THE CENTRAL GOODS AND SERVICES TAX ACT, 2017

Content as per Bare Act	Explained in Simple Words
An Act to make a provision for levy and collection of tax on intra-State supply of goods or services or both by the Central Government and for matters connected therewith or incidental thereto.	This Act applies on - i.Intra-State supply of Goods or Services or Both ; and ii.matters related to intra-state supply.
Chapter 1: Preliminary	**Chapter 1: Preliminary** **Sec 1: Short Title, Extent and Commencement**
(1) This Act may be called the Central Goods and Services Tax Act, 2017.	(1) This Act may be called the **Central Goods and Services Tax Act, 2017.**
(2)CGST extends to whole of India **except the State of Jammu and Kashmir.**	(2)CGST is applicable in entire India **except Jammu and kashmir.**
	Sec 2: Definitions
2.(2) "address of delivery" means the address of the recipient of goods or services or both indicated on the tax invoice issued by a registered person for delivery of such goods or services or both;	(2)Address of the Consignee on Tax Invoice
(5) "agent" means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another;	(5)Agent means any person- i.supplying or receiving goods or services or both-on behalf of the another person; or ii.facilitates another person in receiving or supplying goods or services or both.
(6) "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;	(6)Aggregate turnover means turnover of **all the Units in India having same PAN, and NOT on separate State-wise registration number.** Aggregate turnover includes=**All Taxable supplies+Exempt Supplies+Export of Goods/Services.** Value of - Inward Supplies under RCM + Tax Amount of CGST/IGST/UTGST/SGST/Cess on Taxable supplies, shall **NOT** be considered for calculating Aggregate turnover.
(12) "associated enterprises" shall have the same meaning as assigned to it in section 92A of the Income-tax Act, 1961;	(12) associated enterprises under Income Tax as per sec 92A means- i. one enterprise holds, directly or indirectly, 26% or more voting power of the other enterprise. ii. a loan advanced by one enterprise to other enterprise constitutes 51% or more of the book value of the total assets of other enterprise. iii. one enterprise gaurantees not less than 10% of the total borrowings of the other enterprise.
(17) "business" includes–– (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a); (c) any activity or transaction in the nature of sub-clause (a), whether or	(17)Business includes- (a) any activity or transaction relating to trading,manufacturing or profession whether or not for monetary benefit; (b) like facilities management, safety goods; (c) any activity or transaction in the nature of sub-clause (a), with less frequency, volume

not there is volume, frequency, continuity or regularity of such transaction;
(d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
(e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
(f) admission, for a consideration, of persons to any premises;

(19) "capital goods" means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

(30) "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;
Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

(31) "consideration" in relation to the supply of goods or services or both includes––
(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:
Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

(32) "continuous supply of goods" means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify;

(33) "continuous supply of services" means a supply of services which is

or regularity of such transaction;
(d) Supply or Acquisition of Inputs,Capital goods or Services in connection with the closure or commencement of business;
(e) provision of the facilities or benefits for a subscription or any other consideration- by a Club/Soceity/Association to its members;
(f) admission of person to any premises for a consideration;

(19) Capital goods means goods-
(i) the value of which is capitalised in the Books of Accounts of the person claiming input tax credit, **<u>and</u>**;
(ii) which are used or intended to be used in the course or furtherance of business.

(30) Composite supply means **supply of two or more taxable supplies** of goods or services which are **naturally bundled.**
For instances-
<u>Composite supply of Goods</u>- Supply of two wheeler along with tool kits.

<u>Composite supply of services</u>- Transportation of passenger by train or flight (including meal) where fare is inclusive of meal charges.

(31) Consideration means-

(a) any payment made or to be made, whether in money or kind against the supply of goods or services or both, by the recipient or any other person. It shall not include any subsidy given by the Central or State Government.

(b) the monetary value of any act or forbearance,whether done by the recipient or any other person, against the supply of goods or services or both. It shall not include any subsidy given by the Central or State Government.

Provided any deposit given by the recipient shall not be considered as Consideration for the said supply unless the deposit amount is adjusted as consideration by the supplier against the said supply.

