

Chapter 5

Place of Supply of Goods or Services or Both

10. Place of supply of goods other than supply of goods imported into, or exported from India
11. Place of supply of goods imported into, or exported from India
12. Place of supply of services where location of supplier and recipient is in India
13. Place of supply of services where location of supplier or location of recipient is outside India
14. Special provision for payment of tax by a supplier of online information and database access or retrieval services

Statutory provisions

- 10. Place of supply of goods, other than supply of goods imported into, or exported from India**
- (1) *The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under, —*
- (a) *where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient;*
 - (b) *where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;*
 - (c) *where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient;*
 - (d) *where the goods are assembled, or installed at site, the place of supply shall be the place of such installation or assembly;*
 - (e) *where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.*

(2) *Where the place of supply of goods cannot be determined, the place of supply shall be determined in such manner as may be prescribed.*

Related Provisions of the Statute

Statute	Section / Rule	Description
CGST	Section 2(56)	Definition of India
CGST	Section 2(93)	Definition of recipient
CGST	Section 9	Levy and collection of tax
IGST	Section 2(5)	Definition of export of goods
IGST	Section 2(10)	Definition of import of goods
IGST	Section 5	Levy and collection of tax
IGST	Section 7	Meaning of inter-State supplies
IGST	Section 8	Meaning of intra-State supplies
IGST	Section 11	Place of supply of goods imported into, or exported from India
IGST	Section 12	Place of supply of services where location of supplier and recipient is in India
IGST	Section 13	Place of supply of services where location of supplier or location of recipient is outside India

10.1 Introduction

Place of supply is important to determine the kind of tax that is to be charged. When the location of supplier and the place of supply are in two different States, then it will be an inter-State supply and IGST would be chargeable. And when they are in the same State, then it will be an intra-State supply and CGST/ SGST would be chargeable. 'Place of supply' is not a phrase of common understanding, it is a legal term and as in the cases of all legal terms, their common understanding must not be applied but the meaning assigned to them in the law must be followed. Place of supply, similar to time of supply, is that which the legislature has appointed.

GST is understood as a 'destination-based consumption tax' but there is no provision that declares this fact. This missing declaration is more than adequately supplied by the principle being embodied in the provisions of 'place of supply'. It is here that we find that the destination principle of GST is fully captured. The law makers have declared, in each case of supply, its destination of supply.

10.2 Analysis

(a) Place of Supply – Supplies within India

Place of supply of goods, where the supplier and the recipient are both located within India, will be determined in accordance with section 10 of the IGST Act. The phrase 'location of

supplier of goods' has not been defined in the IGST Act and this is deliberate due to the reason that location of the supplier of goods can be easily tracked whereas location of supplier of services, which has been defined under section 2(15) of the IGST Act. Two very important phrases are relevant, namely:

- Location of supplier – the word 'location' in this phrase refers to the site or premises (geographical point) where the supplier is situated with the goods in his control ready to be supplied or in other words it is the physical point where the goods are situated under the control of the person wherever incorporated or registered, ready to be supplied.

However, in case where goods are sent by the Principal to a job worker and the goods are subsequently supplied by the Principal from such job worker's place directly to the premises of the Principal's customer, a view can be taken that the 'location of supplier' would be the location of the Principal from where the goods were originally sent.

Though there is much doubt if this view is really in harmony with the provisions of the law, which require that the Principal declares the location of the job worker as his additional place of business in order to effect supplies directly from the job worker's location (and an additional place of business ought to be within the same State for which the registration has been obtained). Therefore, in the alternate view, the Principal would be required to obtain a separate registration in the State in which the job worker is located, in order to effect taxable supplies from the job worker's premises;

- Place of supply of goods – this is a legal phrase which the section decides to be the site or premises (geographical point) as its 'place of supply'.

Place of supply in each case is discussed below:

- (a) **Where 'supply involves movement'**, the place of supply will be the place where the goods are located at the time at which the movement terminates for delivery to the recipient.
 - ✓ The location of the goods is a question of fact to be ascertained by observing the journey that the goods supplied make from their origin from supplier and terminating with recipient.
 - ✓ This movement, however, can be by the supplier or by the recipient after having disclosed the destination of their movement or journey.
 - ✓ Movement 'terminates for delivery' requires a brief understanding about the manner of concluding delivery. Delivery 'the mode and the time' is the unilateral choice of the recipient and the supplier has no authority to decide 'how' and 'when' he will deliver the goods to the recipient. It is easy to determine in a contract for supply where it records this 'choice' of the recipient regarding the mode and time of delivery. The supplier is always duty-bound to deliver in exactly the same way 'manner and timing' which the recipient dictates. In fact the supplier continues to be obligated until delivery is completed in the way it is stated by the recipient. In other

words, delivery is not complete if there is any deviation in either the manner or the timing as compared to that dictated by the recipient. When the delivery is to the satisfaction of the recipient, then the supplier is released from his obligation. Therefore, the additional question of fact to be determined is the mode and time of delivery dictated by the recipient and whether the same has been complied with to the satisfaction of the recipient.

Illustrations:

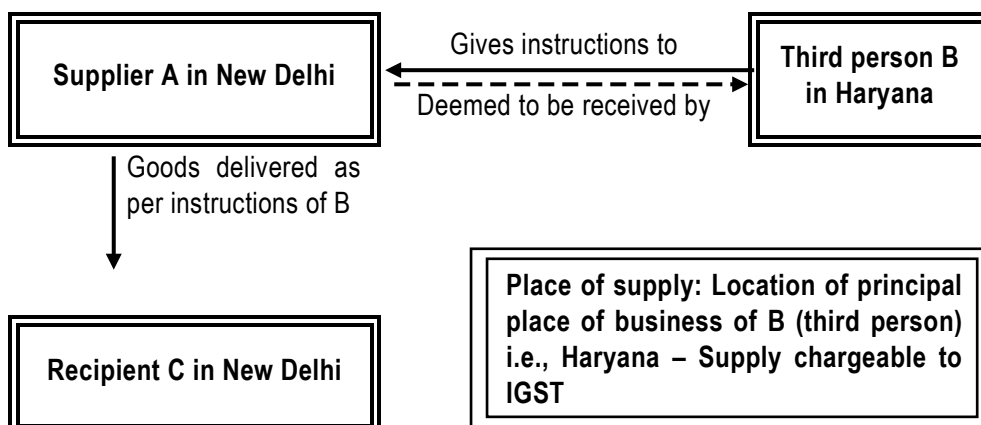
Section 10(1) (a): Supply involves movement of goods

Particulars	Supplier's factory from where goods are removed	Termination of movement for delivery	Place of supply	Tax Payable
Movement of goods by the supplier (goods dispatched by supplier)	Orissa	Assam	Assam	IGST payable at Orissa
<i>[Section 10(1)(a) read with section 2(96)(a) of CGST Act]</i>	Orissa	Orissa	Orissa	CGST/ SGST payable at Orissa
Movement of goods by the recipient (goods collected by recipient)	Kerala	Goa	Goa	IGST payable at Kerala
<i>[Section 10(1)(a) read with section 2(96)(b) of CGST Act]</i>	Kerala	Kerala	Kerala	CGST/ SGST payable at Kerala

(b) **Where goods are delivered by the supplier to the recipient but at the instruction of a third person**, then the place of supply will be the principal place of business of such third person and not of the actual recipient.

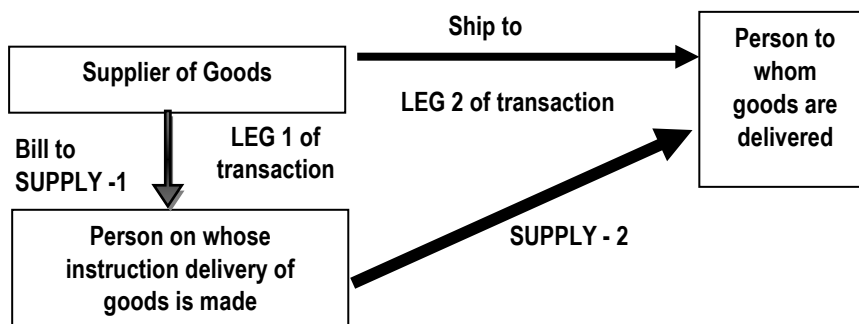
- ✓ It is important to identify the two supplies involved – by supplier to third person and by third person to recipient. This provision deals only with the first limb of supply, that is, supply by supplier to third person.
- ✓ The question that arises is – the locus or authority of the third person to issue instructions to the supplier regarding its delivery. Even though the definition in section 2(93) refers to recipient as the 'payer of the consideration', in this provision, recipient is the one who actually collects the goods. And the third person is the one who enjoys privity with the supplier to be able to direct him to deliver the goods. This is a case of constructive delivery to the third person, therefore, the third person turn out to be the recipient in this case.

Now, the place of supply will not be dependent on whether the movement of goods is from one State to another (if the supplier and recipient are in two different States) but as declared by the section to be dependent on the principal place of business of such third person (i.e., the person providing instructions to the supplier where the delivery should take place).



Illustrations:

Section 10(1)(b): Supply involves movement of goods, and delivered to a person on the instruction of a third person



Leg 1: Supply from the supplier of goods (Seeta) to the person to whom the goods are delivered (Ram) on the instruction of a third person (Lakshman) – *Place of supply shall be the principal place of business of the person on whose instruction goods are delivered to the receiver of goods, being the principal place of business of Lakshman* [Section 10(1)(b)]:

Case	Location of Supplier - Seeta	Place of delivery of goods - Office of Ram	Principal place of business of Lakshman who instructed delivery to Ram	Place of supply for Seeta	Type of tax payable by Seeta
1	Ahmedabad	Ahmedabad	Amritsar	Amritsar	IGST at Gujarat
2	Ahmedabad	Amritsar	Amritsar	Amritsar	IGST at Gujarat
3	Ahmedabad	Bangalore	Bangalore	Bangalore	IGST at Gujarat
4	Ahmedabad	Chandigarh	Ahmedabad	Ahmedabad	CGST + Gujarat GST at Gujarat

Leg 2: Deemed supply of goods by the person on whose instruction (Lakshman) the goods were delivered by the original supplier (Seeta) to the receiver of goods (Ram) – *Place of supply shall be the location of the goods at the time of delivery to the recipient* [Section 10(1)(a)]:

Case	Location of Supplier - Seeta	Principal place of business of Lakshman who instructed delivery to Ram	Place of delivery of goods - Office of Ram	Place of supply for Lakshman	Type of tax payable by Lakshman
1	Ahmedabad	Amritsar	Ahmedabad	Ahmedabad	IGST at Punjab
2	Ahmedabad	Amritsar	Amritsar	Amritsar	CGST + Punjab GST at Punjab
3	Ahmedabad	Bangalore	Bangalore	Bangalore	CGST + Karnataka GST at Karnataka
4	Ahmedabad	Ahmedabad	Chandigarh	Chandigarh	IGST at Gujarat

(c) **Where the supply does not involve movement of goods**, the place of supply will be the location of the goods at the time of its delivery to the recipient.

- ✓ It is not a case where there is difficulty in movement of the goods, but a case where the supply contemplates that the goods ought not to move and when their delivery to the recipient will stand complete.

- ✓ For example, a generator that is bolted to the concrete floor in the basement of a building purchased by the tenant and being left behind at the time of terminating the tenancy, the supply of the generator by the tenant to the landlord for an agreed price is a case of 'supply that does not involve movement of the goods'. In such cases, the place of supply will be where the generator stands bolted to the concrete floor and without requiring any movement. The landlord (recipient) confirms satisfactory completion of delivery.

Another example would be a case where the job worker develops a mould for the production of goods for the principal and retains the mould in his place itself for production of goods. The mould developed by the job worker is sold to the principal but the same is retained by the job worker without causing the movement of mould from job worker premises to principal premises. In this case, the place of supply would be job worker premises.

- ✓ This provision comes into operation only when its applicability is established based on the facts involved in the supply, that is, they do not involve movement.

Illustrations:

Section 10(1) (c): Supply does not involve movement of goods

Particulars	Location of supplier	Location of recipient	Location of goods at the time of delivery	Place of supply	Tax Payable
Sale of pre-installed DG Set	Delhi	Bhopal	Bhopal	Bhopal	IGST payable at Delhi
Manufacture of moulds by job-worker (supplier), sold to the Principal, but retained in job worker's premises	Tamil Nadu	Kerala	Tamil Nadu	Tamil Nadu	CGST + Tamil Nadu GST payable at Tamil Nadu

- (d) **Where the goods are assembled or installed at site**, the place of supply will be the location of such installation or assembly.

- ✓ It is important to note that assembly or installation as referred to in this clause is not a 'works contract', which has been classified by law as a supply of services (in Paragraph 6(a) of Schedule II to the CGST Act, 2017) – please note that the concept of works contract would arise only in respect of services, for which the place of supply is determined under section 12 and section 13 of the IGST Act, 2017.

