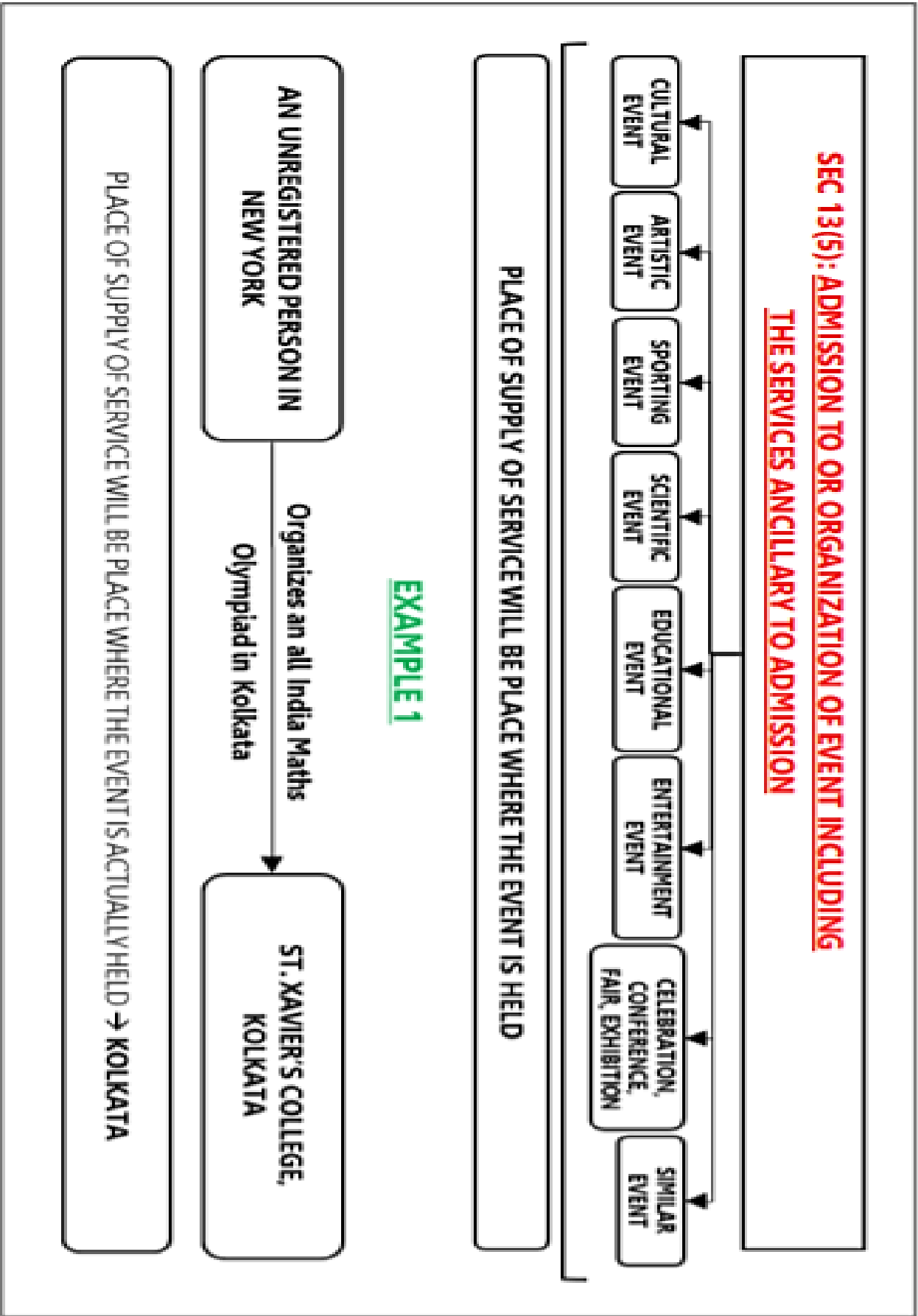
EXAMPLE 5:

PQR Consultants, New Delhi, bags a contract for doing a market research for a vehicle manufacturing company based in South Korea, in respect of its upcoming model of a car. The research is to be carried out in five countries including New Delhi in India. Since the services are supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., New Delhi.

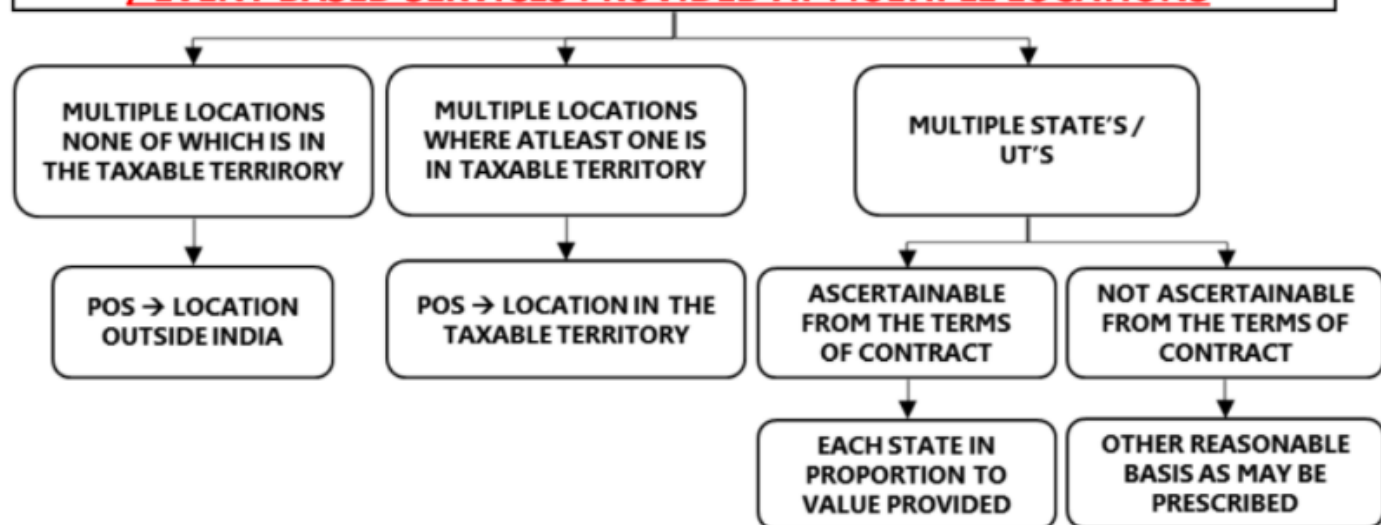


EXAMPLE 1:

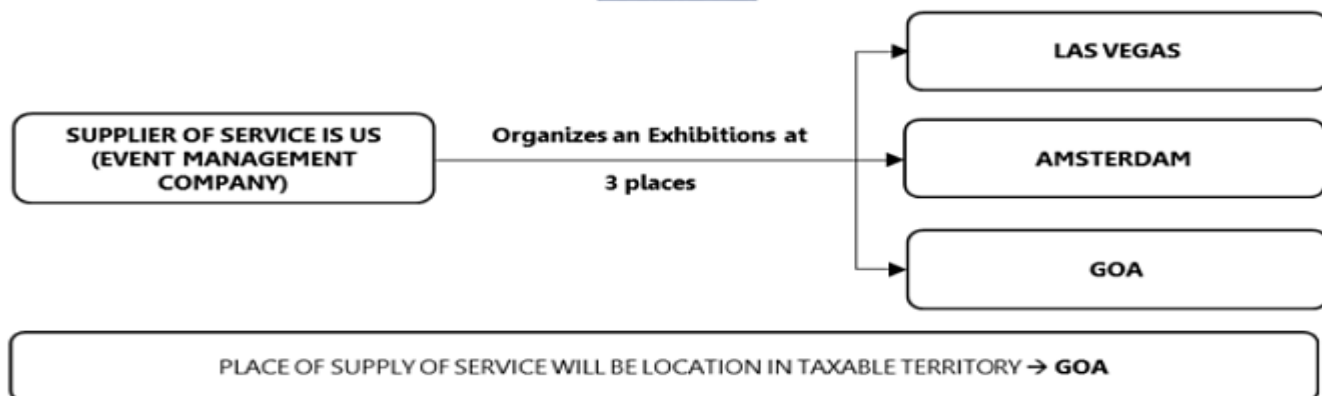
Mr. Z, an architect (Mumbai), provides professional services to Mr. A of London in relation to his immovable property located in Kolkata. The place of supply is the location of immovable property i.e., Kolkata.



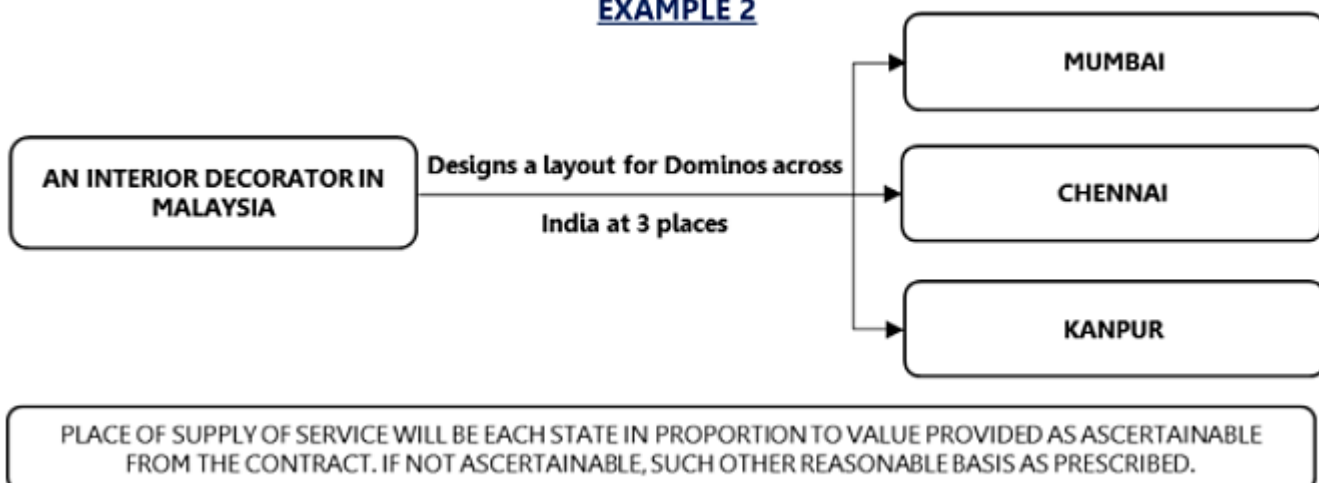
SEC 13(6) & 13(7): PERFORMANCE BASED / IMMOVABLE PROPERTY / EVENT BASED SERVICES PROVIDED AT MULTIPLE LOCATIONS



EXAMPLE 1



EXAMPLE 2



As per section 13(7) of the IGST Act, if such services are supplied in more than one State/ UT, the place of supply of such services is taken as being in each such State/ UT and the value of such supplies is determined in terms of the contract or agreement entered into in this regard. In the absence of any such contract or agreement, the value is determined in accordance with rule 7 in the following manner:-

SR. NO.	CASES	MANNER OF COMPUTING THE PROPORTIONATE VALUE OF SERVICE
(i)	Services supplied on the same goods	<p>Equally dividing the value of service in each of the States/ UT where the service is performed</p> <p>EXAMPLE: A company C which is located in Kolkata is providing the services of testing of a dredging machine and the testing service on the machine is carried out in Orissa and Andhra Pradesh. The place of supply is in Orissa and Andhra Pradesh and the value of the service in Orissa and Andhra Pradesh will be ascertained by dividing the value of the service equally between these two States.</p>
(ii)	Services supplied on different goods	<p>Considering the ratio of the invoice value of goods in each States/ UT, on which service is performed, as the ratio of the value of the service performed in each State/UT</p> <p>EXAMPLE A company C which is located in Delhi is providing the service of servicing of two cars belonging to Mr. X. One car is of manufacturer J and is located in Delhi and is serviced by its Delhi workshop. The other car is of manufacturer A and is located in Gurugram and is serviced by its Gurugram workshop. The value of service attributable to the UT of Delhi and the State of Haryana respectively shall be calculated by applying the ratio of the invoice value of car J and the invoice value of car A, to the total value of the service.</p>
(iii)	Services supplied to individuals	<p>Applying generally accepted accounting principles</p> <p>EXAMPLE A makeup artist M has to provide make up services to an actor A. A is shooting some scenes in Mumbai and some scenes in Goa. M provides the makeup services in Mumbai and Goa. The services are provided in Maharashtra and Goa and the value of the service in Maharashtra and Goa will be ascertained by applying the generally accepted accounting principles</p>

COMPUTATION OF VALUE OF SERVICES WHERE IMMOVABLE PROPERTY IS LOCATED IN MORE THAN ONE STATE AND WHERE THE LOCATION OF SUPPLIER OR THE RECIPIENT IS OUTSIDE INDIA [NEW RULE 8 OF THE IGST RULES]

As per section 13(7) of the IGST Act, the place of supply of services supplied, in relation to an immovable property, in more than one State/ UT is taken as being in each such State/ UT and the value of such supplies is determined in terms of the contract or agreement entered into in this regard. Rule 8 of the IGST Rules lays down that in the absence of any such contract or agreement, **the value is determined by applying the provisions of rule 4 of the said rules, mutatis mutandis.**

COMPUTATION OF VALUE OF SERVICES WHERE EVENT IS HELD IN MORE THAN ONE STATE AND WHERE THE LOCATION OF SUPPLIER OR THE RECIPIENT IS OUTSIDE INDIA [NEW RULE 9 OF THE IGST RULES]

As per section 13(7) of the IGST Act, the place of supply of services supplied, by way of admission to or organisation of an event in more than one State/ UT is taken as being in each such State/ UT and the value of such supplies is

determined in terms of the contract or agreement entered into in this regard. Rule 9 of the IGST Rules lays down that in the absence of any such contract or agreement, **the value is determined by applying the provisions of rule 5 of the said rules, mutatis mutandis.**

EXAMPLE 1:

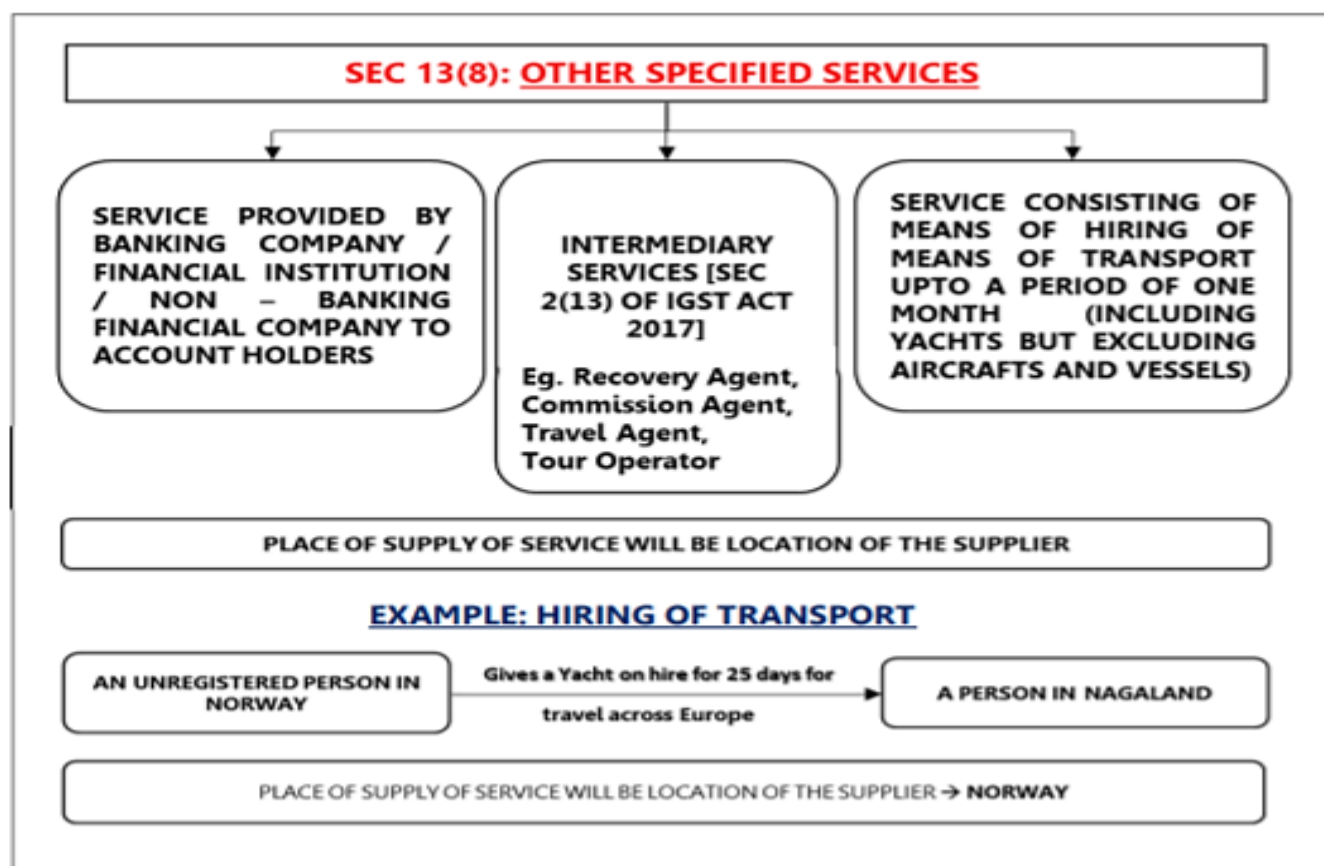
Mr. Z, an architect (Mumbai), enters into a contract with Mr. A of London to provide professional services in respect of immovable properties of Mr. A located in Kolkata and London. Since the immovable properties are located in more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., Kolkata.

EXAMPLE 2:

A circus team from Russia organizes a circus in New Delhi. The place of supply is the location where the event is actually held i.e., New Delhi.

EXAMPLE 3:

An event management company registered in New Delhi organises an art exhibition displaying works of an international painter based in Dubai. The exhibition is organised in 3 countries including New Delhi. Since the service is supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., New Delhi.



EXAMPLE 1:

Mr. Varun, a foreign tourist, on a visit to Patna (Bihar) uses his international debit card to withdraw money from an ATM of a local Bank registered in Bihar. The place of supply is the location of the supplier of services i.e., Patna.

EXAMPLE 2:

A travel agent registered in Mumbai books a tour of famous Indian cities for a England resident. The place of supply is the location of the supplier of services i.e., Mumbai.

TRANSPORTATION SERVICES [SEC 13(9), (10) & (11)]

<u>SECTION</u>	<u>NATURE OF SUPPLY</u>	<u>PLACE OF SUPPLY</u>
13(9)	Transportation of goods, other than by way of mail or courier	Destination of such goods
13(10)	Passenger transportation services	Place where the passenger embarks on the conveyance for a continuous journey.
13(11)	Services provided on board a conveyance during passenger transportation including services intended to be wholly or substantially consumed while on board	First scheduled point of departure of that conveyance for the journey

ANALYSIS FOR SEC 13(9) → TRANSPORTATION OF GOODS

<u>SUPPLIER</u>	<u>RECIPIENT</u>	<u>MODE OF TRANSPORT</u>	<u>FROM → TO</u>	<u>POS</u>	<u>EFFECT</u>
MUM	US	VESSEL	MUM → US	US	NO GST
DELHI	UK	AIR	DEL → UK	UK	NO GST
KANDLA	US	VESSEL	KANDLA → US	US	NO GST
US	MUM	AIR	US → MUM	MUM	GST but Exempt vide Entry 19
UK	MUM	VESSEL	UK → MUM	MUM	GST
DUBAI	JAIPUR	AIR	DUBAI → JAIPUR	JAIPUR	Exempt vide Entry 19
MUM	JAIPUR (RP)	AIR	MUMBAI → JAIPUR	JAIPUR 12(8)	GST
MUM	DUBAI	AIR	MUMBAI → DUBAI	DUBAI	Exempt vide Entry 19A

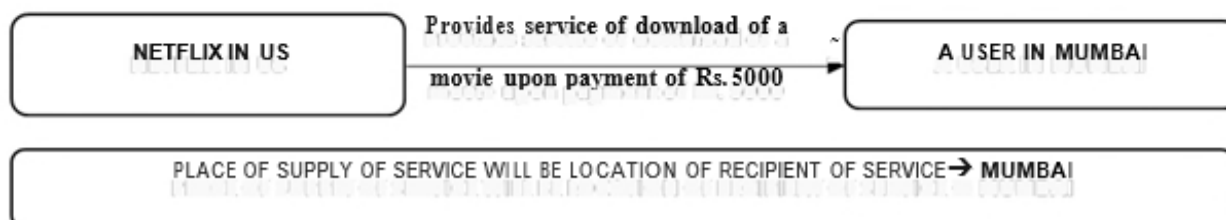
SEC 13(12): ONLINE INFORMATION AND DATABASE ACCES OR RETIEVAL SERVICE**POS → LOCATION OF
RECIPIENT OF SERVICE**

Services whose delivery is mediated by information technology over or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology and includes electronic services such as:

- a) Advertising on the internet
- b) Providing cloud services
- c) Provision of e-books, movie, music, software and other intangibles via internet
- d) Providing data or information, retrievable or otherwise, to any person, in electronic form through a computer network
- e) Online supplies of digital content (movies etc.)
- f) Digital data storage
- g) Online gaming

RECIPIENT DEEMED TO BE IN TAXABLE TERRITORY IF ATLEAST TWO OF THE FOLLOWING CONDITIONS ARE SATISFIED:

- Location of the address presented by recipient of service via internet is in taxable territory
- Debit/credit/any other card for settlement of payment has been issued in the taxable territory
- Billing Address of recipient of service is in the taxable territory
- IP address of the device used by the recipient is in the taxable territory
- Bank of recipient in which the account used for payment is maintained in the taxable territory
- Country code of SIM card used by the recipient is of taxable territory
- Location of fixed landline through which service is received by the recipient is in taxable territory

EXAMPLE**EXAMPLES OF WHAT COULD BE OR COULD NOT BE OIDAR SERVICES**

In order to determine whether a particular service is an OIDAR service, the following tests need to be applied:

- ✓ Services whose delivery is mediated by information technology over the internet/electronic network
- ✓ Services are automated and impossible to ensure in the absence of information technology

Thus, a service qualifies as OIDAR services if above two conditions have been satisfied. The inclusive part of the definition is only indicative and not exhaustive.

