



## MARATHON



**JUNE 2022**

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## BASIC CONCEPT OF GST

Issues	Points to remember		
<b>Meaning of Indirect Taxes</b>	<p>(a) Taxes paid by one person but recovered from another person i.e Consumer.</p> <p>(b) Levied on Purchase / Sale / Manufacture of Goods and Provision of Services.</p> <p>(c) Tax burden is shifted to the subsequent user.</p> <p>(d) Indirect taxes are levied both by Central Government as well as by State Governments.</p> <p>(e) Recently as a major reform, Goods and Services Tax (GST) has been introduced integrating large number of Central and State Indirect Taxes in to a Single Tax system.</p> <p>(f) GST subsumed 17 different types of Indirect taxes. But Customs Duty is not subsumed with GST.</p>		
<b>Features of Indirect Taxes</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>(a) Reliance on Indirect Taxes as Source of Revenue</p> <p>(b) Levy of tax on Commodities as well as on Services</p> <p>(c) Taxes inbuilt in Prices</p> </td> <td style="width: 50%; vertical-align: top;"> <p>(d) Burden of Tax Payment</p> <p>(e) Distribution of Taxes</p> <p>(f) Inflationary Effect and Regressive in Nature</p> </td> </tr> </table>	<p>(a) Reliance on Indirect Taxes as Source of Revenue</p> <p>(b) Levy of tax on Commodities as well as on Services</p> <p>(c) Taxes inbuilt in Prices</p>	<p>(d) Burden of Tax Payment</p> <p>(e) Distribution of Taxes</p> <p>(f) Inflationary Effect and Regressive in Nature</p>
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<b>Deficiencies in the Earlier Indirect Tax Regime</b>	<ol style="list-style-type: none"> <li>1. Taxes levied by State Govt were not allowed asset off for payment of other taxes.</li> <li>2. Variety of Taxes and Rates with disparate tax rates and dissimilar tax practices</li> <li>3. Double Taxation: Certain items are treated both as a commodity as well as Services</li> <li>4. The creation of tariff and non-tariff barriers hindered free flow of trade including high compliance cost for the taxpayers in the form of number of Returns, Payments.</li> <li>5. Non-integration of VAT &amp; Service Tax</li> </ol>		

<p><b>Meaning of Goods and Services Tax</b></p>	<p><b>1.Meaning:</b></p> <p>(a)"GST is a tax on supply of Goods, or Services or both except on supply of the Alcoholic Liquor for Human Consumption."[Article 366(12A)].</p> <p>(b)It is implemented from 01.07.2017. It extends to whole of India.</p> <p><b>2.Value Added Tax:</b> It is a Value Added Tax levied on Manufacture, Sale and Consumption of Goods and Services.</p> <p><b>3.Set-off of taxes:</b> The Supplier is permitted to Set-off credit of GST paid on purchases against GST payable on supplies.</p> <p><b>4.Accrual of tax:</b> The tax would accrue to jurisdiction over the Place of Consumption [Place of Supply], GST is a Destination based consumption tax.</p>					
<p><b>Existing Taxes that are subsumed under GST</b></p>	<p>GST would replace the following taxes levied and collected by the -</p> <table border="1" data-bbox="440 856 1451 1696"> <thead> <tr> <th data-bbox="440 856 1027 940">Central Government</th> <th data-bbox="1027 856 1451 940">State Government</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 940 1027 1696">           (a)Central Excise duty            (b)Duties of Excise (Medicinal and Toilet Preparations)            (c)Additional Duties of Excise (Goods of Special Importance)            (d)Additional Duties of Excise (Textiles and Textile Products)            (e)Additional Duties of Customs (commonly known as CVD)            (f)Special Additional Duty of Customs (SAD)            (g)Service Tax ,Central Surcharges and Cesses so far as they relate to supply of Goods and Services .         </td> <td data-bbox="1027 940 1451 1696">           (a)State VAT            (b)Central Sales Tax            (c)Luxury Tax            (d)Entry Tax (all forms)            (e)Entertainment and Amusement Tax (except when levied by the local bodies)            (f)Taxes on advertisements            (g)Purchase Tax            (h)Taxes on lotteries, betting and gambling            (i)State Surcharges and Cesses so far as they relate to supply of Goods and Services.         </td> </tr> </tbody> </table>		Central Government	State Government	(a)Central Excise duty (b)Duties of Excise (Medicinal and Toilet Preparations) (c)Additional Duties of Excise (Goods of Special Importance) (d)Additional Duties of Excise (Textiles and Textile Products) (e)Additional Duties of Customs (commonly known as CVD) (f)Special Additional Duty of Customs (SAD) (g)Service Tax ,Central Surcharges and Cesses so far as they relate to supply of Goods and Services .	(a)State VAT (b)Central Sales Tax (c)Luxury Tax (d)Entry Tax (all forms) (e)Entertainment and Amusement Tax (except when levied by the local bodies) (f)Taxes on advertisements (g)Purchase Tax (h)Taxes on lotteries, betting and gambling (i)State Surcharges and Cesses so far as they relate to supply of Goods and Services.
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<p><b>Existing Taxes to be continued</b></p>	<p>1.Central Excise Duty -manufacture of Tobacco, Petroleum Crude, Diesel, Petrol, ATF&amp; Natural Gas.</p> <p>2.State Excise Duty -manufacture of Alcoholic Liquor, Opium, Indian Hemp and</p>					