(32) Continuous Supply of Goods means
(i) goods provided or agreed to be provided under a contract on regular basis **<u>and</u>**;
(ii) supplier raised the invoice for such supply on periodic or regular basis.

(33) Continuous Supply of Services means

provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify;

(47) “exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

(52) “goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

(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;

(60) “input service” means any service used or intended to be used by a supplier in the course or furtherance of business;

(62) “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

(a) the integrated goods and services tax charged on import of goods;

(b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;

(c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;

(d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or

(e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act,

but does not include the tax paid under the composition levy;

(67) “inward supply” in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration;

(68) “job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly;

(70) “location of the recipient of services” means,—

(i) services provided or agreed to be provided under a contract on regular basis for a period exceeding 3 months **and;**

(ii) supplier raised the invoice for payment on periodic basis.

(47) Any supply of goods or services or both which attracts **NIL** rate of tax is known as "Exempt Supplies. It also includes "non-taxable supplies".

(52)Goods means any kind of movable properties except money and securities. It also includes actionable claims, and growing crops/grass attached to or forming part of land which are agreed to be severed before supply or under a contract of supply.

(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.

(60) Input Service means any service used or intended to be used by a supplier in the course or furtherance of business.

(62)Input tax in relation to Registered Person means-
CGST/IGST/UTGST/SGST on any supply made to him. **It also includes-**

(a) IGST charged on Import of Goods; (replacing countervailing duty)

(b) CGST payable under RCM under sub-section (3) and (4) of section 9 of CGST Act;

(c) IGST payable under RCM under sub-section (3) and (4) of section 5 of IGST Act;

(d) SGST payable under RCM under sub-section (3) and (4) of section 9 of SGST Act;

(e) UTGST payable under RCM under sub-section (3) and (4) of section 7 of UTGST Act;

but does not include tax paid under the composition levy.

(67) Inward Supply means receipt of goods or services or both with or without consideration.

(68) Job work means any treatment or process undertaken by a person on Goods belonging to another registered person. And a person doing this job work is known as Job worker.

(70) Location of the Recipient of Services means-

(a) where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;
(b) where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
(c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most

(a) where a service is received at a registered place of business-**Location of registered place;**

(b)where a service is received at a place other than registered place-**Location of such other place;**

(c) where a service is received at more than one place, registered or unregistered- **Location of the place most directly concerned with the receipt of the supply;**

(71) “location of the supplier of services” means,—
(a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
(b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
(c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provisions of the supply; and

(71) Location of the Supplier of Services means-
(a) where a supply of service is made from a registered place of business-**Location of registered place;**
(b)where a supply of service is made from place other than registered place-**Location of such other place;**

(c) where a supply of service is made from more than one place, registered or unregistered- **Location of the place most directly concerned with the provisions of the supply;**

(74) “mixed supply” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. Illustration.— A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately;

(74) Mixed supply means **supply of two or more taxable supplies** of goods or services, which are **NOT naturally bundled,** for a single price.

(78) “non-taxable supply” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

(78) Any supply which are not leviable to tax under CGST or IGST Act is known as "Non Taxable Supply".

(82) “output tax” in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis;

(82)Output tax in relation to Registered Person means- CGST/IGST/UTGST/SGST on any supply made by him.

(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;

(83) Outward supply means supply of goods or services or both in the course or furtherance of business.

(85) “place of business” includes––
(a) 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
(b) a place where a taxable person maintains his books of account; or

(85) Place of business includes-
i. any place from where business is ordinarily carried on, and warehouse or godown or any other place where taxable person stores his goods,supplies or receives goods or services;
ii.a place where books of accounts of taxable person is maintained;
iii.a place from where an agent carried on bussiness on behalf of taxable person.

(c) a place where a taxable person is engaged in business through an agent, by whatever name called;

(93) "recipient" of supply of goods or services or both, means—
(a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
(b) 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
(c) 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;

(96) "removal'' in relation to goods, means—
(a) despatch of the goods for delivery by the supplier thereof or by any other person acting on behalf of such supplier; or
(b) collection of the goods by the recipient thereof or by any other person acting on behalf of such recipient;

(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

(105) "supplier" in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;

(108) "taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;

(112) "turnover in State" or "turnover in Union territory" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess;

(118) "voucher" means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and

(93) Recipient of Supply of Goods or Services means-
(a) when consideration is payable for the supply- Location of person liable to pay;

(b) when no consideration is payable for the supply of **goods-** i.Location of person to whom the goods has been delivered or made available, or ii. Location of person using goods or having possession of goods;
(c) when no consideration is payable for the supply of **services-** i.Location of person to whom the service is rendered.