SERVICE	WHETHER CONDITION 'A' IS FULFILLED?	WHETHER CONDITION 'B' IS FULFILLED?	WHETHER IT IS OIDAR SERVICE OR NOT?
PDF document manually emailed by provider	YES	NO	NO
<u>PDF document</u> automatically emailed by provider's system	<u>YES</u>	<u>YES</u>	<u>YES</u>
PDF document automatically downloaded from site	<u>YES</u>	<u>YES</u>	<u>YES</u>
Stock photographs available for automatic download	YES	YES	YES
<u>Online course</u> consisting of pre-recorded videos and downloadable PDFs	<u>YES</u>	<u>YES</u>	<u>YES</u>
Online course consisting of pre-recorded videos and downloadable <u>PDFs</u> plus support from a live tutor	<u>YES</u>	NO	NO
<u>Individually commissioned</u> content sent in digital form e.g., photographs, reports, medical results.	<u>YES</u>	NO	NO

SEC 13(13)

In order to prevent double taxation or non-taxation of the supply of a service, or for the uniform application of rules, the Government shall have the power to notify any description of services or circumstances in which the place of supply shall be the place of effective use and enjoyment of a service.

Supply of maintenance, Repairs & overhaul services in respect of Air Craft [Section 13(13) of IGST Act

Supply of maintenance, Repairs & overhaul Services in respect of



- Air Craft
- Air Craft Engines
- Other Aircraft Components or Part.



POS → Location of Recipient
[Section 13(13) of IGST Act, 2017]

SEC 13(13) of IGST Act, 2017:

In order to prevent double taxation or non-taxation of the supply of a service, or for the uniform application of rules, the Government shall have the power to notify any description of services or circumstances in which the place of supply shall be the place of effective use and enjoyment of a service.



6. Place of Supply of **B2B MRO services** in case of **shipping industry** shall be the location of  the recipient

Section 13 of the IGST Act determines the place of supply of services where location of supplier or location of recipient is outside India.

The place of supply of maintenance, repair or overhaul service in respect of ships and other vessels, or parts thereof as follows.

The place of supply in respect of B2B supply of maintenance, repair or overhaul service (hereinafter referred to as MRO services) in respect of ships and other vessels, their engines and other components or parts supplied to a person for use in the course or furtherance of business shall be the location of the recipient of service.

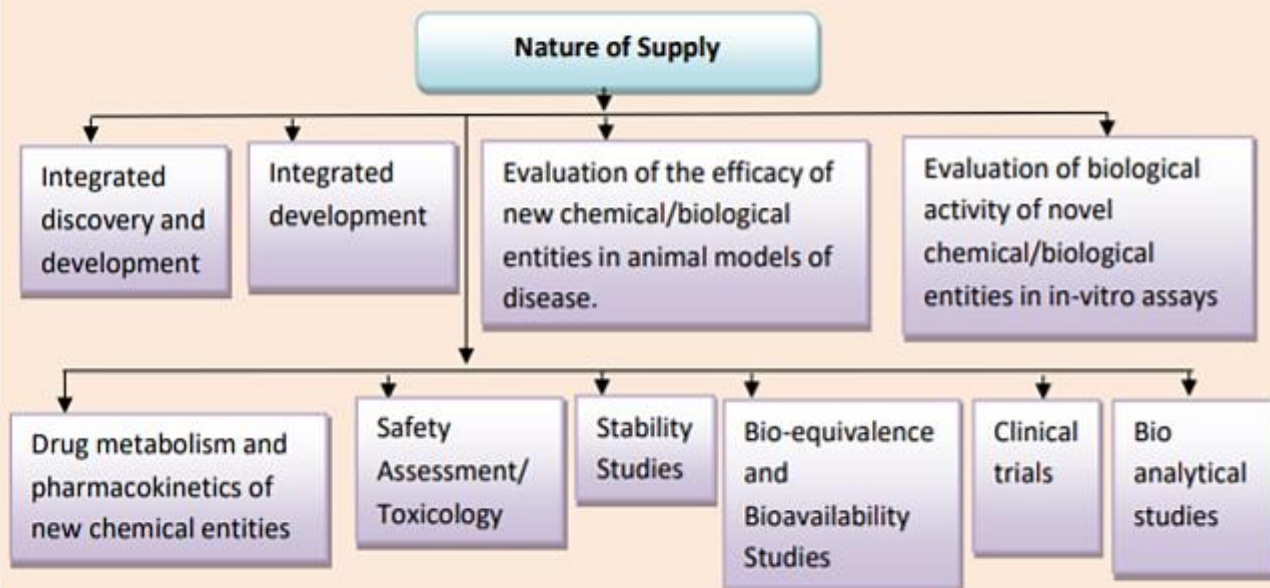
By virtue of this notification, if an Indian shipping company has received MRO service in respect of ship/vessel from a foreign supplier, place of supply of such service is in India (Location of recipient being in India) and said service would qualify as an 'import of service'. Resultantly, GST is payable under reverse charge on these services.

Note:- In the absence of such notification, the place of supply of such MRO service provided by a foreign supplier to an Indian shipping company would have been the location where the services are actually performed, determined in terms of **section 13(3)(a) of the IGST Act**. Accordingly, the place of supply of such would have been outside India and thus, they would not have qualified as import of services, thus, not been liable to GST.

SOME CLARIFICATIONS ISSUED BY ICAI FOR MAY/ NOV 2020

1. Place of supply of research and development services related to pharmaceutical sector.

When supplied by a person located in taxable territory to a person located in the non-taxable territory, have been notified as the services for which the place of supply shall be the place of effective use and enjoyment of a service.



Place of Supply – Location of the Recipient of Services, subject to fulfillment of the following

- 1) Supply of Services as per the Contract between Service Provider (TT) and Service Recipient (NTT)
- 2) Such Supply of Services fulfillment all other Conditions in the definition of Export services (Except the Condition that Place of Supply is outside India)

2. Clarification regarding determination of place of supply in certain cases

- (i) **Services provided by Ports** - place of supply in respect of various cargo handling services provided by ports to clients

Issue: Various services are being provided by the port authorities to its clients in relation to cargo handling. Some of such services are in respect of arrival of wagons at port, haulage of wagons inside port area up-to place of unloading, siding of wagons inside the port, unloading of wagons, movement

Clarification:- such services are ancillary to or related to cargo handling services and are not related to immovable property. Accordingly, the place of supply of such services will be determined as per the provisions contained in section 12(2) or section 13(2) of the IGST Act, as the case may be, depending upon the terms of the contract between the supplier and recipient of such services.

- (ii) **Services rendered on goods temporarily imported in India** - place of supply in case of services rendered on unpolished diamonds received from abroad, which are exported after cutting, polishing etc.

Issue: What would be the place of supply in case of supply of various services on unpolished diamonds such as cutting and polishing activity which have been temporarily imported into India and are not put to any use in India?

Clarification:- In case of cutting and polishing activity on unpolished diamonds which are temporarily imported into India are not put to any use in India, the place of supply would be determined as per the provisions contained in section 13(2) of the IGST Act.

3. Clarification regarding determination of place of supply in case of software/ design services related to Electronics Semi-conductor and Design Manufacturing (ESDM) industry

the place of supply of software/design by supplier located in taxable territory to service recipient located in non-taxable territory by using sample prototype hardware / test kits in a composite supply, where such testing is an ancillary supply, is the location of the service recipient as per section 13(2) of the IGST Act. Provisions of section 13(3)(a) of IGST Act do not apply separately for determining the place of supply for ancillary supply in such cases.

SOME EXAM ORIENTED MCQ's

1. Which of the following is an OIDAR service?

- i. Online course consisting of pre-recorded videos and downloadable PDFs
- ii. PDF document manually emailed by provider
- iii. Individually commissioned content sent in digital form e.g., photographs
- iv. Stock photographs available for automatic download
- v. PDF document automatically emailed by provider's system.

- a) (i), (iv)
- b) (iv), (v), (ii)
- c) (i), (iv), (v)**
- d) All of the above

2. Mr. R, a resident of Delhi, holds an account in ICICI Bank in Delhi. Mr. R goes to Jaipur for work. During his visit to Jaipur he takes certain services relating to his account from ICICI bank in Jaipur in relation to some transaction to be carried out at Mumbai. What will be place of supply in this case?

- a) The place of supply shall be Delhi**
- b) The place of supply shall be Jaipur
- c) The place of supply shall be Mumbai
- d) None of the above

3. Indigo Airlines sells various products like watches, artificial jewellery, packaged foods etc. to its passengers on board during the flight. The flight originates from Jaipur, halts at Mumbai and finally lands in Chennai. What would be the place of supply of such products?

- a) Jaipur
- b) Chennai
- c) Location where goods were taken on board**
- d) Location where passengers buying goods disembark

4. M/s. Dhoom Furniture Mart, located and registered under GST in the State of Chhattisgarh, sells furniture from its showroom to M/s. Lucky Dhaba (located and registered under GST in the State of Jharkhand). M/s. Lucky Dhaba requested to deliver the furniture to Mr. Pyare Lal (his landlord at his new rented home at Patna, Bihar). M/s. Dhoom Furniture Mart sends the furniture with a proper E-way bill to Patna through a transporter, who made the delivery to Mr. Pyare Lal.

Determine the place of supply of furniture sold by M/s. Dhoom Furniture Mart to M/s. Lucky Dhaba in the above case.

- a) Chhattisgarh
- b) Jharkhand**
- c) Patna, Bihar
- d) None of the above

5. M/s. Buildwell Engineering Consultants, located and registered in Gurugram, Haryana, provides consultancy services to M/s. Tel India Ltd, located and registered in Mumbai, Maharashtra) for hotel to be constructed on land situated in Dubai. Determine the place of supply of consultancy services provided by M/s. Buildwell Engineering Consultants to M/s. Tel India Ltd:

- a) Gurugram, Haryana
- b) Mumbai, Maharashtra**
- c) Dubai
- d) None of the above

6. **Aflatoon Spares (P) Ltd, located and registered in Haryans, supplied spare parts (FOB basis) to M Laxmi Khurana, an unregistered person, located in Rajasthan. Mr. Laxmi Khurana booked the courier himself with Black Dart Courier (P) Ltd, registered in Delhi for delivery in Rajasthan. Black Dart Courier (P) Ltd. picked up the goods from Haryana and delivered the courier in Rajasthan while passing through the State of Uttar Pradesh. Determine the place of supply of service provided by Black Dart Courier (P) Ltd. to Mr. Laxmi Khurana:**

- a) **Haryana**
- b) Delhi
- c) Rajasthan
- d) Uttar Pradesh

7. **Mr. Javed Miandad, an unregistered person residing in Lucknow, Uttar Pradesh, went to Delhi for seeking admission of his child, Mr. Inzamam in CA IPCC. Mr. Javed Miandad got the demand draft generated at ICICI Bank Ltd., registered in Delhi against cash, for depositing the registration fee to ICAI. Mr. Javed Miandad does not have a bank account in ICICI Bank Ltd.**

Determine the place of supply of service provided by ICICI Bank Ltd., Delhi to Mr. Javed H

- a) Delhi
- b) Lucknow
- c) Uttar Pradesh
- d) None of the above

8. **Mr. Salman Khan, a resident of Mumbai, has booked a Videocon D2H connection at his other home in Delhi. His friend Shah Rukh Khan, is resident of Kerala, paid the charges for Salman's D2H connection in Delhi at the time of actual installation. Mr. Shah Rukh Khan went to Kolkatta after making the payment. Both Salman Khan and Shah Rukh Khan are not registered in GST.**

Determine the place of supply of D2H service provided by Videocon to Mr. Salman Khan:

- (a) Mumbai
- (b) Kerala
- (c) Delhi**
- (d) Kolkatta

9. **Mr. Sunil Shetty, a resident of Mumbai, went to Vaishno Devi by train. Mr. Sunil Shetty, after visiting Vaishno Devi temple, purchased a JIO prepaid SIM from Tantan Communications in Jammu by paying cash. Mr. Sunil Shetty took the JIO SIM and the same day boarded the train to Delhi. He went to Agra thereafter, to visit Taj Mahal.**

Determine the place of supply of JIO SIM by Tantan Communications to Mr. Sunil Shetty.

- a) Mumbai
- b) Jammu**
- c) Delhi
- d) Agra

10. **M/s. Buildwell Engineering Consultants, located and registered in Gurugram, Haryana provided consultancy services to M/s. Taj India Ltd., (located and registered in Mumbai, Maharashtra) for its hotel to be constructed on land situated in Dubai.**

Determine the place of supply of consultancy services provided by M/s. Buildwell Engineering Consultants to M/s. Taj India Ltd.:

- a) Mumbai, Maharashtra**
- b) (Dubai
- c) Gurugram, Haryana
- d) None of the above

Time of Supply

TIME OF SUPPLY UNDER GST



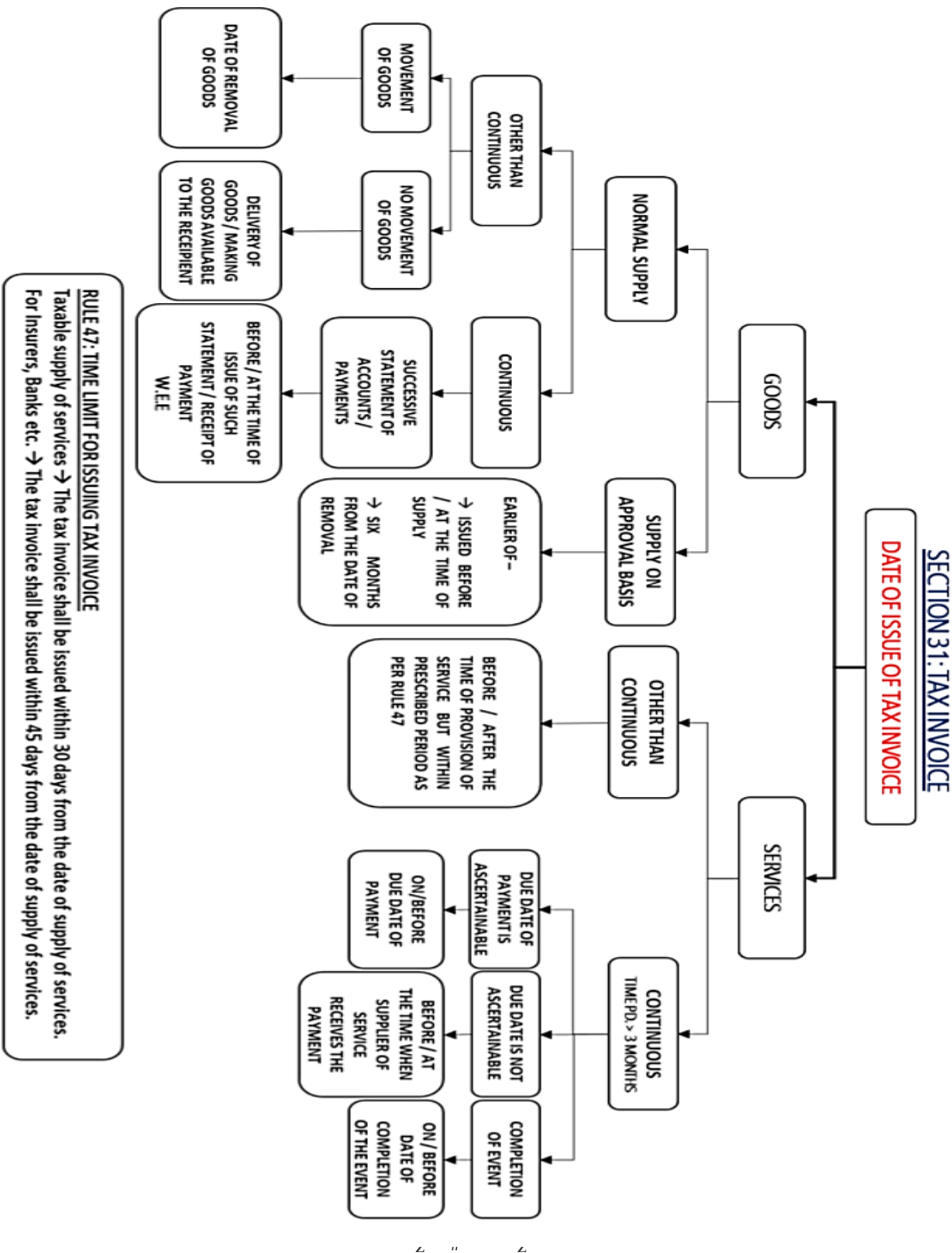
CHAPTER OUTLINES

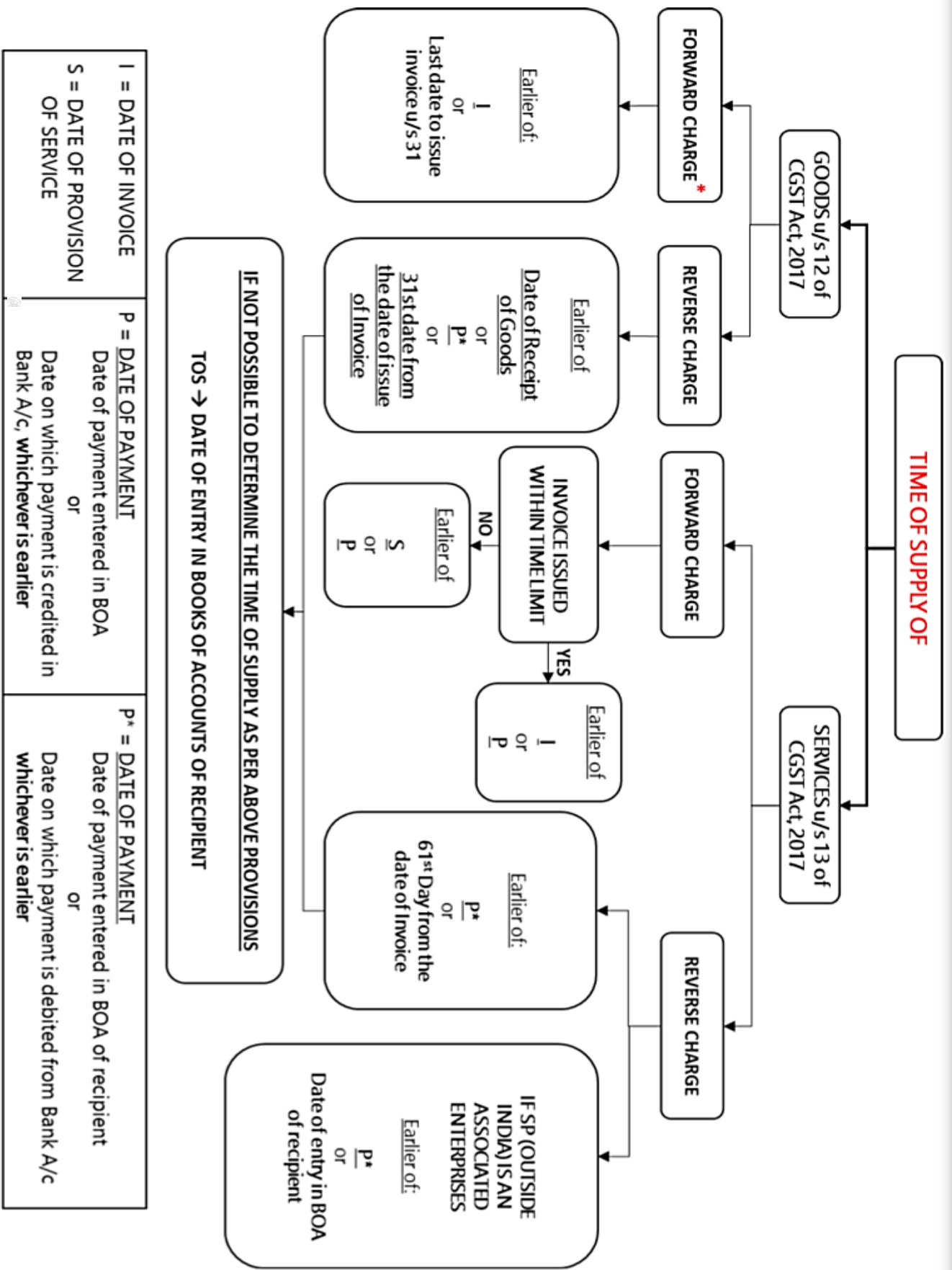
- [Sec. 12] Time of Supply of Goods
- [Sec. 13] Time of Supply of Services
- [Sec. 14] Change in rate of Tax.

INTRODUCTION

GST is payable on supply of goods or services. A supply consists of elements that can be separated in time, like purchase order/ agreement, despatch (of goods), delivery (of goods) or provision or performance of service, entry in the records, payment, and entry of the payment in the records or deposit in the bank.

So, at which of these points of time will GST become payable? Will it become payable when an agreement to supply goods or services is made, or when the goods are shipped or the services are provided, or when the invoice is issued or when payment is made? What if the goods are shipped over a period of time? What if the service is provided over a period of time? Provisions relating to 'time of supply' provide answer to all such and other questions that arise on the timing of the liability to pay CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) as time of supply fixes the point in time when the liability to pay tax arises.





***EXEMPTION FROM PAYMENT OF TAX ON ADVANCES RECEIVED FOR SUPPLY OF GOODS – SPECIAL PROCEDURE FOR PAYMENT OF TAX IN CASE OF SUPPLY OF GOODS**

All taxpayers (except composition suppliers) are exempted from paying GST at the time of receipt of advance in relation to supply of goods. The entire GST shall be payable only when the invoice for the supply of such goods is issued or ought to have been issued.

A composition supplier has to pay, in lieu of tax payable by him, an amount calculated at the prescribed rate applied on his 'turnover in the State/Union Territory' for a quarter. Therefore, the composition supplier is not required to pay any tax on advance received as the same does not form part of taxable supplies and, in turn, also does not form part of the 'turnover in a State/Union Territory' at the end of the quarter (tax period).

Example 1:

A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

- 17th September** Purchase order with advance of Rs. 50,000 is received for goods worth Rs. 12 lakh and entry duly made in the seller's books of account
- 20th October** The machine is assembled, tested at site, and accepted by buyer
- 23rd October** Invoice raised
- 4th November** Balance payment of Rs. 11,50,000 received

Determine the time of supply(ies) in the above scenario for the purpose of payment of tax.

ANSWER:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, the time of supply of goods for the entire amount of Rs. 12,00,000 is 20th October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

EXAMPLE 2:

Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any. The details of the various events are:

- August 5, September 5, October 6** Payments of Rs. 2 lakh made in each month
- October 3** Statement of accounts issued by supplier, with invoice for the quarter July – September
- October 17** Differential payment of Rs. 56,000 received by supplier for the quarter July – September as per statement of account

Determine the time of supply for the purpose of payment of tax.