<b>even after introducing GST</b>	Narcotics. 3.VAT - On Intra-State sale of Petroleum Crude, Diesel, Petrol, ATF, Natural Gas & Alcoholic Liquor.			
<b>GST on Transactions</b>	<ul style="list-style-type: none"> <li>•CGST would also cover Sale transactions apart from manufacture and Services.</li> <li>•SGST would also be levied on Services apart from Manufacture and Sale Transactions.</li> <li>•Integrated GST (equal to CGST + SGST) will be levied on all supplies of goods and/or services in the course of inter-state trade or commerce.</li> <li>•IGST would be applicable to Import of Goods or Services.</li> </ul>			
<b>Framework of GST</b>	<p>1.Constitutional Amendment</p> <p>(a)Definition: As per Article 366 (12A), GST means "Any tax on supply of Goods or Services or both except taxes on Supply of the Alcoholic Liquor for human consumption".</p> <p>(b)Empowerment to Tax - Under Article 246A of the Constitution, Concurrent powers to both, Parliament and State Legislatures is given to make laws with respect to GST</p> <p>(c)Inter State Supply - Clause 2 of Article 246A read with Article 269A provides exclusive power to the Parliament to legislate with respect to inter-State trade or commerce i.e. integrated tax (IGST).</p> <p>2.Three different types of taxes (GST) are levied as follows:</p>			
	Name	Expansion	Levied By	When
	CGST	Central Goods and Services Tax	Central Government	On INTRA State supply of Goods and Services
	SGST/ UTGST	State Goods & Services Tax Union Territory Goods and Services Tax	States/ Union Territories	On INTRA State supply of Goods and Services
	IGST	Integrated Goods and Service Tax	Central Government	On INTER State supply of Goods

			and Services
	3. Dual GST Framework -Centre will levy and administer CGST & IGST. Respective states /Union Territories will levy and administer SGST/ UTGST.		
<b>Governing Acts</b>	Central Goods and Services Tax Act, 2017	State Goods and Services Tax Act, 2017	Union Territory Goods & Services Tax Act, 2017
	CGST	SGST	IGST
	Levied on Intra-State Supply		Levied on Interstate Supply
	Integrated Goods and Services Tax Act, 2017		
<b>Benefits of GST</b>	<ol style="list-style-type: none"> <li>1. Creation of Unified National Market</li> <li>2. Mitigating Cascading Effects</li> <li>3. Elimination of multiple taxes and double taxation</li> <li>4. Make in India initiative</li> <li>5. Increase in Revenue</li> </ol>		
<b>Taxable Event Supply</b>	<p>Taxable Event under GST is supply of goods or services or both.</p> <ul style="list-style-type: none"> <li>• CGST and SGST/ UTGST will be levied on intra-State supplies.</li> <li>• IGST will be levied on inter-State supplies.</li> <li>• Government is having powers to treat transactions as supply of Goods or supply of Services</li> <li>- Existing terminologies like manufacture, sale, or provision of services shall be now referred as Supply.</li> </ul>		

