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AN ANALYTICAL STUDY OF THE TIME, VALUE, AND PLACE OF TAXABLE SUPPLY.

AUTHORED BY - BEAUTY ILAYIRA

ABSTRACT

Taxable supply is a key concept in tax legislation, especially regarding goods and services tax (GST) frameworks. It establishes the tax obligations for businesses and individuals involved in supplying goods and services. A thorough analysis of the timing, value, and location of taxable supply is essential for adhering to tax laws, avoiding tax evasion, and promoting economic efficiency.

The Goods and Services Tax (GST) is a consumption tax based on the destination that is applied at various stages of the production and distribution process for goods and services, allowing for credits on input taxes against output taxes. GST is poised to be a significant transformative measure, as the proposed GST framework aims to consolidate all major indirect taxes, such as Central Excise, Service Tax, under its system. Consequently, the traditional notions of manufacturing goods, providing services, or selling products will become outdated, since taxation will be focused on the 'supply' of goods and/or services, necessitating a uniform basis for the levy and collection of GSTs across all instances.

The taxable event of 'supply' is closely tied to the principles that govern the place of supply to establish the relevant taxing authority, as GST seeks to replace the existing origin-based taxation approach in India with a destination-based consumption tax model. While identifying the place of supply for goods can be relatively straightforward, determining it for services poses significant challenges due to the absence of physical movement, leading to potential confusion unless a clear mechanism is established. Therefore, under the GST regime, the regulations regarding both the time of supply and the place of supply will be of vital importance. In the context of GST, invoices may include three types of taxes: SGST and CGST for intra-state transactions, and IGST for interstate transactions.

However, distinguishing whether a specific transaction qualifies as inter or intrastate can be quite complex. Consider a scenario involving an online training session with participants

located in various regions of the globe. For instance, when dealing with hotel services, the recipient may have a business in a different state and might only be visiting the hotel temporarily, or goods could be sold on a train journey that traverses multiple states. To clarify some of these complexities, the IGST Act establishes certain guidelines that determine whether a transaction is classified as inter or intrastate, known as the place of supply rules.

Understanding the time, place, and value of supply is crucial.

The time of supply refers to the moment when goods or services are deemed to be supplied. When the seller is aware of this 'time', it allows him to determine the payment due date for taxes.

The place of supply is necessary for establishing the appropriate tax to be applied on the invoice, whether it will be IGST or CGST/SGST.

The value of supply holds significance because GST is computed based on the sale value. If the value is miscalculated, the GST amount applied will also be incorrect.

TIME OF SUPPLY

The time of supply refers to the moment when goods or services are regarded as having been supplied. Understanding this 'time' enables the seller to determine the deadline for tax payment. The applicable CGST/SGST or IGST must be settled at the time of supply. There are distinct criteria for determining the time of supply for goods and services.

The time of supply for goods is determined by the earliest of the following:

1. The date the invoice is issued.
2. The final date when the invoice ought to have been issued.
3. The date when an advance or payment is received.

PLACE OF SUPPLY

It specifies the location where a specific transaction of goods or services occurs. The site of the transaction aids in identifying whether it qualifies as an inter-state supply, an intra-state supply, or external trade, allowing taxpayers to comprehend the type of GST linked to the transaction.

VALUE OF SUPPLY

It establishes the worth of a specific transaction involving goods or services provided. Assessing the supply value facilitates the calculation of the taxes owed. Should the supply value be inaccurate, the tax rate applied on the invoice will consequently be incorrect.

RESEARCH QUESTIONS

- What are the main difficulties and intricacies involved in establishing the timing, value, and location of taxable supply?
- In what ways do businesses presently manage these difficulties, and what effects does this have on GST compliance and revenue generation?
- What are the optimal practices and guidelines for effectively determining the timing, value, and location of taxable supply?

