

Topic: Meaning and Scope of Supply-Part 1

Class: B.Com (Hons) Semester VI

Subject: Goods and Services Tax (GST)

Unit: 1

Paper: CC-13

Meaning and Scope of Supply

Under GST tax may be CGST and SGST, CGST and UTGST, and IGST. Such types of taxes depend upon place of supply where in the tax is payable in the state, where goods and services are finally consumed. Therefore, the nature of supply is to be ascertained is very important. The nature may be either inter-state or intra state. Place of supply and location of supplier are the two majors deciding factor of nature of supply. The supply may be home trade ((Intra-state supply or inter-state supply) or foreign trade (the supply of goods imported into or exported from India), it depends upon the location of supplier and the place of supply. In case of services location of the supplier & recipient is in India (intra state supply of service) or location of either the supplier or the recipient is outside India (inter- state supply of service).

Definition

According to IGST act section 2(86): Place of supply means the place of supply as referred to in chapter V of the IGST Act. Thus, the provisions regarding place of supply are to be found only in the IGST Act, vide sections 10-14.

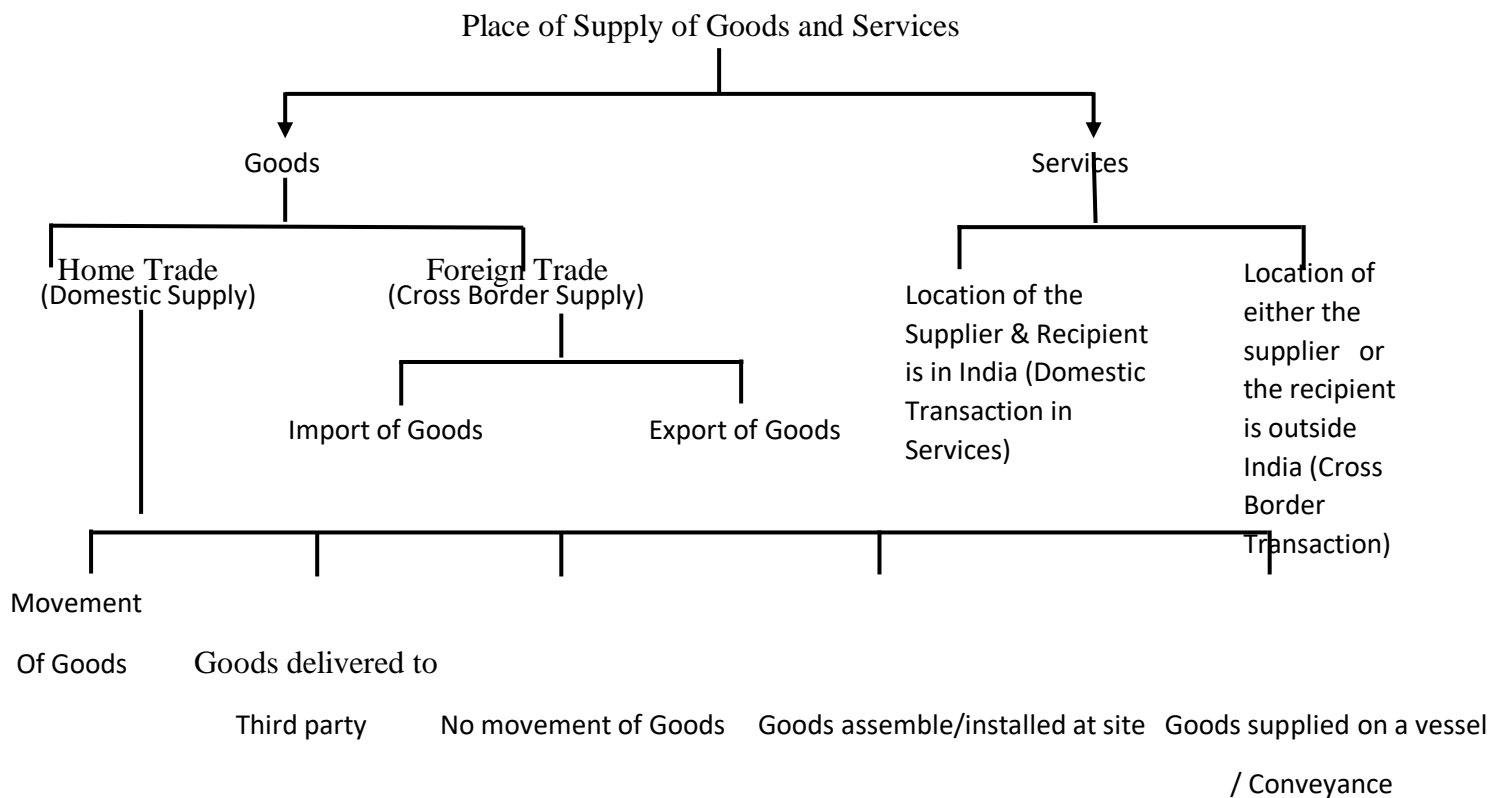
Section 10: Place of supply of goods other than supply of goods imported into, or exported from India

Section 11: Place of supply of goods imported into, or exported from India

Section 12: Place of supply of services where location of supplier and recipient is in India

Section 13: Place of Supply of services where location of supplier or location of recipient is outside India

Section 14: Special provision for payment of tax by a supplier of online information and database access or retrieval services



Domestic Supply

Section 10(1) of the IGST act 2017 lays down the following four properties for determination of place of supply of domestic supply.