(96) Removal in relation to goods means-
(a) despatch by the supplier for delivery to the recipient;

(b) collection of goods by the recipient from the supplier.

(102) Services means anything(except goods,money and securities). It also includes activities relating to the conversion of money from one for to another form for a consideration.

(105) Supplier means any person supplying goods or services or both.

(108) "taxable supply" means a supply of goods or services or both which is levy to tax under this Act.

(102) Turnover in State/Union Territory means-
i. aggregate value of all taxable and exempt supplies within the State/Union Territory;
ii. Exports of goods or services or both;
iii. Aggregate value of Inter-state supplies (both taxable and exempt) made by taxable person from the State/Union Territory.
But it shall **not** include the tax amount of CGST/IGST/SGST/UTGST/Cess.

(118) Vouchers means an instrument which can be accepted by a supplier as a consideration or part consideration for a supply of goods or services or both.

where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument;	For instance- Coupon of Rs.1,000/- given by Big-Bazaar on purchase of goods worth Rs.10,000/- or above, which can be redeemed at the time of subsequent purchases.
(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;	(119) Work Contracts means a contract, in relation to Immovable property for- i. original works (like construction,installation,erection etc.) or; ii. repairs or maintenance(like modification,repair,alteration or renovation etc.); wherein transfer of property in goods is also involved in the execution of such contract.
(120) words and expressions used and not defined in this Act but defined in the Integrated Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act shall have the same meaning as assigned to them in those Acts;	(120) Any words and expressions used but not defined in this Act, shall have the same meaning as defined in the IGST Act or UTGST Act or GST(Compensation to States)Act.
<u>Chapter 3: Levy and Collection of Tax</u>	**<u>Chapter 3: Levy and Collection of Tax</u>**
	<u>Sec-7: Scope of Supply</u>
7. (1) For the purposes of this Act, the expression "supply" includes–– (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business; (b) import of services for a consideration whether or not in the course or furtherance of business; (c) the activities specified in Schedule I, made or agreed to be made without a consideration; and (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.	(1) Supply includes- **<u>(a) when consideration exists-</u>** sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made by a person in the course or furtherance of business; **<u>(b) import of services</u>** for a consideration **<u>whether or not</u>** in the course or furtherance of business; (c) explain later (d) explain later
(2) Notwithstanding anything contained in sub-section (1),–– (a) activities or transactions specified in Schedule III; or (b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.	(2) Following activities shall **<u>not</u>** be treated as supply–– (a)please refer next tab; (b)such activities undertaken by Central Government or State Government or Local authority, as may be notified by the Government, shall not be treated as supply of goods or services.
(3) Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as— (a) a supply of goods and not as a supply of services; or (b) a supply of services and not as a supply of goods	(3) the Government may by notification specifies, the transactions that are to treated as- (a) a supply of goods and not as a supply of services; or (b) a supply of services and not as a supply of goods
	<u>Sec-8: Tax Liability on Composite and Mixed Supply</u>
8. The tax liability on a composite or a mixed supply shall be determined in the following	**8.** The tax liability on a composite or a mixed supply shall be determined in the following

manner, namely:—
(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
(b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

9. (1) Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.
(2) The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
(3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
(4) The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

manner, namely:—
(a) in case of composite supply- tax liability shall be determined as supply of principal item.

(b) in case of mixed supply- supply of a item which attracts highest rate of tax shall be considered for determining the tax liability of all supplies.

Sec-9: Levy and Collection

(1) Subject to the provision of sub-section (2) of section 9, CGST shall be levied on all Intra-State Supplies of goods or services or both (except alcoholic liquor for human consumption) at the rate (not exceeding **20% (twenty percent)**) as may be notified by the Government.

(2) CGST shall be levied on supply of petroleum crude, high speed diesel, motor spirit(petrol), natural gas and aviation turbine fuel, from **such date** as may be notified by the Government.