RESEARCH OBJECTIVES

- To investigate the principles of time, value, and location of taxable supply.
- To explore the effects of these principles on GST compliance and revenue generation.
- To recognize the difficulties and complexities involved in establishing the time, value, and location of taxable supply.

STATEMENT OF PROBLEM

Establishing the correct timing, valuation, and location of taxable supplies is essential for businesses to adhere to Goods and service tax (GST) rules and regulations. Nonetheless, the intricacies and subtleties surrounding these concepts frequently result in misunderstandings, mistakes, and conflicts.

HYPOTHESIS

The accurate determination of the time, value, and place of taxable supply significantly influences tax compliance, revenue collection efficiency, and economic behavior, which the technicality is increasing the inconsistency and leading to tax evasion dispute and tax challenges.

SCOPE AND LIMITATION

This research intends to deliver an in-depth examination of the concepts of time, value, and location regarding taxable supply, emphasizing the difficulties and intricacies involved in their implementation. The results of this research will aid in establishing more precise and uniform GST compliance methods, minimizing revenue loss and fostering equitable competition.

KEY WORDS

Supply, place, time, value, GST, Jurisdictions, taxable supply,

FRAMEWORK OF TAXABLE SUPPLY**Definition and Meaning of Taxable Supply**

Taxable supply refers to the supply of goods or services that are subject to taxation under a country's tax laws, typically under a Value-Added Tax (VAT) or Goods and Services Tax (GST) system. It includes all transactions where a business sells goods or services that attract tax at a standard, reduced, or zero rate.

Key Aspects of Taxable Supply:

Scope: Includes sales, exchanges, leases, and other transactions involving taxable goods or services.

Tax Liability: The supplier is responsible for charging and collecting tax from the buyer and remitting it to the government.

Types of Tax Rates: May be taxed at standard rates, reduced rates, or zero rates, depending on the jurisdiction.

Exclusions: Certain supplies, such as exempt or out-of-scope supplies, are not considered taxable.

Examples of Taxable Supplies:

Sale of consumer goods (electronics, clothing, furniture)

Provision of services (consulting, legal, advertising)

Rental of commercial property

Importation of goods (subject to customs duties and VAT/GST)

Importance in Taxation Systems (GST)

i . What is GST?

Goods and Services Tax (GST) is a comprehensive indirect tax applied to the sale of goods and services in India. This tax operates on a multi-stage, destination-based model, being imposed at every stage of value addition. GST has replaced various indirect taxes that were previously collected by both national and state authorities. The implementation of this tax system aims to streamline the tax framework, enhance compliance, and reduce the cumulative effect of taxes on goods and services.

The Goods and Services Tax (GST) plays a pivotal role in contemporary taxation frameworks. It is an indirect tax based on consumption, applied to the supply of goods and services. The significance of GST within taxation systems can be outlined as follows:

- a. **Streamlining the Tax Framework:** GST consolidates various indirect taxes such as VAT, service tax, and excise duty into a single tax. This unification simplifies compliance for businesses.
- b. **Mitigation of Tax Cascading:** Prior to the implementation of GST, multiple taxes were imposed at various stages, leading to increased costs. The GST system employs an input tax credit (ITC) mechanism, effectively reducing instances of double taxation.
- c. **Stimulating Economic Development:** GST fosters free trade among states by removing state-specific tax obstacles. This, in turn, improves business efficiency and enhances competitiveness.
- d. **Augmenting Government Revenue:** A broader tax base contributes to increased revenue generation. The introduction of digital invoicing and enhanced transparency has also led to a decrease in tax evasion.
- e. **Facilitating Business Operations:** Standardized tax rates and procedures simplify the operational landscape for businesses. This stability in the tax structure attracts foreign investments.
- f. **Promoting Transparency and Compliance:** The GST framework is driven by technology, utilizing platforms such as the GSTN portal for returns and e-invoicing. Digital documentation helps to reduce black market activities and corruption.
- g. **Advantages for Consumers:** Consumers benefit from a lower tax burden due to the diminished cascading effect, resulting in more competitive pricing for goods and services.