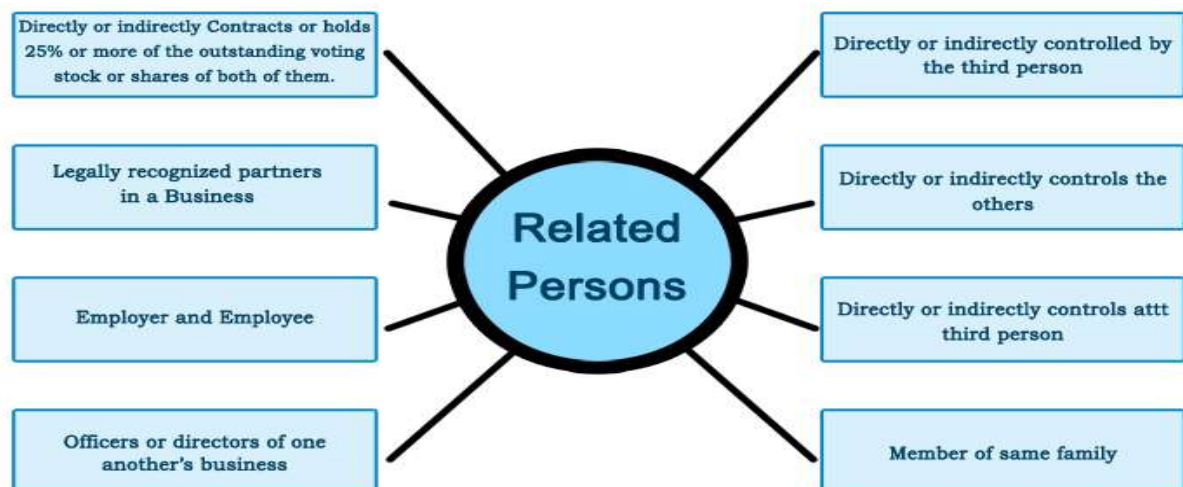
	<b>Supply includes -</b>	<b>Supply excludes -</b>
<b>Meaning of Supply [Sec.7]</b>	(a)All forms of Supply of Goods or Services (b)Import of Services (c)Activities listed in Schedule I [made or agreed to be made even without a consideration] (d)Activities listed in Schedule II	(a)Activities listed in Schedule III (b)Notified Activities or transactions undertaken by the Central Government, a State Government or any local authority
<b>Elements that constitute</b>	1.Activity involves supply of Goods or Services or both, 2.Supply is for a consideration	
<b>Supply</b>	3.Supply is made in the course or furtherance of business, 4.It is made in taxable territory, 5.Supply is a taxable supply, and 6.It is made by a taxable person.	
<b>Gifts by Employer to Employee</b>	1.Supply by the Employer to the Employee due to Contractual agreement will not be subjected to GST. 2.Gifts not exceeding Rs 50,000 in value in a financial year by an Employer to an Employee is excluded from the purview of GST.	

