

## CHAPTER 2

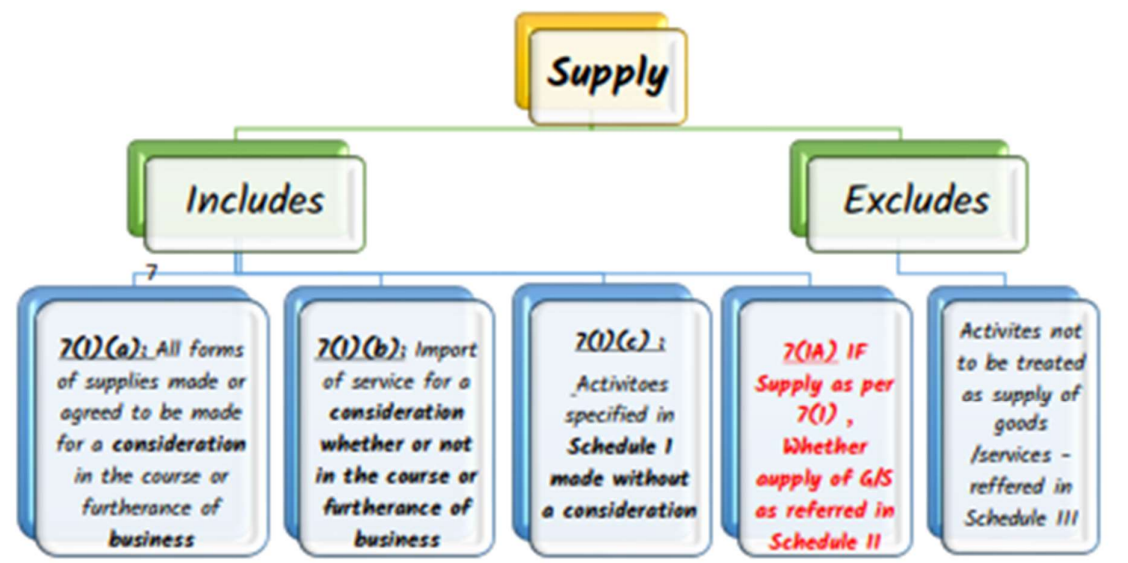
## Supply under GST

### 1) Introduction to supply Under GST

⇒ The **taxable event under GST is supply**. The scope of supply under GST can be understood in terms of following parameters:

Supply should be of <b>goods or be made for a services</b>	Supply should be of goods or be made for a services <b>consideration</b>	Supply should be made <b>in the course or furtherance of business</b>	Supply should be made by a <b>taxable person</b>	Supply should be made by a <b>taxable person</b>
--	--	---	--	--

⇒ The discussion with respect to supply is broadly categorised into following:



✓ Goods means

- Every kind of movable property
- **other than money and securities**
- **But includes actionable claim**, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

✓ Services means

- anything other than goods, money and securities
- but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

'Explanation - For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities;'

Author's Analysis on Goods & Services

Particulars	Comments
Deposit or Withdrawal of money from Bank	Transaction in money i.e neither good nor services
Processing fees	It is a supply of service (Sep Consideration)
Conversion of currency	Transaction in money
Commission for conversion of currency	It is supply of service (Sep Consideration)
Sale or purchase of stock, shares, Derivate	Transaction in securities i.e. neither goods nor service
Actionable claims	Goods, However as per schedule III, Actionable claim other than lottery, betting and gambling is neither supply of goods or services
Service charges or service fees or documentation fees or broking charges	For provision of service and chargeable to GST.

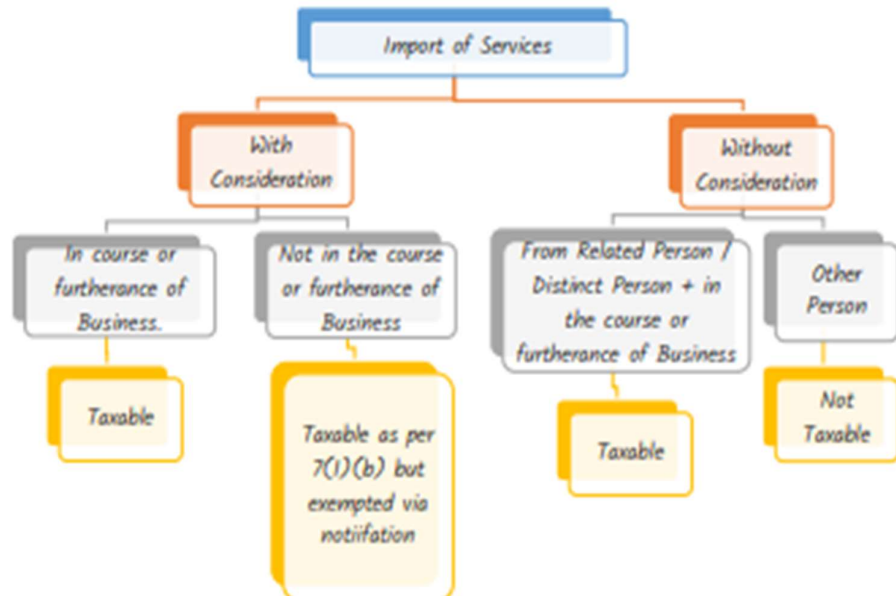
⇒ Supply for consideration in course or furtherance of business [Section 7(1)(a)]



⇒ Supply includes Activities or transactions, by a person, **other than an individual, to its members** or constituents or vice-versa, for cash, deferred payment or other valuable consideration [ Section 7(1)(aa) ]

⇒ Importation of services for consideration whether or not in course or furtherance of business [Section 7(1)(b)]

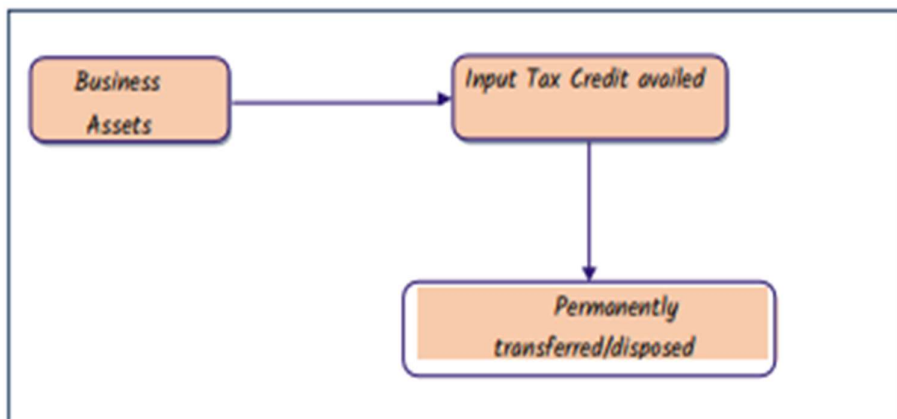
Supply should be in course or furtherance of business. The exception to said rule is import of services is deemed as supply even if the same has been imported not in course/furtherance of business.



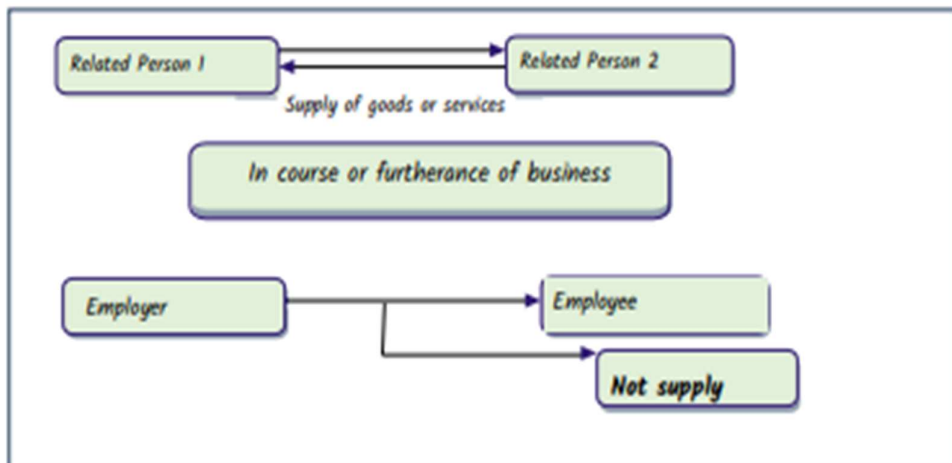
⇒ Supply without consideration - Deemed Supply [Section 7(1)(c) read with Schedule 1]

As per Schedule 1, in the following four cases, supplies made without consideration will be treated as supply under section 7 of the CGST Act:

○ *Permanent Transfer/Disposal of Business Assets*

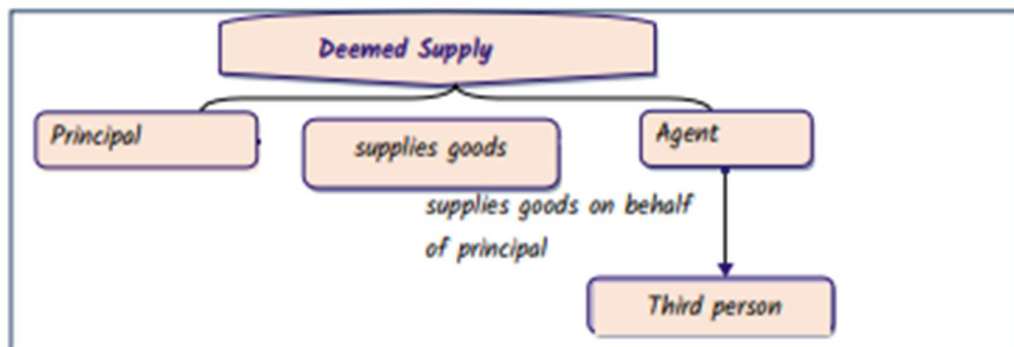


○ *Supply between related persons or distinct persons*

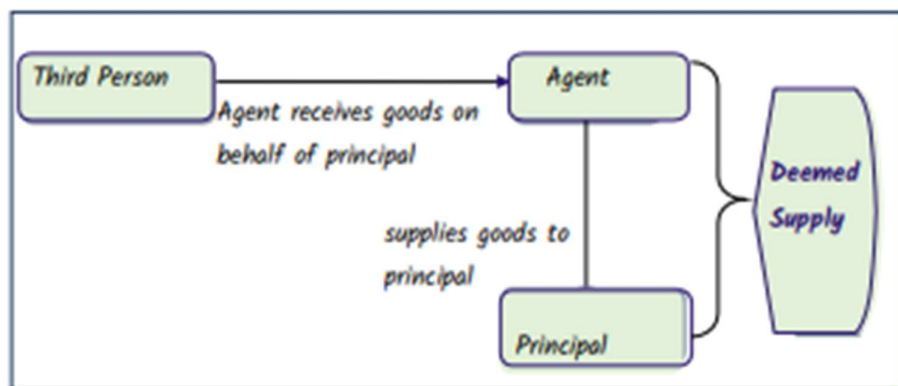


- Supply between principal and agent :

⇒ By a **principal to his agent** where the agent undertakes to supply such goods on behalf of the principal; or



- By an **agent to his principal** where the agent undertakes to receive such goods on behalf of the principal.



- Importation of services: **Import of services** by a **taxable** person from a related person or from any of his other establishments outside India, **in the course or furtherance of business**.

**Effect of above amendment** : This amendment is to ensure that import of services by entities which are not registered under GST (for instance, who are only making exempted supplies), but are otherwise engaged in business activities is taxed when received from a related person or from any of their establishments outside India.

⇒ Activities or transactions to be treated as Supply of goods or Supply of services [Section 7(1A) read with Schedule II]

Sr No	Activity / Transaction	Type	Supply of Goods / Service
1	Transfer	(i) Title in goods (ii) Title in goods under an agreement that property shall pass at a future date.	Goods
		Right/undivided share in goods without transfer of title in them	Services
2	Land and Building	Lease, tenancy, easement, licence to occupy land	Services
		Lease/letting out of building including a commercial/ industrial/ residential complex for business/ commerce, wholly/ partly.	
3	Treatment or Process	Applied to another person's goods	Services
4	Transfer of Business Asset	Goods forming part of business assets are transferred/disposed off by/under directions of person carrying on business so as no longer to form part of those assets	Goods
		Goods held/used for business are put to private use or are made available to any person for use for any purpose other than business, by/under directions of person carrying on the business	Services
		Goods forming part of assets of any business carried on by a person who ceases to be a taxable person, shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person. <b>Exceptions:</b> Business transferred as a going concern. Business carried on by a personal representative who is deemed to be a taxable person	Goods
5	Renting of immovable property		Services
	Construction of complex, building, civil structure, etc.		
	Temporary transfer or permitting use or enjoyment of any intellectual property right		
	Development, design, programming, customisation, adaptation, up gradation, enhancement, implementation of IT software		
	Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.		
	Transfer of right to use any goods for any purpose		

6	Following composite supplies:- Works contract services. Supply of goods, being food or any other article for human consumption or any drink.	Services
---	--	----------

⇒ Negative list under GST [Section 7(2)(a) read with Schedule III]

Sr No	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services
1	Services by an <b>employee to the employer</b> in the course of or in relation to his employment.
2	Services by any <b>court or Tribunal</b> established under any law for the time being in force.
3	(a) Functions performed by the <b>Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities</b> and Members of other local authorities; (b) Duties performed by any person <b>who holds any post in pursuance of the provisions of the Constitution</b> in that capacity; or (c) <b>Duties performed by any person as a Chairperson or a Member or a Director in a body established</b> by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4	Services of <b>funeral, burial, crematorium or mortuary including transportation of the deceased.</b>
5	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
6	Actionable claims, other than lottery, betting and gambling.
7	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
8(a)	Supply of warehoused goods to any person before clearance for home consumption
8(b)	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.

⇒ Composite and mixed supplies

<u>What is Composite Supply</u>	<u>What is Mixed Supply</u>
<p><u>Section 2 (30), of CGST Act, 2017</u></p> <ul style="list-style-type: none"><li>✓ <b>Composite supply</b> means a supply made by a taxable person to a recipient and</li><li>✓ Comprises of <b>two or more taxable supplies</b> of goods or services or both, or any combination thereof:</li><li>✓ <b>Are naturally bundled and supplied in conjunction with each other, in the ordinary course of business and one of which is principal supply.</b></li><li>✓ The elements in a composite supply are dependent on the 'principal supply'.</li></ul>	<p><u>Section 2(74), of CGST Act, 2017.</u></p> <ul style="list-style-type: none"><li>✓ <b>Mixed Supply</b> Means</li><li>✓ <b>Two or More</b> individual supplies of goods or services, or any combination thereof</li><li>✓ <b>Made in conjunction with each other</b></li><li>✓ By a taxable Person</li><li>✓ <b>For a single Price</b></li><li>✓ <b>Where such Supply doesn't constitute Composite Supply</b></li></ul>
<p><b>Example:</b> Charger supplied along with mobile phones.</p>	<p><b>Example:</b> A gift pack comprising of chocolates, candies, sweets and balloons.</p>