Comparative Analysis of Taxable Supply in Different Jurisdictions

Taxable supply pertains to the transaction of goods and services that are liable for taxation according to the tax regulations of a specific jurisdiction. Various jurisdictions have distinct definitions of taxable supply, resulting in differences in tax frameworks, rates, and exemptions. This document examines the notion of taxable supply across several significant jurisdictions, including the United States, the European Union, Canada, and Australia, in order to underscore both the differences and commonalities in tax treatment.

i. The United States

The United States do not implement a federal value-added tax (VAT) or goods and services tax (GST). Rather, sales tax is levied at both state and local levels. Each state has the authority to define what qualifies as a taxable supply, resulting in differences in tax rates and exemptions across the country. Typically, services are exempt from sales tax unless explicitly indicated otherwise. The taxation of e-commerce and digital services has gained attention, with numerous states adopting economic nexus regulations in the wake of the *South Dakota v. Wayfair, Inc.* ruling.

ii. The European Union

The EU implements a Value Added Tax (VAT) system that encompasses taxable supplies, which include the sale of goods and services, intra-community acquisitions, and imports. The standard VAT rates vary between 17% and 27%, contingent upon the specific member state. Certain categories of goods and services are eligible for reduced VAT rates or exemptions, including essential items such as food and medicine, as well as financial services. Businesses that are VAT-registered are required to charge VAT on their sales and subsequently remit the collected tax to the relevant tax authorities, with the ultimate tax burden falling on consumers.

iii. Canada

Canada implements a Goods and Services Tax (GST) at the federal level, with certain provinces either adding a Provincial Sales Tax (PST) or engaging in the Harmonized Sales Tax (HST) framework. The standard GST rate is set at 5%, whereas HST rates differ by province, such as 13% in Ontario and 15% in Nova Scotia. In the Canadian tax system, there are important distinctions between exempt supplies, such as financial services, and zero-rated supplies, including basic groceries. Businesses must register and collect GST/HST on taxable supplies if their revenue surpasses the small-supplier threshold.

iv. Australia

Australia enforces a Goods and Services Tax (GST) at a standard rate of 10% applicable to the majority of goods and services. Certain supplies are exempt from GST, such as healthcare and education, while others are input-taxed, including residential rent and financial services. Businesses with an annual turnover exceeding AUD 75,000 are required to register for GST and submit the tax to the Australian Taxation Office (ATO). This tax framework also encompasses digital services and low-value imports to maintain equitable competition.

v. Nigeria

In Nigeria, the Goods and Services Tax (GST) is not directly implemented as a tax framework. Rather, the country utilizes a Value Added Tax (VAT) system, which fulfills a comparable role to GST found in other nations. VAT is applicable to the majority of goods and services, with certain exceptions for specific items. Essential goods and services, including basic food products, healthcare services, and educational resources, are exempt from VAT. While GST rates differ across various countries, Nigeria maintains a uniform VAT rate of 7.5%.

TIME OF SUPPLY

Definition and Legal Provisions

i. Definition of time of supply:

The time of supply is defined as the moment at which goods or services are deemed to be supplied according to tax regulations. This concept is essential for establishing tax obligations, the relevant tax rate, and the deadline for tax payment. In the context of GST (Goods and Services Tax) legislation in various regions, the time of supply is instrumental in determining when a taxpayer is required to recognize and remit tax for a transaction.

Legal Provisions under GST (India), The Goods and Services Tax (GST) legislation in India delineates the time of supply within Sections 12, 13, and 14 of the CGST Act, 2017.

a. Time of Supply for Goods

According to Section 12 of the CGST Act, 2017

The time of supply for goods is determined by the earlier of the following events:

The date on which the invoice is issued or the final date by which the invoice should have been issued in accordance with GST regulations (i.e., within the specified timelines).

The date on which payment is received, whichever occurs first.