(3) The Government may specifies by notification, the categories of supplies to be taxed under Reverse Charge Mechanism. And all the provision of the Act relating to payment of tax shall apply to such recipient of goods or services or both.

(4) When supply is made by an **unregistered person** **to a** **registered person-** the tax shall be paid by recipient of such supply.

Chapter 4: Time and Value of Supply

12. (1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) The time of supply of goods shall be the earlier of the following dates, namely:—
(a) the date of issue of invoice by the supplier or the last date on which he is required, under sub-section (1) of section 31, to issue the invoice with respect to the supply; or

(b) the date on which the supplier receives the payment with respect to the supply:
Provided that where the supplier of taxable goods receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of

Chapter 4: Time and Value of Supply

Sec-12: Time of Supply of Goods

(1) The liability to pay tax on **goods** shall arise at the time of supply as per this section.

(2) **In case of NCM**,the time of supply of goods shall be earlier of the following dates-
(a) the date of issue of invoice by the supplier(i.e, Invoice Date) or the last date as per sec 31(1) to issue the invoice w.r.t the supply, where the invoice is not issued on time (sec 31(1) explained later) or;

(b) the date on which supplier receives the payment w.r.t the supply.

Provided that when the supplier receives payment in excess of upto 1,000/- from the amount indicated in Tax Invoice, the time of supply for the excess amount received shall be the date of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount.

(3) In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely:—
(a) the date of the receipt of goods; or
(b) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
(c) the date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:
Provided that where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

(4) In case of supply of vouchers by a supplier, the time of supply shall be—
(a) the date of issue of voucher, if the supply is identifiable at that point; or

(b) the date of redemption of voucher, in all other cases.

(6) The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

13. (1) The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) The time of supply of services shall be the earliest of the following dates, namely:—
(a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or
(b) the date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or
Provided that where the supplier of taxable service receives an amount up to one thousand rupees in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice relating to such excess amount.

(3) In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:––
(a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
(b) the date immediately following sixty days from the date of issue of invoice or

issue of invoice for receipt of such excess payment by the supplier(whether or not to issue the invoice is at the option of supplier upto 1,000/-)

(3) **<u>In case of RCM</u>**,the time of supply of goods shall be earlier of the following dates-

(a) the date of receipt of goods; or
(b) the date of payment as shown in the books of accounts of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
(c) the date immediately following **<u>thirty days</u>** from the date of issue of invoice by the supplier.

(4) In case of supply of vouchers by a supplier, the time of supply shall be-
(a) the date of issue of vouchers- where the supply of goods is known against which the voucher can be redeemed;(like voucher can be used only for purchases of grocery items); or
(b) in all other cases- the date of redemption of vouchers.(For Voucher definition,refer row no-209)

(6) the time of supply in case of addition in the value of supply by way of **interest, late fee or penalty for delayed payment**-shall be the date on which the supplier receives such addition in value.

<u>Sec-13: Time of Supply of Services</u>

13.(1) The liability to pay tax on **<u>services</u>** shall arise at the time of supply as per this section.

(2) **<u>In case of NCM</u>**, the time of supply of services shall be earlier of the following dates-
(a)where the **<u>invoice is isssued within the time</u>** as per sec 31(2)- invoice date or the date of payment, whichever is earlier; (sec 31(2) explained later)

(b)where the **<u>invoice is NOT isssued within the time</u>** as per sec 31(2)- the date of provision of services or the date of payment, whichever is earlier; or

Provided that when the supplier receives payment in excess of upto 1,000/- from the tax invoice amount, the time of supply for the excess amount received shall be the date of issue of invoice for receipt of such excess payment by the supplier(whether or not to issue the invoice is at the option of supplier upto 1,000/-)

(3) **<u>In case of RCM</u>**, the time of supply of services shall be earlier of the following dates-

(a) the date of payment as shown in the books of accounts of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
(b) the date immediately following **<u>sixty days</u>** from the date of issue of invoice by the supplier.

any other document, by whatever name called, in lieu thereof by the supplier:
Provided that where it is not possible to determine the time of supply under clause (a) or clause (b), the time of supply shall be the date of entry in the books of account of the recipient of supply:
Provided further that in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

(4) In case of supply of vouchers by a supplier, the time of supply shall be––
(a) the date of issue of voucher, if the supply is identifiable at that point; or

(b) the date of redemption of voucher, in all other cases.

