

Bimal Jain

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Dear Professional Colleague,

Video Presentation on Supply, Time of Supply & Place of Supply of Goods and/or Services under GST

Goods and Services Tax (“**GST**”) is a destination based consumption tax levied at multiple stages of production and distribution of goods and services, with taxes on inputs credited against taxes on output. GST is going to be big game changer and under proposed GST regime, all the major taxes levied under the indirect taxation i.e. Central Excise, Service tax, VAT/CST etc., would be brought under the ambit of GST. Hence, the prevailing concepts of manufacturing of goods/ provision of services/ sale of goods would no longer be relevant as tax would be levied on ‘supply’ of goods and/or services and common base has to be arrived at for levy & collection of GST in all cases.

Closely linked to the taxable event of ‘supply’, are the principles governing the place of supply to determine the taxing jurisdiction as GST essentially seeks to replace an origin-based tax levy currently prevailing in India, with a destination-based consumption tax levy. Whenever there is a supply of goods, it may be comparatively easier to identify the place of supply, however, in case of supply of services, it would lead to chaos if no mechanism is established since there is no physical movement unlike goods.

Thus, under GST regime, the principles of time of supply and place of supply, undoubtedly, would play the crucial role.

Understanding provisions of ‘Time of supply’ under the Model GST Law

POT is referred to the point of time, when a transaction is to be taxed. Thus, we need to understand when liability to pay CGST/SGST (Intra-State Supply) and IGST (Inter-State Supply) will arise. For determining time of supply for goods and services, separate provisions have been prescribed under Chapter-IV of Model CGST/SGST Act, 2016 (“**Model CGST/SGST Act**”), applicable to levy of IGST vide Section 27 of Chapter-IX of the Model IGST Act, 2016 (“**Model IGST Act**”).

I: Time of supply of goods

- A. For normal supply:** CGST/SGST and IGST on the goods shall be payable at the earliest of the following dates on which:
- (i) Goods are removed for supply to the recipient (for goods required to be removed);
 - (ii) Goods are made available to the recipient (for goods not required to be removed);
 - (iii) Invoice is issued by supplier;
 - (iv) Payment is received by supplier;

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(v) Recipient shows receipt of goods in his books of account.

B. For continuous supply of goods:

Situation	Time of supply	
Successive statements of accounts or successive payments are involved	Date of expiry of the period to which such successive statements of accounts or successive payments relate	
No successive statements of account	Date of issue of invoice (or any other document) or Date of receipt of payment	Whichever is earlier

C. For supply of goods under reverse charge: Time of supply shall be the earliest of the following dates of:

- (i) Receipt of goods,
- (ii) Payment,
- (iii) Receipt of invoice,
- (iv) Debit in books of account.

II: Time of supply of services

A. CGST/SGST and IGST on the services shall be payable at the earliest of the following:

	Situation	Time of supply	
1.	Invoice issued within prescribed period	Date of issue of invoice or Receipt of payment	Whichever is earlier
2.	Invoice not issued within	Date of completion of	

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	prescribed period	the provision of service or Receipt of payment	Whichever is earlier
3.	Not falling under (1) or (2) above	Date on which the recipient shows the receipt of services in his books of account	

B. For continuous supply of services:

Situation	Time of supply	
Where due date of payment is ascertainable from the contract	Date on which the payment is liable to be made by recipient of service, whether or not any invoice has been issued or any payment has been received by the supplier	
Where due date of payment is not ascertainable from the contract	<u>Each such time when the supplier of service-</u> Receives the payment or Issues an invoice	Whichever is earlier
Where the payment is linked to the completion of an event	Time of completion of that event	

C. Supply of services under reverse charge: Time of supply shall be determined in same manner as in case of goods discussed supra.

Understanding Place of supply of goods and/ or services

At first place, the importance of determination of place of supply, lies in identification of nature of supply as 'Inter-State' or 'Intra-State', based on which CGST & SGST/ IGST would be applicable. Similarly, principles of place of supply hold importance for determining imports and exports of goods and/or services, for which one of the condition is that place of supply should be in India (for imports) and out of India (for exports).

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Principles for determining place of supply of goods:

Section 5 of the Model IGST Act governs the principles of place of supply for goods as under:

Scenario	Place of supply
When movement of goods is involved	Location of goods where movement terminates for delivery
When goods are supplied by transfer of documents during movement of goods (Bill to Ship to Model)	Principal place of business of third person on whose direction goods were supplied to another person.
When movement of goods is not involved (like sale of goods at showroom)	Location of goods at the time of delivery
When goods are assembled or installed at site	Place of such installation or assembly
When goods are supplied on board a conveyance (like food supplied by Indian Railways on journey)	Location at which such goods are taken on board

Principles for determining place of supply of services:

Section 6 of the Model IGST Act governs the principles of place of supply of services in following 3 broad categories:

- General Rule - B2B and B2C
- Specific Rules for identified situations
- Place of supply of services are different for B2B and B2C Supplies for certain specified services

The principles of place of supply for services are tabulated hereinbelow for ease understanding:

S. No.	Services	Place of supply of services
1	General Rule	<u>B2B supplies:</u> location of recipient <u>B2C supplies:</u> location of recipient where address on record exists, If not, then the location of supplier of services
Specific Rules for identified situations & different treatment for certain B2B and B2C of		