- ✓ The supply addressed in this provision refers to only a supply of goods, being a composite supply of goods along with some services, or a mixed supply treated as a supply of goods in terms of sections, 2(30), 2(74) and 8 of the CGST Act. In other words, supply from the place of their origin to the site 'for' assembly or installation is subsumed within this provision and merged with the supply to the recipient by virtue of such assembly or installation.
- ✓ This provision appoints the place of supply based on the final act of assembly or installation. There is no requirement to vivisection the entire composite supply of goods (not being works contracts) that is a supply-cum-installation into a supply-plus-installation. If such vivisection were to be done, then in every instance of supply-cum-installation, the supplier will become a 'casual taxable person' in the State where the assembly or installation is required. In other words, when the goods are located in a State (under the control of the supplier which is not registered in that State) and then makes an outward supply directly from where the goods are located, that location becomes the 'place of business' (being the place of storage of goods) of the supplier, making him a casual taxable person in that State.

Illustrations:

Section 10(1) (d): Supply of goods assembled/ installed at site

Particulars	Location of supplier	Registered office of recipient	Installation / Assembly Site	Place of supply	Tax Payable
Installation of weigh bridge	Delhi	Bhopal	Bhopal	Bhopal	IGST payable at Delhi
Servers supplied and installed at an office	Karnataka	Goa	Karnataka	Karnataka	CGST + Karnataka GST payable at Karnataka
Supply of work-stations	Gujarat	Gujarat	Kerala	Kerala	IGST payable at Gujarat

- (e) **Where goods are supplied on-board a conveyance**, the place of supply will be the location at which the goods are taken on-board.
- ✓ Such transactions also cover two supplies – first being the supply of goods 'to' the operator of the conveyance, and second being the supply of such goods as goods or as services, 'by' the operator to the passenger (or any other person), during the journey 'in' the conveyance.
 - ✓ The place of supply covered under this clause is in respect of the second limb, and particularly for the supply of goods by the operator of the conveyance during its journey to the passengers. The supply of goods being food or beverages on board

a conveyance would be outside the scope of this clause, given that such supply is treated as a composite supply of services in terms of Paragraph 6(b) of Schedule II to the CGST Act, 2017. Notification No. 13/ 2018-Central Tax (Rate), dated 26-Jul-2018 states that supply of food in train/ platform would be taxable @5% *pari materia* with restaurant services. However clarity is awaited with respect to the place of supply of such services supplied by IRCTC is to be considered as restaurant services [10(4)] or goods supplied on board [10(1)(e)] classified under However, supply of goods like sale of gift items etc. would be covered under this clause.

- ✓ The term 'conveyance' includes vessel, aircraft, train or motor vehicle as defined under section 2(34) of the CGST Act.
- ✓ The place of supply in respect of first limb of supply will continue to be determined by other provisions of this Chapter and only the second limb of supply 'on-board the conveyance', being a supply of goods, will be determined by this clause.

Illustrations:

Section 10(1) (e): Goods supplied on board a conveyance

Particulars	Location of supplier	Loading of goods	Passenger boards at	Place of supply	Tax Payable
Supply of gift items on a flight	Punjab	Punjab	Delhi	Punjab	CGST + Punjab GST payable at Punjab
Sale of Power bank during the journey	Pune	Goa	Hyderabad	Goa	IGST payable at Maharashtra
Sale of sun-glasses on a ship	Bangalore	Chennai	Cochin	Chennai	IGST payable at Karnataka

- (f) **Residuary provision:** Where none of the foregoing provisions are applicable to determine the place of supply in case of a supply of goods, the Central Government may prescribe rules regarding the manner of its determination. Please ensure that before taking recourse to this residuary provision, it must be demonstrated that the supply is one which cannot be covered by any of the clauses (a) to (e) of section 10(1) .

10.3 Issues and concerns

Consider a case of delivery ex-factory. In such a case, a question may arise as to whether the supply involves movement of goods. However, considering that clause (a) specifies that the movement may be by the supplier or the recipient or any other person, it can be inferred that

even a supply with an ex-factory delivery would be considered to be a supply involving movement of goods. The law does not provide the meaning of the phrase “terminates for delivery”. Delivery may be physical, constructive, implied or in any other form. A plain reading of this clause suggests that the delivery is completed ex-factory, and accordingly, ex-factory supplies would always be intra-State supplies (unless the supplier or recipient is an SEZ).

However, on making thorough study of the law, i.e. section 10(1)(a); section 2(2) which defines “address of delivery” as 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; section 2(3) defines “address on record” as the address of the recipient as available in the records of the supplier; section 2(93) defines “recipient” of supply of goods or services or both; and section 2(96) defines “removal” in relation to goods, suggest that in case of ex-factory sale or counter-sale, the delivery of goods done by the supplier or taken by the recipient would terminate at the registered place or address on record mentioned in the tax invoice. As such, it can be inferred that if the delivery of goods is taken ex-factory or on counter sale by the recipient such supply would be chargeable to tax based on the address mentioned in the tax invoice.

An alternative view is possible – it may be noted that the delivery for the purpose of the contract law and delivery indicated by this clause may be different. For the purpose of the GST law, a supply is effected on removal of goods for delivery, whereas for contract law, the supply may be understood (in terms of an agreement) to be completed only on acceptance of such goods by the recipient. Similarly, while the risks and rewards pertaining to the goods being supplied may pass at the factory gate, the movement for delivery of such goods may stand terminated only at the premises of the recipient, considering that the movement is undertaken by the recipient for delivery at his own premises.

Over-the-counter sales are also confused with supply NOT involving movement. Whether the movement is over long distances or tiny distance from one end of the counter-top to other end, since the enjoyment of the goods supplies is on ‘as is where is’, this is also a supply that involvements movement. Such sales will come within 10(1)(a) and be subject to CGST-SGST unless they are effected under 10(1)(b) then, they will be eligible to levy of IGST where customers from outside the State come and make OTC purchases. Experts believe Courts will have their say on this issue but not before mistakes are made. Credit optimization being the motivation of trade to interpret the law as best they can.

Statutory provisions

11. Place of supply of goods imported into, or exported from India

The place of supply of goods, —

(a) *imported into India shall be the location of the importer;*

(b) *exported from India shall be the location outside India.*

Relevant circulars, notifications, clarifications, flyers issued by Government:

1. Circular No. 33/ 2017-Customs, dated 01.08.2017 clarifying the applicability of IGST on High Sea Sales
2. Circular No. 3/1/2018-GST, dated 25.05.2018 regarding applicability of IGST on goods supplied while being deposited in customs bonded warehouse
3. Circular No. & Date: 91/10/2019-GST Dated 18th February, 2019 Supply of Warehoused goods before clearance from 01st July 2017- 31st march 2018.
4. Circular No 103/22/2019 dated 28.06.2019 clarified regarding determination of place of supply in certain cases, where the location of supplier/receiver is outside India.

The gist of the said above circular 103/22/2019 is as follows:

Service provided by the Ports in relation to cargo handling	It is clarified vide the said notification that such port services or ancillary to or related to cargo handling service and are not related to immovable property . Place of supply is under subsection(2) of section 12 or subsection(2) 13 of IGST depending upon the terms of the contract between the supplier and recipient
Various service on Unpolished diamonds, which have been temporarily imported in India and not put to use in India.	Generally, for the performance based service, the place of the supply is the place where the performance of service takes place. Exception to that are services on diamonds which are temporarily imported in India and not put to use in India. For diamonds which have been temporarily imported for various services and it is not put into use the Place of supply is as per subsection (2) of Section 13.

During the period from 1st of July, 2017 to 31st of March, 2018 (hereinafter referred to as the "said period"), IGST was applicable on the said transaction but due to non-availability of the facility on the common portal, suppliers have reported such supplies as intra-State supplies and discharged central tax and state tax on such supplies instead of integrated tax. Hence to provide one time exception, it has been decided that suppliers who have paid central tax and state tax on such supplies, during the said period, would be deemed to have complied with the provisions of law as far as payment of tax on such supplies is concerned as long as the amount of tax paid as central tax and state tax is equal to the due amount of integrated tax on such supplies

Related Provisions of the Statute:

Statute	Section / Rule	Description
CGST	Section 2(56)	Definition of India
IGST	Section 2(5)	Definition of export of goods
IGST	Section 2(10)	Definition of import of goods
IGST	Section 5	Levy and collection of tax
IGST	Section 7	Meaning of inter-State supplies
IGST	Section 10	Place of supply of goods other than goods imported into, or exported from India
IGST	Section 12	Place of supply of services where location of supplier and recipient is in India
IGST	Section 13	Place of supply of services where location of supplier or location of recipient is outside India
IGST	Section 16	Zero-rated supplies

11.1 Analysis**Place of Supply – Supplies outside India**

Place of supply of goods where the goods are imported into or exported from India will be determined in accordance with section 11 of the IGST Act. Export of goods is defined in section 2(5) of the IGST Act and import of goods is defined in section 2(10) of the IGST Act. With these definitions, which are with reference to the movement of goods and not the location of the supplier or recipient, in this case, the place of supply will be:

2(5) “export of goods” with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India;

2(10) “import of goods” with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India:

- (a) In the case of import of goods, the location of the importer and
- (b) In the case of export of goods, the location outside India where the goods are exported.

While payment in convertible foreign exchange is for services including transactions involving goods treated as services, the same is not a criterion for determining whether a supply of goods is an export of goods or import of goods. Transactions of merchanting trade – where the goods are procured from one country and are directly dispatched without their entering into India, will not be a supply in the ‘taxable territory’ of India. Such transactions will be included for a financial effect in the books of accounts, without invoking the levy provisions under the GST laws. Another form of international supply commonly known as High Sea Sales (known as ‘HSS’) is also a transaction that transpires outside the taxable territory and accordingly, does not attract the incidence of GST. Re-import of export goods will however, be

liable to GST. It is interesting to note that 'location of supplier or recipient' are not relevant in this section.

'HSS' of imported goods is a term used to denote a transaction whereby the original importer sells the goods to a third person before the goods are entered for customs clearance. Since all transactions entered within the territory of India for sale and purchase of goods is taxable under GST, there were doubts on the levy of GST on 'HSS'. More so, when such 'HSS' were categorised as inter-State supplies. Accordingly, the Government clarified the position of levy of GST on 'HSS' vide *Circular No. 33/ 2017-Cus dated 01.08.2017* – that IGST on 'HSS' transactions of imported goods, whether one or multiple, shall be levied and collected only at the time of importation i.e. when the import declarations are filed before the Customs authorities for the customs clearance purposes for the first time. In other words, the buyer of 'HSS' shall be disposing IGST on such imports and as part of Customs. Further, value addition accruing in each such 'HSS' shall form part of the value on which IGST is collected at the time of clearance i.e. buyer shall pay IGST on the final purchase value as per last High Sea transaction envisaging all margins earned by all persons who made 'HSS' of such goods.

Taxation of 'HSS': The Advance Ruling by the Kerala Authority for Advance Ruling (AAR) in the case of *M/s. Synthite Industries Ltd. TS-111-AAR-2018* is relevant to note:

The impact of GST on 'HSS' may be aptly summarised through the four issues that were raised before the AAR for determination by the Authority:

1. Whether GST is payable on goods procured from China, but are not brought into India?
2. Whether GST is payable on the sale of goods to the company in USA, where goods sold are shipped directly from China to USA without entering India?
3. Whether GST would be applicable on goods procured from China (not against any specific export order) and the same is directly shipped to a warehouse located in Netherlands?
4. Whether GST would be applicable on sales effected directly from the warehouse in Netherlands to the customers located in that country?

The AAR observed that goods are liable to IGST only when they are imported into India and the IGST is payable at the time of importation of goods into India. All the above queries were answered in the negative as the goods were never imported into India and thus, not liable to GST.

Input Tax Credit reversal of goods sold on 'HSS': The Advance Ruling by the Maharashtra Authority for Advance Ruling (AAR) in the case of *BASF India Ltd. 2018 (7) TMI 53* held that the goods sold on 'HSS' basis being non-taxable supply as per section 2(78) of the CGST Act and being exempt supply as per section 2(47) of the CGST Act, the input tax credit to the extent of inputs, input services and common input services would be required to be reversed by the applicant as per section 17 of the CGST Act.

However, the law makers prudently redressed such regressive provision in law and suitably has brought in an amendment (mentioned hereinafter) in Schedule III to bring in such supplies outside the purview of exempt supplies and consequently such reversal of ITC may not be warranted even in those cases which pertains to the period before the said amendment would be notified.

The following Circulars are relevant to note:

Circular No. 46/ 2017-Cus, dated 24.11.2017 regarding in-bond sales makes it explicitly clear that IGST is not applicable until bill of entry for home consumption is filed.