(6) The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

14. Notwithstanding anything contained in section 12 or section 13, the time of supply, where there is a change in the rate of tax in respect of goods or services or both, shall be determined in the following manner, namely:––
(a) in case the goods or services or both have been supplied before the change in rate of tax,––
(i) where the invoice for the same has been issued and the payment is also received after the change in rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier; or
(ii) where the invoice has been issued prior to the change in rate of tax but payment is received after the change in rate of tax, the time of supply shall be the date of issue of invoice; or

(iii) where the payment has been received before the change in rate of tax, but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the date of receipt of payment;

(b) in case the goods or services or both have been supplied after the change in rate of tax,––
(i) where the payment is received after the change in rate of tax but the invoice has been issued prior to the change in rate of tax, the time of supply shall be the date of receipt of payment; or

(ii) where the invoice has been issued and payment is received before the change in rate of tax, the time of supply shall be the date of receipt of payment or

In case of transactions between the associated enterprises, where the supplier is located outside India, the time of supply shall be the- the date of entry of the receipt of supply or the date of payment in the books of recipient, whichever is earlier.

(4) In case of supply of vouchers by a supplier, the time of supply shall be-
(a) the date of issue of vouchers- where the supply of services is known against which the voucher can be redeemed;(like free voucher given on purchase of AC for installation of air-conditioner); or

(b) in all other cases- the date of redemption of vouchers.(For Voucher definition,refer row no-209)

(6) the time of supply in case of addition in the value of supply by way of **interest, late fee or penalty for delayed payment**-shall be the date on which the supplier receives such addition in value.

Sec-14: Change in rate of Tax in respect of Supply of Goods or Services

This section states what will be the rate of tax when there is a change in rate of tax of goods or service or both. The time of supply shall be determined as follows-

(a) When Goods or Services or both-Supplied before the Change in Rate of Tax

(i)when invoice is issued and payment is received after the change in rate of tax-
Time of supply= Invoice Date or Payment receipt date, whichever is earlier;

(ii) when the invoice has been issued prior to change in rate of tax, but the payment is received after the change in rate of tax
Time of supply= Invoice Date

(iii) when the payment has been received prior to change in rate of tax, but invoice is issued after the change in rate of tax
Time of supply= Date of receipt of payment

(b) When Goods or Services or both-Supplied after the Change in Rate of Tax

(i) when the invoice has been issued prior to change in rate of tax, but the payment is received after the change in rate of tax
Time of supply= Date of receipt of payment

(ii)when invoice is issued and payment is received before the change in rate of tax-
Time of supply= Invoice Date or Payment receipt date, whichever is earlier;

date of issue of invoice, whichever is earlier; or
(iii) where the invoice has been issued after the change in rate of tax but the payment is received before the change in rate of tax, the time of supply shall be the date of issue of invoice:

Provided that the date of receipt of payment shall be the date of credit in the bank account if such credit in the bank account is after four working days from the date of change in the rate of tax.
Explanation.––For the purposes of this section, "the date of receipt of payment" shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

15. (1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include–––

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
(b) any amount 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;
(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; and

(e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.
Explanation.––For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

(3) The value of the supply shall not include any discount which is given––
(a) before or at the time of the supply if such discount has been duly recorded in

<ins>(iii) when the payment has been received prior to change in rate of tax, but invoice is issued after the change in rate of tax</ins>
Time of supply= Invoice Date

<ins>Sec-15: Value of taxable Supply</ins>

(1) The value of supply shall be the transaction value where the supplier and the recipient of supply are not related and the price is the sole consideration for the supply.

(2) The transaction value under sec 15(1) shall also include the following amount,if these are not already included in the price actually paid or payable for the supply-
(a) For example: Central Excise Duty continues to be levied on some products along with GST, then excise duty will be included in the transaction value of supply.