For instance, if an invoice is issued on March 10 and payment is received on March 15, the time of supply is considered to be March 10.

Conversely, if payment is received prior to the issuance of the invoice (for example, on March 5), then the time of supply is March 5.

b. Time of Supply for Services

According to Section 13 of the CGST Act, 2017

The time of supply for services is determined by the earlier of the following two events:

The date on which the invoice is issued or the last date by which the invoice should have been

issued.

The date on which payment is received, whichever occurs first.

For instance, if an invoice for services is issued on April 1 and the payment is received on April 5 the time of supply is considered to be April 1. Conversely, if the payment is received prior to the issuance of the invoice (for example, on March 30), then the time of supply is March 30.

c. Time of Supply in the Context of Reverse Charge (Sections 12 & 13)

In transactions governed by the reverse charge mechanism (RCM), the time of supply is determined by the earliest of the following events:

The date of payment as documented in the recipient's records or the date of debit in the bank account.

Sixty days from the date of the invoice for goods, or thirty days for services.

d. Timing of Supply for Interest, Late Fees, or Penalties (Section 13(6))

The timing of supply will be established as the date on which the supplier obtains payment for these charges.

e. Modification of Tax Rate (Section 14)

In the event of a change in the tax rate occurring between the date of supply and the date of invoice or payment, the timing of supply will be ascertained according to particular provisions that guarantee the application of tax at the appropriate rate.

3.2 Methods for Determining the Time of Supply

Invoice-Centric Method: The moment of supply is established upon the issuance of the invoice. This approach is frequently employed in regions where tax obligations are triggered by the act of invoicing. Should an invoice be generated prior to the delivery of goods or the receipt of payment, the tax obligation becomes effective at that time.

Payment-Centric Method: The moment of supply is recognized when payment is received, whether in total or in part. This approach is advantageous for cash-based accounting systems, as tax obligations emerge solely upon the actual receipt of funds. It is frequently employed in service sectors or by enterprises facing cash flow challenges.

Delivery-Centric Method: The moment of supply is established when goods are delivered or

services are rendered. This approach is prevalent in regions where tax obligations arise at the point of actual goods transfer or service completion. It guarantees that tax is payable only when the transaction has been successfully executed.

Implications of Incorrect Time Determination

Inaccurate time measurement can have profound effects across multiple sectors. The following are some significant repercussions:

a. Business and Financial Consequences

Missed deadlines and appointments: This can result in lost business prospects or strained professional relationships.

Financial transactions: Accurate timestamps are essential for stock markets, banking operations, and online payments. Mistakes may lead to financial losses or disputes.

Supply chain interruptions: Logistics and shipping depend on precise timing; inaccuracies can result in delays and operational inefficiencies.

b. Legal and Compliance Challenges

Contract enforcement: Legal contracts frequently contain time-sensitive provisions. Incorrect timestamps may result in breaches of these agreements.

Court proceedings and evidence: Digital records, surveillance videos, and logs require accurate timestamps to be considered valid in legal contexts.

Regulatory compliance failures: Certain sectors, such as healthcare and finance, are obligated to follow stringent time-tracking regulations.

c. Technological and System Failures

Software and server synchronization: Many IT infrastructures necessitate synchronized time for optimal performance. Errors can lead to system failures or data corruption.

Cybersecurity vulnerabilities: Incorrect time settings may result in authentication issues and security risks.

GPS and navigation inaccuracies: Numerous technologies depend on precise timekeeping for accurate positioning and routing.

d. Health and Safety Concerns

Medical inaccuracies: Incorrect timestamps on prescriptions, patient records, or emergency

response logs can pose serious risks to life.

Transportation incidents: Airlines, railways, and public transit systems rely on accurate timing to prevent accidents and ensure efficient operations.

Delays in emergency response: Inaccurate time records can hinder timely responses from police, fire, or medical services.

e. Scientific and Research Mistakes

Astronomical and space research: Precision in timekeeping is vital for space exploration, satellite communication, and physics experiments.

