

Bill-to-Ship-to Transactions under GST (2026): Place of Supply under Section 10(1)(b)

Description

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Quick summary

- A bill-to-ship-to transaction involves three parties - the supplier, a third party who instructs the delivery, and the ultimate recipient who physically receives the goods.
- Section 10(1)(b) of the IGST Act treats the place of supply as the third party's principal place of business, not the recipient's delivery address, whenever the instruction to ship elsewhere is given before or during the movement of goods.
- Legally, this single transaction is split into two supplies - supplier to third party, and third party to ultimate recipient - each taxed independently (as IGST or CGST+SGST) based on its own place of supply.
- The final input tax credit lands with the ultimate recipient, even though two separate invoices and two separate tax charges are involved along the way.
- The same bill-to-ship-to logic extends to services, and e-invoicing for both legs of the transaction follows the same two-invoice structure.

GST is a destination-based tax, so getting the place of supply right matters most precisely in the cases where the billing address and the shipping address are different people in different places - the bill-to-ship-to transaction.

What a bill-to-ship-to transaction is

A supplier delivers goods to a recipient on the instructions of a third party. Three parties are involved: the **original supplier**, the **third party** who instructs the delivery (and is billed), and the **ultimate recipient** who physically receives the goods.

The rule: Section 10(1)(b), IGST Act

Where the supplier delivers goods to the recipient, or to any other person, **on the instruction of a third party**,

the place of supply is deemed to be the **principal place of business of that third party**, not the location the goods are actually delivered to. This applies only where the instruction is given before or during the movement of goods, not after the movement is already complete.

Because of this deeming rule, a single physical movement of goods is legally treated as **two separate supplies** :

1. **Supplier to third party:** the original supplier invoices the third party; the place of supply is the third party's location.
2. **Third party to ultimate recipient:** the third party invoices the ultimate recipient; the place of supply is the recipient's location.

Each leg is taxed independently - as IGST if that particular leg is an inter-State supply, or as CGST plus SGST/UTGST if that leg is intra-State - based on its own place of supply, not the place of supply of the other leg.

Worked examples across State combinations

Using X as the original supplier, Z as the third party who instructs delivery, and Y as the ultimate recipient:

Scenario	X (supplier)	Z (third party)	Y (recipient)	First supply (X to Z)	Second supply (Z to Y)
1	Karnataka	Maharashtra	Karnataka	Inter-State, place of supply Maharashtra - X charges Z IGST	Inter-State, place of supply Karnataka - Z charges Y IGST
2	Karnataka	Karnataka	Telangana	Intra-State, place of supply Karnataka - X charges Z CGST + Karnataka SGST	Inter-State, place of supply Telangana - Z charges Y IGST
3	Karnataka	Tamil Nadu	Tamil Nadu	Inter-State, place of supply Tamil Nadu - X charges Z IGST	Intra-State, place of supply Tamil Nadu - Z charges Y CGST + Tamil Nadu SGST

Each leg's tax treatment depends purely on whether that specific leg crosses a State border - the two legs can independently be intra-State or inter-State, in any combination, regardless of where the goods physically move.

Does this apply to services?

Yes. The same bill-to-ship-to logic extends to a service that is billed to one party but actually supplied to a different recipient on that party's instruction.

Bill-to-ship-to between branches of the same entity

If the ultimate recipient (Y) is a **branch of the third party (Z) located in a different State**, the bill-to-ship-to provisions still apply, because branches in different States are treated as distinct persons under section 25. If, instead, Y is merely an **additional place of business of Z within the same State**, Y and Z are not distinct persons, and the transaction is invoiced only to Z - the bill-to-ship-to split does not arise.

Input tax credit

Two separate tax invoices exist - the original supplier's invoice to the third party, and the third party's invoice to the ultimate recipient. Each bill-to party claims input tax credit on the invoice addressed to it. The combined effect is that the ultimate recipient ends up holding the input tax credit for the supply, once both legs have been accounted for.

e-Way bill and e-invoicing treatment

The e-way bill form carries separate **"bill-to"** and **"ship-to"** address fields, with the tax components charged as per the bill-to party's invoice. Under e-invoicing, the two legs are invoiced separately and each follows the normal e-invoicing procedure independently - one e-invoice from the original supplier to the third party, and a second from the third party to the ultimate recipient.

How CSM & Co LLP can help

Bill-to-ship-to transactions are a frequent source of invoicing and place-of-supply errors, especially across multiple State combinations - please reach out to our team and we will be happy to assist with invoicing structure and GST return reporting for these transactions.

Technical terms explained in simple words

Term	What it means
Bill-to-ship-to transaction	A transaction where the invoice is billed to one party, but the goods are physically delivered to a different party, on the billed party's instruction.
Place of supply	The location that GST law treats as the destination of a supply, which decides whether CGST+SGST or IGST applies.
Distinct persons	Separate GST registrations (including branches in different States) treated as separate "persons" for GST purposes.
Intra-State supply	A supply where the place of supply and the supplier's location are in the same State, taxed as CGST plus SGST/UTGST.
Inter-State supply	A supply where the place of supply and the supplier's location are in different States, taxed as IGST.

Frequently asked questions

What is a bill-to-ship-to transaction under GST?

A transaction where the supplier delivers goods to the recipient on the instructions of a third party - the invoice is billed to the third party, but the goods are shipped directly to the recipient, without passing physically through the third party.

Which section fixes the place of supply in a bill-to-ship-to transaction?

Section 10(1)(b) of the IGST Act. Where goods are delivered to a recipient, or any other person, on the instruction of a third party, the place of supply is deemed to be the third party's principal place of business, provided the instruction is given before or during the movement of goods.

How many supplies are actually involved in a bill-to-ship-to transaction?

Two - a first supply from the original supplier to the third party (invoiced to the third party, place of supply at the third party's location), and a second supply from the third party to the ultimate recipient (invoiced to the recipient, place of supply at the recipient's location).

Does the bill-to-ship-to rule apply to services as well as goods?

Yes. The same bill-to-ship-to logic applies where a service is billed to one party on whose instructions it is actually supplied to another recipient.

Who ultimately gets the input tax credit in a bill-to-ship-to transaction?

Although two separate tax invoices are raised and two separate credit chains exist on paper, the net commercial effect is that the ultimate recipient ends up with the input tax credit for the supply once both legs are accounted for.

How is a bill-to-ship-to transaction handled in e-way bills and e-invoicing?

The e-way bill has separate “bill-to” and “ship-to” address fields, with tax charged as per the bill-to party’s invoice. Under e-invoicing, two separate e-invoices are raised - one by the original supplier to the third party, and one by the third party to the ultimate recipient - each following the normal e-invoicing procedure.

Official sources

- CBIC Tax Information Portal - Section 10, IGST Act, 2017 (Place of supply of goods, other than supply of goods imported into, or exported from India)
- GST Portal

Related reading

- GST on Services (2026): E-commerce Delivery and Transport, Electric Vehicle Rentals, Helicopter Seats and Foreign Shipping Lines
- GST and Exports (2026): Foreign Branches, Testing and Repair Work, SEZ Delivery and Faster Refunds
- GST Refunds (2026): Automated 90% Provisional Sanction, the 10 Day Clock and Wider Net ITC

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