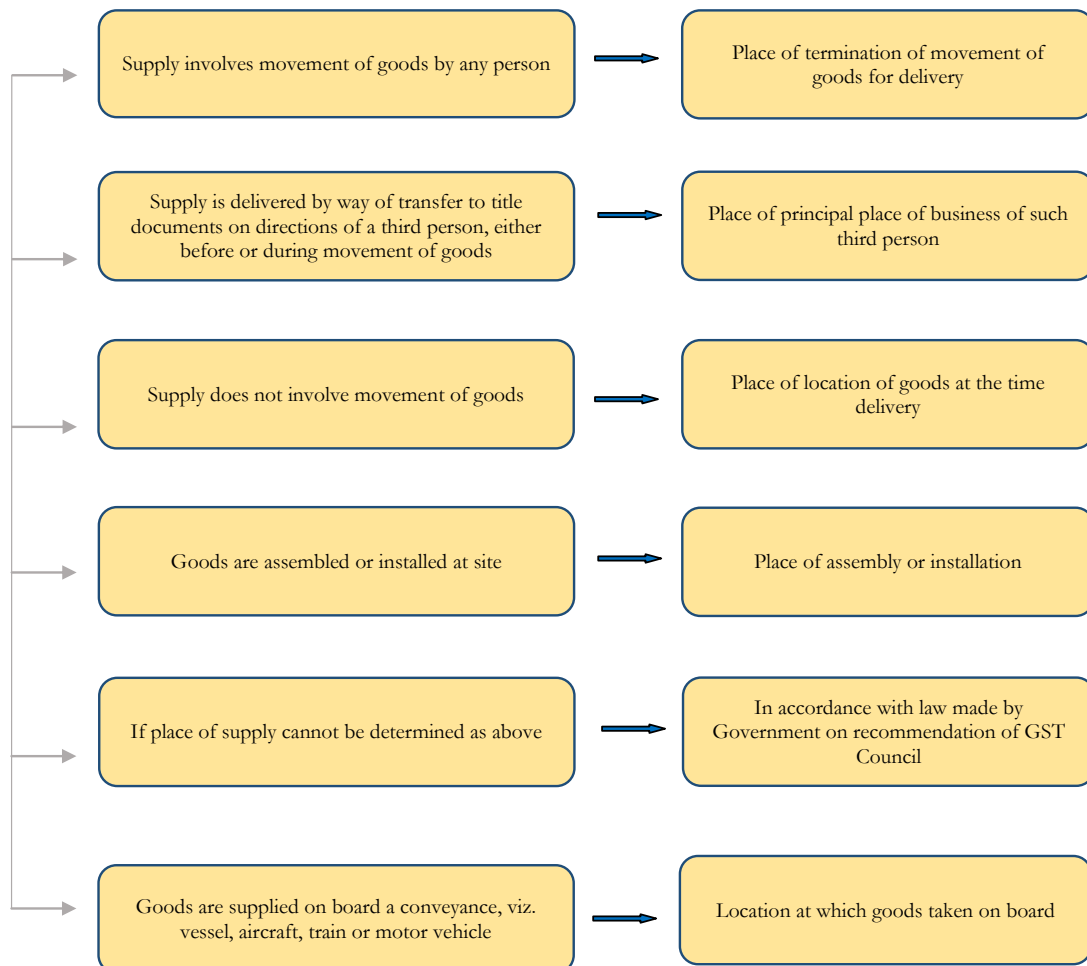


PLACE OF SUPPLY UNDER GST

The draft model GST law released by the Government on June 14, 2016 in public domain lays down the principles to determine the **place of supply** and accordingly treat the taxable supply of goods and/or services either as Intra-State or Inter-State. The rules in this regard are framed in the draft Integrated Goods and Services Act, 2016.