Biological and medical studies: The timing of experiments is critical to their outcomes, and errors can lead to erroneous conclusions.

f. Personal and Social Disruptions

Missed appointments and travel interruptions: Individuals may fail to catch flights, trains, or significant events.

Errors in time zone calculations: Effective international coordination necessitates accurate timekeeping; mistakes can lead to misunderstandings.

Everyday inconveniences: Issues such as oversleeping or poor schedule management can arise from incorrect time, impacting productivity and daily activities.

VALUE OF SUPPLY

Definition and Legal Framework

The Value of Supply under the Goods and Services Tax (GST) pertains to the amount upon which GST is assessed. This value is established based on the transaction value and encompasses all payments made or to be made by the recipient to the supplier.

According to Section 15 of the CGST Act, 2017, the value of supply is defined as follows: The actual price paid or payable for the provision of goods or services, provided that the supplier and recipient are not related and that the price constitutes the only consideration for the supply.

Components Included in the Value of Supply (Section 15(2)), The following components must be factored into the value of supply:

Taxes, duties, cases, fees, and charges, excluding GST (for instance, customs duties).

Incidental costs such as commissions, packaging, or any other charges incurred prior to delivery.

Interest, late fees, or penalties associated with delayed payments.

Subsidies that are directly related to the price (excluding those provided by the government).

For instance, if a manufacturer sells a machine for ₹1,00,000, adds packing charges of ₹2,000, and includes a commission of ₹5,000, the taxable value would amount to ₹1,07,000.

Exclusions from the Value of Supply (Section 15(3))

Discounts provided prior to or at the time of supply, as long as they are documented in the invoice. Discounts offered after the supply, contingent upon prior agreement and associated with specific invoices. For instance, if a supplier grants a 10% discount on a product priced at ₹50,000, the taxable value is adjusted to ₹45,000.

Methods for Assessing the Value of Supply (Rules 27-31 of CGST Rules, 2017)

In cases where the transaction value cannot be determined, alternative methods are utilized:

situation	Valuation method
The price is not the only factor to consider	Open Market Value (OMV) or Equivalent Value should also be taken into account.
Related Party Transactions	OMV or Cost plus 10%
Goods/Services Provided at No Charge	Valuation based on Cost
Foreign Exchange Transactions	RBI Exchange Rate
Lottery, Betting, and Gambling	100% of the Face Value

Components of the Value of Supply

The determination of the Value of Supply under the Goods and Services Tax (GST) in India is influenced by several factors, including consideration, discounts, additional charges, and provisions related to imports and exports.

1. Consideration and Its Forms

Definition: According to Section 2(31) of the CGST Act, 2017, consideration encompasses any payment or benefit received in exchange for the supply of goods or services, which can be in either monetary or non-monetary forms.

a. Types of Consideration:

Monetary Consideration: Includes cash payments, bank transfers, credit card transactions, etc.

Non-Monetary Consideration: Encompasses barter transactions, exchanges of goods or services, shares in a company, and complimentary goods offered as incentives.

Deferred Consideration: Refers to payments made in the future, installment payments, or post-dated cheques.

Example: If a company offers software services and receives office furniture instead of cash, the value of the supply will be assessed based on the market value of the software services provided.

2. Discounts, Additional Charges, and Adjustments

i. Discounts: According to Section 15(3) of the CGST Act, the treatment of discounts is as follows:

a. Pre-Supply Discounts (Trade Discounts):

Provided prior to or at the time of supply.

Must be documented on the invoice.

Excluded from the supply value.

b. Post-Supply Discounts:

Offered after the supply (such as year-end or performance-based discounts).

Permitted only if agreed upon prior to the supply and associated with a specific invoice.

Must be reversed in tax liability if Input Tax Credit (ITC) is applicable.