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specified services		
1.	Immovable property related services	Location of immovable property Where property / vessel located in more than one state- proportionate allocation amongst states as per the contract or on reasonable basis
2	Performance based services	Place of actual performance --> Specific services covered such as supply of restaurant and catering services, health service etc.- place of performance Services in relation to training and performance appraisal- <u>B2B supply:</u> location of recipient <u>B2C supply:</u> place of performance
3	Event based services	Admission and ancillary services: Place where event held or where the park/ other place is located Organization of event and services in relation to such event and ancillary services or assigning of sponsorship: B2B supply: location of recipient B2C supply: where event is held Proportionate value of services to be considered where the event is held in more than one State and a consolidated amount is charged
4	Goods transportation services	<u>B2B supply:</u> location of recipient <u>B2C supply:</u> location at which such goods are handed over for their transportation
5	Passenger transportation services	<u>B2B supply:</u> location of recipient <u>B2C supply:</u> Place where the passenger embarks on the conveyance for a continuous journey
6	Services on board a	Location of the first scheduled point of departure

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	conveyance	of that conveyance for the journey
Similarly principles of place of supply has also been prescribed for Telecommunication services including data transfer, broadcasting, cable and DTH services, Banking and other financial services, Insurance services, Advertisement services to the Central Government, a State Government, a statutory body or a local authority.		

Apparently, there are numerous parameters given under the Model GST Law, for determining 'time of supply' and 'place of supply' for goods & services, which may be a major challenge initially for successful transition.

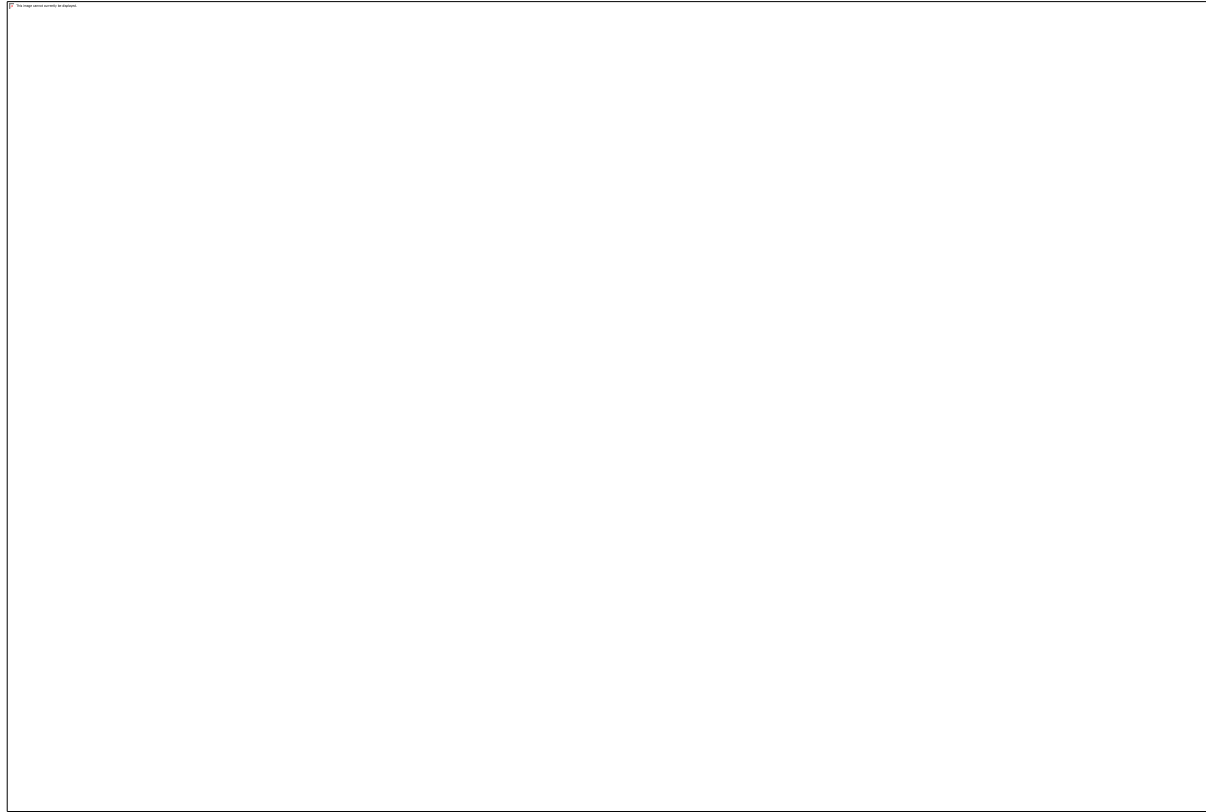
Watch the video at <https://www.youtube.com/watch?v=7M5dgo0CZoY> to understand the intricacies of taxable event i.e. Supply under GST along with principles of time of supply and place of supply of goods and/or services.

With the intention of throwing light on key areas under the principles of time of supply and place of supply of goods and/or services under GST, and the related areas to be worked upon under the Draft Model GST Laws – CGST, SGST and IGST, this video presentation made by **Mr. Bimal Jain** on **“Supply, Time of Supply(POT) and Place of Supply for Goods and Services in GST”** at the Second series of Educative & Knowledge Series on GST, organised by the PHD Chamber of Commerce on October 7, 2016, focuses on following key areas along with various suggestions/ issues:

- Overview of existing Indirect Taxes
- Meaning & Scope of taxable event i.e. 'supply' under GST
- Impact of wider connotation of the term 'supply'
- Time of Supply of goods in GST
- Time of Supply of services in GST
- Impact of principles of time of supply
- Place of supply of goods in GST
- Place of supply of services in GST
- Impact of principles of place of supply
- Preparedness required to cope with the changes
- Other important issues and way forward for GST

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Hope the information will assist you in your Professional endeavours. In case of any query/information, please do not hesitate to write back to us.

Thanks & Best Regards,

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