The draft law stipulates separate principles to determine the place of supply of goods and place of supply of services. While the basic principles remain broadly the same as they are presently, the finer aspects of the proposed law cover the supply under GST scenario, both for goods and services, since supply of services will also need to be distinguished as Intra-State or Inter-State for appropriate charging of GST which is not required in the present system of taxation.

PLACE OF SUPPLY OF GOODS

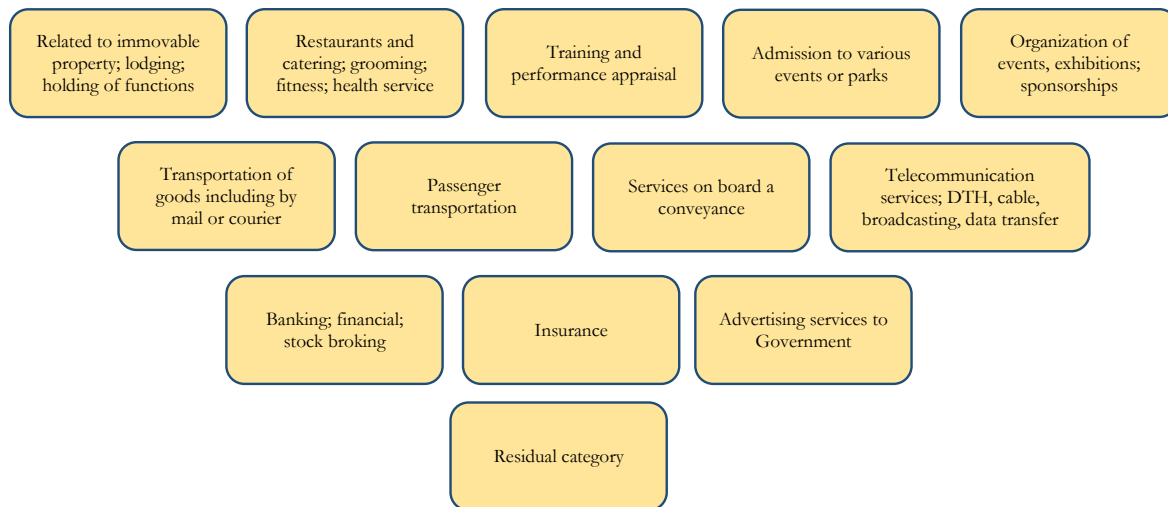


PLACE OF SUPPLY OF SERVICES

Unlike the rules for place of supply of goods where the location of goods play a dominant role, for services similar rules cannot be made due to the intangible nature of services. The proposed

rules for place of supply of services draw their foundation from the existing Place of Provision of Services Rules, 2012, distinguishing, in many cases, the nature of services being rendered to determine the place of supply.

The draft law provides for 12 specific services for which place of supply is to be determined individually. The residual category covers all other services.