Example: A supplier sells products valued at ₹1,00,000 and provides a 10% trade discount (₹10,000). The taxable amount is ₹90,000.

3. Considerations for Importing and Exporting

a. Imports

For goods and services that are imported, the Goods and Services Tax (GST) is applicable as follows.

Goods: The Integrated Goods and Services Tax (IGST) is imposed in accordance with the Customs Act of 1962. The taxable value comprises.

CIF Value (Cost, Insurance, and Freight)

Customs Duty and Additional Charges

IGST and Compensation Cess (if applicable)

Services: The recipient is responsible for paying GST through the Reverse Charge Mechanism (RCM). For instance, if a company imports machinery valued at ₹10,00,000, with freight charges of ₹1,00,000 and insurance costs of ₹50,000, and the basic customs duty amounts to ₹1,50,000, the taxable value for IGST would total ₹12,00,000.

b. Exports

Exports are classified as zero-rated supplies under Section 16 of the IGST Act.

While no GST is levied, businesses have the opportunity to:

Request ITC refunds for taxes incurred on inputs.

Export without incurring GST by utilizing a Letter of Undertaking (LUT).

For example, a textile exporter sells garments worth ₹5,00,000 to the United States. They incur no GST but are eligible to claim refunds on input taxes related to materials such as fabric and labor costs.

Methods of Valuation

Under the Goods and Services Tax (GST) legislation, the value of a supply is generally determined by the transaction value, which refers to the actual price paid or payable for the goods or services. In instances where this value cannot be ascertained, alternative methods of valuation are employed in accordance with the GST Rules, specifically Rules 27 to 31 of the CGST Rules, 2017.

a. Transaction Value Method (Primary Method – Section 15 of CGST Act, 2017)

The primary approach for valuation under the Goods and Services Tax (GST) framework is the transaction value, which refers to the actual amount paid or payable when:

The supplier and the recipient are not connected parties.

The price constitutes the only consideration for the supply.

For instance, if a manufacturer sells machinery to a dealer for ₹5,00,000, this amount serves as the transaction value upon which GST is assessed. In cases where the transaction value cannot be established, alternative valuation methods are utilized.

PLACE OF SUPPLY

Concept and Importance

The Place of Supply establishes the jurisdiction or area in which a transaction is subject to taxation under the Goods and Services Tax (GST) framework in India. This classification is essential for categorizing transactions into:

Intra-State Supply – where GST is levied as CGST combined with SGST or UTGST

Inter-State Supply – where GST is applied as IGST

The determination of the Place of Supply is influenced by:

The nature of the supply (goods or services)

The geographical locations of both the supplier and the recipient

The nature of the transaction (whether domestic or international).

Importance of Place of Supply

- a. Identification of GST Type (CGST+SGST vs. IGST): Proper classification is crucial to prevent instances of double taxation or tax evasion. For instance, when goods are

transported from Maharashtra to Gujarat, IGST is applicable, whereas transactions occurring within Maharashtra are subject to CGST and SGST.

- b. **Guarantees Accurate Revenue Distribution to States:** GST operates as a destination-based tax, which means that the revenue is allocated to the state where the goods or services are ultimately consumed. For example, if an IT firm based in Delhi provides services to a client in Karnataka, the tax revenue collected under IGST will be directed to Karnataka.
- c. **Mitigates Taxation Conflicts:** A clear definition of the place of supply is essential to prevent disputes regarding improper tax collection by states. For example, if a company in Karnataka incorrectly applies CGST and SGST for a transaction that should be taxed under IGST, it may lead to a conflict.
- d. **Crucial for International Trade (Exports & Imports):** Exports are classified as 'Zero-Rated Supply', which alleviates any tax burden on exporters. Conversely, imports are liable for IGST, ensuring equitable taxation on foreign goods and services.
- e. **Vital for E-Commerce and Digital Transactions:** The rules governing the place of supply are essential for ensuring tax compliance among online businesses and digital services. For instance, a Netflix subscription utilized in India but billed from the United States necessitates adherence to the correct place of supply regulations for GST compliance.