## Activities treated as Supply even if it is made without Consideration

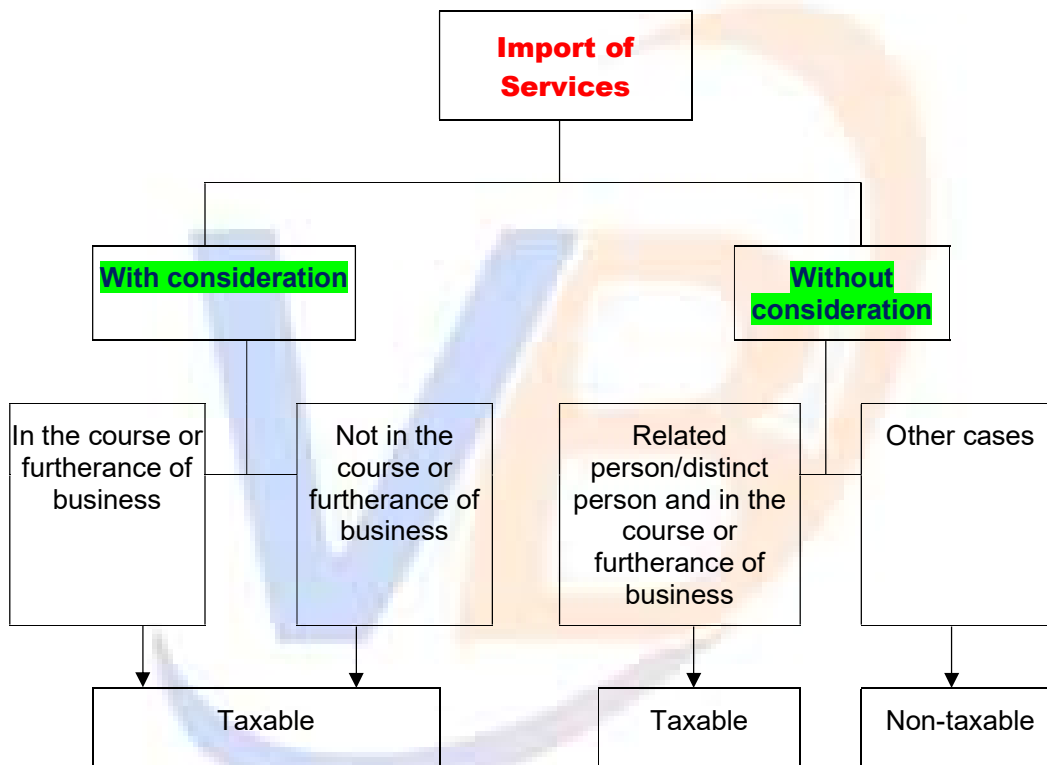
<b>SCHEDULE I</b>	
1	Permanent transfer/disposal of business assets where ITC has been availed on such Assets.
2	Supply of Goods or Services or both between related persons or between distinct persons as specified u/s 25, when made in the course or furtherance of business.  Note: Gifts not exceeding Rs 50,000 in value, in a Financial Year by an Employer to an employee shall not be treated as supply of Goods or Services or both.
3	Supply of Goods - (a)By a Principal to his agent where the Agent undertakes to supply such Goods on behalf of the Principal, or (b)By an Agent to his Principal where the agent undertakes to receive such Goods on behalf of the Principal.
4	Import of Services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Activities / Transactions to be treated as Supply of Goods or Supply of Services

### Related Person



<b>Gifts from Employer to Employee</b>	Gifts <b>not exceeding ₹ 50,000</b> in value, in a Financial Year by an <b>Employer to an employee</b> shall not be treated as supply of Goods or Services or both.
<b>Definition of Family</b> <b>[Sec.2(49)]</b>	Family means- (a) the spouse and children of the person, and (b) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.



### **Distinct Person and Establishments of Distinct Person**

- 1. Distinct Person (Sec.25(4)):** A Person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.
- 2. Establishments of Distinct Person [Sec.25(5)]:** Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.



### Gifts by Employer to Employee

1. Supply by the Employer to the Employee in terms of Contractual agreement entered into between the Employer and the Employee, will not be subjected to GST.
2. Gifts not exceeding ₹ 50,000 in value in a financial year by an Employer to an Employee shall not be treated as supply of Goods or Services or both.
3. If such Services are provided free of charge to all the employees by the employer then the same will not be subjected to GST, provided appropriate GST was paid when procured.
4. Samples by Pharma Company to Stockists: Since No Consideration is received by Pharma Company for such free samples, shall not be treated as Supply.

### Examples

1. R Ltd, USA is the holding company of G Ltd., India. G Ltd. imports Business Consultancy Services from R Ltd. in January, 2022 in the course or furtherance of business. The aforesaid importation of services shall fall within the ambit of term “supply” and G Ltd. shall be liable to pay integrated tax under IGST Act, 2017 even if R Ltd. provides consultancy services without any consideration.

2. R lives in London. His brother G is carrying on business in India. G imports technical services from R in February, 2022 in the course or furtherance of business. The said importation of service shall fall within the ambit of term “supply” and G shall be liable to pay integrated tax under IGST Act, 2017 even if R provides consultancy services without any consideration.