- a. Movement of goods -section 10 (1) (a)
- b. Goods delivered to third party – section 10(1)(b)
- c. No movement of Goods –section 10 (1) (c)
- d. Goods assembled or installed at site section 10(1) (d)
- e. Goods supplied on a vessel/conveyance section 10(1)e

As per section 10(1) (a) “where the supply involves movement of goods, whether by the 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.”

Essential Elements of Movement of Goods

1. Goods supplied move from their origin from supplier to end with the recipient.
2. The movement can be undertaken by the supplier or recipient or even any other person after having disclosed the destination of the movement of goods.
3. Transfer of property does not mean movement of goods.
4. Movement terminates for delivery means the delivery is completed to the satisfaction of the recipient as per the mode and time of delivery required by the recipient.

Examples With Cases

- a. TISCO, Jamshedpur sells 100 tones steel to TATA Motors, Jamshedpur
- b. TISCO, Jamshedpur sells 100 tones steel to Ramcon Ltd. of Ranchi
- c. TISCO, Jamshedpur sells 300 tones steel to Bharat Ltd. of Patna

- d. Rahman Ltd of Chandigarh sells 50 tones steel to Rahim& Sons of Chandigarh

Case	Location of Supplier	Delivery of Goods	Place of Supply	Nature of Supply	Tax
a.	Jamshedpur	Jamshedpur	Jamshedpur	Intra-State	CGST+SGST
b.	Jamshedpur	Jamshedpur	Ranchi	Intra-State	CGST+SGST
c.	Jamshedpur	Patna	Patna	Inter-State	IGST
d.	Chandigarh	Chandigarh	Chandigarh	Intra-State	CGST+UGST

Goods Deliver to Third Party

As per section 10 (1) (b) “when goods are delivered by a seller to the recipient (whether agent or not) on the direction of a buyer before or during the movement of goods by way of transfer of title to the goods or otherwise, the place of supply will be the principal place of the buyer on the assumption that the buyer has received the goods.”

Thus there is a tripartite agreement of supply among the supplier the recipient and the third party on whose instructions the goods are delivered.

- The supplier
- The Recipient
- The 3rd party on whose instructions the goods are delivered

The first party is the supplier of goods who delivers the same to the second party, the recipient. The delivery however, on instructions of a third party i.e. the buyer who may be acting as an agent on his own account.

Essential Elements

1. Principal place of business: - Where goods are delivered by the supplier to the recipient (buyer's agent) at the instruction of third person (i.e. the buyer) the place of supply is the principal place of business of such third person (buyer) and not of the actual recipient (buyer's agent).
2. Location: - The place of supply will not depend on the location of the supplier or the recipient (agent). Even if the supplier and recipient (agent) are in two different states and so the physical movement of goods is from one state to another the place of supply will be the principal place of business of such third party (the buyer).

Example With Case

- a. B of Bengal sells goods to M of Maharashtra and during the course of movement of goods. M directs B to deliver the goods to A of Ahmadabad
- b. Harish of Haryana is an agent of B of Bihar; Harish purchased certain materials from R of Rajasthan and directs to send the material directly to the premises of B of Bihar.
- c. Parth of Pune, Maharashtra enters into an agreement to sell goods to Lalan of Lucknow, Uttar Pradesh. While the goods were being packed in Pune godown of Parth, Lalan got an order from Pankaj of Patna, Bihar for the said goods. Lalan agreed to supply the said goods to Pankaj and asked Parth to deliver the goods to Pankaj at Patna.
- d. Ms. Ramesh enterprise of Ranchi is an authorised dealer of Iron and steel, TISCO, Jamshedpur. When Iron and steel start moving, Ms. Ramesh enterprises instructs the supplier i.e. TISCO to deliver the iron and steel to B of Bengal on its behalf.

You are requested to determine the place of supplies in the in the above situation.

Case	Location of Supplier	Delivery of Goods	Principal Place of business of third person	Place of Supply	Nature of Supply	Tax
a.	Bengal	Ahmadabad	Maharashtra	Maharashtra	Inter-State	IGST
b.	Rajasthan	Bihar	Haryana	Haryana	Inter-State	IGST
c.	Pune	Patna	Lucknow	Lucknow	Inter-State	IGST
d.	Jamshedpur	Bengal	Ranchi	Ranchi	Intra-state sale	CGST+SGST

Prepared by: Dr. Md. Moazzam Nazri
Assistant Professor, Faculty of Commerce
Karim City College, Jamshedpur
Email:moazzam.nazri@gmail.com