ANSWER:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received. Therefore, invoice should be issued on August 5, September 5 and October 6 when monthly payments of Rs. 2 lakh are received.

Thus, time of supply will be August 5, September 5 and October 6 respectively for goods valued at Rs. 2 lakh each. Time of supply for goods valued at Rs. 56,000 will be October 3, the date of issuance of invoice

EXAMPLE 3:

Determine the time of supply from the given information.

May4	Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
May 12	Bridge & Co receives the goods
May30	Bridge & Co makes the payment

ANSWER:

Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

EXAMPLE 4:

Determine the time of supply from the given information.

May4	Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
June 12	Pillar & Co receives the goods, which were held up in transit
July 3	Payment made for the goods

ANSWER:

Here, June 4, 31st day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and

EXAMPLE 5:

Determine the time of supply from the given information.

6th May	Booking of convention hall, sum agreed Rs. 15000, advance of Rs. 3000 received
15th September	Function held in convention hall
27th October	Invoice issued for Rs. 15000, indicating balance of Rs. 12000 payable
3rd November	Balance payment of Rs. 12000 received

ANSWER:

As per section 31(2) read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of Rs. 3,000 is 6th May as the date of payment of Rs. 3000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance Rs. 12,000 is

15th September which is the date of provision of service.

EXAMPLE 6:
Determine the time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)

- May4 The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.
- August 21 Payment made to the supplier of service

ANSWER:

Here, July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

EXAMPLE 7:
Determine the time of supply from the given information.

- May4 A German company issues email informing its associated company ABC Ltd. of the cost of technical services provided to it.
- July 2 ABC Ltd transfers the amount to the account of the German company

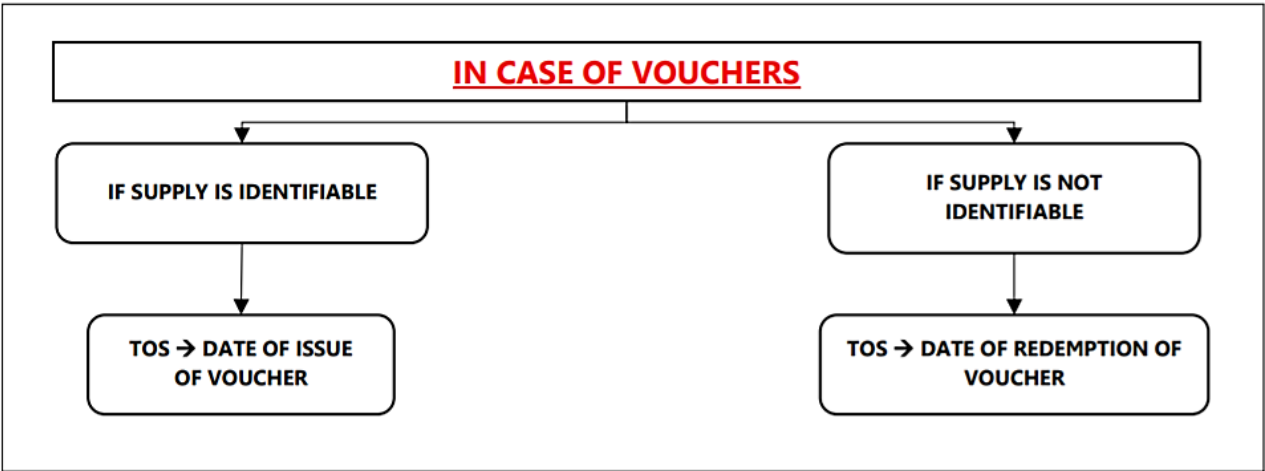
ANSWER:

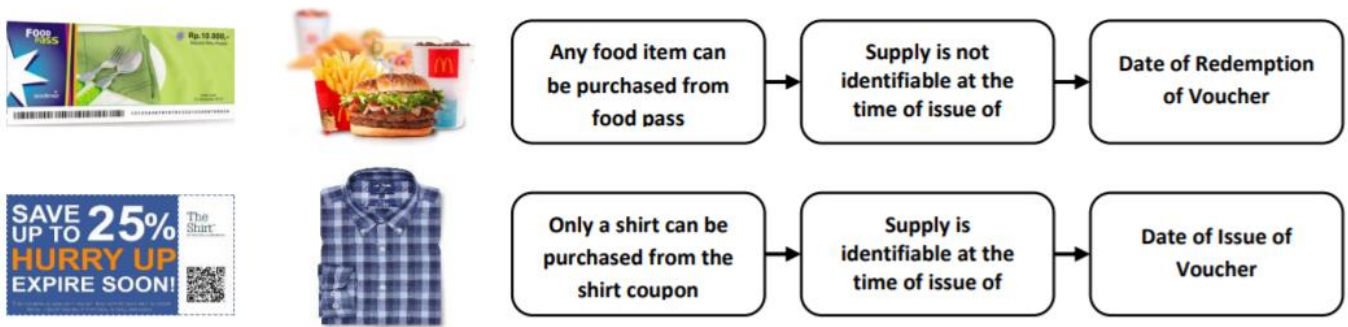
As there is no prior entry of the amount in the books of account of ABC Ltd., July 2 will be the time of supply, being the date of payment in terms of second proviso to section 13(3).

NOTE→ IF THE SUPPLIER OF TAXABLE GOODS/ SERVICES RECEIVES AN AMOUNT UPTO Rs. 1000 IN EXCESS OF THE AMOUNT INDICATED IN THE TAX INVOICE, then **TOS DATE OF ISSUE OF INVOICE RELATING TO SUCH EXCESS AMOUNT (ITS OPTIONAL)**

Example:
A telephone company receives Rs. 5000 against an invoice of Rs. 4800. The excess amount of Rs. 200 can be adjusted against the next invoice. The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of Rs. 200 received in excess against the earlier invoice.

COMMON PROVISIONS FOR TIME OF SUPPLY OF GOODS OR SERVICES



**EXAMPLE 9:**

Mr. Khush won a voucher hamper of purchases of "Peter England" brand apparel worth Rs. 10,000 to be redeemed on 25.11.2017.

→ Thus here in above case as per section 12(3)(a) of CGST act, the time of Supply shall be 25.11.2017 because the item of supply is identifiable at that point of time.

EXAMPLE 10:

Mr. Rajiv on purchases received vouchers for Rs. 7,000 on 17.07.2017 from a trader M/s Shoppers Stop, which deals in variety of products. The aforesaid voucher is valid for a period of 3 months.

→ In above case as per section 12(3)(b) of CGST act, the time of Supply shall be the date of redemption of voucher because the item of supply is not identifiable at the date of issue of voucher.

EXAMPLE 11:

Arctic Limited sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /provisions in the outlets that are part of the program.

As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food/ provision items of his choice.

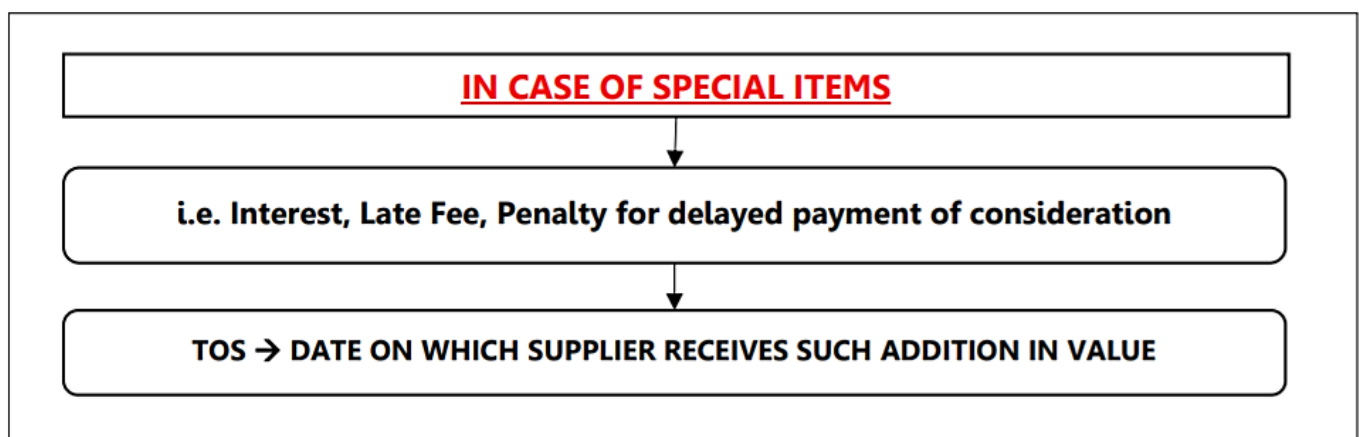
EXAMPLE 12:

With each purchase of a Medium pizza during the Christmas week from Pizzahut, one can buy a voucher for Rs.50 which will be redeemable till 15 Jan for a small pizza. As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

EXAMPLE 13:

Best Hospitality Services enters into agreement with Drive Marketing Ltd by which Drive Marketing Ltd. markets Best Hospitality Services' hotel rooms and sells coupons / vouchers redeemable for a discount against stay in the hotel.

As the supply against which the voucher will be redeemed is identifiable, the time of supply of the voucher will be its date of issue

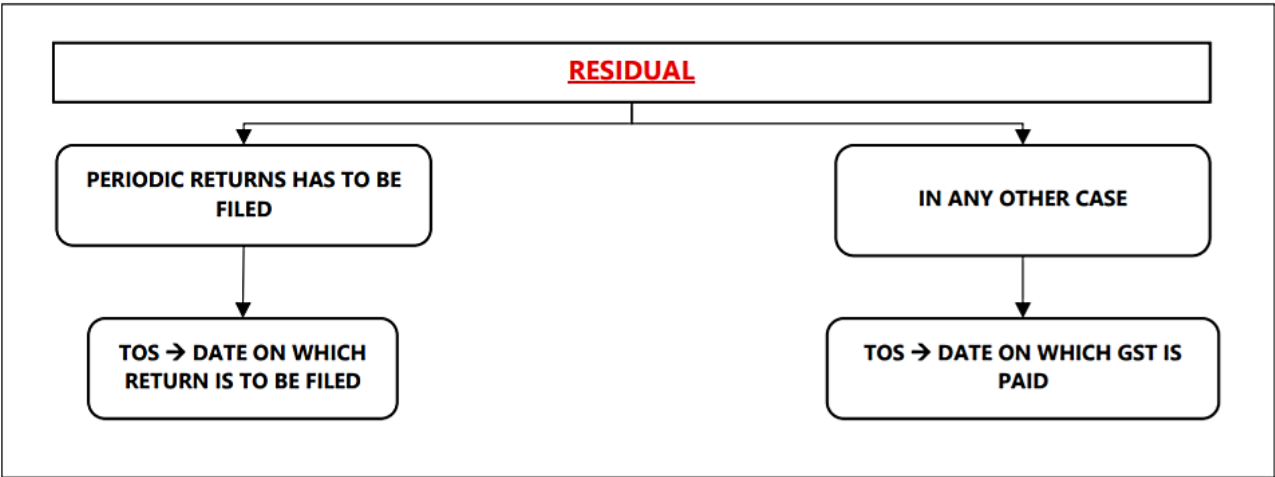


TIME OF SUPPLY OF GOODS AND SERVICES IN CERTAIN CASES

EXAMPLE 14:

Radha Traders sold goods to Shyam Sales on 6th June with a condition that interest @ 2% per month will be charged if Shyam Sales failed to make payment within 15 days of the delivery of the goods. Goods were delivered as also the invoice was issued on 6th June. Shyam Sales paid the consideration for the goods on 6th July along with applicable interest.

Time of supply for the goods sold is the date of issue of invoice i.e., 6th June and the time of supply for addition in value by way of interest is the date when such addition in value is received by Radha Traders i.e., 6th July



EXAMPLE 15:

Investigation reveals clandestine removal of goods by a supplier who is not registered under GST. The evidence is in the form of noting, often undated, and some corroborative material. The supplier voluntarily pays tax during the investigation, to close the case. The time of supply will be the date on which the tax is paid, as being unregistered, the supplier is not required to file periodical returns.

EXAMPLE 16:

Company A supplies goods of Rs. 50,000 on 30th April, against which it receives Rs.50,500 under invoice dated 5th May. In this example, Company A has received Rs. 500 in excess, which cannot be considered as payment for the present invoice, in terms of Explanation 1 to section 12(2). Company A will adjust this excess amount against the next supply. The time of supply for Rs.500 can be taken as the date of the next invoice if the supplier so chooses, though the payment was received earlier.

EXAMPLE 17:

TOS of goods - Supply involves movement of goods:

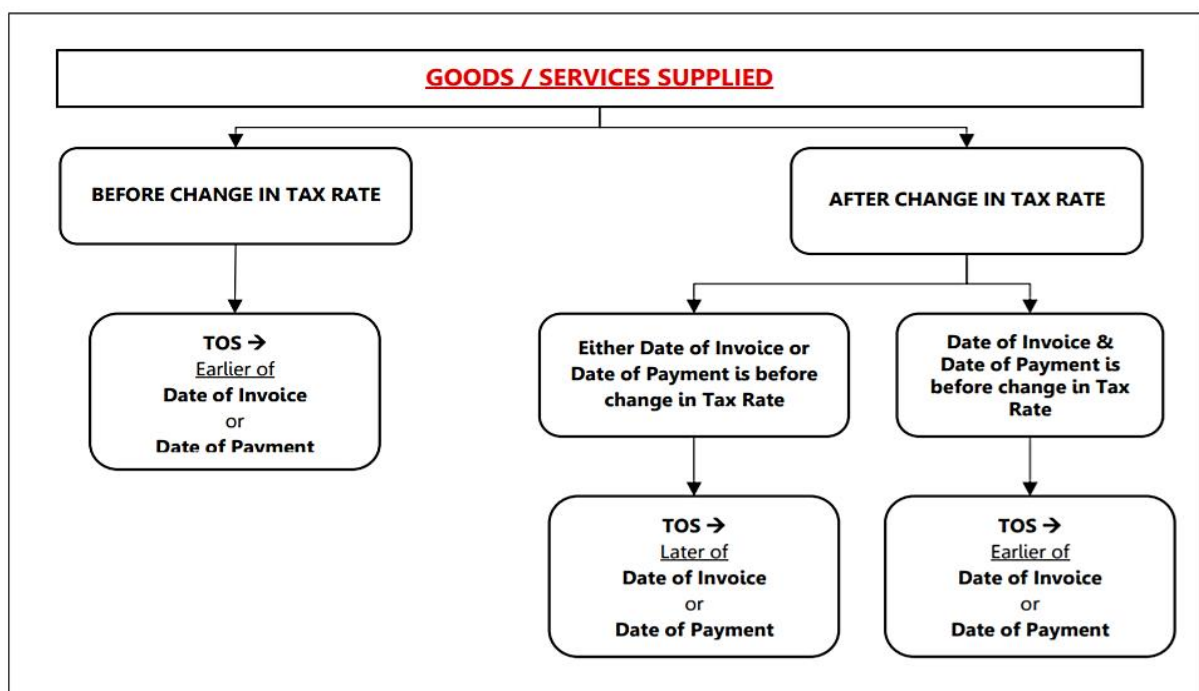
SI No.	Date of Removal	Date of Invoice	Date when goods made available to Recipient	Date of receipt of payment
1	01-10-2018	02-10-2018	03-10-2018	15-11-2018
2	03-10-2018	01-10-2018	04-11-2018	25-11-2018
3	04-11-2018	04-11-2018	06-11-2018	01-10-2018

SOLUTION : Time of supply of goods in each of the above cases has been given in the following table:

SI No.	Date of Removal	Date of Invoice	Date when goods made available to Recipient	Date of receipt of payment	Time of supply	Reason

1	01-10-2018	02-10-2018	03-10-2018	15-11-2018	01-10-2018	Since, invoice not issued on or before the date of removal of goods, hence time of supply is date of removal of goods.
2.	03-10-2018	01-10-2018	04-11-2018	25-11-2018	01-10-2018	TOS is date of issuance of invoice since invoice is issued prior to date of removal of goods
3	04-11-2018	04-11-2018	06-11-2018	01-10-2018	04-11-2018	TOS is date of issue of invoices. Advance received is not liable to be taxed at the time of receipt vide Notification No. 66/2017-CT dated 15-11-2017.

CHANGE IN TAX RATE



NOTE:

Meaning of "Date of receipt of payment"

Here, "date of receipt of payment" refers to the date on which the payment is entered in the books of accounts of the supplier, or the date on which the payment is credited in his bank account, whichever is earlier.

Date of crediting of payment in bank account to be the "date of receipt of payment" if such crediting takes place after 4 working days of change in rate of tax

Where the payment is credited in the bank account after 4 working days from the date of change in the rate of tax, the date of receipt of payment will be the date of credit in the bank account. In other words, in such a case, the date of recording the payment in the books of account will not be considered as the date of receipt of payment even though if the same precedes the date of crediting of payment in the bank account.

EXAMP
LE 18:

Determine the time of supply in the following cases assuming that rate of GST changes from 18% to 20% w.e.f. June 1

SI No.	Date of Supply of Service	Date of issue of Invoice	Date of receipt of payment
1.		June 9	July 25
2.	May28	May 28	July 25
3.		June 9	May 26
4.		May 28	June 25
5.	June 10	May 28	May 16
6.		June 9	May 28

SOLUTION:					
SI No.	Date of Supply of Service	Date of issue of Invoice	Date of receipt of payment	Time of Supply	Applicable Rate
1.		June 9	July 25	June 9	20%
2.	May28	May 28	July 25	May 28	18%
3.		June 9	May26	May26	18%
4.		May28	June 25	June 25	20%
5.	June 10	May28	May 16	May 16	18%
6.		June 9	May28	June 9	20%

Supply of services by a landowner to a developer by way of --

- (i) transfer of transferable development rights (TDR) or floor space index (FSI);
- (ii) granting of long term lease,

for construction of residential apartments have been exempted subject to the condition that the constructed flats are sold before issuance of completion certificate or first occupation of the project, whichever is earlier, and tax is paid on them.

Such exemption for TDR, FSI, long term lease (premium) shall not be available in case of flats which remain unbooked on the date of issuance of completion certificate or first occupation of the project, whichever is earlier. The promoter (developer) shall be liable to pay tax at the applicable rate, on reverse charge basis, on such proportion of (i) value of development rights and/or FSI, or (ii) upfront amount paid for long term lease, as is attributable to such unbooked residential apartments.

In view of the above change, with effect from 01.04.2019, a special procedure for payment of tax has been laid down for following classes of registered persons, namely-

- (i) a promoter who receives development rights or FSI (including additional FSI) on or after 1st April, 2019 for construction of a project against consideration payable or paid by him, wholly or partly, in the form of construction service of commercial or residential apartments in the project or in any other form including in cash;
- (ii) a promoter, who receives long term lease of land on or after 1st April, 2019 for construction of residential apartments in a project against consideration payable or paid by him, in the form of upfront amount,

* Such upfront amount is called as premium, salami, cost, price, development charges or by any other name.

For such persons, the liability to pay tax on, •

- (a) the consideration paid by him in the form of construction service of commercial or residential apartments in the project, for supply of development rights or FSI (including additional FSI);
- (b) the monetary consideration paid by him, for supply of development rights or FSI (including additional FSI) relating to construction of residential apartments in project;
- (c) the upfront amount paid by him for long term lease of land relating to construction of residential apartments in the project; and
- (d) the supply of construction service by him against consideration in the form of development rights or FSI (including additional FSI),

shall arise on the date of issuance of completion certificate or first occupation of the project, whichever is earlier.

[Notification No. 6/2019 CT (R) dated 29.03.2019/ Notification No. 6/2019 IT (R) dated 29.03.2019]

SOME EXAM ORIENTED MCQ's

1. Mr. X enters into a contract with a client for supply of certain services on 18.12.2017. GST is payable on such services under forward charge. Services are supplied on 25.12.2017 and invoiced on 05.01.2018. The client makes payment by cheque for the services on 29.12.2017 and such payment is credited to the bank account of Mr. X on 06.01.2018. The payment is recorded in the books of account of the client and Mr. X on 30.12.2017 and 07.01.2018 respectively. The time of supply of services is:

- (a) 29.12.2017
- (b) 30.12.2017
- (c) 06.01.2018
- (d) **05.01.2018**

2. An online portal, Best Info, raises invoice for database access on 21st February, 2017 on Roy & Bansal Ltd. The payment is made by Roy & Bansal Ltd. by a demand draft sent on 25th February, 2017 which is received and entered in the accounts of Best Info on 28th February, 2017. Best Info encashes the demand draft and thereafter, gives access to the database to Roy & Bansal Ltd from 3rd March, 2017. In the meanwhile, the rate of tax is changed from 1st March 2017.

What is the time of supply of the service of database access by Best Info?

- (a) 25th February, 2017
 - (b) 28th February, 2017
 - (c) **21st February, 2017**
 - (d) 3rd March
3. M/s. Tanatan received testing services from Aquarian Solution (P) Ltd. on 10-May-2018. The payment was entered in the books of account of M/s. Tanatan on 16-May-2018 and was credited in the bank account of supplier on 19-May-2018. In the meantime, supplier issued invoice on 18-May-2018. What will be the time of supply in this case?
- (a) 10-May-2018
 - (b) 18-May-2018
 - (c) 16-May-2018
 - (d) 19-May-2018
4. Mr. A purchases redeemable vouchers worth INR 8000/- on 1st January. The vouchers are redeemable against purchase of any goods. The vouchers are valid till 30th June. What will be the time of supply in case of such vouchers?
- a) 1st January
 - b) 30th June
 - c) The date of redemption of vouchers
 - d) None of the above
5. M/s. Radhika Travels (P) Ltd., purchased a bus chassis from M/s. Jyoti Motors Ltd., for a consideration of Rs. 80.00 Lakh on 1-Aug-2018. M/s. Radhika Travels (P) Ltd., sent the bus chassis for body building to M/s. Hanumant Fabricators, and paid in advance the total consideration of Rs. 25.00 Lakh on 10-Aug-2018. M/s. Hanumant Fabricators, after completing the bus body, informed M/s. Radhika Travels (P) Ltd., for inspection of the work done on 1-Sep-2018. M/s. Radhika Travels (P) Ltd., visited the work shop of M/s. Hanumant Fabricators, on 7-Sep-2018, and confirmed that the bus body was in accordance with the terms of the contract. M/s. Hanumant Fabricators, raised an invoice of Rs. 25.00 Lakh on 15-Sep-2018, and supplied chassis along with the bus body so constructed, along with the invoice on 16-Sep-2018. State the time of supply in this case, out of the choices given below
- a) 10-Aug-2018
 - b) 7-Sep-2018
 - c) 15-Sep-2018
 - d) 16-Sep-2018

6. Banke Bihari (Pedewala), is a famous sweets manufacturer, located and registered in Mathura, Uttar Pradesh. He received an order for 200 Kg. of sweets on 2nd November, 2018 from M/s. Ghoomghoom Travels (P) Ltd., located and registered in same locality of Mathura for a total consideration of Rs. 1,00,000/- on occasion of Diwali festival. All 200 Kg. sweets were delivered to M/s. Ghoomghoom Travels (P) Ltd. on 5th November, 2018, but without invoice, as accountant of Mr. Banke Bihari was on leave on that day. However, the invoice was raised for the same on 6th November, 2018, when the accountant joined the office after leave. Payment in full was made on 7th November, 2018.