Thus, under section 7(1 )(c), the presence of consideration in respect of the above transactions is not essential whereas in the case of supply falling under section 7(1 )(a) and 7(1 )(b), the consideration whether in monetary terms or non-monetary terms was essential provided the importation of services is not from any related person or any of his establishment outside India.

### Illustration

Are the following import of services taxable services or not?

1. Import of service from unrelated person for personal consumption with consideration
2. Import of service from unrelated person for business with consideration
3. Import of service from unrelated person for personal consumption without consideration
4. Import of service from unrelated person for business without consideration
5. Import of service from relative with consideration in the course or furtherance of business
6. Import of service from relative without consideration in the course or furtherance of business
7. Import of service from relative for personal consumption with consideration
8. Import of service from relative for personal consumption without consideration.

**Illustration**

**An Employer provides free housing to his Employee. Will this transaction be subject to GST?**

Free housing to the employees, when provided in terms of the Contract between Employer and Employee and is part and parcel of the Cost to the Company (C2C), will not be subjected to GST.

**Illustration**

**Supply of Drug Samples by pharmaceutical companies to their stockists, dealers, medical practitioners, etc. without charging any consideration. Will this transaction be subject to GST?**

- As per Sec. 7(1)(a), the expression "supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be **made for a consideration** by a person in the course or furtherance of business.
- Therefore, the goods or services or both which are **supplied free of cost** (without any consideration) shall not be treated as "supply" under GST (except in case of activities mentioned in Schedule I of the CGST Act).
- It is clarified that samples which are supplied free of cost, without any consideration, **do not qualify as "supply"** under GST, except where the activity falls within the ambit of Schedule I of the CGST Act.

**"Buy One, Get One Free"**

one item is being "supplied free of cost" without any consideration. In fact, it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one (Circular No. 92/11/2019-GST Dated 7.3.2019).

<b>SCHEDULE II</b>	
<b>Transfer</b>	
1	<p>(1) Any transfer of the title in Goods is a supply of Goods.</p> <p>(2) Any transfer of Goods or of undivided share in Goods without the transfer of title thereof, is a supply of Services.</p> <p>(3) Any transfer of title in Goods under an agreement which stipulates that property in Goods will pass at a future date upon payment of full consideration as agreed, is a supply of Goods.</p>
<b>Land and Building</b>	
2	<p>1. Any lease, tenancy, easement, licence to occupy land is a supply of Services.</p> <p>2. Any lease or letting out of the building including a commercial, residential or residential complex for business or commerce, either wholly or partly, is a supply of Services.</p>
<b>Treatment or process</b>	
3	Any treatment or process which is being applied to another person's Goods is a supply of Services.
<b>Transfer of Business Assets</b>	
4(a)	<p>where Goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, such transfer or disposal is a supply of Goods by the person,</p> <p>(i) R is carrying on the business of consumer durable products. He disposed of a defective refrigerator for ₹ 50,000 to G whereas its normal price is ₹ 3,50,000. Aforesaid disposal shall be considered as supply of goods by R.</p> <p>(ii) Assume in the above example, R donated the above- refrigerator to an NGO and he has claimed the input tax credit on such refrigerator at the time of purchase. The aforesaid donation shall be considered as supply of goods by R. Valuation of the defective refrigerator for payment of GST shall be done on fair market value basis in accordance with CGST Rules, 2017 concerned</p>

	with Determination of Value.
4(b)	<p>Where, by or under the direction of a carrying on a business, Goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, the usage or making available of such Goods is a supply of Services,</p> <p>(i) R deals in home appliances like washing machines, refrigerator, etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, R takes home one computer to be used by his son for his studies during the month of January, 2022 and thereafter computer is brought back to the show room of R. The aforesaid private use of a computer by R/his son shall be treated as a 'supply of services.'</p> <p>(ii) R gives generator-sets on rental basis to various customers. He gives a generator-set to his brother-in-law for a period of one month in December, 2021 on the occasion of some function in the home of his brother-in-law and thereafter generator is brought back to the show room of R. The activity of making available the said generator for the private use of brother-in-law of R shall be treated as a 'supply of services'.</p>
4(C)	<p>Where any person ceases to be a taxable person, any Goods forming part of the assets of any business carried on by him 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, unless—</p> <p>(a) the business is transferred as a going concern to another person, or</p> <p>(b) the business is carried on by a personal representative who is deemed to be a taxable person.</p> <p><b>Example</b></p> <p>R has closed down his business but was left with certain capital goods and inputs forming part of the assets of the business carried on by him. The closure of the business is due to his ill health. In this case, such goods shall be deemed to be supplied by him in the course of furtherance of his business immediately before he ceases to be a taxable person. Thus, the capital goods which have some useful life and such inputs lying with him on which credit has been availed should be treated as deemed supply and shall be subject to GST. However, the above capital goods and inputs shall not be treated as deemed supply by him in the above two situations:</p> <p>.</p>

