



Goods & Services Tax

Educational Series

PD & PP : GST : 365

26 November, 2018

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

Where Del-Credere Agent (DCA) is an agent under Para 3 of Schedule I of the CGST Act and makes payment to the principal on behalf of the buyer and charges interest to the buyer for delayed payment along with the value of goods being supplied, whether the interest will form a part of the value of supply of goods also or not?

In such a scenario following activities are taking place:

1. Supply of goods by the supplier (principal) to the DCA;
2. Further supply of goods by the DCA to the recipient;
3. Supply of agency services by the DCA to the supplier or the recipient or both;
4. Extension of credit by the DCA to the recipient.

- It is clarified that in cases where the DCA is an agent under Para 3 of Schedule I of the CGST Act, the temporary short-term transaction based credit being provided by DCA to the buyer no longer retains its character of an independent supply and is subsumed in the supply of the goods by the DCA to the recipient.
- It is emphasized that the activity of extension of credit by the DCA to the recipient would not be considered as a separate supply as it is in the context of the supply of goods made by the DCA to the recipient.
- ***Therefore, the value of the interest charged for such credit would be required to be included in the value of supply of goods by DCA to the recipient as per section 15(2) (d) of the CGST Act.***

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

Disclaimer: This document developed for academic purposes only, is based on the information available in public domain. The Institute of Company Secretaries of India shall not be responsible for any loss or damage caused due to any action taken on the basis of information contained in this document. Any person wishing to act on the basis of the information contained in this document should do so only after cross checking with the original source.

Previous issues of Educational Series are available at <https://www.icsi.edu/GSTEducationalSeries.aspx>