Determine the time of supply of goods in this case.

- a) 2nd November, 2018
- b) 5th November, 2018
- c) 6th November, 2018
- d) 7th November, 2018



SUPPLY UNDER GST

CHAPTER OUTLINES

- [Sec. 15] Value of Taxable Supply.
- Valuation Rules.

VALUATION UNDER GST

PART 1 TV = AV

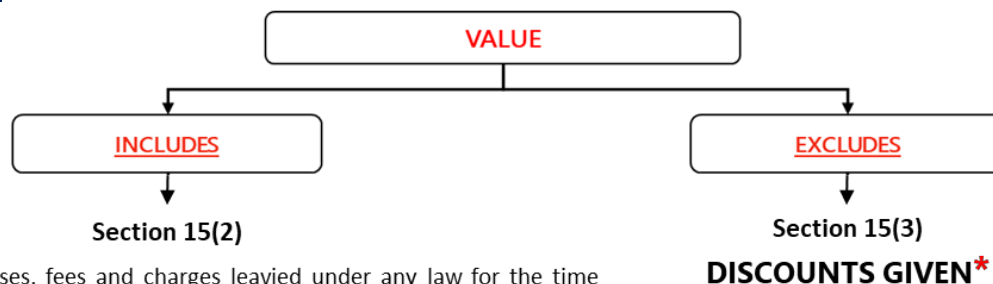
Transaction Value = Price actually paid or payable
 + Supply of Goods / Services / Both
 + Supplier and Recipient are unrelated parties
 + Price is the sole consideration

PART 2 TV ≠ AV

RULES

- **Rule 27:** Value of supply of G/S where the consideration is not wholly in money
- **Rule 28:** Value of supply of G/S/Both between distinct or related persons, other than through an agent.
- **Rule 29:** Value of supply of goods made or received through an agent.
- **Rule 30:** Value of supply of G/S/Both based on Cost.
- **Rule 31:** Residual method for determination of value of supply of G/S/Both
- **Rule 32:** Determination of value in respect of certain supplies.
 - ✓ Buying/Selling of Foreign Currency
 - ✓ Air Travel Agent
 - ✓ Life Insurance
 - ✓ Second Hand Goods
 - ✓ Vouchers / Tokens
- **Rule 33:** Value of Supply in case of pure agent
- **Rule 34:** Rate of exchange of currency, other than Indian Rupees, for determination of value.
- **Rule 35:** Value of supply inclusive of IGST, CGST, SGST, UTGST

VALUE IN CASE OF PART 1



- a. Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act i.e. CGST Act, the SGST Act, UTGST Act, and the GST (Compensation to States) Act, if charged separately by the supplier.
- b. Any amount of that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both.

EXAMPLE:

Grand Biz contracts with ABC Co. to conduct a dealers' meet. In furtherance of this, Grand Biz contracts with vendors to deliver goods / services, like water, soft drinks, audio system, projector, catering, flowers etc. at the venue on the stipulated dates at the stipulated prices. Grand Biz is liable to make these payments as contracted. The soft drinks supplier wants payment upon delivery; ABC Co. agrees to pay the bill raised by the soft drinks vendor on Grand Biz on receiving the crates of soft drinks. This amount is not billed by Grand Biz to ABC Co. However, it would be added to the value of service provided by Grand Biz to ABC Co. for payment of GST.

- c. Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of or before delivery of goods or supply of services.
- d. Interest or late fee or penalty for delayed payment of any consideration for any supply.

EXAMPLE:

A supply priced at Rs. 2,000 is made, with a credit period of 1 month for payment. Thereafter interest of 12% is charged. The payment is received after the lapse of two months from the date of supply. The amount of 12% p.a. (i.e. 1% per month) on Rs. 2,000 for one month after the free credit period is Rs. 20. Such interest will be added to the value and thus, the value of supply will work out to be Rs. 2,020, assuming the interest to be exclusive of GST.

- e. Subsidies directly linked to price excluding subsidies provided by the SG/CG.

EXAMPLE:

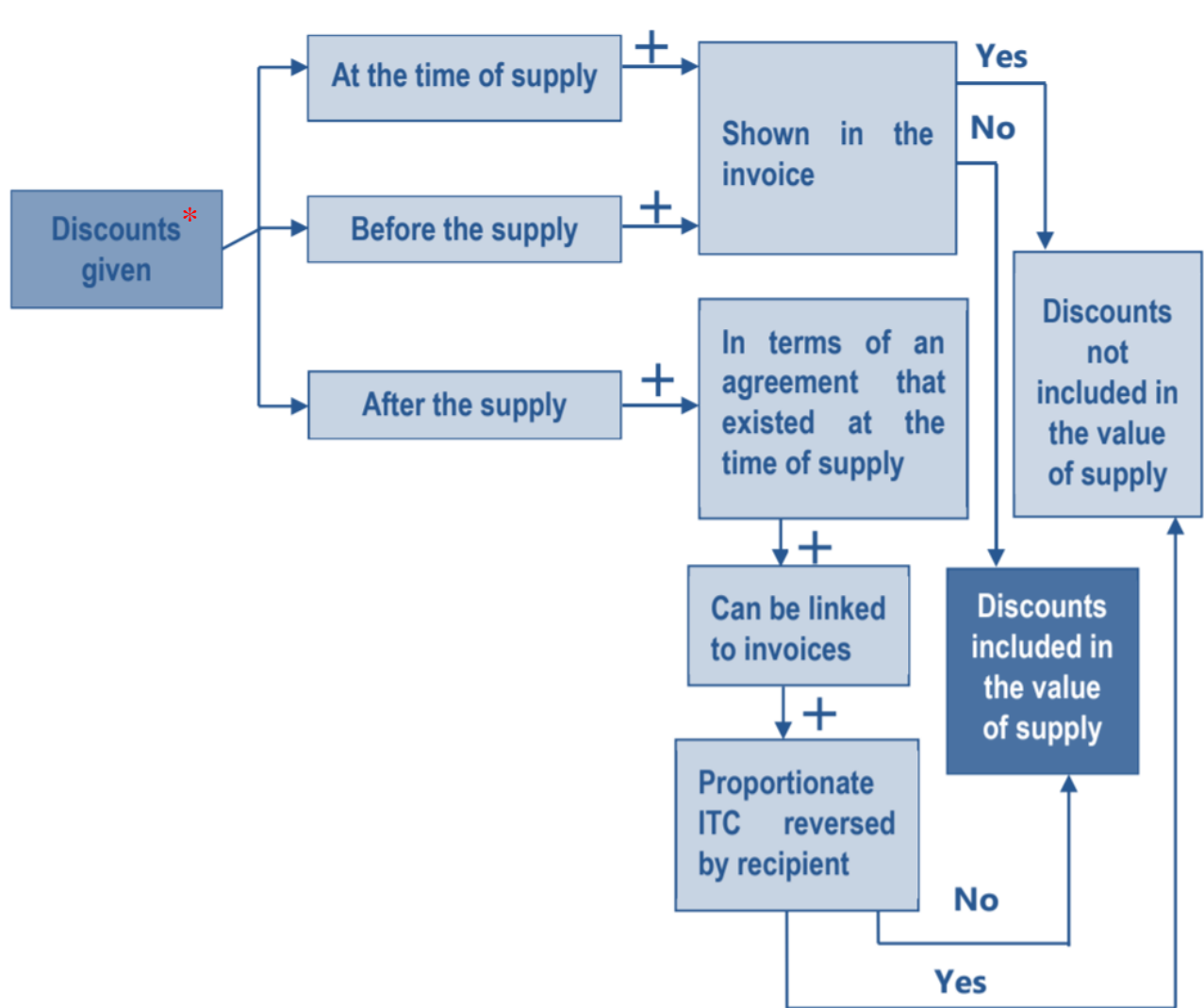
The selling price of a notebook is Rs. 50. For notebooks sold to students in Government schools, a company uses its CSR funds to pay the seller Rs. 30, so that the students pay only Rs. 20 per notebook. The value of the notebook will be Rs. 50, as this is a non-government subsidy. If the same subsidy is paid by the Central Government or State Government, the value of the notebook would be Rs. 20.

Note 1. CLARIFICATION ON VALUATION METHODOLOGY FOR ASCERTAINMENT OF GST ON TCS UNDER INCOME TAX ACT, 1961

Section 15(2) of CGST Act specifies that the value of supply shall include "any taxes, duties cesses, fees and charges levied under any law for the time being in force other than this Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier.

It has been clarified that for the purpose of determination of value of supply under GST, tax collected at source (TCS) under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax. [Circular No. 76/50/2018 GST dated 31.12.2018 amended vide corrigendum dated 7.03.2019]

Note 2. Kerala Flood cess will not be included in the value.



CLARIFICATION ON DISCOUNTS

✚ DISCOUNTS INCLUDING 'BUY MORE, SAVE MORE' OFFERS

- (i) Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example - Get 10 % discount for purchases above Rs. 5,000/-, 20% discount for purchases above Rs. 10,000/- and 30% discount for purchases above Rs. 20,000/-. Such discounts are shown on the invoice itself.
- (ii) Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10,000 pieces in a year, get additional discount of 2% if you purchase 15,000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as "volume discounts". Such discounts are passed on by the supplier through credit notes.
- (iii) It is clarified that discounts offered by the suppliers to customers (including staggered discount under "Buy more, save more" scheme and post supply / volume discounts established before or at the time of supply) shall be excluded to determine the value of supply provided they satisfy the parameters laid down in sub-section (3) of section 15 of the CGST Act, including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

SECONDARY DISCOUNTS

- (i) These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10,000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs. 1/- per packet.
- (ii) The issue for consideration is that whether credit notes(s) under sub-section (1) of section 34 of the CGST Act can be issued in such cases even if the conditions laid down in clause (b) of sub-section (3) of section 15 of the CGST Act are not satisfied. It is hereby clarified that financial / commercial credit note(s) can be issued by the supplier even if the conditions mentioned in clause (b) of sub-section (3) of section 15 of the CGST Act are not satisfied. In other words, credit note(s) can be issued as a commercial transaction between the two contracting parties.
- (iii) It is further clarified that such secondary discounts shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and the conditions laid down in clause (b) of sub-section (3) of section 15 of the CGST Act are not satisfied.
- (iv) In other words, value of supply shall not include any discount by way of issuance of credit note(s) as explained above or by any other means, except in cases where the provisions contained in clause (b) of sub-section (3) of section 15 of the CGST Act are satisfied.
- (v) There is no impact on availability or otherwise of ITC in the hands of supplier in this case.

EXAMPLES OF DISCOUNT DEDUCTIBLE FROM VALUE OF SUPPLY:





1. **Royal Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Spicebisk, in the invoice the list price is mentioned as Rs. 200, on which a discount of 30% is given to arrive at the final price of Rs. 140. The value is Rs. 140, as the discount is allowed at the time of supply and shown in the invoice.**
2. **The agreement of Raju Electrical Appliances with its dealers is that sale of rice cookers over 100 pieces in the Diwali month will entitle them to discount of 5% per cooker sold to them in the next month. The next month's stock has already been despatched when the sales figures for the Diwali month are worked out. However, as the agreement was in existence at the time of supply, and the discount can be worked out for each invoice, the value will be billed price minus 5%. The dealer must reverse the proportionate input tax credit on the relevant stock to bring it in line with the reduced tax.**

EXAMPLES OF NON-DEDUCTIBLE DISCOUNT:

1. **A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods.**

***NOTE:**

Examples of such incidental expenses are –

-  **Commission:** This may be paid to an agent and recovered from the buyer of the goods/service; this is part of the value of the supply.
-  **Packing:** if charged by the supplier to the recipient, is similarly part of the value of the supply;
-  **Inspection or Certification charges** are another element that may be added to the value, if billed to the recipient of supply.
-  **Installation and Testing charges** – at the recipient's site will also be added, being an amount charged for something done by the supplier in respect of the supply at the time of making the supply.

****NOTE:**

Examples of Section 15(2)(c) :

-  **Packing, labeling, designing etc.**
-  **Royalty, Warranty charges etc**

- + Insurance charges if goods are insured by the seller.
- + Dharmada collected by the dealer
- + Weighment charges
- + All expenses before the delivery (loading, weighing, coolie)
- + Freight shown separately in invoice
- + Salesman Commission
- + Rental charges for durable and returnable packing
- + Erection installation charges
- + Pre Delivery Inspection Charges.

(All the items contain under section 15(2)(c) as above will be covered under 15(2)(b) if they are incurred by buyer on behalf of seller.)

EXAMPLE:

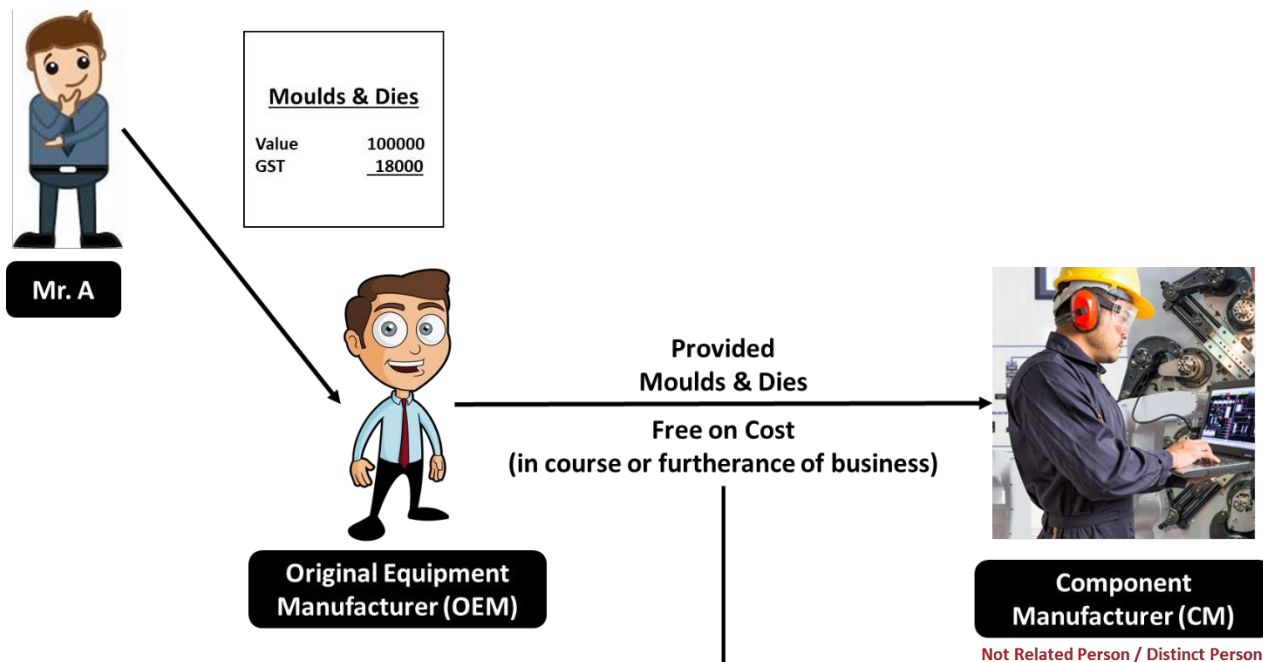
Wholesale price for 1 MT of cement sold by X Ltd. in the ordinary course of business : Rs. 7,000

Price of 1 MT of cement sold by X Ltd. to Y : Rs. 6,700.

Value of supply made by X Ltd. to Y is Rs. 6,700 which is the price actually paid or payable and not the wholesale price.

ITC ON MOULDS AND DIES PROVIDED BY THE ORIGINAL EQUIPMENT MANUFACTURER (OEM) TO COMPONENT MANUFACTURER ON FOC BASIS

CASE 1



IMPACT ON ITC

- **NO SUPPLY BECAUSE NO CONSIDERATION**
- **NO REQUIREMENT OF REVERSAL OF ITC BY OEM**

IMPACT ON VALUATION

- **WHILE CALCULATING THE VALUE OF SUPPLY MADE BY THE COMPONENT MANUFACTURE**
- **VALUE OF MOULDS AND DIES SHALL NOT BE ADDED TO VALUE OF SUCH SUPPLY**
- **BECAUSE THE COST OF SUCH MOULD/DIES WAS NOT TO BE INCURRED BY THE COMPONENT MANUFACTURER.**

CASE 2**IF IN THE ABOVE CASE,**

There was a contract between OEM and Component Manufacturer for supply of components made by using moulds/dies belonging to the Component Manufacturer, but the Mould/Dies are provided by OEM to Component Manufacturer on FOC basis.

IMPACT ON ITC

- **ITC WILL BE REVERSED BY OEM** BECAUSE THE SUPPLY OF MOULD/DIES BY OEM TO COMPONENT MANUFACTURER ON FOC BASIS WILL NOT BE CONSIDERED AS SUPPLY IN COURSE OR FURTHERANCE OF BUSINESS

AUTHORS NOTE

- **IN CASE 2, THE CONTRACT SPECIFIED THAT THE MOULDS / DIES TO BE USED BELONGS TO COMPONENT MANUFACTURER AND HENCE NOT CONSIDERED TO BE SUPPLIED AS IN COURSE OR FURTHERANCE OF BUSINESS.**

IMPACT ON VALUATION

- **WHILE CALCULATING THE VALUE OF SUPPLY MADE BY THE COMPONENT MANUFACTURE**
- **AMORTISED COST OF THE MOULD/DIES SHALL BE ADDED TO THE VALUE OF COMPONENT**

EXAMPLE FOR GOODS:

Isha Time Gallery has been appointed as an authorized center of Sony electronics. On sales of worth Rs. 20,00,000 electronic items. Sony Electronics is liable to pay commission @ 10% on such sale i.e. Rs. 2,00,000 but such selling commission to be paid by Sony Electronics has been paid Isha Time Gallery for the month of August. In this case such expenses shall be included in transaction value.

Example:

From the following information determine the value of taxable supply as per provisions of section 15 of the CGST Act, 2017?
Mr. X supplies following information,

Value of machine (including GST @ 12%)	Rs. 30,00,000
The invoice value includes the following	
(1) Taxes (other than CGST/SGST/IGST) charged separately by the supplier	Rs. 30,000
(2) Weighment and loading charges	Rs. 50,000
(3) Consultancy Charges in relation to pre-installation planning	Rs. 20,000
(4) Testing Charges	Rs. 4,000
(5) Inspection Charges	Rs. 9,000

Other information:

i. Subsidy received from CG for setting up factory in backward region	Rs. 1,02,000
ii. Subsidy received from third party for timely supply of machine to	
iii. Recipient	Rs. 1,00,000
iv. Trade discount actually allowed shown separately in invoice	Rs. 50,000

Computation of value of taxable supply of goods

PARTICULARS	Rs.	Rs.
Value of machine		30,00,000
Less:		
(1) Taxes other than CGST/SGST/IGST charged separately by the supplier	-	
(2) Weighment and loading charges	-	
(3) Consultancy Charges in relation to pre-installation planning	-	
(4) Testing Charges	-	
(5) Inspection Charges charged before supply	-	
Add: Subsidy received from third party for timely supply of machine to recipient		1,00,000
Cum tax value		30,50,000
Less: GST @ 12% [Rs. 30,50,000 x 12 / 112]		(3,26,786)
Value of Taxable Supply		27,23,214

EXAMPLE 2

Determine the value of taxable supply as per Section 15 of CGST Act, 2017 and Rules thereof.

Mr. X supplies following information,

Contracted sale price of goods (including CGST and SGST @ 5%)	Rs. 6,00,000
The contracted sale price includes the following elements of cost	
(1) Cost of drawings and design	Rs. 3,000
(2) Cost of primary packing	Rs. 2,500
(3) Cost of packing at buyer's request	Rs. 3,200
(4) Fright and insurance from 'place of removal' to buyer's premises	Rs. 37,000

A discount of Rs. 50,000 was given by supplier at the time of supply of goods. CGST and SGST is levied @ 5%

Computation of Assessable value:

PARTICULARS	Rs.	Rs.
Contracted sale of price of goods		6,00,000

Discount	50,000	<u>50,000</u>
Cum Tax Value		5,50,000
Less: GST @ 5% [5,50,000 x 5 / 105]		<u>26,190</u>
Value of Taxable Supply		5,23,810

EXAMPLE

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd

PARTICULARS	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received Rs. 2000 as a subsidy from a NGO on sale of such goods. The price of Rs. 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Black and White Pvt. Ltd

ANSWER:

PARTICULARS	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(a)]	-
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
TOTAL	58,000
Less: Discount @ 2% on Rs. 50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

EXAMPLE

Samriddhi Advertisers conceptualized and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of Rs. 5,00,000. Samriddhi Advertisers owed Rs. 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid Rs. 15,000 as interest. Assume the rate of GST to be 18%.

Determine the value of taxable supply made by Samriddhi Advertisers.

ANSWER:

Computation of value of taxable supply

PARTICULARS	Rs.
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) – Refer note below] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and the value computed by making back calculations [Interest / 100 + tax rate) x 100].