Place of Supply Rules for Different Transactions

Type of supply	Place of supply determination
For goods involving movement	the destination is the location where the buyer receives the items.
goods without movement, specifically under ex-works delivery.	the location where the goods are made available to the buyer
For business-to-business services	the recipient's registered address is utilized,
for business-to-consumer services	the location of the service provider is applicable unless specific regulations dictate otherwise.
For real estate services	relevant location is that of the property itself
For event and catering services	the venue where the event takes place is considered

In transportation, whether for passengers or goods	the starting point of the journey is identified.
for telecommunications, internet, and digital services	the billing address of the recipient is the pertinent location.

Place of Supply for Goods

Goods that involve movement are defined by the location where they are delivered to the buyer. For instance, when a supplier in Mumbai sends goods to a buyer in Delhi, the place of supply is determined to be Delhi, thus attracting Integrated Goods and Services Tax (IGST).

In cases where goods do not involve movement, such as an Ex-works sale, the location where the goods are available for delivery is relevant. For example, if a buyer collects goods from a warehouse in Chennai, the place of supply is Chennai, leading to the application of Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST).

When goods are supplied on board a mode of transport, such as an aircraft, train, or ship, the place of supply is identified as the location from which the goods are first scheduled to depart. For example, if food is sold on a flight from Mumbai to Bengaluru, the place of supply is Mumbai.

In the scenario of goods sent to an unregistered recipient under the Bill-to-Ship-to model, the place of supply is based on the location of the "Bill-to" party rather than the consignee. For instance, if a supplier in Kolkata bills goods to a buyer in Bengaluru but ships them to a warehouse in Chennai, the place of supply is Bengaluru, as the invoice is issued to the Bengaluru buyer.

For the import of goods, the place of supply is determined by the location of the importer. For example, if goods are imported into Gujarat, IGST is applicable and collected at customs.

Lastly, in the case of exports, the destination is outside India. For instance, goods exported to the United States are classified as a zero-rated supply, meaning no Goods and Services Tax (GST) applies.

Place of Supply for Services

- B2B Services (Business to Business) the place of supply is the Registered business address of the recipient. An IT firm located in Mumbai offers services to a company based in Bengaluru, Place of supply is Bengaluru (IGST is applicable)
- B2C Services (Business to Consumer), the place of supply is the Location of the service provider (unless specific regulations dictate otherwise), A consultant from Pune delivers services to an unregistered client in Kerala Place of supply is Pune.
- Real Estate Services, place of supply is the Location of the property involved. A construction firm operates in Goa, Place of supply is therefore in Goa.
- Event Management & Catering Services, the supply place is the Location of the event. An event planner from Delhi organizes a wedding in Rajasthan. Therefore, Place of supply is in Rajasthan.
- Transportation of Goods (Domestic), the place of supply is the Location where the goods are transferred for transport. A logistics company transports goods from Kolkata to Chennai. Therefore, Place of supply is in Kolkata.
- Passenger Transport Services, place of supply Starting point is where the journey began. A flight departing from Bengaluru to Hyderabad, the Place of supply is therefore in Bengaluru.
- Telecom, Internet, and Digital Services. the place of supply is the Customer's billing address. A Netflix subscription utilized in India but billed from the United States, the Place of supply is therefore India (IGST is applicable for cross-border services)
- Banking & Financial Services. the place of supply is the Location of the service provider (B2C), location of the recipient (B2B). A Delhi-based bank processes loan services for a firm in Chennai, the Place of supply is therefore Chennai.
- Import of Services the place of supply is the Location of the recipient within India. A software company from the United States provides cloud services to an Indian enterprise, the Place of supply is therefore India (IGST applies under RCM)
- Export of Services, the place of supply is the Recipient located outside India & payment made in foreign currency, Zero-Rated Supply (No GST applicable). A marketing agency in Delhi serves a client in the United States therefore, No GST (Export of Services).