(b) For example: A company appoints a legal advisor for lump sum fee of Rs.1,00,000/- and also bear a cab charges of Rs.5,000/- **which Advisor was bound to pay**. In this case, GST would be levied on (100000+5000) = 1,05,000/-
(c) For example: Transport expense charged by the supplier on invoice, shall be included in transaction value to levy CGST;

(d) For example: Tyres sold worth Rs.1,00,000/- to OE Customers and Invoiced raised at time of supply on 07.05.2017 and payment to be made within 30 days. But OE Customers made payment on 12.06.2017 and MRF charged Rs.1,500/- for delayed payment. In this case, supplementary invoice shall be issued for Rs.1,500/- and GST shall be levied thereon.

(e) Any subsidies received by the supplier linked to the price excluding subsidies provided by Central and State Government.

(3) Exclusion of Discount in Transaction Value-
<ins>(a) discount given before or at the time of supply-</ins>

the invoice issued in respect of such supply; and (b) after the supply has been effected, if— (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.	Discount shown separately in Invoice = shall be excluded <u>(b) discount given after the supply (like special discount)-</u> Following conditions must be satisfied- (i) Agreement entered before or at the time of supply w.r.t discount + discount shall be specifically linked to relevant invoices; *(ii) Input tax credit has been reversed by the recipient of the supply related to the discount given.*
<u>Chapter 5: Input Tax Credit</u> 16. (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person. (2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,–– (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed; (b) he has received the goods or services or both. Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise; (c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and (d) he has furnished the return under section 39: Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment: Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be	**<u>Chapter 5: Input Tax Credit</u>** **<u>Sec-16: Eligibility and Conditions for taking Input Tax Credit(ITC)</u>** (1) Every registered person shall be entitle to take credit of input tax charged on any supply made to him **<u>and,</u>** which are used and intended to be used in the course or furtherance of his business. (Sec 49 is related to payment of tax under chapter X, discussed later) (2) Registered person can take credit as per sec 16(1), only if- (a) he is in **possession of Tax Invoice or Debit note** issued by Supplier; (b) he has received the goods or services or both. For example: when the goods are delivered to the jobworkers on the direction of the company, then such company shall be deemed to be a "recipient of supply". (c) tax charged w.r.t such supply has been actually paid to the Government by the Supplier, either in cash or through utilisation of eligible input tax credit; (Sec 41 is related to Return under chapter IX, discussed later) (d) Sec 39 is related to Return under chapter IX, discussed later. Where the goods are recived in installments or lots against a single invoice, credit shall be taken on receipt of last lot or installment. <u>Where the recipient **fails to pay** to the supplier of goods or services **within 180 days-**</u> where the recipient fails to pay to the supplier within 180 days from date of issue of invoice, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability along with interest thereon. For example: Date of issue of invoice is 01.11.2016, credit taken by recipient for such invoice in the month of Nov 2016. Payment to supplier made after 29.04.2017. In this case, tax liability

prescribed:

Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

(3) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

17. (1) Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

(2) Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

(3) The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

(5) Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:—

(a) motor vehicles and other conveyances except when they are used––

(i) for making the following taxable supplies, namely:—

(A) further supply of such vehicles or conveyances ; or

(B) transportation of passengers; or

(C) imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) for transportation of goods;

shall be made to the extent of tax credit availed in the month of Nov 2016.

On effecting the payment to the supplier towards the value of the goods or services or both and tax thereon, the recipient shall be entitle to take credit of input tax.

(3) Credit is not admissible if deprecition is claimed under Income Tax Act on tax component; For example: Capital goods purchased for Rs.1,18,000/-(including SGST & CGST of Rs.18,000/-), depreciation claimed under Income Tax Act on Rs.1,18,000/-. i.e. including tax component.

(4) For example: Invoice date or Debit Note date - 21.03.2017. i.e, relating to F.Y 2016-17.
Credit for this invoice can be taken upto-

i. due date of furnishing return for month of September 2017. i.e. 20.10.2017

ii. due date of furnishing Annual Return for F.Y 2016-17. i.e. 31.12.2017

-whichever is earlier. i.e. **20.10.2017**

Sec-17: Apportionment of Credit and Blocked Credit

(1) where the goods or services used partly for Business and partly for Non-business purpose
Credit shall be admissible to the extent, it is attributable to the business purpose.

(2) where the goods or services used partly for effecting Taxable supplies and partly for effecting Non-Taxable supplies
Credit shall be admissible to the extent, it is attributable to the taxable supplies including zero-rated supplies under this Act or IGST Act.

(3) The value of exempt supply shall also include any supplies made by supplier on which tax is to be paid by recipient under RCM. i.e, Supply under RCM is to be treated as Exempt Supply.

(5) Notwithstanding anything contained in sec 16(1) or sec 18(1), Input tax credit shall not be available for the followings -

(a) **motor vehicles and other conveyances** - ITC shall not be available **except** when they used-

(i) for making the following taxable supplies, namely-

(A) For example: Maruti Suzuki sold vehicles to its distributors for further sale, distributors can take credit of input tax charged on supply of vehicles made to him.

(B) For example: Vehicles purchased for used in business of transportation of passengers;

(C) For example: Motor Car purchased for used in business of driving training;

(ii) for transportation of goods

(b) the following supply of goods or services or both—
(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

(ii) membership of a club, health and fitness centre;
(iii) rent-a-cab, life insurance and health insurance except where––
(A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or
(B) such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and
(iv) travel benefits extended to employees on vacation such as leave or home travel concession;
(c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

Explanation.––For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

Explanation.––For the purposes of this Chapter and Chapter VI, the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—
(i) land, building or any other civil structures;
(ii) telecommunication towers; and
(iii) pipelines laid outside the factory premises.

19. (1) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on inputs sent to a job worker for job work.

(2) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16,

(b) ITC shall NOT be available for the following supply of goods or services or both-
(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetics and plastic surgery-
except where the inward supply of a particular category(of the above) is used for making outward supply of same category or as an element of taxable composite or mixed supply;
For example: Event manager used the service of Outdoor Caterer in the event or ocassion

(ii) membership of a club, health and fitness centre;
(iii) rent-a-cab, life insurance and health insurance except where––
(A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force;

(B) same as explained in point (i)

(c) Works Contract Services for Construction of Immovable Property (other than plant & m/c)
Credit is not admissible, if the both the following condition is satisfied-
(i)service for construction,re-construction,alteration,repairs of immovable property; **and**
(ii) amount incurred for work contract service is or to be capitalised in the books of accounts.

(d) goods or services used for Construction of Immovable Property (other than plant & m/c)
Credit is not admissible, if the both the following condition is satisfied-
(i) goods or services used for construction, alteration,repairs of immovable property; **and**
(ii) amount incurred for goods or service is or to be capitalised in the books of accounts.

Meaning of Plant & Machinery
It means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and **includes such foundation and structural supports,** but excludes—
(i) land, building or any other civil structures;
(ii) telecommunication towers; and
(iii) pipelines laid outside the factory premises.

Sec-19: Input Tax Credit w.r.t Inputs and Capital Goods Sent for Job Work
(1) For example: inputs sent to job-worker from factory, credit of input tax on input can be allowed.

(2) Notwithstanding anything contained in sec 16(2)(b),credit of input tax on inputs can be allowed

the principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business.	even if the goods are directly sent to job-worker without being first brought at factory.
(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 within one year of being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out: Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.	(3) where the inputs sent to job-worker are not received back **within one year** of being sent out, then it shall be deemed as supply of input by principal on the day when the inputs originally sent to job worker. Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.
(4) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on capital goods sent to a job worker for job work.	(4) For example: inputs sent to job-worker from factory, credit of input tax on capital goods can be allowed.
(5) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the principal shall be entitled to take credit of input tax on capital goods even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business.	(5) Notwithstanding anything contained in sec 16(2)(b), credit of input tax on capital goods can be allowed even if the goods are directly sent to job-worker without being first brought at factory.
(6) Where the capital goods sent for job work are not received back by the principal within a period of three years of being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out: Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker.	(6) where the capital goods sent to job-worker are not received back **within three year** of being sent out, then it shall be deemed as supply of capital goods by principal on the day when the capital goods sent to job worker. Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker.
(7) Nothing contained in sub-section (3) or sub-section (6) shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work. Explanation.––For the purpose of this section, “principal” means the person referred to in section 143.	