VALUATION RULES

For the purposes of the provisions of this entire set of rules, the meaning of the expressions “OPEN MARKET VALUE” & “SUPPLY OF GOODS OR SERVICES OR BOTH OF LIKE KIND AND QUALITY” is given as under:

“OPEN MARKET VALUE” of a supply of goods or services or both means

the full value in money, excluding the IGST, CGST, SGST, UTGST and CESS payable by a person,

where the supplier and the recipient are unrelated and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made;

"SUPPLY OF GOODS OR SERVICES OR BOTH OF LIKE KIND AND QUALITY"



any other supply of goods or services or both made under similar circumstances that, in respect of the

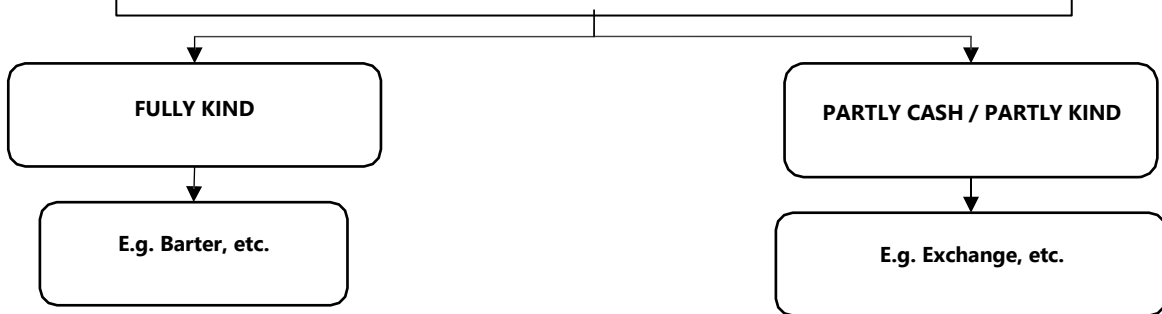


characteristics, quality, quantity, functional components, materials, and the reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.

Students Note:

RULE 27: VALUE OF SUPPLY OF GOODS OR SERVICES

WHERE THE CONSIDERATION IS NOT WHOLLY IN MONEY



VALUE OF SUPPLY SHALL BE

- (a) the open market value of such supply;

EXAMPLE

Where a new phone is supplied for ₹. 20,000 along with the exchange of an old phone and if the price of the new phone without exchange is ₹. 24,000, the open market value of the new phone is ₹. 24,000.

- (b) if the open market value is not available under clause (a), the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;

EXAMPLE

Where a laptop is supplied for ₹. 40,000 along with the barter of a printer that is manufactured by the recipient and the value of the printer known at the time of supply is four thousand rupees but the open market value of the laptop is not known, the value of the supply of the laptop is ₹ 44,000.

- (c) if the value of supply is not determinable under clause (a) or clause (b), the value of supply of goods or services or both of like kind and quality;
- (d) if the value is not determinable under clause (a) or clause (b) or clause (c), the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by the application of rule 30 or rule 31 in that order.

**In the
Same order**

EXAMPLE FOR (c)

Mr. M supplies goods 'P' to Mr. G for consideration of Rs. 10,00,000 (excluding taxes). Mr. G also gave some material to Mr. M as consideration for such supply whose value was Rs. 40,000 (excluding taxes). Mr. M has supplied the same goods to another person at price of Rs. 11,20,000 (including GST @12%). Determine the value of supply. What would your answer be if price of Rs. 11,20,000 is not available at the time of supply of goods to Mr. G. What would your answer be in above case if open market value of supply is also not available but at the time of supply of goods by Mr. M, identical goods have been supplied at a value of Rs. 10,50,000 (excluding taxes)

(1) Determination of value of taxable supply in different situation:

PARTICULARS	Rs.
Price charged from independent recipient	11,20,000
(-) GST included in above price [$1120000 \times 12 / 100$]	(1,20,000)
Open market value of supply of goods under consideration	10,00,000

Thus, value of taxable supply shall be Rs. 10,00,000

(2) If open market value is not available, the value of taxable supply shall be determined as under:

PARTICULARS	Rs.
Consideration in money	10,00,000
Value of Non-Monetary Consideration – Value of Goods known at time of supply	40,000
Value of Taxable Supply	10,40,000

(3) In such case, the value of supply shall be the value of supply of goods of like kind and quality i.e. Rs. 10,50,000 will be the value of supply of goods under construction.

RULE 28: VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH BETWEEN DISTINCT OR RELATED PERSONS, OTHER THAN THROUGH AN AGENT.

VALUE OF SUPPLY SHALL BE

- (a) be the open market value of such supply;
- (b) if the open market value is not available, be the value of supply of goods or services of like kind and quality;
- (c) if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order:

**In the
Same order**

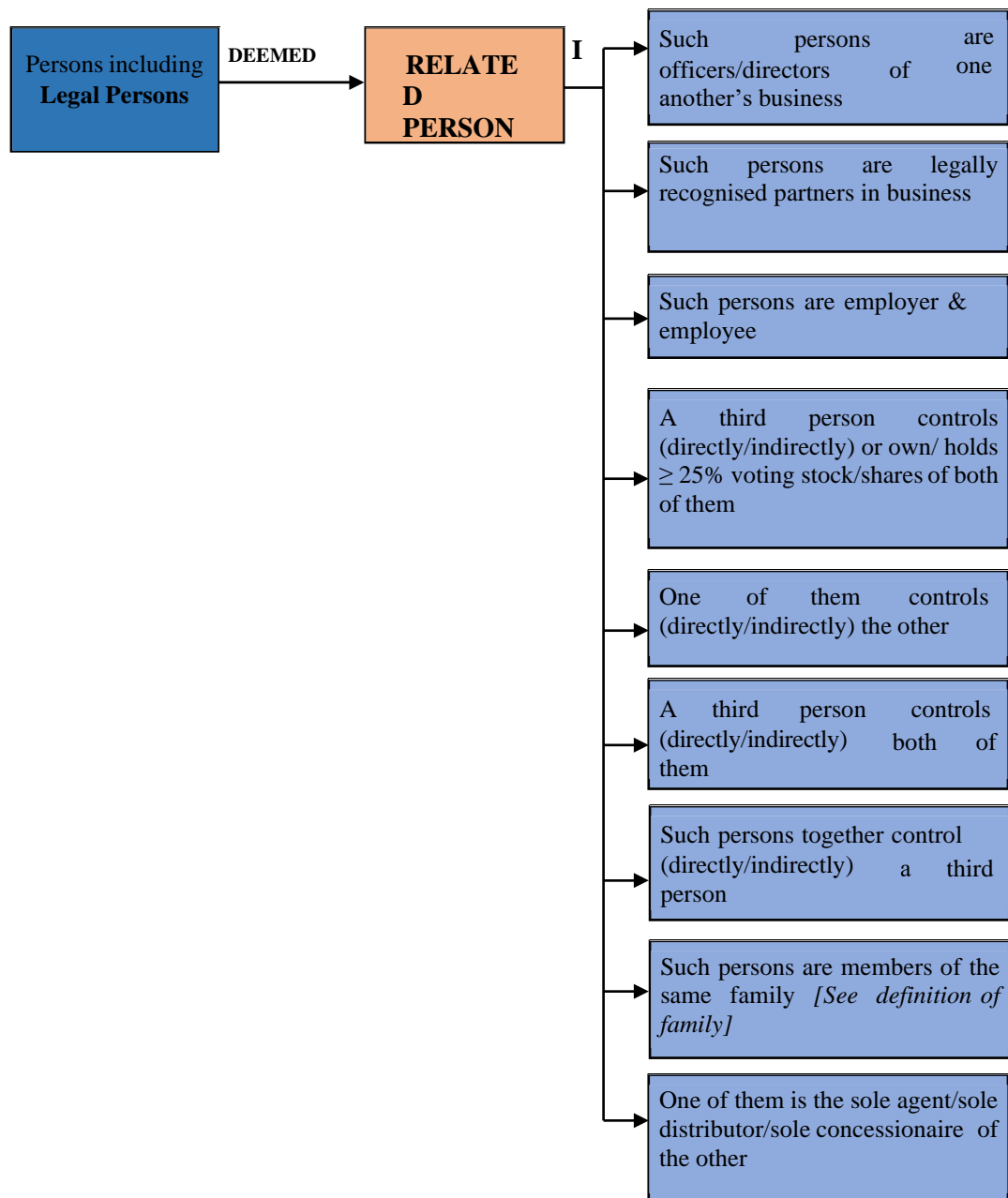
where the goods are intended for further supply as such by the recipient, the value at the option of the supplier be 90% of the price charged for the supply of goods of like kind and quality by the recipient unrelated

where the recipient is eligible for full ITC, the value on the invoice deemed to be the open market value

As per rule 30, Value = 110% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

As per rule 31, Value shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter.

Related Persons [Explanation to section 15]



EXAMPLE

Sanghavi Textiles transfers stock of 15,000 metres of cloth (costing Rs. 15,00,000) requiring further processing before sale, from Bellary in Karnataka to its Bhilwara branch in Rajasthan. The Rajasthan branch, apart from processing its own goods, engages in processing of similar goods by other persons who supply the same variety of goods, and thereafter sells these processed goods to wholesalers. There are no other factories in the neighboring area which are engaged in the same business as that of its Rajasthan unit. Goods of the same kind and quality are supplied in lots of 15,000 metres each time, by another manufacturer located in Rajasthan. The price of such goods is Rs. 14,00,000

In this case, although goods of like kind and quality are available, the same may not be accepted as the like goods in this case would be less expensive given that the transportation costs would be lower. Therefore, the value of the supply would be taken at 110% of the cost i.e. Rs. 1650000 (i.e. 110% of 15,00,000).

EXAMPLES

Mr. A and Mr. B are partners in the partnership firm A&B Co. Mr. A & Mr. B are related persons. Thus, a transaction of supply between Mr. A & Mr. B in the course or furtherance of business is treated as supply even if made without consideration.

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Q Ltd. has a deciding role in corporate policy, operations management and quality control of R Ltd. It can be said that Q Ltd. controls R Ltd. Thus, Q Ltd. and R Ltd. are related.

Alpha Ltd. controls the composition of Board of directors of Beta Ltd. and Gama Ltd. It is said to control both Beta Ltd. and Gama Ltd. Beta Ltd. and Gama Ltd. are related persons.

Brita Ltd. and Grita Ltd. together control Margarita Ltd. Brita Ltd. and Grita Ltd. are related persons.

EXAMPLE

Mr. Vishwas located in Udaipur purchases 2000 drawing boxes for Rs. 2,00,000 from M/s Rahul Stationaries Ltd. (wholesaler) located in Delhi. Son of Mr. Vishwas is employee in M/s Rahul Stationaries Ltd. The price of each drawing box in open market is Rs. 120. The supplier additionally charges Rs. 5,000 for delivering the goods to the recipient's place of business.

Mr. Vishwas and M/s Rahul Stationaries Ltd. would not be treated as related persons merely because the son of the recipient is an employee of the supplier, although such son and the supplier would be treated as related persons. (As they fall under deemed relationship of employer and employee)
Therefore, the transaction value will be accepted as the value of the supply. The transaction value includes incidental expenses incurred by the supplier in respect of the supply up to the time of delivery of goods to the recipient. This means, the transaction value will be Rs 200000 + Rs. 5000 i.e. Rs. 205000

RULE 29: VALUE OF SUPPLY OF GOODS MADE OR RECEIVED THROUGH AN AGENT.

PART 1

The open market value of the goods being supplied, or at the option of the supplier,
Be 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

EXAMPLE

A principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of ₹. 5,000/- per quintal on the day of the supply. Supplier is supplying groundnuts of like kind and quality to the said agent at the price of ₹. 4,550/- per quintal.

The value of the supply made by the principal shall be ₹. 4,550 per quintal or where he exercises the option, the value shall be 90% of ₹. 5,000/- i.e., ₹. 4,500/- per quintal.

PART 2

where the value of a supply is not determinable as discussed in the first part, the same shall be determined by the application of rule 30 or rule 31 in that order.

As per rule 30, Value = 110% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

As per rule 31, Value shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter.

EXAMPLE

Mr. A supplies goods to his agent and the agent is supplying goods of like kind and quality in subsequent supplies at a price of Rs. 1,000 per unit on the day of the supply.

Mr. A also supplies goods to an unrelated customer at the price of Rs. 950 per unit on the day of the supply. The value of the supply made by Mr. A to agent shall be Rs. 950 per unit or where he exercises the option, the value shall be 90% of Rs. 1,000 i.e., Rs. 900 per unit.

EXAMPLE

Alpha Home Appliances Ltd. (Pune) has 10 agents located across the state of Maharashtra (except Pune). The stock of microwave is dispatched from Alpha Home Appliances Ltd. To the locations of the agents, based on receipt of orders from various dealers, on a fortnightly basis. Alpha Home Appliances Ltd. Is also engaged in the wholesale supply of microwave in Pune. An agent places an order for dispatch of 20 microwave on 10-12-2017. Alpha Home Appliances Ltd. Had sold 20 microwave to a retailer in Pune on 8-12-2017 for Rs. 130000. The agent effects the sale of the 20 units to a dealer who would effect the sales on MRP basis (i.e. Rs. 7000/unit)

The value would be either the open market value, or 90% of the price charged by the recipient of the intended supply to its customers, at the option of the supplier. This, the value of supply by Alpha Home Appliances Ltd. To its agent would be either Rs. 130000 or Rs. 126000 (i.e. 90% x 7000 x 20), based on the option chosen by Alpha Home Appliances Ltd.

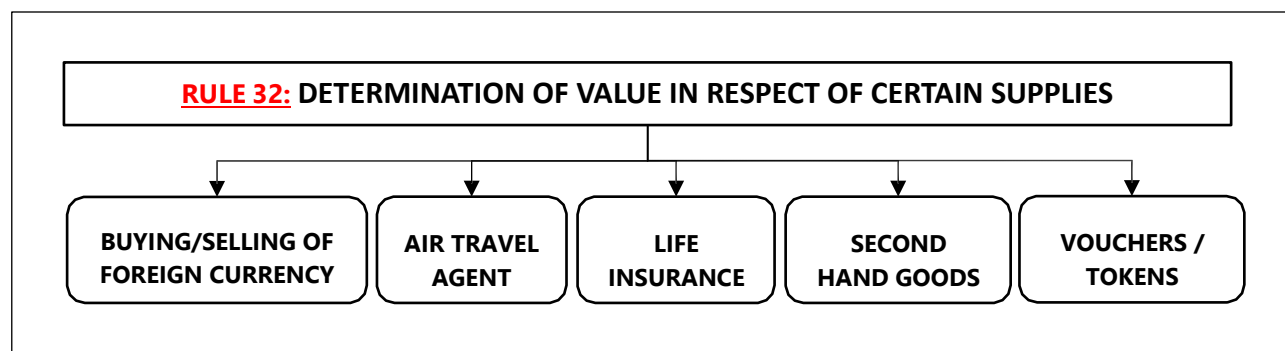
RULE 30: VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH BASED ON COST

Where the value of a supply of goods or services or both is not determinable by any of the previous rules of this Chapter, the value shall be 110% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

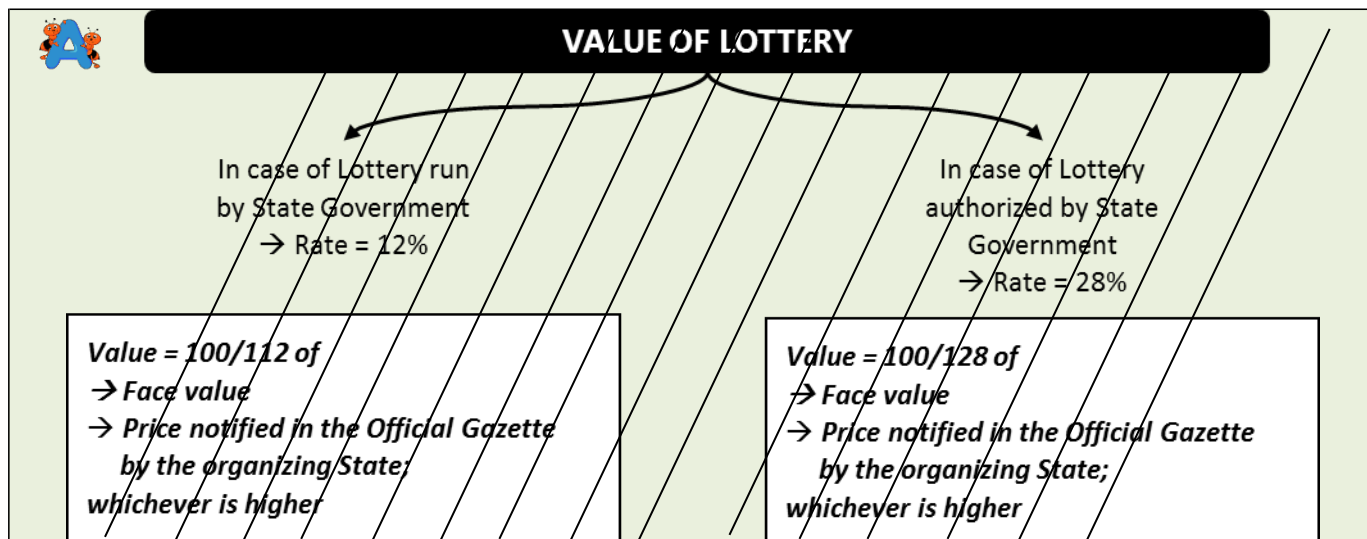
RULE 31: RESIDUAL METHOD FOR DETERMINATION OF VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter.

In the case of supply of services, the supplier may opt for this rule, ignoring rule 30.



RULE 31A: VALUE OF SUPPLY IN CASE OF LOTTERY, BETTING, GAMBLING AND HORSE RACING



EXEMPTION:

Supply of Lottery by any person other than State Government / Union Territory / Local Authority subject to the condition that the supply of such lottery has suffered appropriate GST when supplied by the State Government, Union Territory, Local Authority — to the lottery distributor or selling agent appointed by the State Government, Union Territory, Local Authority

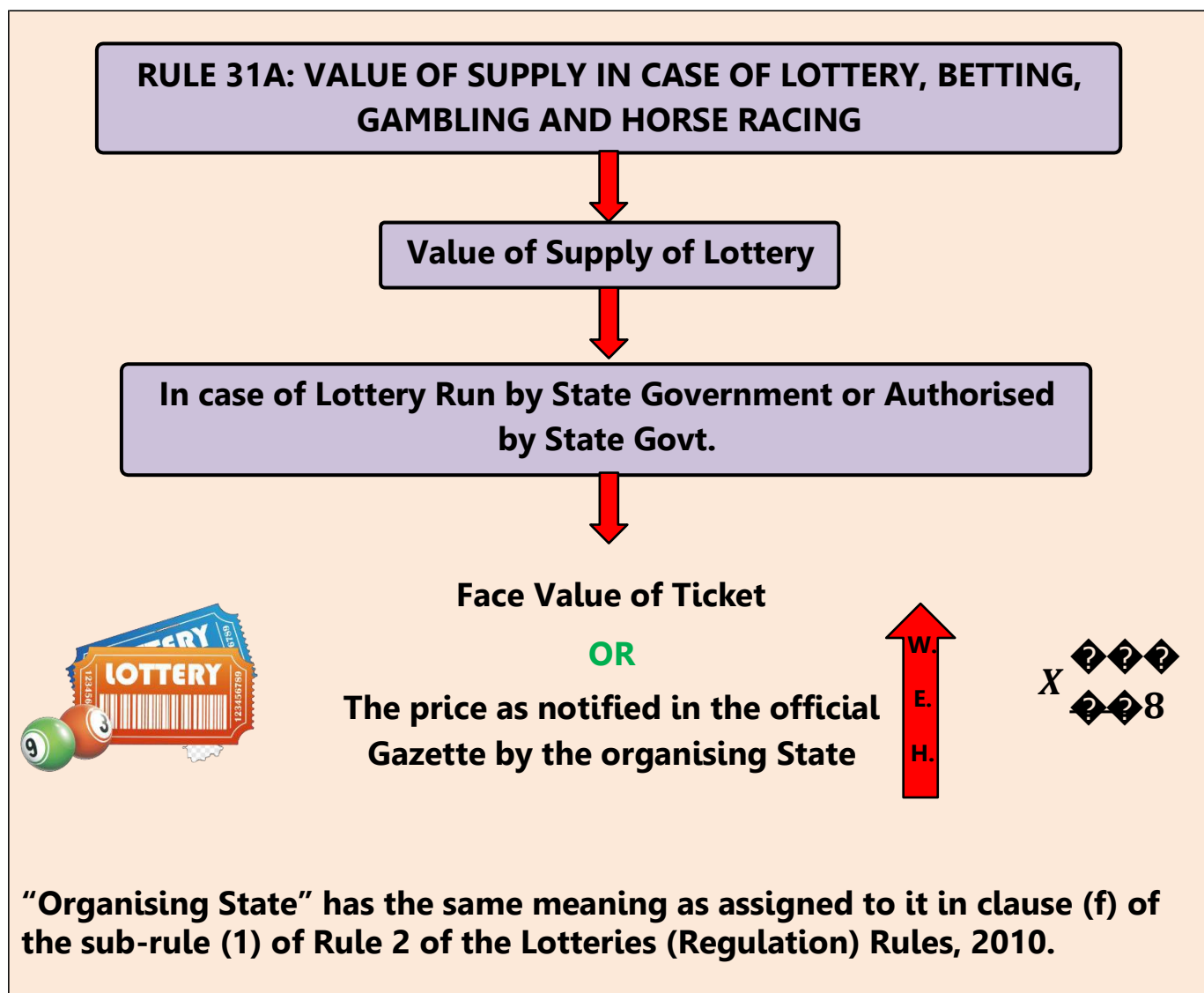
EXPLANATION:

For the purpose of this sub-rule, the expression,

- (a) "lottery run by State Governments" means a lottery not allowed to be sold in any State other than the organizing State;
- (b) "lottery authorized by State Governments" means a lottery which is authorised to be sold in State(s) other than the organising State also; and
- (c) "Organising State" has the same meaning as assigned to it in clause (f) of the sub-rule (1) of Rule 2 of the Lotteries (Regulation) Rules, 2010.

VALUE OF SUPPLY IN CASE OF BETTING, GAMBLING AND HORSE RACING

VALUE = 100% of the face value of the bet or the amount paid into the totalisator;



EXEMPTION:

Supply of Lottery by any person other than State Government / Union Territory / Local Authority subject to the condition that the supply of such lottery has suffered appropriate GST when supplied by the State Government, Union Territory, Local Authority to the lottery distributor or selling agent appointed by the State Government, Union Territory, Local Authority

EXPLANATION:

For the purpose of this sub-rule, the expression,

- “lottery run by State Governments” means a lottery not allowed to be sold in any State other than the organizing State;
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- “Organizing State” has the same meaning as assigned to it in clause (f) of the sub-rule (1) of Rule 2 of the Lotteries (Regulation) Rules, 2010.

