

A Conceptual Study on Time Value and Place of Taxable Supply in GST

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Abstract

This paper attempts to study how **GST** defined by trade and public made by the principal, the **time, value and place of supply**. When a transaction takes place, if there is a transfer of title of goods, then it is considered as supply of goods. For example, when you buy a pen from a retailer, the ownership of the pen is transferred from the retailer to you, the customer. When there is a transfer of right in goods without transfer of title, it is considered as supply of service. For example, if you are availing transportation services, then the right of using the service is transferred to you, while the ownership still stays with the transportation company.

Supply of goods or services can either be taxable or tax-exempt. Taxable supplies are goods and services that attract GST. Tax-exempt supplies include supply of goods or services that belong to a specific category mentioned in the GST Act. A taxable person is defined as a person who is registered under the GST, or is a liable to register, or a person who has voluntarily registered. Supply between two non-taxable people will not be considered as supply under GST. If a person supplies goods or services in different states or has multiple business verticals, then they are required to register separately for each state or vertical. Each of these registered entities will be considered as a taxable person.

A supply under GST has three attributes that are used to calculate the tax owed for that transaction: **place, value, and time**. Place of Supply - This component determines whether a transaction is an intra-state supply, an inter-state supply, or an external trade, which determines the type of GST that will be associated with it. Value of Supply - This component decides the taxable value of supply made, and thus the amount of tax that needs to be paid for it. Time of Supply - This component determines when the associated taxes and GST returns are due. Taxable territory means any place in India except the State of Jammu and Kashmir. Consideration can be defined as a barter of goods or services, or payment made for a supply in money, or in kind. A prepayment or deposit toward a supply is also as accepted as a consideration by the government. According to CGST Act, the following activities that will be treated as supply even if it is made without consideration. When a business permanently transfers or disposes its assets for which input tax credits have been availed. Supply made between two related or separate persons for business purposes. Supply of goods by an agent on behalf of the supplier or supply received by an agent on behalf of a customer. When a taxable person imports services from a related person, or from his or her own business outside of India for business purposes.

Key words: time, value, place, supply, import, GST

Introduction

GST is applicable only on business transactions. Hence, for a transaction to be considered as supply under GST, it has to be made for business purposes. If supplies are made for personal purposes, it will not be considered as a supply under GST. Under [GST](#), the existing system of levy of tax on manufacture, provision of taxable services, and sale of goods will be replaced by the concept of 'SUPPLY'. Therefore, the taxable event under GST is the 'Supply' of Goods or Services.

Further under 'Supply' there are three important concepts:

- Place of supply of Goods/Services
- Time of Supply of Goods/Services
- Value of Supply of Goods/Service

These three define the incidence of taxability, i.e whether tax will be levied or not, tax type to be levied i.e SGST, CGST & IGST, value of taxable supply of goods/services etc.

Place of Supply of Goods/Services

It is very important to understand the term 'place of supply' for determining the right charge of tax on 'supply'. The model GST Law lays down the criteria to determine the place of supply. Based on these criteria, you can treat the supply of goods or services as either Intra-State (within the State) or Inter-State (Outside the State).

Time of Supply

Time of supply means the point in time when goods/services are deemed to be supplied/rendered. It enables us to determine the rate of tax, value, and due dates for payment of taxes.

The liability to pay CGST / SGST will arise at the time of supply as determined for goods and services. There are separate provisions for time of supply for goods and time of supply for services.

Value of Supply

Valuation primarily revolves around determination of value of supply of goods and/or services on which tax is to be levied. In general, the transaction value is taken as value of supply.

