



Goods & Services Tax

Educational Series

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Scope of Principal and Agent Relationship in the context of Del-Credere Agent (Part III)

Whether the temporary short-term transaction based loan extended by the Del-Credere Agent (DCA) to the recipient (buyer), for which interest is charged by the DCA, is to be included in the value of goods being supplied by the supplier (principal) where DCA is not an agent under Para 3 of Schedule I of the CGST Act?

In such a scenario following activities are taking place:

1. Supply of goods from supplier (principal) to recipient;
2. Supply of agency services from DCA to the supplier or the recipient or both;
3. Supply of extension of loan services by the DCA to the recipient.

- It is clarified that in cases where the DCA is not an agent under Para 3 of Schedule I
- The temporary short-term transaction based loan being provided by DCA to the buyer is a supply of service by the DCA to the recipient on Principal to Principal basis and is an independent supply.
- Therefore, the interest being charged by the DCA would not form part of the value of supply of goods supplied (to the buyer) by the supplier.
- *Furthermore, vide notification No. 12/2017-Central Tax (Rate) dated 28th June, 2017 (S. No. 27), services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) has been exempted.*

Source: Circular No. 73/2018 dated November 05, 2018.

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