VALUE OF SUPPLY IN CASE OF BETTING, GAMBLING AND HORSE RACING

VALUE = 100% of the face value of the bet or the amount paid into the totalisator;

RULE 32(2)(a)

1. IF FOREIGN CURRENCY CONVERTED INTO INDIAN RUPEE OR VICE VERSA, THE VALUE SHALL BE

IF RBI RATE AVAILABLE

The value of supply is difference between buying rate or selling rate of currency and RBI reference rate for that currency at the time of exchange multiplied by total units of foreign currency.

IF RBI RATE NOT AVAILABLE

Value = 1% of the gross amount of Indian Rupees provided or received by the person changing the money.

EXAMPLE:

One 7th March, Mr. Raj converted USD \$100 into Rs. 6400 @ Rs. 64 per USD through Eastern Money Changers. RBI Reference rate on 7th March for US \$ is Rs. 63 per USD. The value of supply in this case is $(Rs. 63 - Rs. 64) \times \$100 = Rs. 100$ and GST will be levied on this amount. If the RBI Reference Rate is not available, then 1% of Rs. 6400 i.e., Rs. 64 will be the value of supply of service.

2. IF FOREIGN CURRENCY CONVERTED INTO FOREIGN CURRENCY, THE VALUE SHALL BE

The Value shall be 1% of the least of following:

UNITS PURCHASED * RBI REF RATE

UNITS SOLD * RBI REF RATE

EXAMPLE:

US \$9000 are converted into UK £ 4,500. RBI reference rate at that time for U \$ is Rs. 63 per US Dollar and for UK £ is Rs. 82 per UK Pound. In this case, neither of the currencies exchanged is Indian Rupee.

Hence in the given case, value of taxable service would be 1% of the lower of the following:

- (a) US Dollar converted into Indian Rupees = $\$ 9,000 \times Rs. 63 = Rs. 5,67,000$
- (b) UK pound converted into Indian Rupees = $\text{£ } 4,500 \times Rs. 82 = Rs. 3,69,000$

RULE 32(2)(b)

A person supplying the services may exercise the option to ascertain the value in terms of clause (b) for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

At the option of the supplier of services, the value in relation to the supply of foreign currency, including money changing, shall be deemed to be-

Sr. No.	Value of Currency Exchanged	Value
1	Upto Rs. 1,00,000	1% of the gross amount of currency charged Or Rs. 250, whichever is higher.
2	Rs. 1,00,001 – Rs. 10,00,000	Rs. 1,000 + 0.50% of the (gross amount of currency exchanged – Rs. 1,00,000)
3	More than Rs. 10,00,000	Rs. 5,500 + 0.1% of the (gross amount of currency exchanged – Rs. 10,00,000) Or Rs. 60,000, whichever is lower.

EXAMPLE:

Mr. X, a money changer, has exchanged US \$10,000 to Indian Rupees @ Rs. 64 per US \$. Mr. X wants to value the supply in accordance with Rule 32(2)(b) of CGST Rules. Determine the value of supply made by Mr. X.

Solution: As per Rule 32(2)(b) of CGST Rules, the value in relation to the supply of foreign currency, including money changing, is deemed to be –

- (i) 1% of the gross amount of currency exchanged for an amount up to Rs. 1,00,000 subject to minimum amount of Rs. 250
- (ii) Rs. 1,000 and 0.5% of the gross amount of currency exchanged for an amount exceeding Rs. 1,00,000 and up to Rs. 10,00,000

Therefore the value of Supply made by Mr. X under Rule 32(2)(b) of CGST Rules is computed as under:

Sr. No.	Value of Currency Exchanged	Value
Value of currency exchanged in Indian Rupees [Rs. 64 x US \$ 10,000]	6,40,000	
Upto Rs. 1,00,000	1,000	
For Rs. 5,40,000 [0.50% x Rs. 5,40,000]	2,700	
Value of Supply		3,700

EXAMPLE

M/s Sunny Express Ltd., Goa is an authorized money changer registered under FEMA, 1999. It enters into the following transactions of money changing:

- 1) Sold 10,000 US \$ @ 1 US \$ = Rs. 81
- 2) Purchased 1,000 Euro @ 1 Euro = Rs. 90

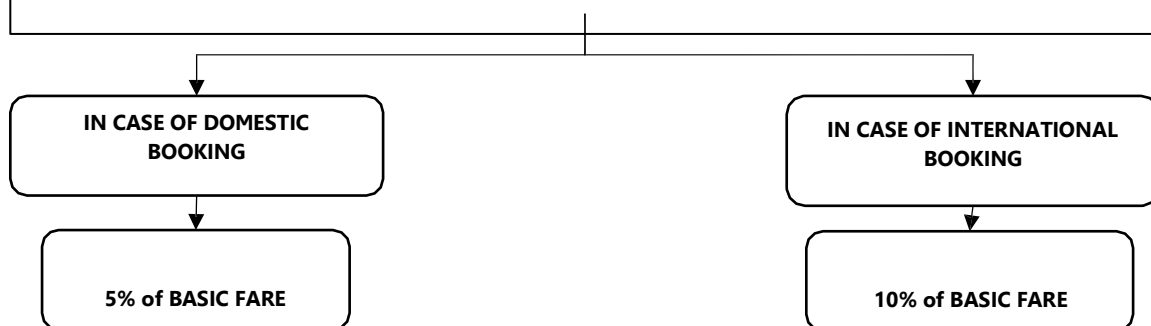
- 3) Purchased 1000 GBP @ 1 GBP = Rs. 101
 - 4) Sold 75000 units of currency ABC @ 1 ABC = Rs. 10
 - 5) RBI Reference Rate for the various currencies at the relevant time:
 - a. 1 US \$ = Rs. 80
 - b. 1 Euro = Rs. 91
 - c. 1 GBP = Rs. 102
 - 6) Sold 11300 US \$ for 6800 GBP
- You are required to calculate value of taxable supply of services and tax thereon if all charges are exclusive of GST.
Applicable GST rate is 18%

The value of taxable supply of service shall be computed as follows:

PARTICULARS	Rs.
1) Sale of 10,000 US \$ (Selling Rate – RBI Ref Rate) x Units sold = Rs. (81-80) x 10,000	10,000
2) Purchase of 1000 Euro (RBI Ref Rate – Buying Rate) x Units purchased = Rs. (91-90) x 1,000	1,000
3) Purchase of 1000 GBP = Rs (102-101) x 1,000	1,000
4) Sold 50000 units of currency ABC = 75,000 x Rs. 10 x 1% (1% of the gross amount of currency exchanged in Indian Rupees)	7,500
5) Direct conversion of GBP into US \$ [Value of service = 1% of (Lower of Amount 1 or Amount 2) Amount 1 = 11,300 US \$ x Rs. 80 = 9,04,000 Amount 2 = 6,800 GBP x Rs. 102 = 6,93,600]	6,936
Value of Taxable Supply	26,436
CGST @ 9%	2,379
SGST @ 9%	2,379
TOTAL GST PAYABLE	4,758

RULE 32(3)

THE VALUE OF THE SUPPLY OF SERVICES IN RELATION TO BOOKING OF TICKETS FOR TRAVEL BY AIR PROVIDED BY AN AIR TRAVEL AGENT SHALL BE DEEMED TO BE AN AMOUNT



Explanation- For the purposes of this sub-rule, the expression “basic fare” means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

EXAMPLE

M/s Udaan Associates has sold tickets for transport of passengers to Singapore, and other foreign countries during the month of January, 2018. The total amount charged is Rs. 30 Lakhs on the flight (100 tickets) of which Rs. 10 Lakhs is towards passenger taxes.

Determine the Value of Taxable Supply of M/s Udaan Associates and tax thereon if applicable rate of GST is 18%. Amounts are exclusive of Tax.

Computation of Value of Taxable Supply of Services:

PARTICULARS	Rs.
Value of Taxable Supply by M/s Udaan Associates:	
Basic Fare (Total Rs. 30 Lakhs – Government Taxes Rs. 10 Lakhs)	20,00,000
Value of Taxable Supply as per Rule 32(3) @ 10% of Basic Fare	2,00,000
CGST @ 9%	18,000
SGST @ 9%	18,000
TOTAL GST PAYABLE	36,000

EXAMPLE

Mr. U is an air travel agent. Compute the value of supply of service made by him during a month with the help of following particulars furnished by him:

PARTICULARS	BASE FARE (Rs.)	OTHER CHARGES AND FEES (Rs.)	TAXES (Rs.)	TOTAL VALUE OF TICKETS (Rs.)
Domestic Bookings	1,00,900	9,510	4,990	1,15,400
International Bookings	3,16,880	20,930	15,670	3,53,480

ANSWER:

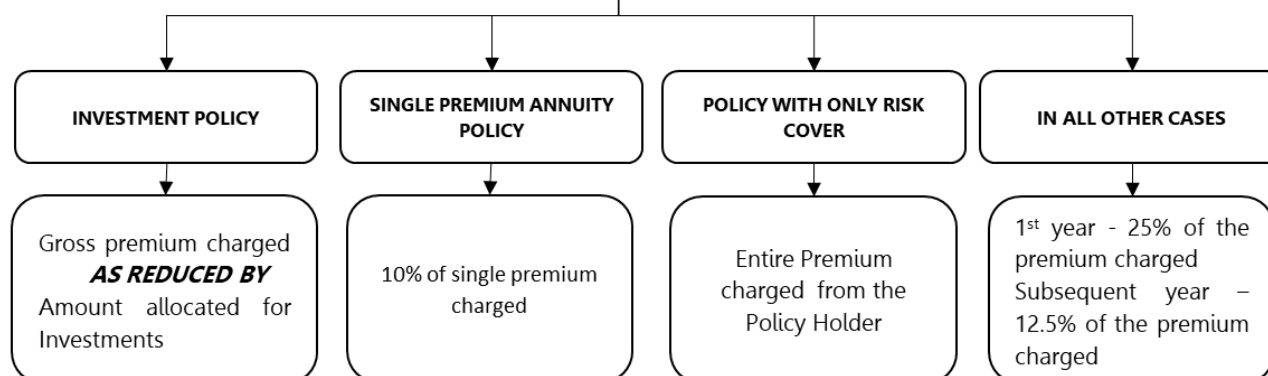
PARTICULARS	Rs.	Rs.
Basic fare in case of domestic bookings	1,00,900	
Value of supply @ 5% [A] Refer Note below		5,045
Basic fare in case of international bookings	3,16,880	
Value of supply @ 10% [B] Refer Note below		31,688
Value of supply [A] + [B] (rounded off)		36,733

Note:

As per rule 32(3) of CGST Rules, the value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent is 5% of the basic fare in the case of domestic bookings, and 10% of the basic fare in the case of international bookings.

RULE 32(4)

**THE VALUE OF SUPPLY OF SERVICES IN RELATION TO LIFE INSURANCE BUSINESS
SHALL BE-**



Provided that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance

EXAMPLE

LIC of India provides you the following information for the month of January 2018. You are required to compute value of taxable Supply of services under Rule 32(4) of Determination of Value of Supply Rules, 2017

- 1) **General Policies:** Total premiums collected Rs. 12,000 Lakhs (out of which 1st Year premium is Rs. 5,000 Lakhs)
- 2) **Single premium annuity policies:** Premiums collected Rs. 850 Lakhs
- 3) **Only Risk Cover Policies:** Premiums collected Rs. 500 Lakhs
- 4) **Life micro-insurance policies where insured amount does not exceed Rs. 50,000:** Premium collected Rs. 10 Lakhs
- 5) **Variable Insurance Policies:** Premiums collected Rs. 8,000 Lakhs (80% of the amount is allocated for investments on behalf of policy holder for which policy holder is given separate break up in premium receipts)

Computation of Value of Taxable Supply of Services:

PARTICULARS	Amounts (Rs. In Lakhs)	Rate	Taxable Value (Rs. In Lakhs)
General Policies			
(i) First year premium	5,000	25%	1,250
(ii) Subsequent years i.e., policies issued in earlier years	7,000	12.5%	875
Single premium annuity policies	850	10%	85
Only Risk Cover Policies: Since the entire premium is for risk cover, hence, the option under Rule 32(4) is not available	500	100%	500
Life micro-insurance policies	10	Exempt	-
Variable Insurance Policies: [Gross Premium – Amount allocated towards investment]	8,000	-	1,600
Value of Taxable Supply			4,310

EXAMPLE

Arihant Life Insurance Company Ltd. (ALICL) has charged gross premium of Rs. 180 lakhs from policy holders with respect to life insurance policies in the 2017-18; out of which Rs. 100 lakhs have been allocated for investment on behalf of the policy holders.

Compute the value of supply of life insurance services provided by ALICL:

- (I) if the amount allocated for investment has been intimated by ALICL to policy holders at the time of supply of service.
- (ii) if the amount allocated for investment has not been intimated by ALICL to policy holders at the time of providing of service.
- (iii) if the gross premium charged by ALICL from policy holders is only towards risk cover.

Note: ALICL has started its operations in the year 2017-18. Thus, the entire gross premium of Rs. 180 lakh is the premium for the first year of all the policies. ALICL has not issued any single premium annuity policy

ANSWER:

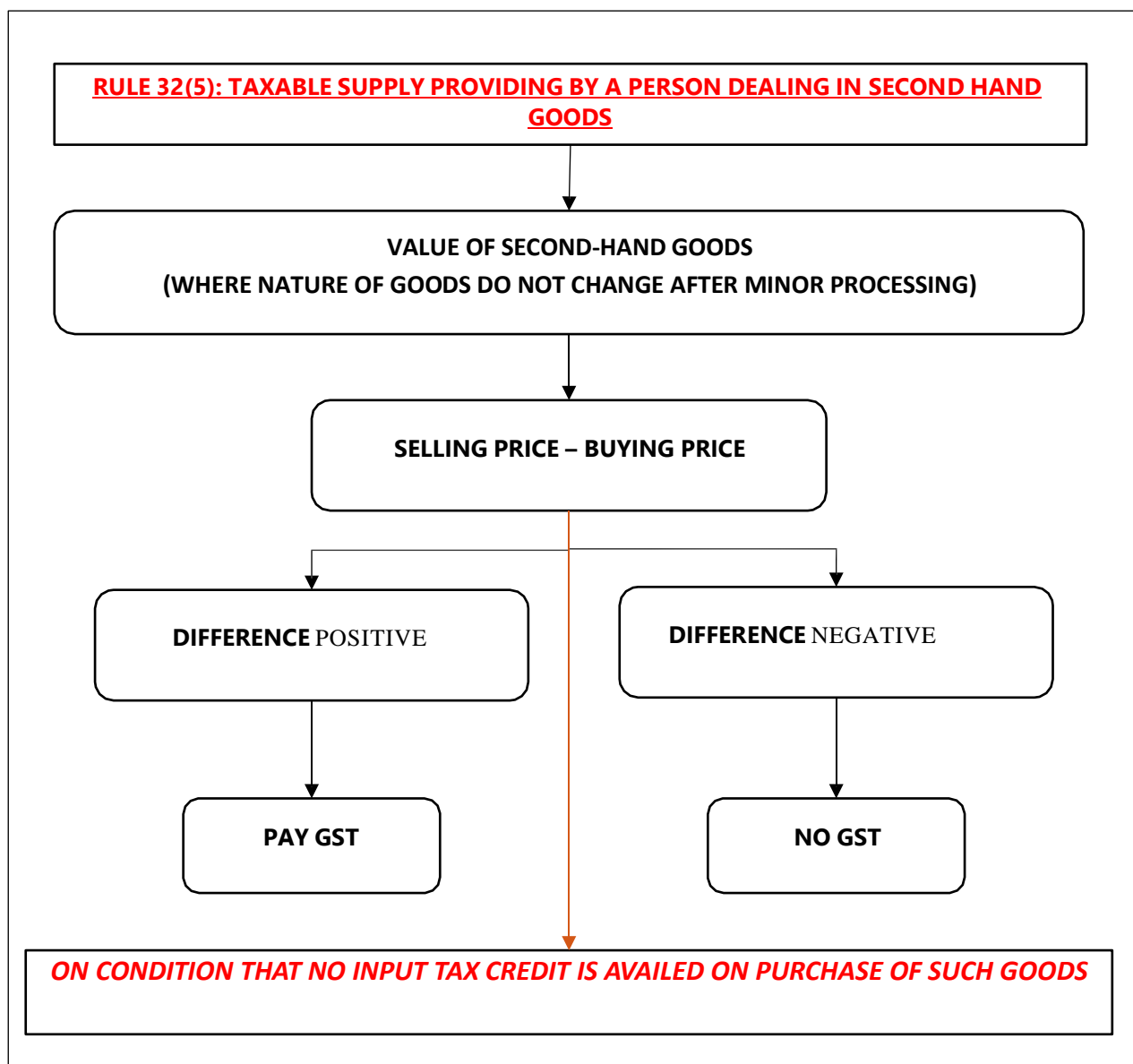
As per rule 32(4), of the CGST Rules, value of supply of services in relation to life insurance services is

- (a) the gross premium reduced by the amount allocated for investment on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service;
- (b) in all other cases, 25% of the premium in the 1st year and 12.5% of the premium in subsequent years

However, where the entire premium paid by the policy holder is only towards risk cover, such gross premium is the value of supply of life insurance services.

In the light of the aforesaid provisions, value of supply of life insurance services provided by ALICL in financial year 2017-18 will be computed as follows:

- (I) Amount allocated for investment intimated to policy holder at the time of supply of service
Value of service = Rs. (180-100) lakh = Rs. 80,00,000
- (ii) Amount allocated for investment not intimated to policyholders at the time of supply of service
Value of service = 25% of Rs. 180 lakhs = Rs. 45,00,000
- (iii) Gross premium received is only towards risk cover Value of service = Rs. 180 lakhs



EXAMPLE

A company X Ltd, which deals in buying and selling of second-hand cars, purchases a second hand Maruti Alto Car of March, 2014 make (Original price Rs. 5 lakh) for Rs. 3 lakhs from an unregistered person and sells the same after minor furbishing for Rs. 3,50,000. The supply of the car to the company for Rs. 3 lakhs shall be exempted, and the supply of the same by the company to its customer for Rs. 3.5 lakhs shall be taxed.

The value for GST purpose shall be Rs. 50000/ i.e., the difference between the selling and the purchase price of the company. In case any other value is added by way of repair, refurbishing, reconditioning etc., the same shall also be added to the value of goods and be part of the margin.

If margin scheme is opted for a transaction of second-hand goods, the person selling the car to the company shall not issue any taxable invoice and the company purchasing the car shall not claim any ITC.

EXAMPLE

Mr. Raj is engaged in buying and selling of second-hand cars in Jaipur. During the month of December, 2017, he supplied a used car after some processing at Rs. 600000 which he purchased from customer at Rs. 5,40,000 and no input tax credit has been availed on such purchase. Compute the value of taxable Supply. What would be your answer if purchase price of said car is Rs. 6,20,000

As per Rule 32(5) of CGST Rules, 2017, where a taxable supply is provided by a person dealing in buying and selling of second-hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on purchase of such goods, the value of supply shall be the difference between the selling price and purchase price.

(I) Computation of value of Taxable Supply of Second Hand Car:

PARTICULARS	Rs.
Sale price of car	6,00,000
Purchase price of used Car	5,40,000
Value of Taxable Supply	60,000

(ii) In case (ii), as per Rule 32(5) of CGST Rules, the value of supply of second-hand goods shall be the difference between the selling price and purchase price and where the value of such supply is negative it shall be ignored. Therefore, value of Taxable Supply of Second Hand Car = Rs. (600000 – 620000) i.e., NIL

RULE 32(5): VALUE OF SUPPLY IN CASE OF REPOSSESSED GOODS

As per rule 32(5) of CGST Rules, 2017, the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of loan or debt shall be deemed to be the purchase price of such goods by defaulting borrower reduced by 5% points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

EXAMPLE



Mr. X defaulted in repayment of loan & SDMA Finance Ltd. Repossessed the Car on 15-05-2018. The Car was disposed on 20-12-18 for Rs. 15,50,000.

Thus, the value of supply shall be determined as under:

PARTICULARS	Amount (Rs.)
Purchase price of car	20,00,000
(-) 5% per quarter or part thereof between date of original purchase & date of disposal	5,00,000
Value of Taxable Supply	15,00,000

NOTE:

As per Section 2(92) of the CGST Act, 2017, "quarter" shall mean a period comprising three consecutive calendars months, ending on the last day of March, June, September and December of a calendar year.

EXEMPTION [NN 10/2017 – CENTRAL TAX (RATE)]

Intra-State supplies of second-hand goods received by a registered person dealing in buying and selling of second-hand goods and who pays the central tax on the value of outward supply of such second-hand goods as determined under sub-rule (5) of rule 32 of the CGST Rules, 2017?
from any unregistered supplier

NOTE: Similar exemption are also there in respective SGST Acts.

MARGIN SCHEME IN GST

GST is to be charged normally on the transaction value of the goods as per section 25 of CGST Act. However, in case of second-hand goods, a person dealing in such goods may be allowed to pay tax on the margin.

Margin as pertaining to trading in second hand goods means the difference in the value at which the goods are supplied and the price at which the goods are purchased. If there is not margin, no GST is charged for such supply. It shall be applicable only in case of trading of second-hand goods if he applies to margin scheme.

RULE 32(6):

The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services or both **the money value of the goods or services or both redeemable against such token, voucher, coupon, or stamp.**

EXAMPLE

Mr. & Ms. Savarkar purchase 5 gift vouchers for Rs. 1000 each from Denims and give them as return gifts to children and their parents on their son's birthday. Determine the value of supply.

The value of the supply would be the money value of the goods redeemable against the voucher. Thus, in case of vouchers from Denims, the value would be Rs. 5000 (i.e., 1000 x 5).

RULE 32(7): VALUE OF SUPPLY OF SERVICES BETWEEN DISTINCT PERSONS

The value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendation of the Council, as referred to in Para 2 of Schedule I of the said Act between distinct persons as referred to in Section 25, where input tax credit is available, shall be deemed to be NIL.

RULE 33: VALUE OF SUPPLY IN CASE OF PURE AGENT

Meaning of Pure Agent:

- Neither intends to hold nor holds any title to the supplies
- Does not have any personal interest in the supplies procured

Value of Supply:

Expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply If ALL the 3 conditions are satisfied

1. Payment to the third party on authorization by such recipient.
2. Payment made in capacity of pure agent on behalf of the recipient of supply has been separately indicated in the invoice
3. Supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

EXAMPLE OF EXPENDITURE/COSTS INCURRED AS PURE AGENT ARE:

1. Port fees, port charges, custom duty, dock dues, transport charges etc. paid by customs broker on behalf of the owner of goods.
2. Expenses incurred by C&F agent and reimbursed by principal such as freight, godown charges.