Circular No. 3/ 1/ 2018-IGST, dated 25.05.2018 regarding applicability of Integrated Goods and Services Tax (integrated tax) on goods supplied while being deposited in a customs bonded warehouse – wherein it is clarified that integrated tax shall be levied and collected at the time of final clearance of the warehoused goods for home consumption i.e., at the time of filing the ex-bond bill of entry and the value addition accruing at each stage of supply shall form part of the value on which the integrated tax would be payable at the time of clearance of the warehoused goods for home consumption.

CGST (Amendment) Act, 2018 dated 29.08.2018 (effective from 01.02.2019) Schedule III to CGST Act, 2017 to insert following entries, namely-

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India;
- Supply of warehoused goods to any person before clearance for home consumption;
- Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

Therefore, these transactions will neither be treated as supply of goods nor supply of services.

Please note that imports will be liable to IGST in addition to Basic Customs Duty and exports will be zero-rated with benefit of refund of attributable input tax credit, or refund of tax paid on such exports. Please refer to the Taxation Amendment Act, 2017 for the necessary amendments made to Customs Tariff Act, 1975 and Central Excise Act, 1944 to enable imposition of BCD+IGST on import of goods liable to GST. Refer detailed discussion under section 5 of IGST Act on these implications.

Illustrations: Place of supply of goods imported into, or exported from India**Section 11(a): Import of goods**

Case	Location of supplier	Location of goods before supply	Goods supplied to	Location of recipient	Place of supply
1	Thailand	Thailand	Assam	Assam	Assam
2	China	China	Kashmir	Haryana	Kashmir
3	Sri Lanka	Sri Lanka	Kerala	Kerala	Kerala
4	Karnataka	Iran	Dubai	Karnataka	Not an import since the goods is not brought into India.

Section 11(b): Export of goods

Case	Location of supplier	Location of goods	Goods supplied to	Location of recipient	Place of supply
1	Assam	Assam	Thailand	Assam	Thailand
2	Tamil Nadu	Kashmir	China	Texas	China
3	Sri Lanka	Kerala	Sri Lanka	Sri Lanka	Sri Lanka
4	Maharashtra	Dubai	Iran	Iran	Not an export since the goods is not moving from India.

Another aspect to be carefully considered here is 'bill to-ship to' arrangements involving cross-border trade. It is not important for the supply is 'billed to' a person outside India but the supply is the 'shipped to' a person outside India. In fact, it is not at all relevant where the billing is done 'to' for the transaction to come within the operation of section 11. As mentioned earlier, payment of foreign exchange is not a criterion that determines whether the supply is an export or not. Reference may be had to discussion under section 16 regarding 'supply by way of export' which qualifies for zero-rated benefit. It is sufficient to mention here that in the export – goods shipped to a place outside India – would qualify as an export eligible for zero rated benefit for the second leg of transaction. Exports, therefore, are always determined based on their 'ship to' location being a place outside India whether or not they qualify for the zero-rated benefit under section 16. Similarly, import of goods also are determined based on the 'ship to' location being the place within India with a journey or originating outside India. However, with the *proviso* to section 5(1) imposing GST is not under the IGST Act but under the Customs Tariff Act, as soon as the goods supplied qualify as import of goods under section 11, they attract the incidence of additional customs duty equivalent to IGST. It is important to note that the similarity in the definition of import of goods and export of goods and the dissimilarity in the treatment of GST in these cases.

Statutory provisions**12. Place of supply of services where location of supplier and recipient is in India**

- (1) *The provisions of this section shall apply to determine the place of supply of services where the location of supplier of services and the location of the recipient of services is in India.*
- (2) *The place of supply of services, except the services specified in sub-sections (3) to (14)*
- (a) *made to a registered person shall be the location of such person;*
 - (b) *made to any person other than a registered person shall be, —*
 - (i) *the location of the recipient where the address on record exists; and*
 - (ii) *the location of the supplier of services in other cases.*
- (3) *The place of supply of services, —*
- (a) *directly in relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work; or*
 - (b) *by way of lodging accommodation by a hotel, inn, guest house, home stay, club or campsite, by whatever name called, and including a house boat or any other vessel; or*
 - (c) *by way of accommodation in any immovable property for organizing any marriage or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such property; or*
 - (d) *any services ancillary to the services referred to in clauses (a), (b) and (c),*
- shall be the location at which the immovable property or boat or vessel, as the case may be, is located or intended to be located:*

Provided that if the location of the immovable property or boat or vessel is located or intended to be located outside India, the place of supply shall be the location of the recipient.

Explanation. —Where the immovable property or boat or vessel is located in more than one State or Union territory, the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

- (4) *The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery shall be the location where the services are actually performed.*
- (5) *The place of supply of services in relation to training and performance appraisal to, —*
- (a) *a registered person, shall be the location of such person;*
 - (b) *a person other than a registered person, shall be the location where the services are actually performed.*
- (6) *The place of supply of services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto, shall be the place where the event is actually held or where the park or such other place is located.*
- (7) *The place of supply of services provided by way of, —*
- (a) *organization of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events; or*
 - (b) *services ancillary to organization of any of the events or services referred to in clause (a), or assigning of sponsorship to such events, —*
 - (i) *to a registered person, shall be the location of such person;*
 - (ii) *to a person other than a registered person, shall be the place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.*
- Explanation.—Where the event is held in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such event, the place of supply of such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.*
- (8) *The place of supply of services by way of transportation of goods, including by mail or courier to, —*
- (a) *a registered person, shall be the location of such person;*
 - (b) *a person other than a registered person, shall be the location at which such goods are handed over for their transportation.*

Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods⁵

- (9) *The place of supply of passenger transportation service to, —*
- (a) *a registered person, shall be the location of such person;*
 - (b) *a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey:*
- Provided that where the right to passage is given for future use and the point of embarkation is not known at the time of issue of right to passage, the place of supply of such service shall be determined in accordance with the provisions of sub-section (2).*
- Explanation. —For the purposes of this sub-section, the return journey shall be treated as a separate journey, even if the right to passage for onward and return journey is issued at the same time.*
- (10) *The place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the first scheduled point of departure of that conveyance for the journey.*
- (11) *The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall, —*
- (a) *in case of services by way of fixed telecommunication line, leased circuits, internet leased circuit, cable or dish antenna, be the location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services;*
 - (b) *in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the location of billing address of the recipient of services on the record of the supplier of services;*
 - (c) *in cases where mobile connection for telecommunication, internet service and direct to home television services are provided on pre-payment basis through a voucher or any other means, —*
 - (i) *through a selling agent or a re-seller or a distributor of subscriber identity module card or re-charge voucher, be the address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or*
 - (ii) *by any person to the final subscriber, be the location where such pre-payment is received or such vouchers are sold;*

⁵ Inserted vide The Integrated Goods and Services Tax Amendment Act, 2018 w.e.f. 01.02.2019

(d) *in other cases, be the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services:*

Provided that where the address of the recipient as per the records of the supplier of services is not available, the place of supply shall be location of the supplier of services:

Provided further that if such pre-paid service is availed or the recharge is made through internet banking or other electronic mode of payment, the location of the recipient of services on the record of the supplier of services shall be the place of supply of such services.

Explanation.—Where the leased circuit is installed in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such circuit, the place of supply of such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

(12) *The place of supply of banking and other financial services, including stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services:*

Provided that if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services.

(13) *The place of supply of insurance services shall, —*

(a) *to a registered person, be the location of such person;*

(b) *to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services.*

(14) *The place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement shall be taken as being in each of such States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories as may be determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.*

Extract of the IGST Rules, 2017

3. *The proportion of value attributable to different States or Union territories, in the case of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority, under sub section (14) of section 12 of the Integrated*

Goods and Services Tax Act, 2017, in the absence of any contract between the supplier of service and recipient of services, shall be determined in the following manner namely:—

- (a) *In the case of newspapers and publications, the amount payable for publishing an advertisement in all the editions of a newspaper or publication, which are published in a State or Union territory, as the case may be, is the value of advertisement service attributable to the dissemination in such State or Union territory.*

Illustration: ABC is a government agency which deals with all the advertisement and publicity of the Government. It has various wings dealing with various types of publicity. In furtherance thereof, it issues release orders to various agencies and entities. These agencies and entities thereafter provide the service and then issue invoices to ABC indicating the amount to be paid by them. ABC issues a release order to a newspaper for an advertisement on 'Beti bachao beti padhao', to be published in the newspaper DEF (whose head office is in Delhi) for the editions of Delhi, Pune, Mumbai, Lucknow and Jaipur. The release order will have details of the newspaper like the periodicity, language, size of the advertisement and the amount to be paid to such a newspaper. The place of supply of this service shall be in the Union territory of Delhi, and the States of Maharashtra, Uttar Pradesh and Rajasthan. The amounts payable to the Pune and Mumbai editions would constitute the proportion of value for the State of Maharashtra which is attributable to the dissemination in Maharashtra. Likewise the amount payable to the Delhi, Lucknow and Jaipur editions would constitute the proportion of value attributable to the dissemination in the Union territory of Delhi and States of Uttar Pradesh and Rajasthan respectively. DEF should issue separate State wise and Union territory wise invoices based on the editions.

- (b) *in the case of printed material like pamphlets, leaflets, diaries, calendars, T shirts etc, the amount payable for the distribution of a specific number of such material in a particular State or Union territory is the value of advertisement service attributable to the dissemination in such State or Union territory, as the case may be.*

Illustration: As a part of the campaign 'Swachh Bharat', ABC has engaged a company GH for printing of one lakh pamphlets (at a total cost of one lakh rupees) to be distributed in the States of Haryana, Uttar Pradesh and Rajasthan. In such a case, ABC should ascertain the breakup of the pamphlets to be distributed in each of the three States i.e. Haryana, Uttar Pradesh and Rajasthan, from the Ministry or department concerned at the time of giving the print order. Let us assume that this breakup is twenty thousand, fifty thousand and thirty thousand respectively. This breakup should be indicated in the print order. The place of supply of this service is in Haryana, Uttar Pradesh and Rajasthan. The ratio of this breakup i.e. 2:5:3 will form the basis of value attributable to the dissemination in each of the three States. Separate invoices will have to be issued State wise by GH to ABC indicating the value pertaining to that State i.e. twenty thousand rupees-Haryana, fifty thousand rupees-Uttar Pradesh and thirty thousand rupees-Rajasthan.

- (c) (i) *in the case of hoardings other than those on trains, the amount payable for the hoardings located in each State or Union territory, as the case may be, is the value of advertisement service attributable to the dissemination in each such State or Union territory, as the case may be.*

Illustration: ABC as part of the campaign 'Saakshar Bharat' has engaged a firm IJ for putting up hoardings near the Airports in the four metros i.e. Delhi, Mumbai, Chennai and Kolkata. The release order issued by ABC to IJ will have the city wise, location wise breakup of the amount payable for such hoardings. The place of supply of this service is in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal. In such a case, the amount actually paid to IJ for the hoardings in each of the four metros will constitute the value attributable to the dissemination in the Union territory of Delhi and the States of Maharashtra, Tamil Nadu and West Bengal respectively. Separate invoices will have to be issued State wise and Union territory wise by IJ to ABC indicating the value pertaining to that State or Union territory.

- (ii) *in the case of advertisements placed on trains, the breakup, calculated on the basis of the ratio of the length of the railway track in each State for that train, of the amount payable for such advertisements is the value of advertisement service attributable to the dissemination in such State or Union territory, as the case may be.*

Illustration: ABC places an order on KL for advertisements to be placed on a train with regard to the "Janani Suraksha Yojana". The length of a track in a State will vary from train to train. Thus for advertisements to be placed on the Hazrat Nizamuddin Vasco Da Gama Goa Express which runs through Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka and Goa, KL may ascertain the total length of the track from Hazrat Nizamuddin to Vasco Da Gama as well as the length of the track in each of these States and Union territory from the website www.indianrail.gov.in. The place of supply of this service is in the Union territory of Delhi and States of Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka and Goa. The value of the supply in each of these States and Union territory attributable to the dissemination in these States will be in the ratio of the length of the track in each of these States and Union territory. If this ratio works out to say 0.5:0.5: 2:2 :3:3:1 , and the amount to be paid to KL is one lakh twenty thousand rupees, then KL will have to calculate the State wise and Union territory wise breakup of the value of the service, which will be in the ratio of the length of the track in each State and Union territory. In the given example the State wise and Union territory wise breakup works out to Delhi (five thousand rupees), Haryana (five thousand rupees), Uttar Pradesh (twenty thousand rupees), Madhya Pradesh (twenty thousand rupees), Maharashtra (thirty thousand rupees), Karnataka (thirty thousand rupees) and Goa (ten thousand rupees). Separate invoices will have to be issued State wise and Union territory wise by KL to ABC indicating the value pertaining to that State or Union territory.