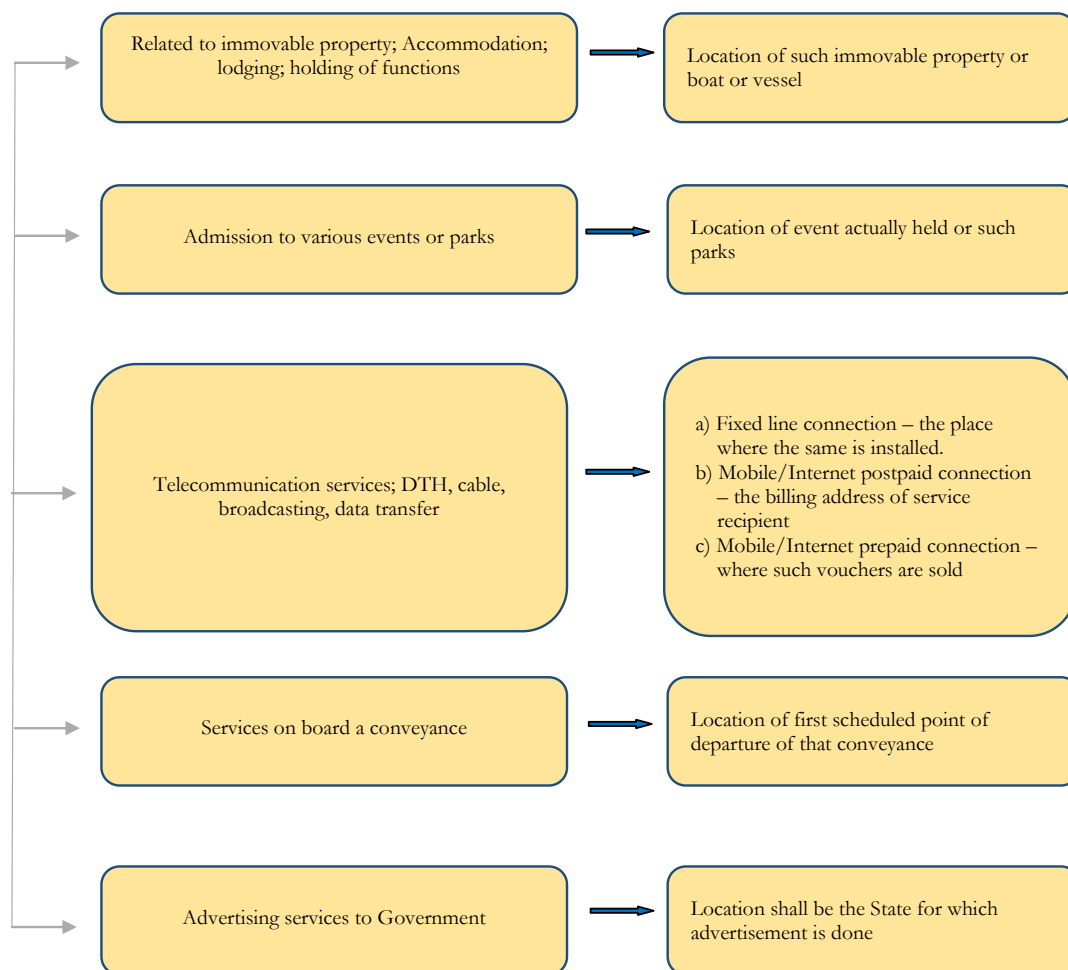
The criteria for determining the place of supply, the following parameters are used:

- Location based for services related to objects or things
- Performance based
- Location of registered persons or others
- Residual category

These are illustrated below.

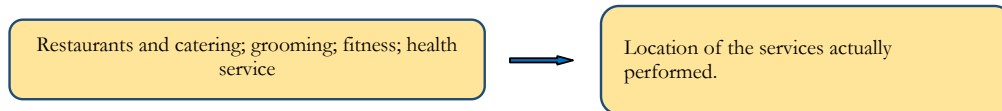
Location based

In this category, the location of specified object/thing is of primary importance and the location of service provider and service receiver loses relevance