EXAMPLE

Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

EXAMPLE

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registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

RULE 34: RATE OF EXCHANGE OF CURRENCY, OTHER THAN INDIAN RUPEES, FOR DETERMINATION OF VALUE

- (1) The rate of exchange for determination of value of **taxable goods** shall be the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.
- (2) The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.

RULE 35: VALUE OF SUPPLY INCLUSIVE OF IGST, CGST, SGST, UTGST.

Where the value of supply is inclusive of IGST or, as the case may be, CGST, SGST, UTGST, the tax amount shall be determined in the following manner, namely, -

Tax amount = (Value inclusive of taxes * tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) ÷ (100 + sum of tax rates, as applicable, in %)

SOME EXAM ORIENTED MCQ's

1. XY, Bangalore, Karnataka furnishes following information:

- (i) 10 MT of inputs stock transferred to branch located in Chennai, Tamil Nadu on 10th April, 20XX. Transfer value of the inputs shown in the invoice is Rs. 10,000.
- (ii) 5 MT of inputs supplied to customer located in Chennai at Rs. 12,500 on 10th April, 20XX.
- (iii) Cost of production of 1 MT of input is Rs. 750.
- (iv) Chennai branch is eligible for full input tax credit. The value of the inputs stock transferred to Chennai Branch is-

(a) Rs. 10,000

(b) Rs. 25,000

(c) Rs. 8,250

(d) Rs. 12,500

2. A Chartered Accountant issued following bill –

- (i) Professional fees – Rs. 1,00,000
- (ii) Out of pocket expenses – Rs. 10,000
- (iii) MCA for e-filing of documents on MCA portal – Rs. 5,000.

His value of service for tax purposes is:

(a) Rs. 1,15,000

(b) Rs. 1,10,000

(c) Rs. 1,05,000

(d) Rs. 1,00,000

3. Which of the following is included while computing the value of supply of goods under GST?

- (a) Price of the goods
- (b) Packing charges of the goods
- (c) Tax levied by Municipal Authority on sale of the goods

(d) All of the above

4. Mr. Kala is a proprietor of M/s. Kala & Associates registered in GST which deals in sale/ purchase of used or second-hand cars. During financial year 2017-18, he effected following intra-State transactions:

Particulars	Purchase Price	Sale Price
Car 1	Rs. 5,00,000	Rs. 7,50,000
Car 2	Rs. 3,00,000	Rs. 2,75,000
Car 3	Rs. 6,00,000	Rs. 6,50,000
Car 4	Rs. 8,00,000	Rs. 9,50,000

Mr. Kala purchased Car 4 from another registered person who charged GST of Rs. 1,30,000 and accordingly Mr. Kala has availed the input credit of the same.

Mr. Kala is not familiar with GST provisions hence he has approached you for determining his GST liability. Assume applicable rate of tax is 18%.

(a) Rs. 95,000/-

(b) Rs. 1,08,000/-

(c) Rs. 1,30,500/-

(d) Exempt Supply, No GST

5. Mr. Allauddin, a stationery retailer, located and registered under GST in Allahabad, has received order for supply of goods worth Rs. 2,00,000/- on 12th November, 2018 from another local registered dealer, Mr. Jallauddin.

Goods were properly supplied with invoice of Rs. 2,00,000/- on 14th November, 2018. Mr. Allauddin, incurred the following expenses before the goods were delivered to Mr. Jallauddin:

Packing charges Rs. 3,000/-

Freight & Cartage Rs. 2,500/-

Handling Charges Rs. 1,500/-

Mr. Jallauddin, made full payment on delivery of the goods for which he was allowed cash discount of Rs. 2,000/-

The rate of tax on the goods supplied is IGST @ 18%, CGST @ 9% and SGST @ 9%.

Mr. Allauddin, paid CGST Rs. 18,000/- and SGST 18,000/-. As a tax consultant, what will be your advice relating to further tax liability of Mr. Allauddin-

(a) CGST Rs. 630/- and SGST 630/-

(b) CGST Rs. 450/- and SGST 450/-

(c) CGST Rs. 18,630/- and SGST 18,630/-

(d) CGST Rs. 18,450/- and SGST 18,450/-

6. **M/s. Shahrukh Beedi Company (P) Ltd., is a manufacturer of cigarettes. It has been registered under GST in the State of West Bengal.**

The turnover of the company from the period April, 2018 to March, 2019 is Rs. 90,00,000/-. The Excise duty paid on the cigarettes removed is Rs. 10,00,000/-. CGST and SGST paid on the cigarettes is Rs. 18,00,000/-.

The company also recovered actual freight of Rs. 5,00,000/- on the supply of cigarettes so made during the financial year 2018-19, and also charged CGST/ SGST thereon. The company paid RCM @ 5% while availing the services of GTA of Rs. 5,00,000/-.

Compute the aggregate turnover of M/s. Shahrukh Beedi Company (P) Ltd.,

- (a) Rs. 90,00,000
- (b) Rs. 1,00,00,000/-
- (c) Rs. 1,18,00,000/-
- (d) Rs. 1,05,00,000/-**

7. **XY, Bangalore, Karnataka furnishes following information:**

- (i) 10 MT of inputs stock transferred to branch located in Chennai, Tamil Nadu on 10th April, 20XX. Transfer value of the inputs shown in the invoice is Rs. 10,000.**
- (ii) 5 MT of inputs supplied to customer located in Chennai at Rs. 12,500 on 10th April, 20XX.**
- (iii) Cost of production of 1 MT of input is Rs. 750.**
- (iv) Chennai branch is eligible for full input tax credit.**

The value of the inputs stock transferred to Chennai Branch is-

- (a) Rs. 10,000**
- (b) Rs. 25,000
- (c) Rs. 8,250
- (d) Rs. 12,500

INPUT TAX



under



CHAPTER OUTLINES

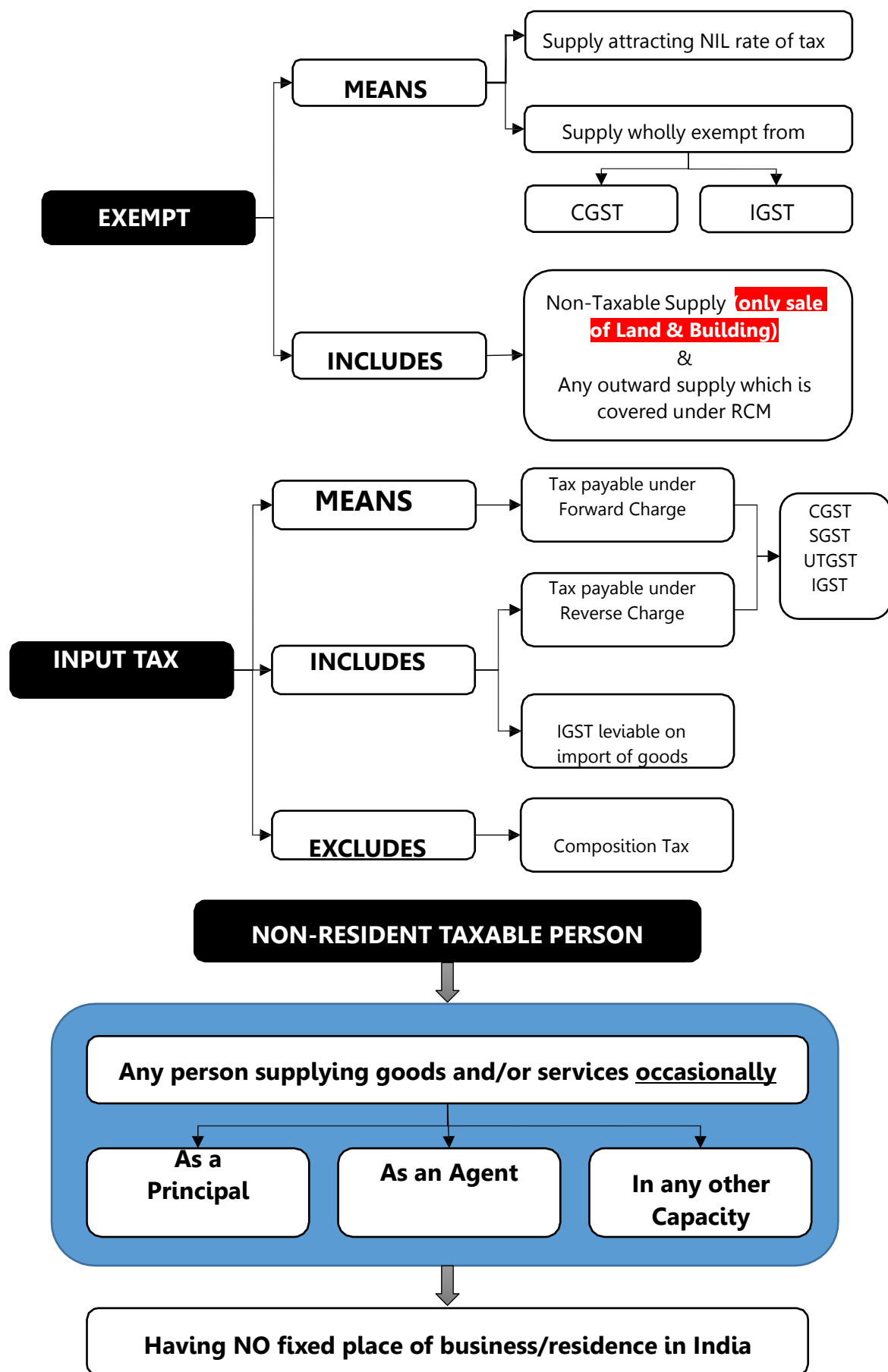
- ✓ Relevant Definition.
- ✓ [Sec. 16] Eligibility and Conditions for Taking.
- ✓ [Sec. 17] Apportionment of Credit and Blocked Credits.
- ✓ [Sec. 18] Availability of Credit in Special Circumstances.
- ✓ [Sec. 19] Taking Input Tax Credit in respect of Inputs and Capital Goods sent for Job Work.
- ✓ [Sec. 20] Manner of Distribution of Credit by Input Service Distributor.

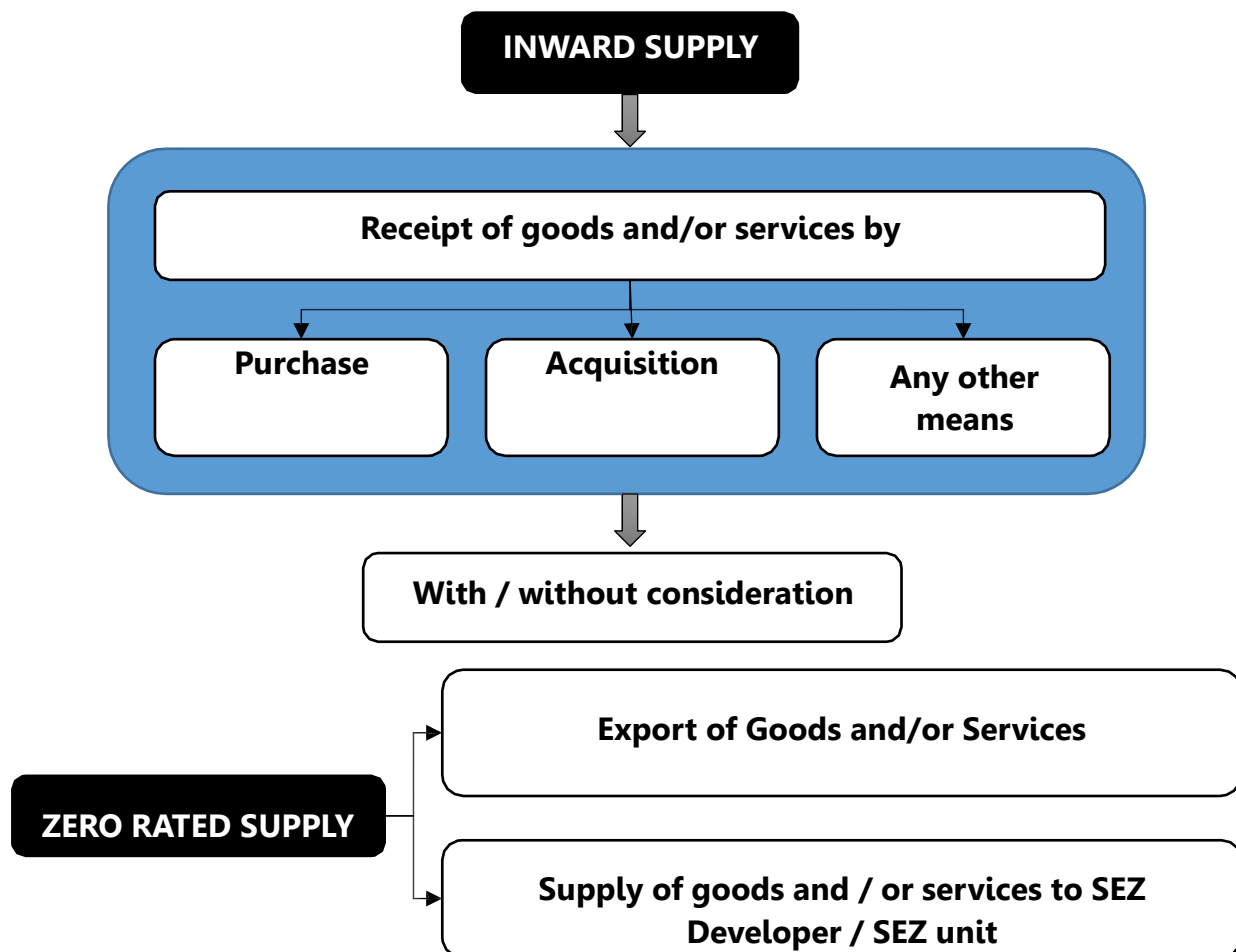
The GST regime promises seamless credit on goods and services across the entire supply chain with some exceptions like supplies charged to tax under composition scheme and supply of exempted goods and/or services. ITC is considered to be the backbone of the GST regime. In fact, it is the provisions of ITC which essentially make GST a value added tax i.e., collection of tax at all points of supply chain after allowing credit of tax paid at earlier points.

Provisions of ITC under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

RELEVANT DEFINITIONS

- ✓ **[Section 2(19)] Capital goods** means goods, the value of which is capitalized in the books of account of the person claiming the ITC and which are used or intended to be used in the course or furtherance of business
- ✓ **[Section 2(59)] Input** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.
- ✓ **[Section 2(60)] Input service** means any service used or intended to be used by a supplier in the course or furtherance of business.
- ✓ **[Section 2(72)] Manufacture** means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly.
- ✓ **[Section 2(83)] Outward supply** in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.
- ✓ **[Section 2(85)] Place of business** includes—
 - a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
 - a place where a taxable person maintains his books of account; or
 - a place where a taxable person is engaged in business through an agent, by whatever name called.
- ✓ **[Section 2(92)] Quarter** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year
- ✓ **[Section 2(93)] Recipient of supply of goods or services or both**, means—
 - (i) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
 - (ii) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
 - (iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied
- ✓ **[Section 2(119)] Works Contract** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract





MEANING OF “EXPORT OF GOODS” AND “EXPORT OF SERVICES”

- ✚ As per section 2(5) of IGST Act; Export of Goods means taking goods out of India to a place Outside India.
- ✚ As per section 2(6) of IGST Act; Export of Services means the supply of any service when –
 - ✓ The supplier of service is located in India;
 - ✓ The recipient of service is located outside India;
 - ✓ The place of supply of service is outside India;
 - ✓ The payment of such service has been received by the supplier of Service in convertible foreign exchange; and
 - ✓ The supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in Section 8 of IGST Act.

SEC 16(2): Subject to the provisions of sub-section (5) of Section 17 of the CGST Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

SEC 16(3): A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely

- (a) He may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilized input tax credit; or
- (b) He may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of Section 54 of the CGST Act or the rules made thereunder

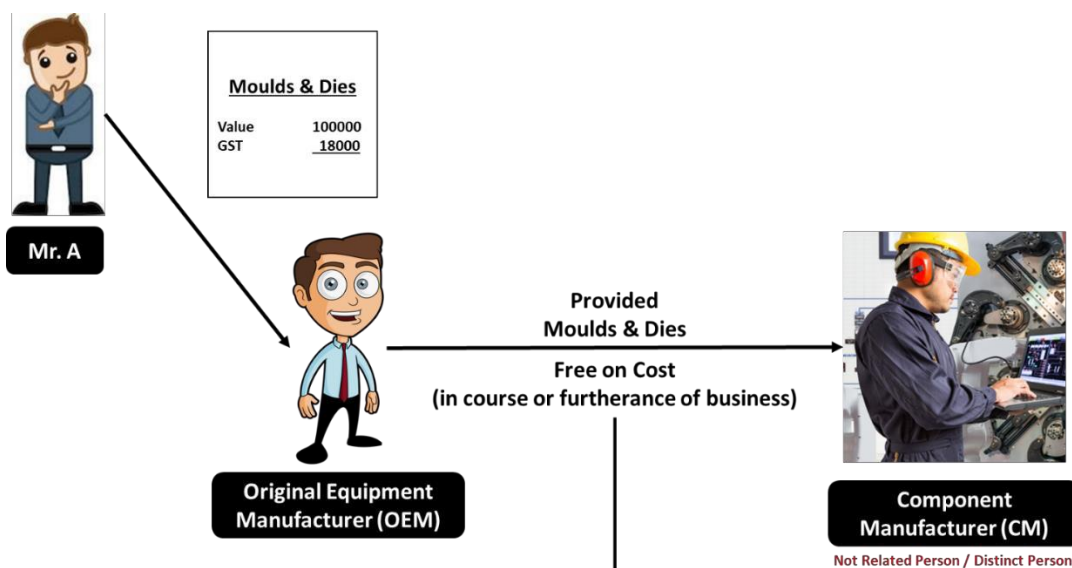
ELIGIBILITY FOR TAKING ITC U/S 16(1)

a) Registered person to take credit of tax paid on inward supplies of goods and/or services



b) used / intended to be used in the course or furtherance of business

ITC ON MOULDS AND DIES PROVIDED BY THE ORIGINAL EQUIPMENT MANUFACTURER (OEM) TO COMPONENT MANUFACTURER ON FOC BASIS

CASE 1**IMPACT ON ITC**

- NO SUPPLY BECAUSE NO CONSIDERATION
- NO REQUIREMENT OF REVERSAL OF ITC BY OEM

IMPACT ON VALUATION

- WHILE CALCULATING THE VALUE OF SUPPLY MADE BY THE COMPONENT MANUFACTURE
- VALUE OF MOULDS AND DIES SHALL NOT BE ADDED TO VALUE OF SUCH SUPPLY
- BECAUSE THE COST OF SUCH MOULD/DIES WAS NOT TO BE INCURRED BY THE COMPONENT MANUFACTURER.

CASE 2

IF IN THE ABOVE CASE,

There was a contract between OEM and Component Manufacturer for supply of components made by using moulds/dies belonging to the Component Manufacturer, but the Mould/Dies are provided by OEM to Component Manufacturer on FOC basis.

IMPACT ON ITC

- **ITC WILL BE REVERSED BY OEM** BECAUSE THE SUPPLY OF MOULD/DIES BY OEM TO COMPONENT MANUFACTURER ON FOC BASIS WILL NOT BE CONSIDERED AS SUPPLY IN COURSE OR FURTHERANCE OF BUSINESS

AUTHORS NOTE

- **IN CASE 2, THE CONTRACT SPECIFIED THAT THE MOULDS / DIES TO BE USED BELONGS TO COMPONENT MANUFACTURER AND HENCE NOT CONSIDERED TO BE SUPPLIED AS IN COURSE OR FURTHERANCE OF BUSINESS.**

IMPACT ON VALUATION

- **WHILE CALCULATING THE VALUE OF SUPPLY MADE BY THE COMPONENT MANUFACTURE**
- **AMORTISED COST OF THE MOULD/DIES SHALL BE ADDED TO THE VALUE OF COMPONENT**

ELIGIBILITY AND CONDITIONS FOR TAKING ITC:

Conditions U/S 16 of CGST Act, 2017: [Nov 18, Nov 20]

U/S 16(a) He is in possession of a tax invoice, debit note, or such other tax paying documents as may be prescribed.

U/S 16(aa) The details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37 🇮🇳 🇮🇳

U/S 16(b) He (Recipient) has received goods and/or services. [Goods delivered/services provided to third person on the direction of the registered person, deemed to be received by the registered person. ITC available to registered Person (Bill to Ship to Mode)]

U/S 16(c) Tax on such supply has been paid by supplier to government either in cash or by utilization of ITC.

U/S 16(d) He has furnished **GSTR 3B**

RULE 36: DOCUMENTARY REQUIREMENTS AND CONDITIONS FOR CLAIMING ITC

The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely;

- (i) An invoice issued by the supplier of goods or services or both.
- (ii) An invoice issued by recipient (receiving goods and/or services from unregistered supplier) along with proof of payment of tax (in case of reverse charge)
- (iii) A debit note issued by the supplier
- (iv) A bill of entry or any similar document prescribed under the Customs Act, 1962 for the Assessment of Integrated Tax on imports;
- (v) Revised Invoice
- (vi) Documents issued by Input Service Distributor.

NOTE: Furnished GSTR-1 or using IFF & Details Communication to Registered Person.