(d) (i) in the case of advertisements on the back of utility bills of oil and gas companies etc, the amount payable for the advertisements on bills pertaining to consumers having billing addresses in such States or Union territory as the case may be, is the value of advertisement service attributable to dissemination in such State or Union territory.

(ii) in the case of advertisements on railway tickets, the breakup, calculated on the basis of the ratio of the number of Railway Stations in each State or Union territory, when applied to the amount payable for such advertisements, shall constitute the value of advertisement service attributable to the dissemination in such State or Union territory, as the case may be.

Illustration: ABC has issued a release order to MN for display of advertisements relating to the "Ujjwala" scheme on the railway tickets that are sold from all the Stations in the States of Madhya Pradesh and Chattisgarh. The place of supply of this service is in Madhya Pradesh and Chattisgarh. The value of advertisement service attributable to these two States will be in the ratio of the number of railway stations in each State as ascertained from the Railways or from the website www.indianrail.gov.in. Let us assume that this ratio is 713:251 and the total bill is rupees nine thousand six hundred and forty. The breakup of the amount between Madhya Pradesh and Chattisgarh in this ratio of 713:251 works out to seven thousand one hundred and thirty rupees and two thousand five hundred and ten rupees respectively. Separate invoices will have to be issued State wise by MN to ABC indicating the value pertaining to that State.

(e) in the case of advertisements over radio stations the amount payable to such radio station, which by virtue of its name is part of a State or Union territory, as the case may be, is the value of advertisement service attributable to dissemination in such State or Union territory, as the case may be.

Illustration: For an advertisement on 'Pradhan Mantri Ujjwala Yojana', to be broadcast on a FM radio station OP, for the radio stations of OP Kolkata, OP Bhubaneswar, OP Patna, OP Ranchi and OP Delhi, the release order issued by ABC will show the breakup of the amount which is to be paid to each of these radio stations. The place of supply of this service is in West Bengal, Odisha, Bihar, Jharkhand and Delhi. The place of supply of OP Delhi is in Delhi even though the studio may be physically located in another State. Separate invoices will have to be issued State wise and Union territory wise by MN to ABC based on the value pertaining to each State or Union territory.

(f) in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely:—

(i) the channel viewership figures for that channel for a State or Union territory shall

be taken from the figures published in this regard by the Broadcast Audience Research Council;

- (ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter and at the beginning, the figures for the quarter 1st July, 2017 to 30th September, 2017 shall be used for the succeeding quarter 1st October, 2017 to 31st December, 2017;
- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;
- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Illustration: ABC issues a release order with QR channel for telecasting an advertisement relating to the "Pradhan Mantri Kaushal Vikas Yojana" in the month of November, 2017. In the first phase, this will be telecast in the Union territory of Delhi, States of Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. The place of supply of this service is in Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. In order to calculate the value of supply attributable to Delhi, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand, QR has to proceed as under—

- I. QR will ascertain the viewership figures for their channel in the last week of September 2017 from the Broadcast Audience Research Council. Let us assume it is one lakh for Delhi and two lakhs for the region comprising of Uttar Pradesh and Uttarakhand and one lakh for the region comprising of Bihar and Jharkhand;
- II. since the Broadcast Audience Research Council clubs Uttar Pradesh and Uttarakhand into one region and Bihar and Jharkhand into another region, QR will ascertain the population figures for Uttar Pradesh, Uttarakhand, Bihar and Jharkhand from the latest census;
- III. by applying the ratio of the populations of Uttar Pradesh and Uttarakhand, as so ascertained, to the Broadcast Audience Research Council viewership figures for their channel for this region, the viewership figures for Uttar Pradesh and Uttarakhand and consequently the ratio of these viewership figures can be calculated. Let us assume that the ratio of the populations of Uttar Pradesh and Uttarakhand works out to 9: 1. When this ratio is applied to the viewership figures of two lakhs for this region, the viewership figures for Uttar Pradesh and Uttarakhand work out to one lakh eighty thousand and twenty thousand respectively;

- IV. *in a similar manner the breakup of the viewership figures for Bihar and Jharkhand can be calculated. Let us assume that the ratio of populations is 4:1 and when this is applied to the viewership figure of one lakh for this region, the viewership figure for Bihar and Jharkhand works out to eighty thousand and twenty thousand respectively;*
- V. *the viewership figure for each State works out to Delhi (one lakh), Uttar Pradesh (one lakh eighty thousand), Uttarakhand (twenty thousand), Bihar (eighty thousand) and Jharkhand (twenty thousand). The ratio is thus 10:18:2:8:2 or 5:9:1:4:1 (simplification).*
- VI. *this ratio has to be applied when indicating the breakup of the amount pertaining to each State. Thus if the total amount payable to QR by ABC is twenty lakh rupees, the State wise breakup is five lakh rupees (Delhi), nine lakh rupees (Uttar Pradesh) one lakh rupees (Uttarakhand), four lakh rupees (Bihar) and one lakh rupees (Jharkhand). Separate invoices will have to be issued State wise and Union territory wise by QR to ABC indicating the value pertaining to that State or Union territory.*
- (g) *in the case of advertisements at cinema halls the amount payable to a cinema hall or screens in a multiplex, in a State or Union territory, as the case may be, is the value of advertisement service attributable to dissemination in such State or Union territory, as the case may be.*
- Illustration: ABC commissions ST for an advertisement on 'Pradhan Mantri Awas Yojana' to be displayed in the cinema halls in Chennai and Hyderabad. The place of supply of this service is in the States of Tamil Nadu and Telangana. The amount actually paid to the cinema hall or screens in a multiplex, in Tamil Nadu and Telangana as the case may be, is the value of advertisement service in Tamil Nadu and Telangana respectively. Separate invoices will have to be issued State wise and Union territory wise by ST to ABC indicating the value pertaining to that State.*
- (h) *in the case of advertisements over internet, the service shall be deemed to have been provided all over India and the amount attributable to the value of advertisement service disseminated in a State or Union territory shall be calculated on the basis of the internet subscribers in such State or Union territory, which in turn, shall be calculated in the following manner, namely: —*
- (i) *the internet subscriber figures for a State shall be taken from the figures published in this regard by the Telecom Regulatory Authority of India;*
- (ii) *the figures published for the last quarter of a given financial year shall be used for calculating the number of internet subscribers for the succeeding financial year and at the beginning, the figures for the last quarter of financial year 2016-2017 shall be used for the succeeding financial year 2017-2018;*
- (iii) *where such internet subscriber figures relate to a region comprising of more*

than one State or Union territory, the subscriber figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest census, to such subscriber figures;

- (iv) the ratio of the subscriber figures for each State or Union territory as so calculated, when applied to the amount payable for this service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Illustration: ABC issues a release order to WX for a campaign over internet regarding linking Aadhaar with one's bank account and mobile number. WX runs this campaign over certain websites. In order to ascertain the State wise breakup of the value of this service which is to be reflected in the invoice issued by WX to ABC, WX has to first refer to the Telecom Regulatory Authority of India figures for quarter ending March, 2017, as indicated on their website www.trai.gov.in. These figures show the service area wise internet subscribers. There are twenty two service areas. Some relate to individual States some to two or more States and some to part of one State and another complete State. Some of these areas are metropolitan areas. In order to calculate the State wise breakup, first the State wise breakup of the number of internet subscribers is arrived at. (In case figures of internet subscribers of one or more States are clubbed, the subscribers in each State is to be arrived at by applying the ratio of the respective populations of these States as per the latest census.). Once the actual number of subscribers for each State has been determined, the second step for WX involves calculating the State wise ratio of internet subscribers. Let us assume that this works out to 8: 1 : 2... and so on for Andhra Pradesh, Arunachal Pradesh, Assam..... and so on. The third step for WX will be to apply these ratios to the total amount payable to WX so as to arrive at the value attributable to each State. Separate invoices will have to be issued State wise and Union territory wise by WX to ABC indicating the value pertaining to that State or Union territory.

- (i) in the case of advertisements through short messaging service the amount attributable to the value of advertisement service disseminated in a State or Union territory shall be calculated on the basis of the telecommunication (herein after referred to as telecom) subscribers in such State or Union territory, which in turn, shall be calculated in the following manner, namely:-
- (a) the number of telecom subscribers in a telecom circle shall be ascertained from the figures published by the Telecom Regulatory Authority of India on its website www.trai.gov.in;
- (b) the figures published for a given quarter, shall be used for calculating subscribers for the succeeding quarter and at the beginning, the figures for the quarter 1st July, 2017 to 30th September, 2017 shall be used for the succeeding quarter 1st October, 2017 to 31st December, 2017;

- (c) where such figures relate to a telecom circle comprising of more than one State, or Union territory, the subscriber figures for that State or Union territory shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest census, to such subscriber figures.

Illustration-1: In the case of the telecom circle of Assam, the amount attributed to the telecom circle of Assam is the value of advertisement service in Assam.

Illustration-2: The telecom circle of North East covers the States of Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Manipur and Tripura. The ratio of populations of each of these States in the latest census will have to be determined and this ratio applied to the total number of subscribers for this telecom circle so as to arrive at the State wise figures of telecom subscribers. Separate invoices will have to be issued State wise by the service provider to ABC indicating the value pertaining to that State.

Illustration-3: ABC commissions UV to send short messaging service to voters asking them to exercise their franchise in elections to be held in Maharashtra and Goa. The place of supply of this service is in Maharashtra and Goa. The telecom circle of Maharashtra consists of the area of the State of Maharashtra (excluding the areas covered by Mumbai which forms another circle) and the State of Goa. When calculating the number of subscribers pertaining to Maharashtra and Goa, UV has to—

- I. obtain the subscriber figures for Maharashtra circle and Mumbai circle and add them to obtain a combined figure of subscribers;
- II. obtain the figures of the population of Maharashtra and Goa from the latest census and derive the ratio of these two populations;
- III. this ratio will then have to be applied to the combined figure of subscribers so as to arrive at the separate figures of subscribers pertaining to Maharashtra and Goa;
- IV. the ratio of these subscribers when applied to the amount payable for the short messaging service in Maharashtra circle and Mumbai circle, will give breakup of the amount pertaining to Maharashtra and Goa. Separate invoices will have to be issued State wise by UV to ABC indicating the value pertaining to that State.

Illustration-4: The telecom circle of Andhra Pradesh consists of the areas of the States of Andhra Pradesh, Telangana and Yanam, an area of the Union territory of Puducherry. The subscribers attributable to Telangana and Yanam will have to be excluded when calculating the subscribers pertaining to Andhra Pradesh.

- (d) the ratio of the subscriber figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent

the portion of the value attributable to the dissemination in that State or Union territory.

4. *The supply of services attributable to different States or Union territories, under sub section (3) of section 12 of the Integrated Goods and Services Tax Act, 2017 (hereinafter in these rules referred to as the said Act), in the case of-*

- (a) *services directly in relation to immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work; or*
- (b) *lodging accommodation by a hotel, inn, guest house, homestay, club or campsite, by whatever name called, and including a houseboat or any other vessel; or*
- (c) *accommodation in any immovable property for organising any marriage or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such property; or*
- (d) *any services ancillary to the services referred to in clauses (a), (b) and (c),*

where such immovable property or boat or vessel is located in more than one State or Union territory, shall be taken as being in each of the respective States or Union territories, and in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined in the following manner namely:-

- (i) *in case of services provided by way of lodging accommodation by a hotel, inn, guest house, club or campsite, by whatever name called (except cases where such property is a single property located in two or more contiguous States or Union territories or both) and services ancillary to such services, the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to the number of nights stayed in such property;*
- (ii) *in case of all other services in relation to immovable property including services by way of accommodation in any immovable property for organising any marriage or reception etc., and in cases of supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called where such property is a single property located in two or more contiguous States or Union territories or both, and services ancillary to such services, the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to the area of the immovable property lying in each State or Union territory;*
- (iii) *in case of services provided by way of lodging accommodation by a house boat or any other vessel and services ancillary to such services, the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to*

the time spent by the boat or vessel in each such State or Union territory, which shall be determined on the basis of a declaration made to the effect by the service provider.

Illustration 1: A hotel chain X charges a consolidated sum of Rs.30,000/- for stay in its two establishments in Delhi and Agra, where the stay in Delhi is for 2 nights and the stay in Agra is for 1 night. The place of supply in this case is both in the Union territory of Delhi and in the State of Uttar Pradesh and the service shall be deemed to have been provided in the Union territory of Delhi and in the State of Uttar Pradesh in the ratio 2:1 respectively. The value of services provided will thus be apportioned as Rs.20,000/- in the Union territory of Delhi and Rs.10,000/- in the State of Uttar Pradesh .

Illustration 2: There is a piece of land of area 20,000 square feet which is partly in State S1 say 12,000 square feet and partly in State S2, say 8000 square feet. Site preparation work has been entrusted to T. The ratio of land in the two states works out to 12:8 or 3:2 (simplified). The place of supply is in both S1 and S2. The service shall be deemed to have been provided in the ratio of 12:8 or 3:2 (simplified) in the States S1 and S2 respectively. The value of the service shall be accordingly apportioned between the States.

Illustration 3: A company C provides the service of 24 hours accommodation in a houseboat, which is situated both in Kerala and Karnataka inasmuch as the guests board the house boat in Kerala and stay there for 22 hours but it also moves into Karnataka for 2 hours (as declared by the service provider). The place of supply of this service is in the States of Kerala and Karnataka. The service shall be deemed to have been provided in the ratio of 22:2 or 11:1 (simplified) in the states of Kerala and Karnataka, respectively. The value of the service shall be accordingly apportioned between the States.

5. The supply of services attributable to different States or Union territories, under sub-section (7) of section 12 of the said Act, in the case of-

- (a) *services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event , including supply of services in relation to a conference, fair exhibition, celebration or similar events; or*
- (b) *services ancillary to the organisation of any such events or assigning of sponsorship to such events ,*

where the services are supplied to a person other than a registered person, the event is held in India in more than one State or Union territory and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective States or Union territories, and in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined by application of the generally accepted accounting principles.

Illustration: An event management company E has to organise some promotional events in States S1 and S2 for a recipient R. 3 events are to be organised in S1 and 2 in S2. They charge a consolidated amount of Rs.10,00,000 from R. The place of supply of this service is

in both the States S1 and S2. Say the proportion arrived at by the application of generally accepted accounting principles is 3:2. The service shall be deemed to have been provided in the ratio 3:2 in S1 and S2 respectively. The value of services provided will thus be apportioned as Rs. 6,00,000/- in S1 and Rs. 4,00,000/- in S2 .

6. *The supply of services attributable to different States or Union territories, under sub section (11) of section 12 of the said Act, in the case of supply of services relating to a leased circuit where the leased circuit is installed in more than one State or Union territory and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective States or Union territories, and in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined in the following manner, namely:-*

- (a) *The number of points in a circuit shall be determined in the following manner:*
- (i) *in the case of a circuit between two points or places, the starting point or place of the circuit and the end point or place of the circuit will invariably constitute two points;*
 - (ii) *any intermediate point or place in the circuit will also constitute a point provided that the benefit of the leased circuit is also available at that intermediate point;*
- (b) *the supply of services shall be treated as made in each of the respective States or Union territories, in proportion to the number of points lying in the State or Union territory.*

Illustration 1: A company T installs a leased circuit between the Delhi and Mumbai offices of a company C. The starting point of this circuit is in Delhi and the end point of the circuit is in Mumbai. Hence one point of this circuit is in Delhi and another in Maharashtra. The place of supply of this service is in the Union territory of Delhi and the State of Maharashtra. The service shall be deemed to have been provided in the ratio of 1:1 in the Union territory of Delhi and the State of Maharashtra, respectively.

Illustration 2: A company T installs a leased circuit between the Chennai, Bengaluru and Mysuru offices of a company C. The starting point of this circuit is in Chennai and the end point of the circuit is in Mysuru. The circuit also connects Bengaluru. Hence one point of this circuit is in Tamil Nadu and two points in Karnataka. The place of supply of this service is in the States of Tamil Nadu and Karnataka. The service shall be deemed to have been provided in the ratio of 1:2 in the States of Tamil Nadu and Karnataka, respectively.

Illustration 3: A company T installs a leased circuit between the Kolkata, Patna and Guwahati offices of a company C. There are 3 points in this circuit in Kolkata, Patna and Guwahati. One point each of this circuit is, therefore, in West Bengal, Bihar and Assam. The place of supply of this service is in the States of West Bengal, Bihar and Assam. The service shall be deemed to have been provided in the ratio of 1:1:1 in the States of West Bengal, Bihar and Assam, respectively.

Relevant circulars, notifications, clarifications, flyers issued by Government:

1. Notification No. 12/ 2017-Integrated Tax, dated 15.11.2017 notified IGST (Amendment) Rules, 2017, inserting rule 3 for apportionment of IGST with respect to advertisement services under section 12(14) of the IGST Act, 2017;
2. Notification No. 4/ 2018-Integrated Tax, dated 31.12.2018 notified IGST (Amendment) Rules, 2018, to insert rules 4, 5, 6, 7, 8 and 9.
3. Circular No. 2/ 1/ 2017-IGST, dated 27.09.2017 for clarification on the place of supply of satellite launch services by ANTRIX Corporation Ltd.;
4. Circular No. 48/ 22/ 2018-GST, dated 14.06.2018 clarifying that services of short-term accommodation etc. provided to a SEZ shall be treated as inter-State supply.

Related Provisions of the Statute

Statute	Section / Rule	Description
CGST	Section 2(2)	Definition of address on record
CGST	Section 2(34)	Definition of conveyance
CGST	Section 2(56)	Definition of India
CGST	Section 2(93)	Definition of recipient
CGST	Section 9	Levy and collection of tax
IGST	Section 2(3)	Definition of continuous journey
IGST	Section 2(6)	Definition of export of services
IGST	Section 2(11)	Definition of import of services
IGST	Section 2(13)	Definition of intermediary
IGST	Section 2(14)	Definition of location of the recipient of services
IGST	Section 2(15)	Definition of location of the supplier of services
IGST	Section 5	Levy and collection of tax
IGST	Section 7	Meaning of inter-State supplies
IGST	Section 8	Meaning of intra-State supplies
IGST	Section 10	Place of supply of goods other than goods imported into, or exported from India
IGST	Section 11	Place of supply of goods imported into, or exported from India
IGST	Section 13	Place of supply of services where location of supplier or location of recipient is outside India
IGST	Section 14	Special provision for payment of tax by a supplier of OIDAR services

12.1 Important Definitions

(a) Location of recipient of services:

Section 2(14) of the IGST Act, 2017 defines “location of the recipient of services” as:

- (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 directly concerned with the receipt of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the recipient.

(b) Location of the supplier of services:

Section 2(15) of the IGST Act, 2017 defines “location of the supplier of services” as:

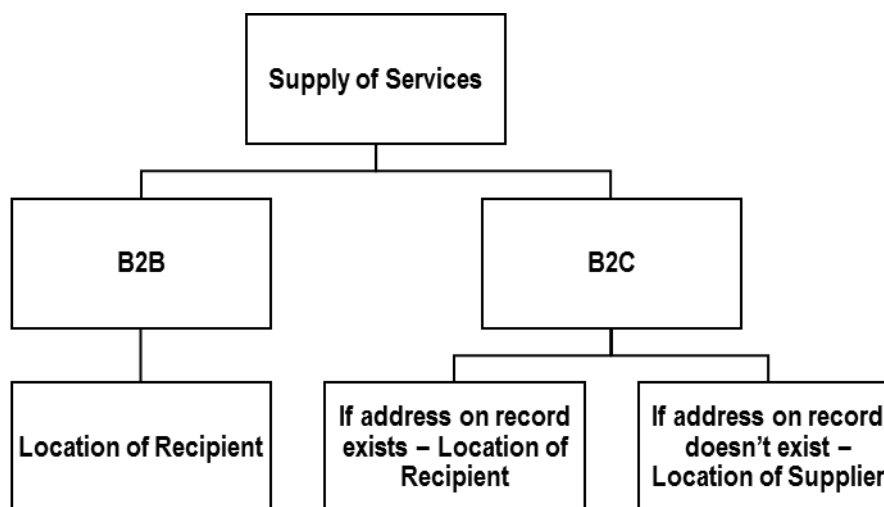
- (a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
- (b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location 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 provision of the supply; and
- (d) in absence of such places, the location of the usual place of residence of the supplier;

12.2 Analysis

Place of Supply – Supplies within India

Place of supply (known as POS) of services where both the supplier and recipient are located within India will be determined in accordance with section 12 of the IGST Act.

- (i) The general provision to determine the place of supply in respect of supply of services will be as follows:
 - Services supplied to a recipient who is registered, POS will be the location of such person;
 - Services supplied to a recipient who is not registered, POS will be the address on record of such person and where such address is not available, it will be the location of supplier.



There could be a scenario where multiple POS in the same invoice to a particular customer because of supply of distinct goods and goods, or services and services, or goods and services may get covered. In such a case, the supplier has to issue separate invoices where each invoice will have only one POS. This method is also supported by the fact that FORM GSTR-1 (Details of Outward supply) does not allow one to key in two different POS for the same invoice.

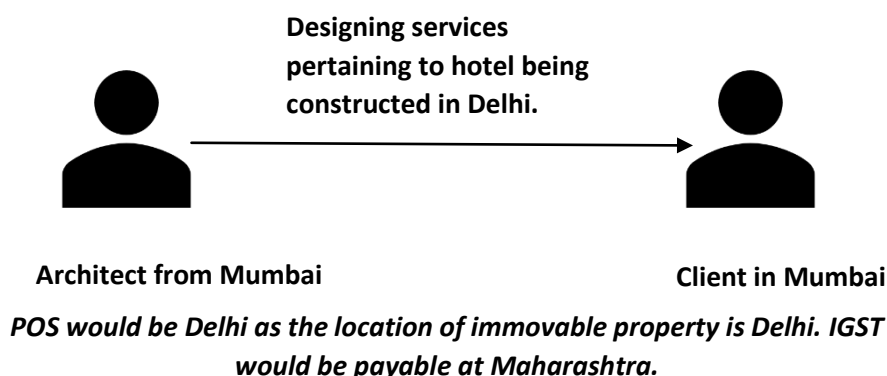
It is crucial to note that under the erstwhile Service tax regime, the scheme of centralised registration was available, by virtue of which, the location of the recipient was always construed to be the registered address in the statutory records. However, under the GST law, a separate registration is required to be obtained in every State/ UT from where a person effects taxable supplies. Accordingly, due caution must be exercised to provide for what is to be the location of the recipient, where the place of supply is determined to be the location of the registered person, under this clause, or any other clauses of section 12/ 13 of the IGST Act.

- (ii) Specific provisions regarding place of supply that will apply in priority over the aforesaid general provision are as follows:
 - (a) Services directly in relation to immovable property will be the location of such property. The expression 'in relation to' encompasses a wide range of services that have a proximate nexus with the immovable property. The provision lists these services – architects, interior decorators, surveyors, engineers and other related experts or estate agents, grant of rights to use immovable property or carrying out/ coordination of construction work. As can be seen, this list is not exhaustive and therefore – 'in relation to' – test will continue to be applicable to identify the services that will have the location of the property as its place of supply.

Also, the location of the supplier or recipient is irrelevant in such cases. Further, there are other services that have proximity to immovable property that are 'by way of' accommodation. Such services too have, as their place of supply, the location of such property. Such property may be a hotel, inn, guest house, homestay, club or campsite including houseboat. The use of such property may be accommodation or for organizing a function such as marriage. The end-use will not alter the applicability of this provision but the proximity of the property vis-à-vis the services. Services that are ancillary to such services would also be covered by this provision.

Circular No. 48/ 22/ 2018-GST, dated 14.06.2018 in the context of services of short-term accommodation, conferencing, banqueting etc. provided to a Special Economic Zone (SEZ) developer or a SEZ unit has clarified that such service shall be treated as inter-State supply.

Further, goods required in construction activity received as stock before being assigned to any particular site will not be determined by this provision but the general provision. For example, steel purchased in bulk and sent to a central warehouse being deployed to any specific site.

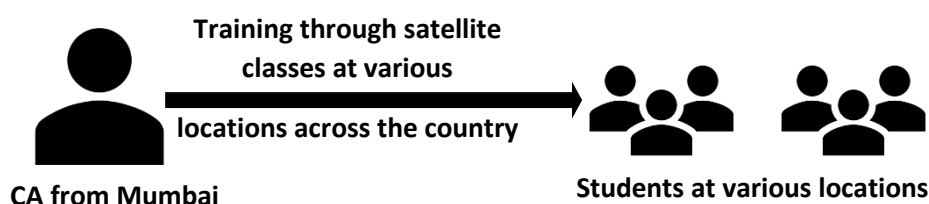


Also, Referral fees paid, events organised amongst group companies, food testing charges in a hospitality industry will not fall under the said provision as the same is not directly in relation to immovable property and hence the same will be classified under general provision 12(1) and if the recipient is situated outside the state, the same will be an inter state supply.

Rule 4 of IGST Rules provides that where immovable property or boat or vessel is located in more than one State or and in the absence of any contract or agreement, the value shall be determined in the following manner-

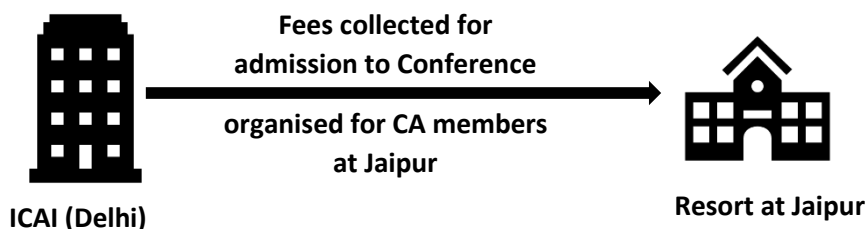
- a) in case of services provided by way of lodging accommodation by a hotel, inn, guest house, club or campsite, by whatever name called (except cases where such property is a single property located in two or more contiguous States/ UT) and services ancillary to such services, the supply of services shall be treated as made

Recipient here being the 'person liable to pay the consideration' is not to be misconstrued to be the 'trainee' or 'person appraised'. E.g.: In case of a corporate training organized by a training institute in Mumbai for a registered corporate client in Bangalore, the consideration is paid by the corporate through the individual participants who would be required to pay a certain delegate fee. Hence, the POS has to be determined on the basis of location of the recipient being the corporate entity and not based on the place where the services are actually performed.



***POS would be Mumbai as that is the place where service is performed.
CGST + Maharashtra GST would be payable at Maharashtra.***

- (d) Services of **admission** to a venue will be the location of the venue. The event that is organized may be cultural, artistic, sporting, scientific, education or entertainment or an amusement park including ancillary services. Services referred to here are only 'admission' and not for organizing the event at the venue.



POS would be Jaipur as that is the place where event is actually held. IGST would be payable at Delhi.

- (e) Services of **organizing** an event including ancillary services supplied to a registered person will be the location of the recipient. When the recipient is not registered, the place of supply will be the location of the venue itself.

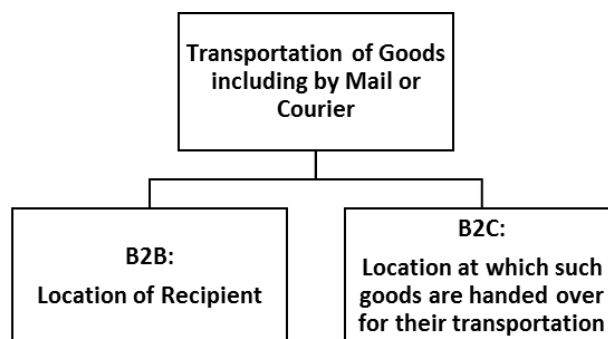
The event that is organized may be cultural, artistic, sporting, scientific, education or entertainment. Services referred to here are 'by way of' organizing the event at the venue. Where the event is organized in a ground or field being an immovable property, the service of securing the location has, as its place of supply, determined by a foregoing provision but the rest of the services of organizing the event alone will fall in this provision.

Rule 5 of IGST Rules provides that where services of organizing the event are supplied to unregistered person and the event is held in India in more than one State/ UT, the

value of service in such State/ UT shall be determined by application of generally accepted accounting principles.

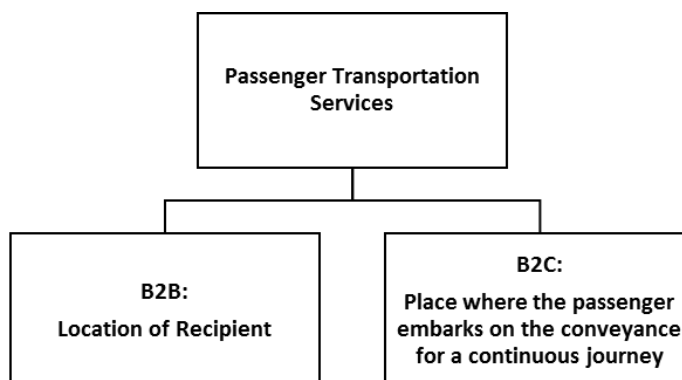
On a comparison of this provision with the previous provision, the striking difference is that in case of B2B transaction for admission to an event, the POS would be the location of the event whereas services of organizing the event is based on the location of the recipient in case of B2B supplies (i.e., where the recipient is a registered person).

- (f) Services of transportation of goods supplied to a registered person will be the location of the recipient being a registered person. When the recipient is not registered, the place of supply will be the location where goods are handed over for such transportation. Transportation of goods may be by any mode including mail or courier.

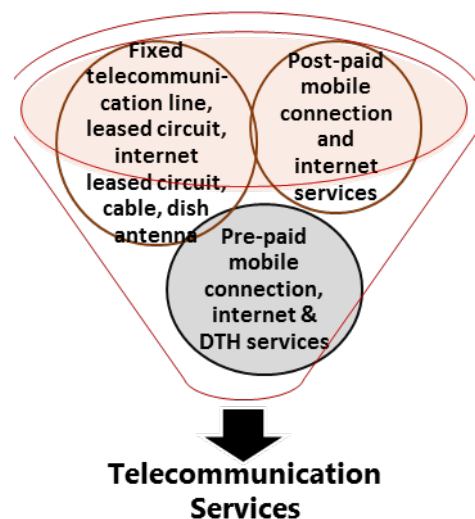


However, vide IGST (Amendment) Act, 2018, dated 29-Aug-2018 (effectiveness is yet to be notified), a proviso is inserted to provide that where the transportation of goods is to a place outside India, the place of supply will be the place of destination of goods.

- (g) Services of transportation of passenger will be the location of the registered recipient (including where an employee of a registered person travels on business). When the recipient is not a registered person, the place of supply will be the location of embarkation. Please note that a return journey is regarded as a separate journey (even in case of bookings of round-trips). Where the point of embarkation is unknown (in cases where the right to passage is given for future use) then the place of supply will be determined under the general clause (i.e., Section 12(2) of the IGST Act).



- (h) Services supplied on-board a conveyance, will be the first scheduled point of departure of such conveyance. Irrespective of whether the supplies are B2B or B2C, the POS is determined based on the first scheduled point of departure. Please note that by this logic, it is possible that the place of supply is determined to be a place in the route which has passed crossed even before the passenger availing the service embarks the conveyance. The registered recipient receiving any services on board through its employees/ directors would lose the ITC on the said transaction in case the location of the registered recipient and the first schedule point of departure are in two different States.
- (i) Telecommunication services are provided in various forms and the place of supply will depend on the mode of providing the services. Where the services involve an in situ device installed to enable the service, the place of supply will be the location where such device is installed. This device may be a dish antenna, telephone line, etc. Where the services involve portable device, the place of supply will be the billing address if the same is on post-paid basis. Where it is on pre-paid basis, the place of supply will be the location of any intermediary who facilitates the supply or location where payment is received. Where none of the situations provide an appropriate location, then the place of supply will be the address-on-record of the recipient. If address is not available, then the location of supplier will be the place of supply.



Rule 6 of IGST Rules provides that where the leased circuit is installed in more than one State/ UT and consolidated amount is charged for supply of such services, the value of services in each such State/ UT shall be determined in proportion to the number of points lying in the State/ UT. The number of points in a circuit shall be determined in the following manner:

- (i) in the case of a circuit between two points or places, the starting point or place of

the circuit and the end point or place of the circuit will invariably constitute two points;

- (ii) any intermediate point or place in the circuit will also constitute a point provided that the benefit of the leased circuit is also available at that intermediate point.
- (j) Banking and financial services including stock broking services will be the location of the address-on-record of the recipient. And if address is not available, then the location of supplier will be the place of supply. The services referred in this provision are not services 'by' a banking or financial institution but services 'of' banking and financial services. As such, the service is to be examined and not the service provider. Classification of services to identify the applicability of this provision is an important exercise that is to be undertaken.
- (k) Insurance services supplied to a registered person will be the location of the recipient. When the recipient is not registered, the place of supply will be the address of location of the recipient of service on record of the supplier of services.
- (l) Advertisement services involving 'dissemination' of the material supplied to the Government or a statutory body will be the location of such dissemination. Where it is identifiable to a specific State, then that would be the place of supply and where it is disseminated over number of States, then a rule of proportion or any other reasonable basis is to be applied.

The proportion of value of advertisement services provided to Government, statutory body or local authority shall be determined in the manner laid down in Rule 3 of IGST Rules, 2017, as follows-

1. Advertisements in newspapers and publications: The amount payable for publishing in all the editions of a newspaper published in a State/ UT shall be the value of advertisement service attributable to such dissemination in each such State/ UT.
2. Printed material like pamphlets, leaflets, diaries, t-shirts and the like: Amount payable for the distribution of specified number of such printed material in a State/ UT shall be the value of service attributable to such dissemination in each such State/ UT.
3. Advertisement on hoardings (other than those on trains): The amount payable for the hoardings located in a State/ UT shall be the value of service attributable to such dissemination in each such State/ UT.
4. Advertisements on trains: Value of advertisement service attributable to each State/ UT shall be calculated in proportion to the length of the railway track in each State/ UT for that train.
5. Advertisements on the back of utility bills: Value of advertisement service attributable to each State/ UT shall be the amount payable for the advertisement on the bills pertaining to consumers having billing addresses in such State/ UT.

6. Advertisements on railway tickets: Value of advertisement service attributable to each State/ UT shall be calculated in proportion to the number of railway stations in such State/ UT.
 7. Advertisements on radio stations: Value of advertisement services attributable to each State/ UT shall be the amount payable towards the broadcast made in a State/ UT.
 8. Advertisements on television channels: Value of advertisement services attributable to each State/ UT in a month shall be calculated proportionately on the basis of number of channel viewership figures published by Broadcast Audience Research Council for the last week of the immediately preceding quarter. Where the channel viewership figures relate to a region comprising of more than one State/ UT, viewership figures for a State/ UT shall be calculated by applying the ratio of populations in those States/ UTs as per the last census.
 9. Advertisements in cinema halls: Amount payable to cinema halls in a State/ UT, shall be the value of advertisement services attributable to each State/ UT.
 10. Advertisements over the internet: Value of advertisement services attributable to each State/ UT in a month shall be calculated proportionately on the basis of number of internet subscriber figures published by TRAI for the last quarter of the immediately preceding financial year. Where the internet subscriber figures relate to a region comprising of more than one State/ UT, subscriber figures for a State/ UT shall be calculated by applying the ratio of populations in those States/ UTs as per the last census.
 11. Advertisements through SMS: Value of advertisement services attributable to each State/UT in a month shall be calculated proportionately on the basis of number of telecom subscriber figures published by TRAI for the immediately preceding quarter. Where the telecom subscriber figures relate to a telecom circle comprising of more than one State/ UT, subscriber figures for a State/ UT shall be calculated by applying the ratio of populations in those States/ UTs as per the last census.
- (m) Considering that place of supply has been so specifically covered in the various provisions discussed, it is to be borne and recollected that identifying the place of supply is for purposes of determining whether it is an inter-State supply or an intra-State supply. After much resistance to let go of the experience from erstwhile tax laws, it would dawn upon each of us to eschew seeking registration in every State where their services constitute a place of supply, but rather rely upon this section to open the doors to choose to effect inter-State supplies from one (or few) State only instead of multi-State registration that may be necessitated under erstwhile tax laws. Another important aspect especially when a recipient is a registered person which comes out on analysis of section 12 is that wherever the POS is based on location of the recipient, the ITC is intact and wherever the POS is not based on location of the recipient but based on

some other criterion as discussed above, then there is high probability of losing out on ITC in the hands of a registered person. Eg: Immovable property related services, admission to an event, services on board an aircraft etc.

Statutory provisions

13. Place of supply of services where location of supplier or location of recipient is outside India

(1) *The provisions of this section shall apply to determine the place of supply of services where the location of the supplier of services or the location of the recipient of services is outside India.*

(2) *The place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services:*

Provided that where the location of the recipient of services is not available in the ordinary course of business, the place of supply shall be the location of the supplier of services.

(3) *The place of supply of the following services shall be the location where the services are actually performed, namely: —*

(a) *services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services in order to provide the services:*

Provided that when such services are provided from a remote location by way of electronic means, the place of supply shall be the location where goods are situated at the time of supply of services:

Provided further that nothing contained in this clause shall apply in the case of services supplied in respect of goods which are temporarily imported into India for repairs or for any other treatment or process and are exported after such repairs or treatment or process without being put to any use in India, other than that which is required for such repairs or treatment or process.⁶

(b) *services supplied to an individual, represented either as the recipient of services or a person acting on behalf of the recipient, which require the physical presence of the recipient or the person acting on his behalf, with the supplier for the supply of services.*

(4) *The place of supply of services supplied directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name*

⁶ Substituted vide The Integrated Goods and Services Tax Amendment Act, 2018 w.e.f. 01.02.2019

called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators, shall be the place where the immovable property is located or intended to be located.

- (5) The place of supply of services supplied by way of admission to, or organization of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or similar events, and of services ancillary to such admission or organization, shall be the place where the event is actually held.
- (6) Where any services referred to in sub-section (3) or sub-section (4) or sub-section (5) is supplied at more than one location, including a location in the taxable territory, its place of supply shall be the location in the taxable territory.
- (7) Where the services referred to in sub-section (3) or sub-section (4) or sub-section (5) are supplied in more than one State or Union territory, the place of supply of such services shall be taken as being in each of the respective States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.
- (8) The place of supply of the following services shall be the location of the supplier of services, namely: —
- (a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;
 - (b) intermediary services;
 - (c) services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.

Explanation. —For the purposes of this sub-section, the expression, —

- (a) “account” means an account bearing interest to the depositor, and includes a non-resident external account and a non-resident ordinary account;
- (b) “banking company” shall have the same meaning as assigned to it under clause (a) of section 45A of the Reserve Bank of India Act, 1934 (2 of 1934);
- (c) “financial institution” shall have the same meaning as assigned to it in clause (c) of section 45-I of the Reserve Bank of India Act, 1934 (2 of 1934);
- (d) “non-banking financial company” means, —
 - (i) a financial institution which is a company;
 - (ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or

(iii) such other non-banking institution or class of such institutions, as the Reserve Bank of India may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

- (9) The place of supply of services of transportation of goods, other than by way of mail or courier, shall be the place of destination of such goods.
- (10) The place of supply in respect of passenger transportation services shall be the place where the passenger embarks on the conveyance for a continuous journey.
- (11) The place of supply of services provided on board a conveyance during the course of a passenger transport operation, including services intended to be wholly or substantially consumed while on board, shall be the first scheduled point of departure of that conveyance for the journey.
- (12) The place of supply of online information and database access or retrieval services shall be the location of the recipient of services.

Explanation.—For the purposes of this sub-section, person receiving such services shall be deemed to be located in the taxable territory, if any two of the following non-contradictory conditions are satisfied, namely: —

- (a) the location of address presented by the recipient of services through internet is in the taxable territory;
- (b) the credit card or debit card or store value card or charge card or smart card or any other card by which the recipient of services settles payment has been issued in the taxable territory;
- (c) the billing address of the recipient of services is in the taxable territory;
- (d) the internet protocol address of the device used by the recipient of services is in the taxable territory;
- (e) the bank of the recipient of services in which the account used for payment is maintained is in the taxable territory;
- (f) the country code of the subscriber identity module card used by the recipient of services is of taxable territory;
- (g) the location of the fixed land line through which the service is received by the recipient is in the taxable territory.
- (13) In order to prevent double taxation or non-taxation of the supply of a service, or for the uniform application of rules, the Government shall have the power to notify any description of services or circumstances in which the place of supply shall be the place of effective use and enjoyment of a service.

Extract of the IGST Rules, 2017

7. *The supply of services attributable to different States or Union territories, under sub-section (7) of section 13 of the said Act, in the case of services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services, or in the case of services supplied to an individual, represented either as the recipient of services or a person acting on behalf of the recipient, which require the physical presence of the recipient or the person acting on his behalf, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are supplied in more than one State or Union territory, shall be taken as being in each of the respective States or Union territories, and the proportion of value attributable to each such State and Union territory in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined in the following manner, namely:-*

- (i) *in the case of services supplied on the same goods, by equally dividing the value of the service in each of the States and Union territories where the service is performed;*
- (ii) *in the case of services supplied on different goods, by taking the ratio of the invoice value of goods in each of the States and Union territories, on which service is performed, as the ratio of the value of the service performed in each State or Union territory;*
- (iii) *in the case of services supplied to individuals, by applying the generally accepted accounting principles.*

Illustration-1: A company C which is located in Kolkata is providing the services of testing of a dredging machine and the testing service on the machine is carried out in Orissa and Andhra Pradesh. The place of supply is in Orissa and Andhra Pradesh and the value of the service in Orissa and Andhra Pradesh will be ascertained by dividing the value of the service equally between these two States.

Illustration-2: A company C which is located in Delhi is providing the service of servicing of two cars belonging to Mr. X. One car is of manufacturer J and is located in Delhi and is serviced by its Delhi workshop. The other car is of manufacturer A and is located in Gurugram and is serviced by its Gurugram workshop. The value of service attributable to the Union Territory of Delhi and the State of Haryana respectively shall be calculated by applying the ratio of the invoice value of car J and the invoice value of car A, to the total value of the service.

Illustration-3: A makeup artist M has to provide make up services to an actor A. A is shooting some scenes in Mumbai and some scenes in Goa. M provides the makeup services in Mumbai and Goa. The services are provided in Maharashtra and Goa and the value of the service in Maharashtra and Goa will be ascertained by applying the generally accepted accounting principles.

8. *The proportion of value attributable to different States or Union territories, under sub-section (7) of section 13 of the said Act, in the case of supply of services directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are supplied in more than one State or Union territory, in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined by applying the provisions of rule 4, mutatis mutandis.*

9. *The proportion of value attributable to different States or Union territories, under sub-section (7) of section 13 of the said Act, in the case of supply of services by way of admission to, or organisation of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or similar events, and of services ancillary to such admission or organisation, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are provided in more than one State or Union territory, in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined by applying the provisions of rule 5, mutatis mutandis.*

Relevant circulars, notifications, clarifications, flyers issued by Government:

- 1) Circular No. 2/ 1/ 2017-IGST, dated 27.09.2017 for clarification on the place of supply of satellite launch services by ANTRIX Corporation Ltd;
- 2) Notification No. 02/ 2017-Integrated Tax, dated 19.06.2017 notified to empower the Principal Commissioner of Central Tax, Bengaluru West to grant registration in case of OIDAR Services provided or agreed to be provided by a person located in non-taxable territory and received by a non-taxable online recipient.
- 3) Notification No. 4/ 2018-Integrated Tax, dated 31.12.2018 notified IGST (Amendment) Rules, 2018, to insert rules 4, 5, 6, 7, 8 and 9.
- 4) Circular 118/37/2019-GST dated 11 Oct 2019 regarding 'determination of place of supply' in respect of ESDM software supplies
- 5) Notification 4/2019-Integrated Tax dated 30 Sept 2019 issued under 13(13) of IGST Act to prescribe 'place of supply' in respect of Clinical Trials.

Related Provisions of the Statute:

Statute	Section / Rule	Description
CGST	Section 2(2)	Definition of address on record
CGST	Section 2(34)	Definition of conveyance
CGST	Section 2(56)	Definition of India
CGST	Section 2(93)	Definition of recipient
CGST	Section 9	Levy and collection of tax
IGST	Section 2(3)	Definition of continuous journey
IGST	Section 2(6)	Definition of export of services
IGST	Section 2(11)	Definition of import of services
IGST	Section 2(13)	Definition of intermediary
IGST	Section 2(14)	Definition of location of the recipient of services
IGST	Section 2(15)	Definition of location of the supplier of services
IGST	Section 2(17)	Definition of OIDAR services
IGST	Section 5	Levy and collection of tax
IGST	Section 7	Meaning of inter-State supplies
IGST	Section 8	Meaning of intra-State supplies
IGST	Section 10	Place of supply of goods other than goods imported into, or exported from India
IGST	Section 11	Place of supply of goods imported into, or exported from India
IGST	Section 12	Place of supply of services where location of supplier and location of recipient is in India
IGST	Section 14	Special provision for payment of tax by a supplier of OIDAR services

13.1 Analysis

Place of supply of services where either the supplier or recipient is located outside India will be determined in accordance with section 13 of the IGST Act. In other words, this provision applies for the determination of export of services as well as for import of services.

International supplies involving services are not verifiable similar to goods. GST, in certain cases, treats supplies involving goods as 'supply of services'. In such cases too, this provision will apply for determination of their export and import. Given the definition of export of services and import of services and on comparing them to goods, it will be evident that there is really no comparison. Matters such as location of supplier, location of recipient, currency of compensation, etc., assume importance in relation to services including goods that are treated as supply of services. In this background, we may analyze place of supply of services where either one – supplier or recipient – is located outside India.

Then the place of supply determined by application of this provision may be carried into the definition to determine whether the international supply meets the requirements to be regarded as 'export of services' or 'import of services'. This may be somewhat unnatural but that is the correct approach because location of recipient outside India and payment in foreign currency are tests that the GST law does not appreciate. In this time and age of forex surplus, when two enterprises which are both located within India transacting in foreign currency is not impermissible.

New Delhi Authority for Advance ruling in case of M/s ROD RETAIL PVT LTD (2018-TIOL-08-AAR-GST) held that **Goods cannot be called to be exported, merely on crossing the Customs Frontiers of India.**

Supply of goods to the International passengers going abroad by the applicant from their retail outlet situated in the Security Hold Area of the Terminal-3 of IGI Airport may be taking place beyond Customs Frontiers of India as defined under Section 2(4) of the IGST Act, 2017.

However, the said outlet is not outside India, as claimed by the applicant but the same is within the territory of India as defined under Section 2(56) of the CGST Act, 2017 and Section 2(27) of the Customs Act, 1962 and hence the applicant is not taking goods out of India and hence their supply cannot be called "export" under Section 2(5) of the IGST Act, 2017 or "zero rated supply" under Section 2(23) and Section

2(6) "export of services" means the supply of any service when

- (i) the supplier of service is located in India;
- (ii) the recipient of service is located outside India;
- (iii) the place of supply of service is outside India;
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and
- (v) the supplier of service and recipient of service are not merely establishments of a distinct person in accordance with explanation 1 of section 8;

2(11) "import of service" means the supply of any service, where

- (i) the supplier of service is located outside India;
- (ii) the recipient of service is located in India; and
- (iii) the place of supply of service is in India;

16(1) of the IGST, Act. Hence applicant is required to pay GST at the applicable rates: AAR [para 28 to 36]

Place of supply of international supplies of services is as follows:

- (i) The general provision for determining the place of supply (POS) is that the POS will be the location of the recipient of the services; whereas, it will be the location of the supplier of services if the location of the recipient cannot be known without employing any extraordinary means. 'Recipient' is defined as the 'person liable to pay consideration' in section 2(93) of the CGST Act.
- (ii) It is important to note that this section only determines the POS. Merely because the POS is determined under this clause, the supply cannot be regarded as an export of service or an import of service.
- (iii) Specific provisions regarding place of supply that will apply in priority over the -general provision will be as follows:
 - (a) POS of services that are 'in respect of' goods made available 'by' recipient 'to' supplier or persons representing supplier for performance of those services will be the location where the services are actually performed. It is worthwhile to note here that the goods must be made available only by the recipient and not his representative but whereas person to whom it is made available could be supplier or his representative. It is also noteworthy that the services to which this provision is to apply are not expressly listed here and left to an application of 'made available for performance' test to determine its applicability. Services that are supplied by remotely accessing the goods, the place of supply will be the location of the goods.

However, the said provisions will not apply in the case of services supplied in respect of goods which are temporarily imported into India for repairs or for any other treatment or process and are exported after such repairs or treatment or process without being put to any use in India, other than that which is required for such repairs or treatment or process. This amendment is made vide IGST (Amendment) Act, 2018, dated 29-Aug-2018 (effective 01.02.2019)

In cases where services are supplied at multiple locations, including a location in the taxable territory, POS is location in the taxable territory. Further, rule of proportion is to be applied in case the services are carried out in different States.

Rule 7 of IGST Rules provides that the value of services in each such State/ UT shall be determined in the following manner, namely:

- (i) in the case of services supplied on the same goods, by equally dividing the value of the service in each of the States and Union territories where the service is performed;

- (ii) in the case of services supplied on different goods, by taking the ratio of the invoice value of goods in each of the States and Union territories, on which service is performed, as the ratio of the value of the service performed in each State or Union territory;
 - (iii) in the case of services supplied to individuals, by applying the generally accepted accounting principles.
- (b) Similar to the provisions of section 12(3), the POS in case of services 'directly in relation to' immovable property will be the location of such property. The expression 'in relation to' encompasses a wide range of services that have a proximate nexus with the immovable property. Such property may be a hotel, inn, guest house, homestay, club or campsite excluding houseboat. The end-use will not alter the applicability of this provision but the proximity of the property vis-à-vis the services. In cases where services are supplied at multiple locations, including a location in the taxable territory, POS is location in the taxable territory. The rule of proportion is to be applied in case the services are carried out in different States. Rule 8 of IGST Rules provides that the value of services in each such State/ UT shall be determined by applying the provisions of rule 4 of IGST Rules, *mutatis mutandis*.

Services required in construction activity which are received before being assigned to any particular site will not be determined by this provision but the general provision. For example, lease of construction equipment sent to a central warehouse before being deployed to any specific site.