## Items treated as Supply of Service

5	<p>The following shall be treated as "supply of service" -</p> <p>(a)renting of immovable property,</p> <p>(b)construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or before its first occupation, whichever is earlier.</p> <p>Note:</p> <p>1."Competent Authority" means the Government or any authority authorized to issue completion certificate under any law for the time being in force and in case of nonrequirement of such certificate from such authority, from any of the following, namely:-</p> <p>(i)an architect registered with the Council of Architecture constituted under the Architects Act, 1972, or</p> <p>(ii)a chartered engineer registered with the Institution of Engineers (India), or</p> <p>(iii)a licensed surveyor of the respective local body of the city or town or village or development or planning authority,</p> <p>2."Construction" includes additions, alterations, replacements or remodeling of any existing civil structure.</p> <p>(c)temporary transfer or permitting the use or enjoyment of any intellectual property right,</p> <p>(d)development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software,</p> <p>(e)agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act,</p> <p>(f)transfer of the right to use any Goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.</p>
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**Composite Supply**

6	<p>The following composite supplies shall be treated as a supply of Services, namely:—</p> <p>(a) works contract as defined u/s 2(119), and</p> <p>(b) supply, by way of or as part of any service or in any other manner whatsoever, of Goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.</p>
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**Activities or transactions which shall be treated neither as a Supply of Goods nor as Supply of Services**

<b>Schedule III</b>	
<b>1</b>	Services by an employee to the employer in the course of or in relation to his employment.
<b>2</b>	Services by any Court or Tribunal established under any law for the time being in force. Note: The term "Court" includes District Court, High Court and Supreme Court.
<b>3</b>	(a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities, (b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity, or (c) Duties performed by any person as a Chairperson or a Member or a Director in a body established 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.
<b>4</b>	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
<b>5</b>	Sale of Land and, subject to clause (b) of paragraph 5 of Schedule II, Sale of Building.
<b>6</b>	Actionable claims, other than lottery, betting and gambling.
<b>7</b>	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.
<b>8</b>	(a) Supply of warehoused goods to any person before clearance for home consumption, (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.

**Illustration**

**Explain with reasons whether the following transactions are Supplies.**

Transactions	Whether Supply?	Reason
Actionable Claims		Schedule III lists actionable claims other than lottery, betting and gambling transactions which shall neither be treated as supply of Goods nor supply of Services. Thus only lottery, betting and gambling shall be treated as supplies under the GST regime.
Transaction in Securities		Securities have been specifically excluded from the definition of Goods as well as Services.
Facilitating transactions in Securities like Stock Broking		Securities are not covered in the expression "Services." However, facilitating or arranging transactions in securities are treated as Services.
Commodities given by Charitable Institution		In order to be a supply which is taxable under GST, the transaction should be in the course or furtherance of business.
Individual buys a car for personal use and after a year sells it to a car dealer		Supply is not made by the individual in the course or furtherance of business.
Dealer of air-conditioners permanently transfers an air conditioner from his stock in trade, for personal use at his residence.		As per Sl. No.1 of Schedule-I, permanent transfer or disposal of business assets where input as credit has been availed on such assets shall constitute a supply under GST even where no consideration is involved.
Provision of service or Goods by a club or association or society to its members		Provision of facilities by a club, association, society or any such body to its members shall be treated as supply. This is included in the definition of 'business' u/s 2(17).
Mr. Raju purchased goods from Singapore and sold it to Mr. Ram in Europe, without bringing the goods in India.		As per Schedule-III, this transaction is neither supply of goods nor supply of services, as the transaction results in 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.
Mr. Sivan imported certain machinery to India, but kept the machinery in custom bonded warehouse without clearing it for home consumption.		Supply of warehoused goods to any person before clearance for home consumption is neither supply of goods nor supply of services.



While the same is in warehouse, Mr. Sivan sold these machinery to Mr. Brito.		
Pinaki Ltd imported tea bags from Srilanka. While the goods were in high seas, Pinaki Ltd sold the goods to Ms. AVT Tea Ltd in India by way of endorsement of documents of title of goods.		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 is neither supply of goods nor supply of services.

#### Clarification in respect of goods sent / taken out of India for exhibition or on consignment basis for export promotions

The activity of sending / taking the goods out of India for exhibition or on consignment basis for export promotion, do not constitute supply as the said activity does not fall within the scope of supply as there is no consideration at that point in time. Also it is to be noted it cannot also be treated as “Zero rated Supply”.

**Note:** If the conditions mentioned in Schedule 1 with regard to deemed supply is satisfied for the said activity, the above exception shall not be applicable. **[Circular 108/27/2019 dated 18.07.2019]**

#### Clarification in respect of Display of name or placing of name plates of the donor in the premises of Charitable Organizations

Individual donors provide financial help or any other support in the form of donation or gift to institutions such as religious institutions, advancement of spirituality / Yoga, Charitable Organisations, Schools, Hospitals, Orphanages, Old age homes etc. The recipient institutions place a name plate or similar such acknowledgment in their premises to express the gratitude. Placing such name of the donor is said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at providing publicity as that of an advertisement or promotion of donors business. As there is no obligation (quid pro quo) on the part of the recipient of donation or gift to do any thing as a supply of service, there is no GST Liability on such consideration.

Examples:

1. “Good wishes from Mr. Rajesh” printed underneath a digital blackboard donated by Mr. Rajesh to a Charitable Yoga Institution.
2. “Donated by Smt. Malathi Devi in the memory of her father” written on the door or floor of a room or any part of a temple complex which was constructed from such donation

# Supply

Issues	Points to remember
<b>Types of Supply</b>	(a) Taxable and Exempt supplies. (b) Inter-State and Intra-State supplies, (c) Composite and Mixed supplies.
<b>Taxable Supply</b>	A supply of Goods or Services or both which is leviable to tax under this Act.
<b>Exempt Supply</b>	Supply of any Goods or Services or both which attracts (a) Nil Rate of tax or (b) which may be wholly exempt from tax (c) includes non-taxable supply.
<b>Inter State Supply</b>	1. Inter Supply of Goods/Services where the location of the supplier and the place of supply are in - • Two different State or • Two different Union territories, or • A State and a Union territory 2. Inter-State Supply also includes supply of Goods/ Services - • When the supplier is located in India and the place of supply is outside India, • Supply to or by SEZ developer or a SEZ unit, or • Supply in taxable territory, not being an Intra-State supply and not covered elsewhere
<b>Intra-State Supply</b>	1. Intra State Supply of Goods/ Services where the location of the supplier and the place of supply are in - • Same State or • Same Union territory 2. Intra-State supply of Goods shall not include - • Supply to or by SEZ developer or a SEZ unit, • Goods imported into the territory of India till they cross the customs frontiers of India,

	<p>or</p> <ul style="list-style-type: none"> <li>•Supplies made to a tourist referred u/s 15.</li> </ul>
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### Concept of Composite and Mixed Supply

Sec.	2(30)	2(74)
<b>Definition</b>	<ul style="list-style-type: none"> <li>• “Composite Supply” means a Supply made by a taxable person</li> <li>• to a recipient <b>consisting of two or more</b> taxable supplies of Goods or Services or both, or any combination thereof,</li> <li>• which are <b>naturally bundled</b> and supplied in conjunction with each other in the ordinary course of business, one of which is a <b>Principal Supply</b>. [See Note]</li> </ul>	<ul style="list-style-type: none"> <li>• “Mixed Supply” means two or more individual supplies of Goods or Services, or any combination thereof,</li> <li>• made in conjunction with each other by a taxable person,</li> <li>• <b>for a single price</b> where such supply does not constitute a composite supply.</li> </ul>
<b>Illustration</b>	Where Goods are packed and transported with insurance, the supply of Goods, packing materials, transport and insurance is a <b>Composite supply</b> and <b>supply of Goods is a Principal supply</b> .	<ul style="list-style-type: none"> <li>• A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a <b>single price</b> is a mixed supply.</li> <li>• Each of these items can be supplied separately and is not dependent on any other. If these items are supplied separately, then it shall not be considered as mixed supply.</li> </ul>
<b>Determination of Tax Liability [Sec.8]</b>	Composite Supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.	Mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