No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under sub section (1) of section 37 unless

- a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility; and**
- b) the details of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.]**

The documents basis which ITC is being taken should contain at least the following details:

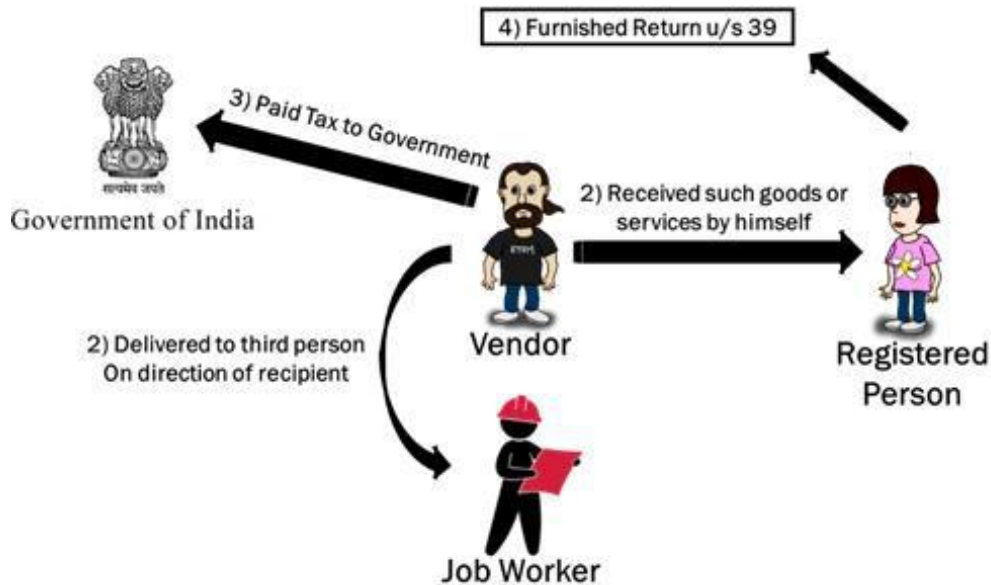
- Amount of tax charged
- Description of goods or services
- Total value of supply of goods and/or services
- GSTIN of the supplier and recipient
- Place of supply in case of inter-State suppl

EXAMPLE FOR CONDITION 4:

A is a trader who places an order on B for a consignment of soda ash. A receives a buying order from C for the same quantity of soda ash. A instructs B to deliver the goods to C, and in turn he raises an invoice on C. Though the goods are not physically received at the premises of A, section 16(2)(b) allows ITC of the goods to A.

NOTE 1: - NO ITC OF TAX PAID TOWARDS DEMANDS INVOLVING FRAUD [RULE 36(3)]

Tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts cannot be availed as ITC



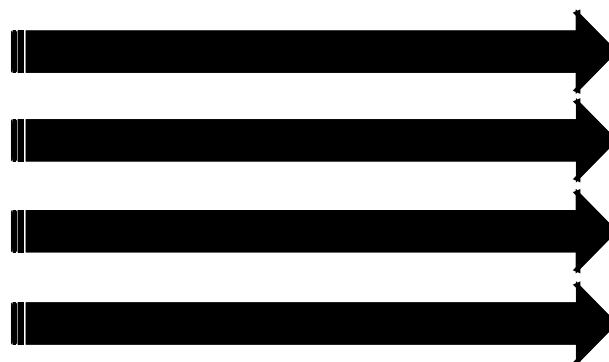
NOTE 1 Goods received in lots – ITC allowed upon receipt of last lot.

Bought 1000 units @ Rs. 100 & GST18%

Value	Rs.100000
CGST @9%	Rs. 9000
SGST @9%	Rs. 9000



SUPPLIER



Registered
Person

ITC will be allowed on or after 31st August

NOTE 2 If depreciation claimed as per IT Act, 1962 on tax component, ITC not allowed

NOTE 3 Time limit for availing ITC - ITC pertaining to a particular FY can be availed by 20th October of next FY or filing of annual return, whichever is earlier.

Exception: Re-availment of ITC reversed earlier

EXAMPLE:

XYZ enters in to a contract with ABC for supply of 10 MT of a chemical for Rs. 1,18,000 (inclusive of GST of Rs. 18,000) in August, 20XX. The chemical is to be delivered in lots over a period of three months. ABC raises the invoice for the entire amount in August but the supply is completed in November. Though XYZ paid the full tax as early as August, it can take the ITC of the same only on receipt of last instalment of the chemical in the month of November.

EXAMPLE:

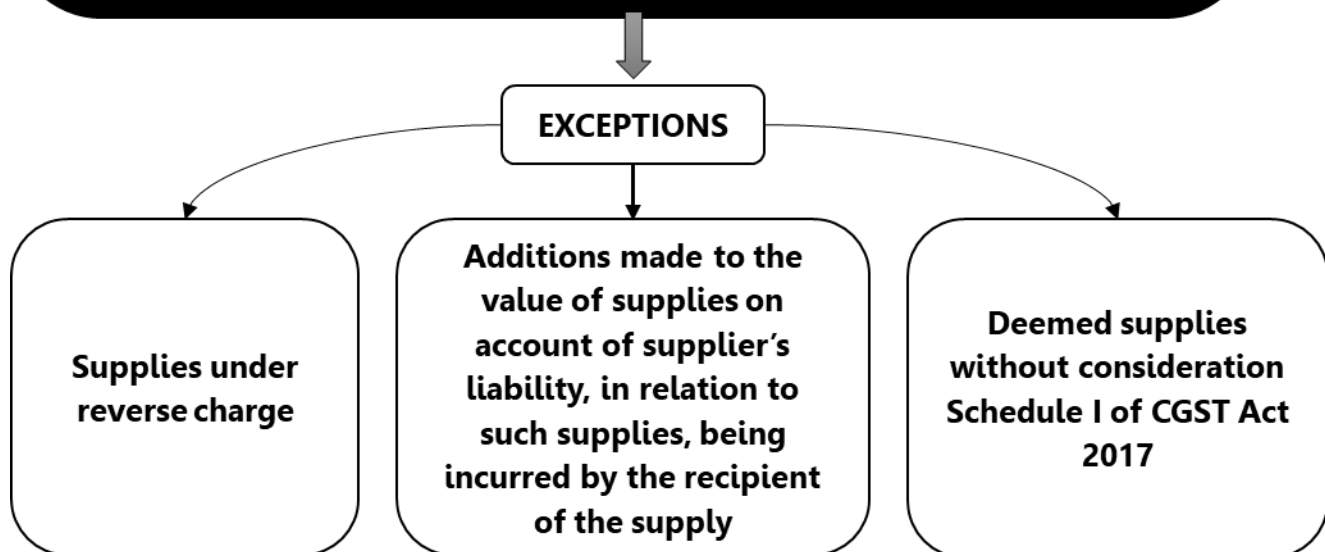
Hercules Machinery delivered a machine to XYZ in January 2018 under Invoice no. 49 dated 28th January, 2018 for Rs. 4,15,000 plus GST, and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in April 2018 for Rs. 50,000 plus GST. XYZ did not file its annual return till October, 2018. Though the debit note was received in the next financial year, it relates to an invoice received in the financial year ending March 2018. Therefore, the time limit for taking ITC available on Rs. 50,000 as well as on Rs. 4,15,000 is 20th October, 2018; earlier of the date of filing the annual return for 2017-18 or the return for September 2018.

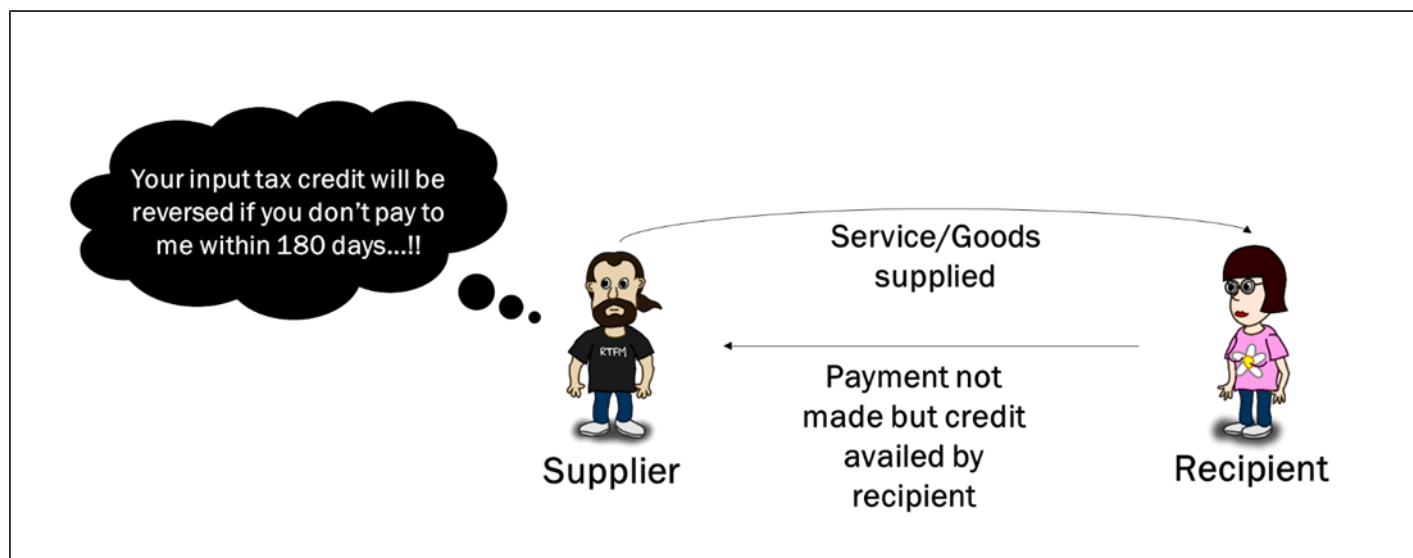
SEC 16(2) READ WITH RULE 37 OF CGST RULES

NOTE 4: PAYMENT FOR THE INVOICE TO BE MADE WITHIN 180 DAYS.

- ITC to be reversed with interest @ 18% if value + tax of goods and /or services is not paid within 180 days of the issuance of invoice.
- Such supplies will be specified in GSTR-2* of the month immediately following 180 days and ITC added in the output tax liability of the said month.
- If part payment is made within 180 days, then proportionate ITC can be availed.
- However, once the payment is made, the recipient will be entitled to avail the credit again without any time limit.

*GSTR 2 → Filing of GSTR 2 has been deferred





EXAMPLE: A Ltd. Has purchased goods worth Rs. 1,00,000 [exc. GST @ 18%] on 1st July, 2017. A Ltd. Calculated GST @ 18% on 1st July 2017 which came to Rs. 18,000 and correspondingly took credit of the same in the month of August. Owing to bad financial conditions of A Ltd. It failed to pay Rs. 1,18,000 to the supplier. It paid the whole amount in the month of February, 2018. Discuss GST Implementation.

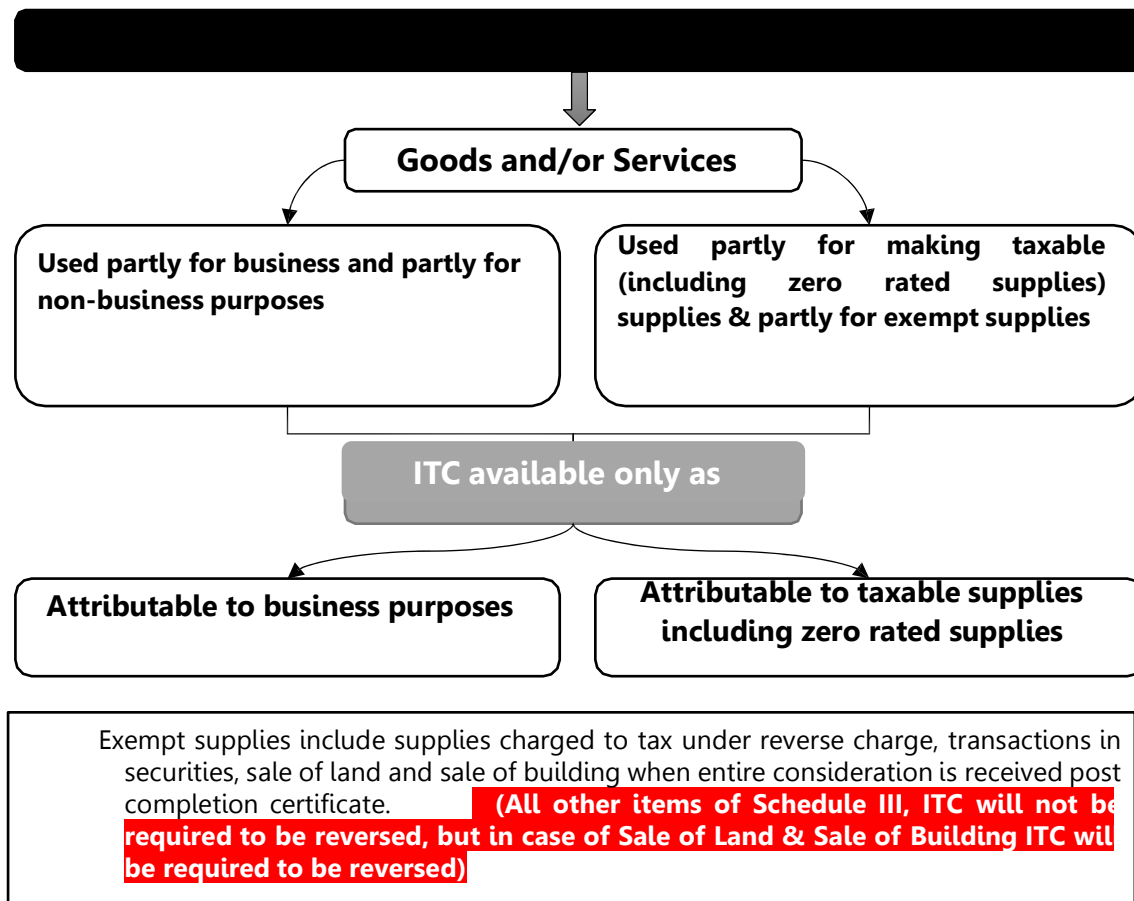
- ✓ Date of Invoice = 1st July
- ✓ Last date to pay the entire amount = 27th December, 2017
- ✓ Since A Ltd. has taken credit but not paid the entire amount, credit availed by A Ltd. has to be reversed.
- ✓ It will be reversed in FORM GSTR-2 and tax has to be paid along with interest.
- ✓ Period of interest = from date of taking credit till date when amount added to Output Tax Liability.
- ✓ It will be added back in the month of January i.e. the month immediately following the date.
- ✓ Upon full payment, A Ltd. Can re-claim credit in the month of February.

CHECK YOUR KNOWLEDGE

Computation of Admissible ITC. Various Inputs purchased by M Ltd in the month of October are as under:

PARTICULARS	AMOUNT OF CGST & SGST	ITC	AMOUNT OF ITC
1. Goods purchased without Invoice	50,000	Not Allowed	-
2. Goods purchased from AB & Co. but Tax has not been deposit by AB & Co.	40,000	Not Allowed	-
3. Purchased goods from XYZ Ltd. & Invoice issued by XYZ Ltd. on same day but goods received in month of November	1,00,000	Not Allowed	-
[In the above case, ITC Cannot be taken in month of October but can be taken in month of November]			
4. Purchased goods to be used for Personal Purpose	50,000	Not Allowed	-
5. Goods purchased from XY Ltd.	1,00,000	Allowed	1,00,000

PROVISIONS OF SECTION 17 RELATING TO APPORTIONMENT OF CREDIT AND BLOCKED CREDIT READ WITH RELEVANT RULES ARE SUMMARIZED BELOW:



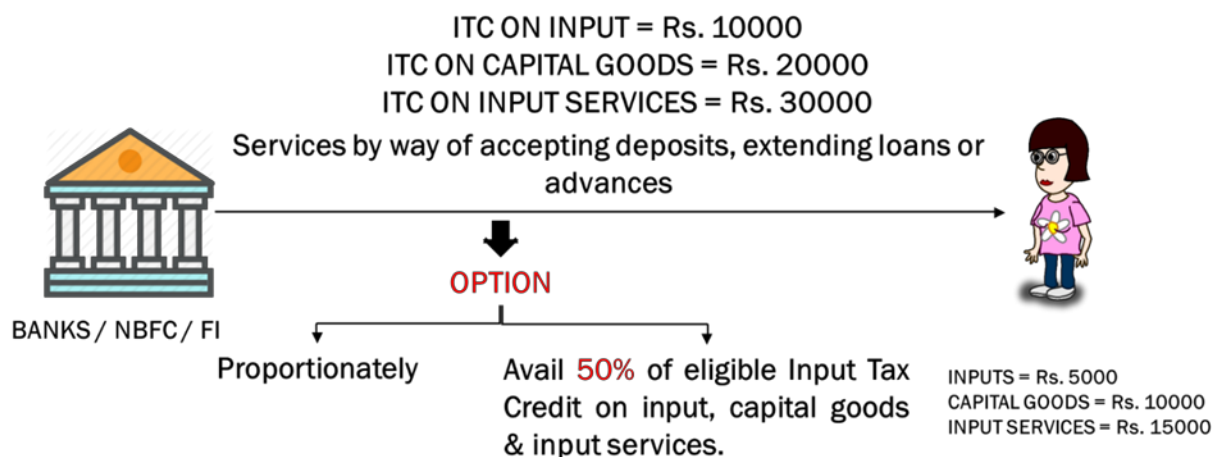
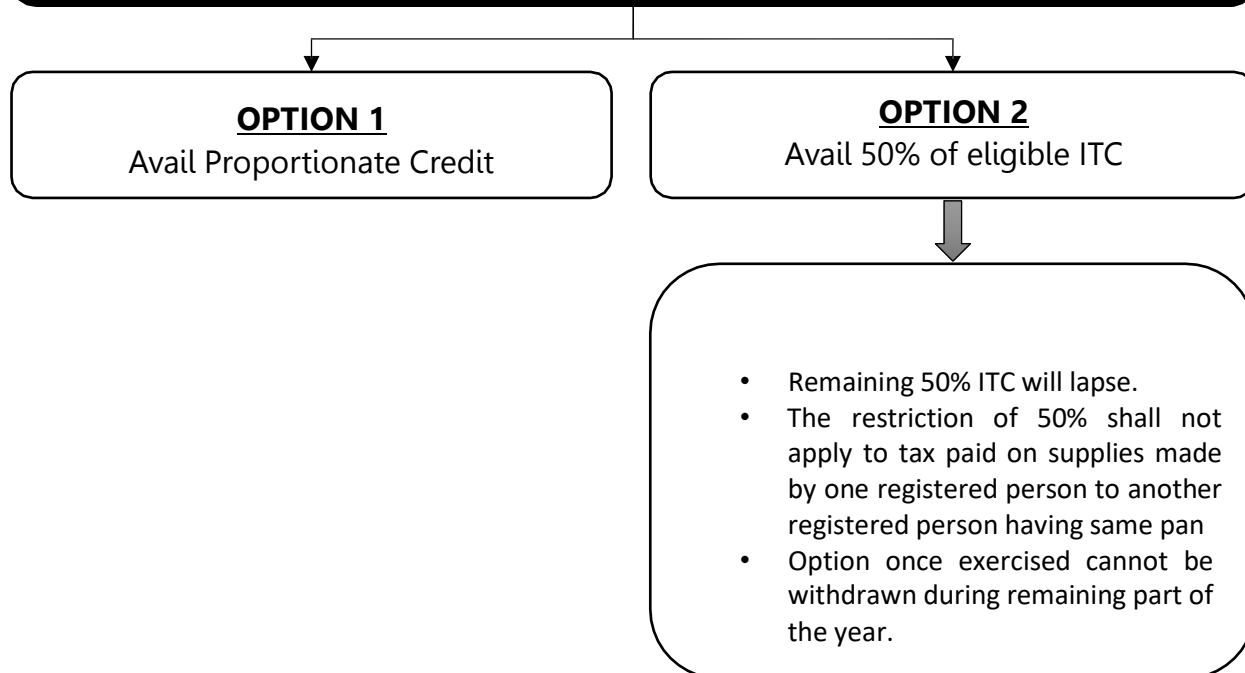
EXAMPLE 1:

Out of 10 units of 'X' purchased by a registered person engaged in taxable supply of goods, 7 are used for storing non-taxable goods (exempt supply) such as petroleum (Petrol is out of scope of GST). ITC on 7 units used for non-taxable goods cannot be availed.

EXAMPLE 2:

A registered person (partnership firm) purchases 5 Tablet PC's but one of the Table PC is being used by the son of the partners of the firm. ITC will not be available on such Tablet PC as it is used for personal purposes.

SPECIAL PROVISIONS FOR BANKING COMPANIES AND NBFC's [U/S 17(4) READ WITH RULE 38]



EXAMPLE: Bank of India provides the following information for the month of December 2017:

PARTICULARS	CGST PAID (Rs.)	SGST PAID (Rs.)
Eligible ITC (CGST & SGST) available on Inputs Received	16,020	16,020
Eligible ITC (CGST & SGST) available on Inputs Services availed	11,340	11,340
Value of Taxable Supply of services	11,00,000	

Value of exempted supply of services	10,00,000	-
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Determine the amount of ITC available.

OPTION 1: In case the bank opts for option to avail 50% Eligible ITC u/s 17(4)

PARTICULARS	CGST PAID (Rs.)	SGST PAID (Rs.)
Total Eligible ITC available	27,360	27,360
Less: Amount of ITC credited to electronic credit ledger (50% of eligible ITC on inputs, input services and capital goods) i.e. $27,360 \times 50\%$	13,680	13,680
Remaining ITC lapsed	13,680	13,680

Determination of Net Tax Liability of Bank for December 2017:

PARTICULARS	CGST PAID (Rs.)	SGST PAID (Rs.)	Total GST Liability
Total tax liability of Bank before availing eligible ITC on taxable supply of services of Rs. 11,00,000	99,000	99,000	1,98,000
Less: Net/Eligible CGST Credit available on I/IS	13,680	-	13,680
Less: Net/Eligible SGST Credit available on I/IS	-	13,680	13,680
Net Output Tax Liability of bank after availing eligible ITC	85,320	85,320	1,70,640

OPTION 2: In case the bank opted to comply with the provisions of Section 17(2)

PARTICULARS	CGST PAID (Rs.)	SGST PAID (Rs.)
Amount of ITC credited to electronic ledger	27,360	27,360
As per Rule 42 of CGST Rules, 2017, Credit of CGST paid on input/input services attributable towards Exempted supplies to be added to output tax liability = $\text{Rs. } 27360 \times \text{Rs. } 10 \text{ Lakhs} / \text{Rs. } 21 \text{ Lakhs}$	13,029	-
Similarly the Credit of SGST paid on input/input services attributable towards Exempted supplies to be added to output tax liability = $\text{Rs. } 27360 \times \text{Rs. } 10 \text{ Lakhs} / \text{Rs. } 21 \text{ Lakhs}$	-	13,029

Determination of Net Tax Liability of Bank for December 2017:

PARTICULARS	CGST PAID (Rs.)	SGST PAID (Rs.)	Total GST Liability
Total tax liability of Bank before availing eligible ITC on taxable supply of services of Rs. 11,00,000	99,000	99,000	1,98,000
Add: CGST/SGST Credit to be added to output tax liability	13,029	13,029	26,058
Less: CGST/SGST Credit available on I/IS	27,360	27,360	54,720
Net Output Tax Liability of bank after availing eligible ITC	84,669	84,669	1,69,338

Students Note: