
# IMPACT ANALYSIS HOW TERMS & CONDITIONS OF A SUPPLY CONTRACT WILL IMPACT THE LEVY OF GOODS AND SERVICE TAX.

Presentation by:-

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**SUPPLIER-A IN DELHI**


**BUYER-B IN GUJRAT**

**Contract to supply 20 Television sets at price of Rs.10000/- per set inclusive of packing, insurance, warranty and free repair for 1 year**

AND

**SITUATION-1**

**(A delivers at location of B)**

As per terms of contract, price includes cost of freight of Rs.10000 from Delhi to Gujrat and its responsibility of A to deliver TV Sets at location of B in Gujrat

**SITUATION-2**

**(A delivers at location of B)**

As per terms of contract, price don't include cost of freight of Rs.10000 from Delhi to Gujrat but its responsibility of A to deliver TV Sets at location of B in Gujrat and B will pay freight to transporter directly at time of delivery

**SITUATION-3**

**(B takes delivery at premises of A)**

As per terms of contract, above price will be Ex-showroom which don't include cost of freight of Rs.10000 from Delhi to Gujrat. B will take delivery of TV Sets himself at location of A in Delhi itself & manage further movement from Delhi to Gujrat himself.

In both situations, as per terms of contract, A, as supplier, take responsibility to deliver 20 TV sets at location of B in Gujrat. As risk and rewards attached with TV sets will be transferred to B after delivery hence effective supply will be at time of delivery. So in these situations, supply of 20 TV sets from A to B **involves movement of goods by supplier A** from Delhi to Gujrat.

In this situation, as per terms of contract, A, as supplier, don't take responsibility to deliver 20 TV sets at location of B in Gujrat. As risk and rewards attached with TV sets will immediately be transferred to B at time of removal of TV sets from A's location hence effective supply happened at time of removal not delivery. So in this situation, supply of 20 TV sets from A to B **don't involves movement of goods** from Delhi to Gujrat on part of A as supplier.

In all above 3 situations in same contract, impact of various provisions of GST laws, Rules & Regulations

- Type of supply- Is it supply of Goods or Services or Both? If both, then whether it's a composite supply or mix supply?
- Rate of supply- What will be rate of tax on such supply
- Time of Supply (Point of Taxation-POT) & Time to raise Invoice
- Nature of supply - Is it inter-state supply or intra-state supply?
- Place of Supply- Relevant to decide nature of supply
- Valuation of supply

Situation 1 & 2 (Supply involves movement of goods)

**Type of Supply**

It's a composite supply where services of packing, insurance, warranty, free repair and freight is naturally bundled with supply of TV Sets & principal supply is supply of goods i.e. TV sets hence it's a contract of supply of Goods (Section 8(a)/Section 2(30)/Section 2(90) of CGST Act, 2017)

As it is established that this is supply of goods, **provisions of Rate, Invoice & Taxable Event (Time), Place of Supply & Valuation of GOODS** will apply.

**Rate of Tax**

See **Rate of GST** on televisions in **Schedule I-VII**

**Time & Manner of Raise Invoice**

Issue invoice **before or at time of REMOVAL** of TV sets from A's premises- **Section 31(1) (a) of CGST Act, 2017,** on format **as per rule 46 of CGST Rules 2017**

**Time of Supply (Point of Taxation-POT)**

If A don't issue invoice on or before date of removal, than tax liability will arise from the date of removal only- **Section 12(2) of CGST Act, 2017**

**Nature of Supply- Whether Intra-state or Inter-state**

Depends upon location of Supplier A & Place of Supply- **Section 7 & 8 of IGST Act, 2017**

Situation 3 (Supply not involves movement of goods)

SAME

**Time & Manner of Raise Invoice**

Issue invoice **before or at time of DELIVERY** or MAKING AVAILABLE of TV sets to recipient i.e. B - **Section 31(1) (b) of CGST Act, 2017,** on format **as per rule 46 of CGST Rules 2017**

**Time of Supply (Point of Taxation-POT)**

If A don't issue invoice on or before date of delivery, than tax liability will arise from the date of date of delivery only- **Section 12(2) of CGST Act, 2017**

**Nature of Supply- Whether Intra-state or Inter-state**

Depends upon location of Supplier A & Place of Supply- **Section 7 & 8 of IGST Act, 2017**

**<u>Place of Supply</u>**

**<u>Location of goods at the time</u>** at which the movement of goods terminates for delivery to B- **Section 10(1) (a) of IGST Act 2017.**

**<u>Place of Supply</u>**

**<u>Location of goods at the time</u>** at time of delivery to B- **Section 10(1) (c) of IGST Act 2017.**

**<u>Valuation of Supply</u>**

Value will be transaction Value as below:-

In situation -1- Value inclusive of all services & freight- **Section 15(1) © of CGST Act.**

In situation-2- Same Value as above (as freight will be added in value **as per section 15(1) (b)** which says “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”.

**<u>Valuation of Supply</u>**

Value will be transaction Value inclusive of all services except freight- **Section 15(1) of CGST Act.**

**LOCATION OF RECIPIENT OF GOODS HAVE NO RELEVANCE IN GST AS IT IS A DESTINATION BASED CONSUMPTION TAX.**

Now let us see the tax impact on the 3 situations

## Situation 1 & 2

TAX INVOICE

Issued by Supplier A

| | |
|---|---|
| Location of Supplier “A” | Delhi |
| Place of Supply | Gujrat |
| Item | TV Sets |
| No | 20 |
| Price per unit | 20000.00 |
| Total | 400000.00 |
| Add: Freight | 10000.00 |
| | -------------- |
| Taxable Value | 410000.00 |
| IGST @28% | 114800.00 |
| | -------------- |
| Total Value | 524800.00 |
| | -------------- |

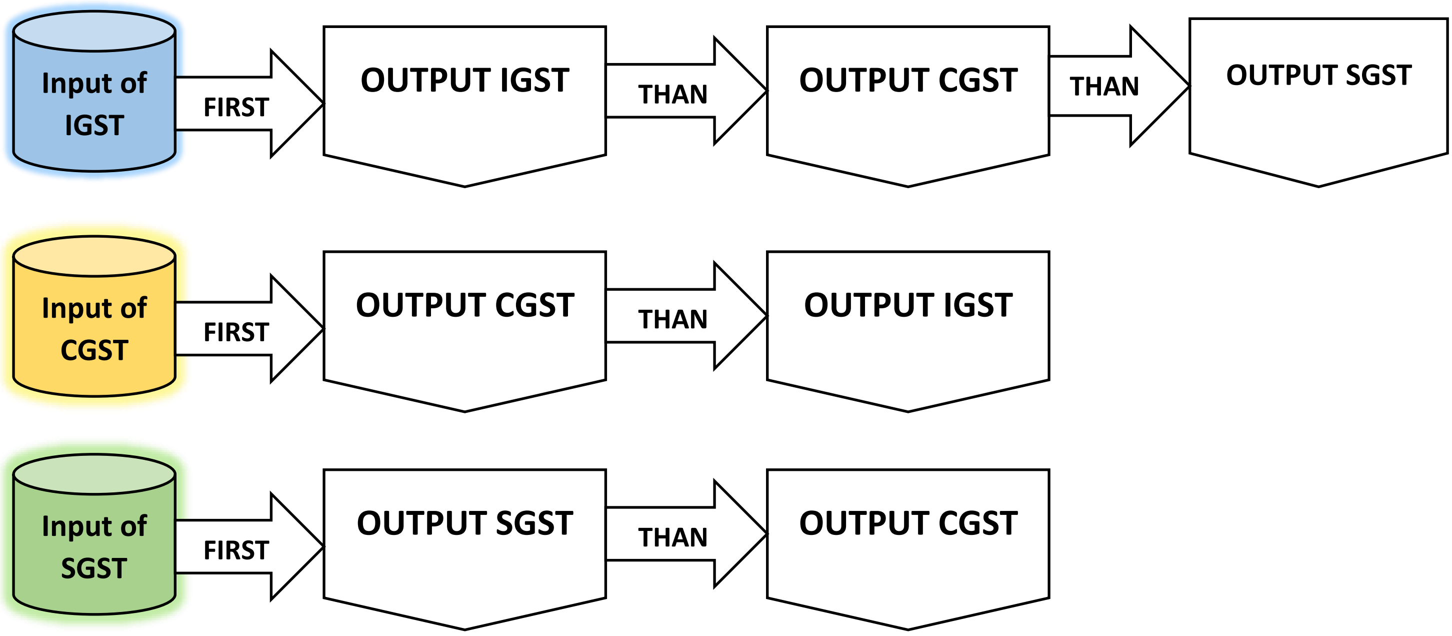
## Situation 3

TAX INVOICE

Issued by Supplier A

| | |
|---|---|
| Location of Supplier “A” | Delhi |
| Place of Supply | Delhi |
| Item | TV Sets |
| No | 20 |
| Price per unit | 20000.00 |
| Total | 400000.00 |
| | -------------- |
| | 400000.00 |
| CGST @14% | 56000.00 |
| SGST @14% | 56000.00 |
| | -------------- |
| | 512000.00 |
| | -------------- |

**In both the cases buyer B will get input tax credit of GST paid on inward supply to A without any limitation but input tax credit will be utilized strictly in the sequence under section 49(5) of CGST Act, 2017 as below:-**

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