Objective:

This paper intends to explore and analyze **principal supply** the goods directly from the premises of the service. Also the nature of outward supply is being made by the **principal, the time, value and place of supply**

Basics: Time, Place and Value of Supply Under GST

The Goods and Services Tax (GST) regime has subsumed all the indirect taxes in the past few years of its successful implementation. However, the [new tax calculation system](#) has streamlined indirect taxes. The government has unified the current and previous tax systems by introducing “Supply Under GST” – Time, Place and Value of Supply. GST is classified into three types, namely, SGST, CGST and IGST. Taxpayers can apply GST charges on their [e-invoices](#) based on this classification. Under GST, “Supply” is primarily enforced by the government to help taxpayers determine whether a particular transaction falls under SGST and CGST (intra-state transactions) or IGST (inter-state transactions). The GST regime has established specific rules and provisions for determining the time, place and value of supply. This Comprehensive GST Guide is a key to understand the concept of “Supply” under GST. Being aware of the different supply types will enable you to issue [GST compliant e-invoices](#) and accurately file your GST annual returns.

What Is the Meaning of Supply Under GST?

As per the GST regime, Supply is an event under which taxes are charged. Any transaction of goods/services is considered as a supply by the government when an event meets the following criteria.

- The supply must be of goods or services.
- The supply must be taxable.
- The supply must be made by the taxpayer.
- The supply must take place within a taxable area.
- The supply must be made in exchange for cash or reward.
- The supply must be made in the course of business or in the interest of developing a business.

What Are the Types of Supply Under GST?

The supply of capital goods and services under GST is broadly classified into two main categories – Taxable Supplies and Non-Taxable Supplies. Further, it is classified into different sub-categories in accordance to the nature of supply.

Taxable Supply

Goods and services supplied under GST are termed as taxable supplies. Registered taxpayers can claim Input Tax Credit (ITC) under GST on the purchase of taxable goods or services.

- **Regular Taxable Supply**

Supply of any goods and/or services that incur a GST rate higher than 0% within India's territories is termed as a regular taxable supply.

- **Nil-Rated Supply**

Supply of any goods and/or services that incur a 0% GST rate within India is termed as nil-rated supply.

- **Zero-Rated Supply**

Supply/Export made to an SEZ or consider deemed exports; applicable GST rate on these supplies is 0% (i.e., the rates applicable becomes zero) even though they incur a tax rate higher than 0% when sold within India. This category of supply is known as zero-rated supply.

2. Non-Taxable Supply

The supply of goods and services that is not leviable under the GST Act is termed as non-taxable supply. Non-taxable supplies are either exempt goods or do not qualify to claim Input Tax Credit in GST.

- **Exempt Supply**

The supply of exempt items or services that do not incur GST charges despite being under the purview of Goods and Services Tax (GST) is termed as exempt supply. A registered person cannot claim ITC on inputs that fall under exempt supply.

- **Non-GST Supply**

Supplies that are not subject to GST; it refers to the supply of items that fall outside the purview of the GST law. **Note:** Sale of goods from a non-taxable region to another without entering Indian provinces, stored goods sold to consumers before they pass clearance for consumption, and sale of goods related to foreign sales should not be considered as a Supply.

Components of Supply Under GST

Supply under GST is considered as a taxable event that helps determine and charge tax rates. The concept of supply can be divided into three sub-topics namely;

- **Time of Supply**

It defines the moment when a particular transaction of goods or services are supplied. When a supplier is aware of the transaction time, it helps determine when the associated [GST payment of tax](#) and GST return filing are due to be paid.

- **Place of Supply**

It defines the place where a particular transaction of goods or services is supplied. The location helps determine whether the transaction is an inter-state supply, an intra-state supply or an external trade; enabling taxpayers to understand the type of GST associated with the transaction.

- **Value of Supply**

It defines the value of a particular transaction of goods or services supplied. Determining the supply value helps calculate the amount of tax payable. If the supply value is incorrect, the tax rate charged on the invoice will also be wrong.

Time, Place & Value of Supply Under GST: Briefly Explained

Time of Supply Under GST

Section 10 (Chapter 5), CGST (Central Goods and Services Tax) Act 2017 defines the time of supply; the section states that the leviable tax rates entirely depends on the timing of the supply of goods and services. In simpler words, the taxable person is supposed to pay GST when the goods and services are supplied. Under the GST Law, the provisions concerning the supply of goods are different from that of the supply of services. Here's what you need to know about the differences.