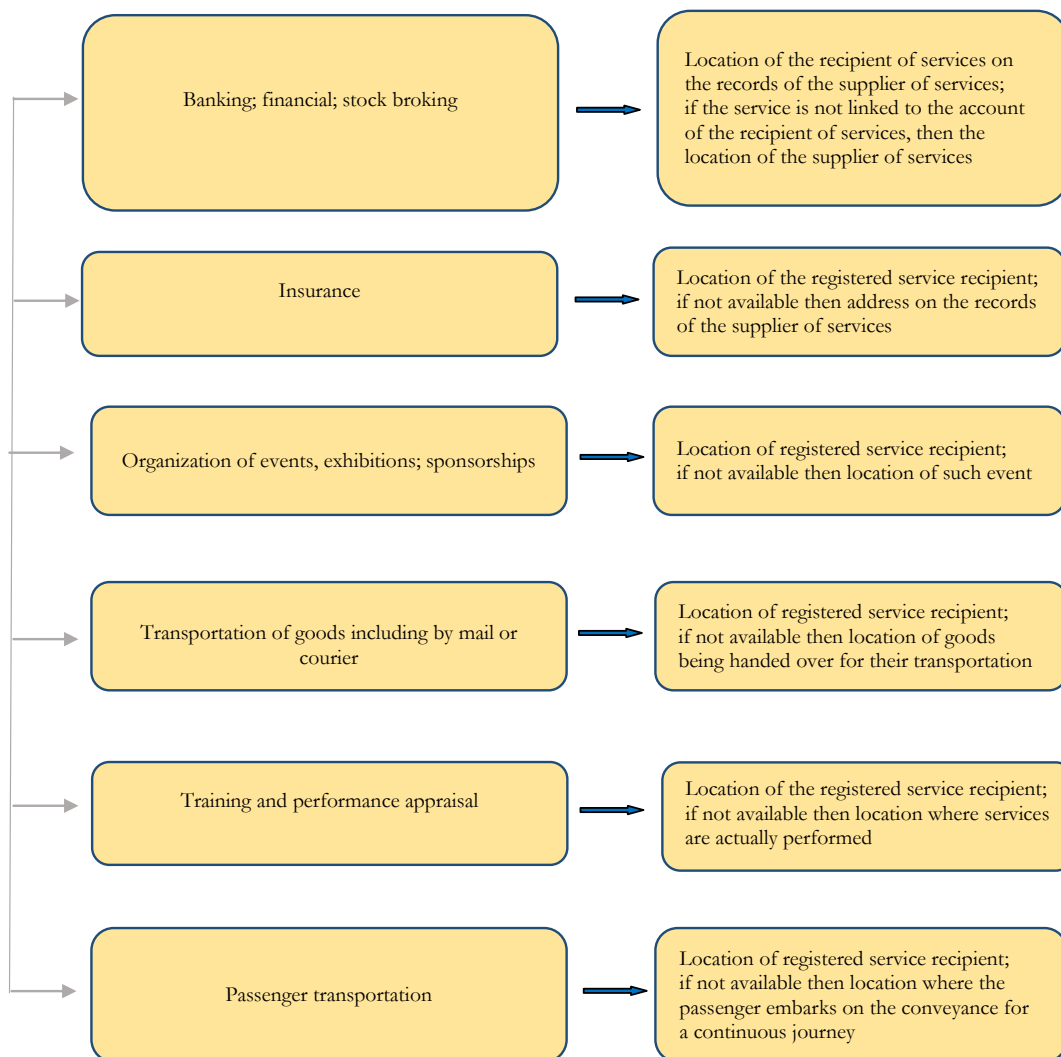
Performance based

Here the location where services are performed plays a dominant role covering mainly those services which require physical presence of service recipient.



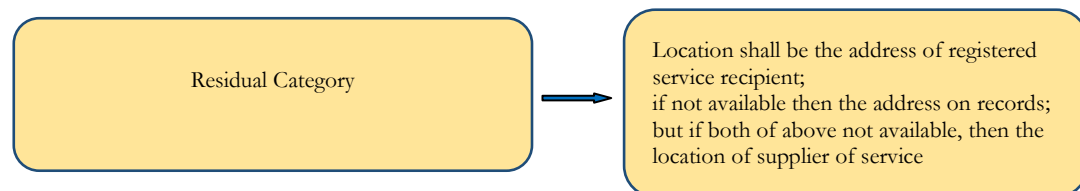
Location of registered person or others

In the below specified services location of service receiver or other person plays dominant role in determining the place of supply of services.



Residual Category

All other services not covered above would come under residual category and place of supply of services would primarily be location of service receiver.



CONCLUSION

Elaborate rules become necessary under the GST regime, since it is a destination based tax. The regime will prove to be complex to service providers as compared to present day and they will need to segregate the services rendered by them into Inter-State and Intra-State for ensuring proper compliances and deposit of taxes.



Sundeep Gupta
Partner - Compliance
email: sundeep.gupta@asa.in