- (c) Services of admission to a venue will be the location of the venue. The event that is organized may be cultural, artistic, sporting, scientific, education or entertainment or a celebration, conference, fair, exhibition or similar events including ancillary services. Services referred to here are admission or organizing the event at the venue. In cases where services are supplied at multiple locations, including a location in the taxable territory, POS is location in the taxable territory. Further, rule of proportion is to be applied in case the services are carried out in different States. Rule 9 of IGST Rules provides that the value of services in each such State/ UT shall be determined by applying the provisions of rule 5 of IGST Rules, *mutatis mutandis*.
- (d) Services in the following three cases deviates from the 'destination' principle and appoints the POS to be the location of the supplier:
- Services by a banking company or a financial institution or NBFC – reference to services 'by' indicate that this specific provision will encompass all activities by such a service provider performed in their capacity as such.

- Intermediary services – defined in section 2(13) provide for a broad set of activities. It is important to examine whether the role of an intermediary is limited in any manner to marketing (proliferation of information to potential customers), pre-sale (submitting quotations) and post-sale (assisting in delivery, installation and after-sales support).
 - West Bengal Authority for Advance Ruling in the case of **Global Reach Education Services (P) Ltd. 2018 (4) TMI 808** held that promotion & marketing of various courses of foreign universities among prospective students in India is an intermediary service and does not constitute export of service. The Appellate Authority for Advance Ruling in the very same case 2018 (8) TMI 392 has confirmed the ruling of Authority for Advance Ruling.
 - Maharashtra Authority for Advance Ruling in the case of **Vserv Global (P) Ltd. TS-676-AAR-2018-NT** has held that back office administrative and accounting support services, payroll processing and maintenance of employee records, rendered by applicant to overseas client, a registered person incorporated in India, does not constitute an 'export of service'; Holds that, applicant arranges/facilitates supply of goods or services or both between overseas client and customers of overseas client, therefore, applicant is clearly covered and falls in 'intermediary' definition as contained u/s 2(13) of IGST Act, 2017.
 - Hiring of transport for a period upto one month – all services attendant to securing such limited duration. This excludes aircraft and vessel other than yacht.
- (e) POS of services of transportation of goods will be the destination of the goods, as opposed to the location where they are handed over for transportation as in case of supplies to unregistered persons in section 12(8). Transportation of goods may be by any mode, but not mail or courier. E.g.: A transporter registered in Kolkata may provide transportation service in respect of goods owned by a person in Nepal for delivery to another person in Assam. In such a case, although the service is supplied to a person located outside India, the supply will be a taxable supply and will not be considered to be an export of service.
- (f) POS of services of transportation of passenger will be the location where the passenger embarks on the conveyance for a continuous journey.
- (g) POS of services supplied on-board a conveyance, will be the first scheduled point of departure. Services are to be supplied during the journey and substantially consumed on-board. Any deviation from this condition will result in it getting classified under the general rule.

- (h) POS of services of OIDAR (online information and database access or retrieval) services will be location of recipient. Please refer to detailed discussion under section 14 on OIDAR services. Further, such recipient will be deemed to be situated in a taxable territory if any two of the following conditions are fulfilled:
- Address of recipient is in taxable territory;
 - Card of recipient that is used to pay for the services is issued in taxable territory;
 - Billing address is in taxable territory;
 - Internet protocol address in taxable territory;
 - Bank account of recipient used to make payment is in the taxable territory;
 - Country code of SIM card used by recipient is of taxable territory;
 - Fixed land line used by recipient is in taxable territory.
- (iv) Where there is any occasion for double taxation or non-taxation, the Central Government is empowered to notify the place of supply with respect to service of any specific description, wherein the place of supply will be the place of effective use and enjoyment of a service.
- (v) Remarkably, circular 113 issued to specify POS in respect of ESDM services where these services are clarified NOT to be location-based services. And this circular only provide interpretation that should always be applicable to save the incidence of tax;
- (vi) Even more remarkable is that Government has issued a notification under section 13(13) to specify POS in respect of clinical trials. Experts are apprehensive that this notification WILL NOT have retrospective effect and any exports reported in respect of clinical trials may be questioned now.

Statutory provisions

14. Special provision for payment of tax by a supplier of online information and database access and retrieval services

- (1) *On supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, the supplier of services located in a non-taxable territory shall be the person liable for paying integrated tax on such supply of services:*

Provided that in the case of supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, an intermediary located in the non-taxable territory, who arranges or facilitates the supply of such services, shall be deemed to be the recipient of such services from the supplier of services in non-taxable territory and supplying

such services to the non-taxable online recipient except when such intermediary satisfies the following conditions, namely:—

- (a) *the invoice or customer's bill or receipt issued or made available by such intermediary taking part in the supply clearly identifies the service in question and its supplier in non-taxable territory;*
 - (b) *the intermediary involved in the supply does not authorize the charge to the customer or take part in its charge which is that the intermediary neither collects or processes payment in any manner nor is responsible for the payment between the non-taxable online recipient and the supplier of such services;*
 - (c) *the intermediary involved in the supply does not authorize delivery; and*
 - (d) *the general terms and conditions of the supply are not set by the intermediary involved in the supply but by the supplier of services.*
- (2) *The supplier of online information and database access or retrieval services referred to in sub-section (1) shall, for payment of integrated tax, take a single registration under the Simplified Registration Scheme to be notified by the Government:*

Provided that any person located in the taxable territory representing such supplier for any purpose in the taxable territory shall get registered and pay integrated tax on behalf of the supplier:

Provided further that if such supplier does not have a physical presence or does not have a representative for any purpose in the taxable territory, he may appoint a person in the taxable territory for the purpose of paying integrated tax and such person shall be liable for payment of such tax.

Relevant circulars, notifications, clarifications issued by Government:

1. Notification No. 02/ 2017-Integrated Tax, dated 19.06.2017 notified to empower the Principal Commissioner of Central Tax, Bengaluru West to grant registration in case of OIDAR Services provided or agreed to be provided by a person located in non-taxable territory and received by a non-taxable online recipient;
2. Notification No. 10/ 2017-Integrated Tax (Rate), dated 28.06.2017 notifying services on which tax is payable on reverse charge basis.

Related Provisions of the Statute

Statute	Section / Rule	Description
CGST	Section 2(79)	Definition of non-taxable territory
CGST	Section 2(93)	Definition of recipient
IGST	Section 2(13)	Definition of intermediary
IGST	Section 2(15)	Definition of location of the supplier of services

IGST	Section 2(16)	Definition of non-taxable online recipient
IGST	Section 2(17)	Definition of OIDAR services
IGST	Section 5	Levy and collection of tax
IGST	Section 7	Meaning of inter-State supplies
IGST	Section 8	Meaning of intra-State supplies
IGST	Section 13	Place of supply of services where location of supplier or location of recipient is outside India
CGST	Rule 64	Form and manner of submission of return by persons providing OIDAR services

14.1 Introduction

This is a new transaction that is brought within the tax net only from 1 December, 2016 under Service Tax. The experience was more than encouraging as the amount of tax that has been collected from OIDAR is in a class of its own as regards taxable person and place of supply. Everything discussed until now must be given a go-bye to understand OIDAR more clearly.

14.2 Analysis

Online Information and database access or retrieval (OIDAR) is defined in a specific manner and may be simplified as follows:

2-step definition	Services (and not goods) supplied
	Delivered over continuous internet connectivity
2-step clarification	Involves minimal human intervention
	Impossible to ensure in absence of information technology

Six illustrations in the definition and some explanation about inclusions and exclusions:

Illustration	Includes	Excludes
Online advertising E.g. Google	<ul style="list-style-type: none"> Banner ads, pop-up ads, sponsored ads, etc. 	<ul style="list-style-type: none"> Preparation of content for online display like production, distribution and services of intermediaries Advertisement in newspaper, on posters and on television
Cloud services E.g. Amazon Web services	<ul style="list-style-type: none"> Webhosting Data warehousing 	<ul style="list-style-type: none"> Software license issued by delivery of key number to remotely download via FTP
E-books, movies,	<ul style="list-style-type: none"> Access to content 	<ul style="list-style-type: none"> Downloadable e-books,

<p>music, software and other intangibles E.g. Gaana.com and Netflix</p>	<p>permitted only 'online' even if stored in cache on user-end device but not allowing (official) permanent download</p>	<p>movies, music, etc. which are available for offline viewing without any mandatory e-check of the user credentials</p> <ul style="list-style-type: none"> • Content provided through dedicated user-end device for use of content • Supply of physical books, newsletter, newspaper or journals • Booking services or tickets to entertainment events, hotel accommodation or car hire • Educational or professional courses, where the content is delivered by a teacher over the internet or electronic network
<p>Online data or information E.g. LinkedIn, Taxindiaonline.com</p>	<ul style="list-style-type: none"> • Paid websites that provide information • Free sites with valuable information – if not treated as 'supply', ITC will not be available but if treated as 'supply, output tax will apply on like-kind-and-quality or cost-plus basis 	<ul style="list-style-type: none"> • Net banking where banking information is accessed online but merely incidental to offline banking transactions • Electronic commerce • Non-commerce and information portals • C2C portals
<p>Online supply of digital content E.g. Setmax online, YouTube</p>	<ul style="list-style-type: none"> • TV programs and movies supplied over the internet like monitored by issuing user login / password 	<ul style="list-style-type: none"> • Auditors report sent to client via email. It is merely a form in which the offline services are communicated. Services of auditor is not the email of report issued but the opinion expressed about the financial position of the auditee • Online order processing in

		respect of offline supply of goods <ul style="list-style-type: none"> • Services of lawyers and financial consultants who advise clients through email
Data storage E.g. Amazon	<ul style="list-style-type: none"> • Webservers – shared or dedicated, with/ without support, etc. 	<ul style="list-style-type: none"> • Lease of server with redundancy
Online gaming E.g. Zapak.com	<ul style="list-style-type: none"> • Live-gaming • Collaborative gaming 	<ul style="list-style-type: none"> • Computer/ mobile games to be used after downloading to user-end device

Thus, every transaction done over the internet is not e-commerce, everything delivered online is not OIDAR. The acid-test is to see 'always on' status of internet connectivity for the continuous supply of the underlying service. Mere use of internet for delivery of services that can otherwise be provided offline through some media like CD, pen-drive, etc. all though less-securely will not be OIDAR. The use of file-transfer-protocol (FTP) for delivery of software or music or games is only to ensure integrity in the delivery of these high-volume files and the use of internet for FTP does not become OIDAR.

To summarise, the following table depicts the ingredients prescribed in this section:

Supplier	Supplier of Services in non-taxable territory		
Recipient	B2C (non-taxable online recipient – NTOR)	Intermediary@ (deemed to be recipient and re-supplying to NTOR)	B2B# (all others)
Tax Payer	Overseas supplier	Intermediary	Recipient
Tax Payment	Forward Charge (through representative)	Forward Charge (through Intermediary)	Reverse Charge (by B2B Recipient)

@ issues invoice, authorizes charge for services, responsible to collect payment, authorizes delivery and controls terms and conditions of supply. Else, not an intermediary liable to pay

B2B may be registered taxable person for any output supply

Note: Non-taxable online recipient means any Government, local authority, governmental authority, an individual or any other person not registered and receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

For the purposes of the definition of 'non-taxable online recipient, "governmental authority" means an authority or a board or any other body:

- (i) set up by an Act of Parliament or a State legislature; or
- (ii) established by Government,

with 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution.

14.3 Comparative Review

In the erstwhile Service Tax law, a similar provision was inserted with effect from 01.12.2016.

14.4 Issues and concerns

1. The place of supply provisions, in certain cases, is determined to be a place outside the State in which the registered person has obtained registration – such as POS in case of services in relation to immovable property, admission to an event (including educational events), services on board a conveyance (say letting out a laptop on hire during the journey), banking services (where a single bank account is used for various GST registrations across States). In all such cases, the registered person is restricted from availing input tax credits even where the services have been availed in the course or furtherance of business.
2. Section 13(12) provides a deeming fiction whereby the location of the recipient of the OIDAR services is appointed to be in the taxable territory if any two of seven conditions are satisfied. For instance, say the debit card through which payment is made has been issued in Delhi (Condition in clause b), and the IP address is in Bangalore (Condition in clause f), there is no mechanism in place to appoint a single place of supply for the transaction. This could lead to issue as regards the apportionment of tax revenue between States.
3. A supply of OIDAR services by a supplier located in a non-taxable territory to a non-taxable online recipient in India is specifically excluded from a supply on which the recipient is required to discharge taxes on RCM basis. Accordingly, non-taxable online recipients are not required to obtain registration. The recipients being non-taxable persons, may not be in possession of any documents including the invoices issued by the suppliers, since they are not mandated under any law to keep/ maintain such documents. This would make it extremely difficult for the revenue authorities to identify suppliers of OIDAR services located in a non-taxable territory, and even where identified, to track such suppliers.