Time of Supply of Goods

The time of supply of goods is considered the earliest of the following dates:

- The date on which the invoice was issued.
- The last date for issuing the invoice.
- Date of the receipt issued on advance/payment.

Time of Supply of Services

The time of supply of services is considered the earliest of the following dates:

- The date on which the invoice was issued.
- Date of the receipt issued on advance/payment.
- The date on which services were supplied (if the invoice was not issued within the prescribed time limit).

Time of Supply Under Reverse Charge

In the case of a [Reverse Charge Mechanism \(RCM\)](#), the time of supply to the service recipient is the earliest of the following dates:

- Date of payment.
- 30 days from the date of issuing the goods invoice (60 days for services).

As of 11/15/2017 “Date of Payment” does not apply to goods and applies only to services. Notice No. 66/2017 – Central Tax

Place of Supply Under GST

The role of place of supply in the GST section is very crucial. It helps determine whether the sale of goods or services carried out falls under inter-state or intra-state supply. As mentioned above, inter-state supplies attract IGST (Integrated Goods and Services Tax), while the intra-state supply attracts either CGST (Central Goods and Services Tax) or SGST (State Goods and Services Tax). Chapter 5 of the IGST Act clearly defines the place of supply under GST.

- Section 10 of the IGST Act states the necessary information about the place of supply of goods that are imported or shipped from India.
- Section 11 of the IGST Act states the necessary information about the place of supply of various goods.
- Section 12 of the IGST Act states the necessary information about the place of supply where both supplier and recipient region are within India.
- Section 12 of the IGST Act states the necessary information about the place of supply where the region of either supplier or recipient is outside India.

Place of Supply of Goods

Place of supply of goods usually means the place where the goods are sold or supplied; it is where the ownership of specific goods is changed in exchange for money or considerable reward. In case there is no movement of the goods, the goods’ location when delivered to the recipient is considered the place of supply. If the delivered goods require assembling and installation, the place of supply is where the installation is done.

Place of Supply of Services

In general, the place of supply of services under GST means the site where the services are sold or supplied. In case specific service is provided to an unregistered seller whose location cannot be tracked, the service provided area will be considered the place of provision for the supply of that service. The GST regime has set out some special provisions to determine the place of supply for the services mentioned below:

- Services Related to Real Estate/Immovable Properties

- Restaurant/Catering Services
- Admission to Events
- Transport of Passengers/Goods
- Telecommunications Services
- Banking/Insurance/Financial Services

Considering immovable properties, the provision for place of supply of service is the location of the property itself.

Value of Supply Under GST

Section 10 of CGST (Central Goods and Services Tax) Act 2017, defines the value of supply as the concept that evaluates the cost/price of the goods or services supplied. It is the final component that helps determine the applicable GST rates of an item or service. Valuation has a significant impact, as GST is collected based on the value of goods or services. Generally, under GST, for tax collection, the transaction value of a supply is taken as the bid's actual value. However, here are some of the effective methods used to determine the value of a supply of goods/services.

- Comparison Method
- Computed Value Method
- Residual Method

Conclusion

Time, place and value of supply are the three major components of the GST regime that determine which of the three GST rates (CGST, SGST and IGST) apply to the supply. Lack of understanding might lead to the issuance of incorrect invoices that might reflect on GST return filing. Any supply of goods and/or services made under GST will be classified as either wholly goods or wholly services depending on the primary item or service supplied according to Schedule II of the GST law. This also applies to those cases where the supply made involves both goods and services.

While goods and services can be supplied individually, one can also supply them as a bundle or a set using one of the following methods of supply:

- If the goods and services supplied together are a natural bundle (wherever it makes more sense to provide them together than to sell them individually), then it is known as a composite supply.
- If the goods and services supplied together are not naturally bundled together (they are not interdependent and can also be sold separately), then such a supply is known as mixed supply.

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