Special Rules for Cross-Border Transactions

Cross-border transactions encompass the importation and exportation of goods and services,

with Goods and Services Tax (GST) having particular regulations that govern the determination of the place of supply, the applicability of tax, and the necessary compliance obligations.

1. Cross-Border Transactions for Goods

a. Import of Goods

Place of Supply: The location of the importer within India

Tax Applicability: IGST is imposed during customs clearance

Who Pays GST? The importer is responsible for paying IGST along with Customs Duty

Input Tax Credit (ITC)? Yes, ITC can be claimed for the IGST paid

Example: A firm located in Gujarat imports machinery from Germany. The place of supply is Gujarat, and IGST is settled at customs prior to clearance.

b. Export of Goods

Place of Supply: The destination outside of India

Tax Applicability: Zero-Rated Supply (GST does not apply)

Who Pays GST? No GST is applicable on exports; exporters may claim a refund of input tax credit (ITC) or choose to export with IGST payment and subsequently claim a refund

Documents Required: Shipping bill, export invoice, LUT (Letter of Undertaking)

Example: An Indian textile firm exports garments to the USA. The place of supply is the USA, and no GST is levied on the invoice.

2. Cross-Border Transactions for Services

a. Import of Services

Place of Supply: The location of the recipient in India

Tax Applicability: IGST is applicable under the Reverse Charge Mechanism (RCM)

Who Pays GST? The Indian recipient (importer of services) is liable to pay GST

ITC Eligibility? Yes, ITC can be claimed if the services are utilized for business purposes

Example: An Indian IT firm subscribes to a cloud service provided by a company based in the US. The place of supply is India, and the Indian firm is required to pay IGST under RCM.

b. Export of Services

Location of Supply: Outside India

Tax Status: Zero-Rated Supply (GST does not apply)

GST Responsibility: No GST is levied on exports, and exporters are eligible to claim a refund of Input Tax Credit (ITC)

Requirements for Exporting Services:

1. The supplier must be based in India
2. The recipient must be located outside India
3. Payment must be made in foreign currency
4. The supplier and recipient must not be related

Illustration: A marketing agency in India offers services to a client in the United Kingdom. The location of supply is determined to be the UK, and consequently, no GST is applied to the invoice.

CONCLUSION

The taxable event of 'supply' is closely tied to the principles that govern the place of supply to establish the relevant taxing authority, as GST seeks to replace the existing origin-based taxation approach in India with a destination-based consumption tax model. While identifying the place of supply for goods can be relatively straightforward, determining it for services poses significant challenges due to the absence of physical movement, leading to potential confusion unless a clear mechanism is established.

The analytical examination of the timing, valuation, and location of taxable supplies underscores the significant influence these factors have on tax obligations, compliance standards, and revenue generation. The timing of supply establishes the point at which tax becomes due, facilitating prompt adherence to regulations. The valuation of supply determines the taxable figure, which affects the tax base and revenue assessments. The location of supply specifies the jurisdiction entitled to tax revenue, a vital consideration for international transactions and the prevention of double taxation.

A clearly articulated framework for these components promotes transparency, minimizes conflicts, and supports effective tax administration. The proper application of these principles is crucial for businesses to meet tax regulations while enhancing their tax planning approaches. Ongoing advancements in digital transactions and global commerce require the continual adjustment of tax regulations to keep pace with changing business models and economic conditions.

SUGGESTION

With the development and economy growth of the country, the system of maintaining accurate

records are essential as the general principle of taxation, but the issue arises when these transactions are not recorded as per the accurate time period in which they are done. Therefore, for more transparency and effective flow of keeping the record accurately, the system should be incorporated in such a way that both the recipient and the service provider of goods and services will be able to determine the location of immovable goods and also be clarify on the time of supply for composite supplies.

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