

# TSMT UPDATE

| Goods & Services Tax | One Nation One Tax | *Place of Supply*



## Foreword

Place of Supply' under GST is an important factor that determines whether the transaction will be considered as intra-state (i.e within the same state) or inter-state(i.e. between two states) and accordingly levy of SGST, CGST & IGST will be computed.

The key aspects in determination of nature of supply is:

- Location of the supplier
- Place of supply

Where the location of the supplier and the place of supply are in two different States / Union territories or a State and a Union territory, such transaction would be considered as inter-State supply and when both, the location of the supplier and the place of supply is in the same State / Union territory, such transaction would be treated as intra-State supply.

## Location of the supplier:

Location of the supplier has been assigned a simple definition under the GST Law:

- The location of the supplier is the place of business for which the registration has been obtained.
- In case a supply is made from a place other the place of business for which registration has been obtained, the location of such fixed establishment would be the location of the supplier.
- In case a supply is made from more than one establishment, the location most directly concerned with the supply would be the location of the supplier.

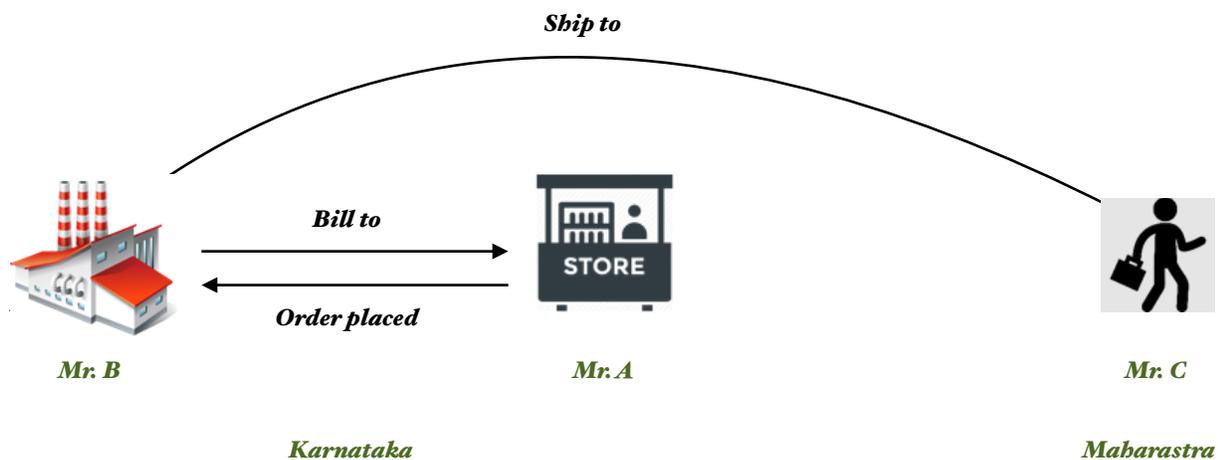
In absence of any such places, the location of the usual place of residence of the supplier would be treated as location of the supplier

### Place of Supply:

#### a) Place of supply in case of goods:

- Location of the goods where movement of goods terminates for delivery to recipient.
- Location of the principle place of business of the person on whom the bill is drawn in case of a "bill to ship to" transaction.

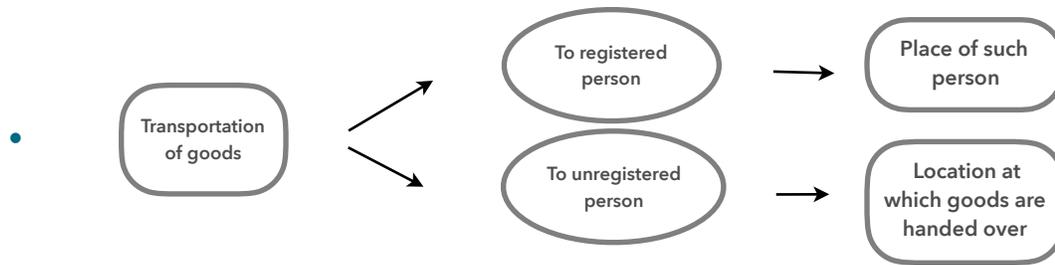
**Illustration:** On directions of *Mr. A (Karnataka)*, *Mr. B (Karnataka)* send goods to *Mr. C (Maharashtra)*. As per the provisions of the law, the principle place of business of *Mr. A* would be the **place of Supply**. Since the location of the supplier and the place of supply is both within the same State (Karnataka) the transaction would be treated as **intra-State** supply.



- Location of site in case where goods are assembled/installation at such site.
- Location where the goods are made available to the recipient in case there is no movement of goods involved.
- In case of imports, the place of supply is the location of the importer.
- In case of exports, the place of supply is the location outside India.

#### b) Place of supply in case of services:

- Location of the recipient of services. (Including exports)
- In case of services relating to immovable property, such as, architects, interior decorators, surveyors etc., the location of such immovable property would be the place of supply.
- Location where service is performed in case of performance based services such as restaurant and catering services, personal grooming, health services etc.
- Location of the event in case of services relating to such events. Example: Admission to cultural events, sports and artistic events etc.



**Taxability of inter-State and intra-State transactions:**

a) **Intra-State supply:** CGST & SGST will be simultaneously levied on all intra-State supply of goods and/or services.

b) **Inter-State supply:** IGST will be levied at one rate on all inter-State supply of goods and/or services.

An example illustrating the taxability of inter-State and intra-State supply is given below:

<p><b>Sales Invoice:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">Base price</td> <td style="text-align: right;">100</td> </tr> <tr> <td>CGST @ 10%</td> <td style="text-align: right;">10</td> </tr> <tr> <td>SGST @ 10%</td> <td style="text-align: right;"><u>10</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>110</b></td> </tr> </table>	Base price	100	CGST @ 10%	10	SGST @ 10%	<u>10</u>	<b>Total</b>	<b>110</b>	<p><b>Karnataka</b></p>	<p><b>Karnataka</b></p>	<p><b>Sales Invoice:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">Base price</td> <td style="text-align: right;">150</td> </tr> <tr> <td>IGST @ 20%</td> <td style="text-align: right;"><u>30</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>180</b></td> </tr> </table>	Base price	150	IGST @ 20%	<u>30</u>	<b>Total</b>	<b>180</b>	<p><b>Tamil Nadu</b></p>
Base price	100																	
CGST @ 10%	10																	
SGST @ 10%	<u>10</u>																	
<b>Total</b>	<b>110</b>																	
Base price	150																	
IGST @ 20%	<u>30</u>																	
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<p><b>Intrastate Sale</b> →</p>		<p>→ <b>Interstate Sale</b></p>																

**Conclusion:**

Determination of nature of supply under GST can get a little tricky, however, as per the provisions of the law, there is no penalty or interest liable on misclassification of inter-State supply as intra-State supply or vice versa and hence the burden on determination of nature of supply is reduced on businesses.

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