#### Circular No. 11/11/2017 of CGST dated 20.10.2017

(a) Supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. **printed with** logo, design, name, address or other contents supplied by the recipient of such printed goods, are **composite supplies** and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the **Principal Supply**.

(b) In case of printing of books, pamphlets, brochures, annual reports, and the like, **where only content is supplied by the publisher** or the person who owns the usage rights to the intangible inputs while the **physical inputs including paper used for printing belong to the printer**, - **supply of printing of the content supplied by the recipient of supply is the principal supply** and therefore such supplies would **constitute supply of Service** falling under heading 9989 of the scheme of classification of services.

(c) In case of supply of **printed** envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc. falling under Chapter 48 or 49, printed with design, logo etc. **supplied by the recipient of goods** but made using physical inputs including paper belonging to the printer, predominant supply is that of goods and the **supply of printing of the content supplied by the recipient of supply is ancillary to the principal supply of goods** and therefore such supplies would constitute **supply of goods** falling under respective headings of Chapter 48 or 49 of the Customs Tariff.

**Clarification on "Buy One Get One Offer" [Circular No. 92/11/2019 of CGST dated 07.03.2019]**

**Issue:** Treatment of promotional offers like 'Buy One, Get One free'.

**Example:** Offer as "Buy one soap and get one soap free" or "Get one tooth brush free along with the purchase of tooth paste".

**Analysis:**

- As per Sec. 7(1)(a) of the CGST Act, the goods or services which are supplied free of cost (without any consideration) shall not be treated as "supply" under GST (except in case of activities mentioned in Sch I of the CGST Act).
- It may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. In fact, it is not an individual supply of free goods, but a **case of two or more individual supplies where a single price is being charged** for the entire supply. It can at best be treated as supplying two goods for the price of one.
- Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per Sec. 8 of the CGST Act.

**Indicators for deciding whether the supply is a Composite or Mixed**

Description	Composite Supply	Mixed Supply
Naturally bundled		
Supplied together		
Can be supplied separately		
One is predominant supply for recipient		
Other supply is not 'aim in itself of recipient		
Each supply priced separately		
All supplies are goods		
All supplies are services		
One supply is goods and other supply is services		

**Illustration ~Jul 21**

**Explain the composite supply & mixed supply. If a trader launches a package sales for marriage contained double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing of invoice showing value of each goods separately, whether this is case of mixed supply or composite supply. Explain.**

## GST-LEVY AND COLLECTION OF TAX

Issues	Points to remember			
	INTRA STATE SUPPLY			
	LIABILITY TO PAY CGST			
<b>Intra State Supply</b>	Mode of Levy	Forward Charge	Reverse Charge	E-Commerce
	Person liable to pay	Taxable Person making Intra State Supply	Recipient of Supply	E-Commerce Operator
<b>Central Goods and Service Tax Act, 2017 [The CGST Act, 2017 extends to the whole of India including the State of Jammu and Kashmir.]</b>	<p>1. Meaning: "Central Tax" means the Central Goods and Services Tax levied u/s 9.</p> <p>2. Levy of CGST:</p> <p>(a) Levied on all intra-State supplies of goods or services or both.</p> <p>(b) The Taxable value shall be determined u/s 15.</p> <p>(c) CGST is charged at 0%, 1.25%, 1.50%, 2.50%, 6.00%, 9.00% and 14.00%.</p> <p>(d) Not levied on Supply of Alcoholic Liquor for Human Consumption.</p> <p>3. Levy on Petroleum Products from Notified date: CGST on supply of petroleum crude, high speed diesel, petrol, natural gas and ATF shall be levied from the notified date.</p>			

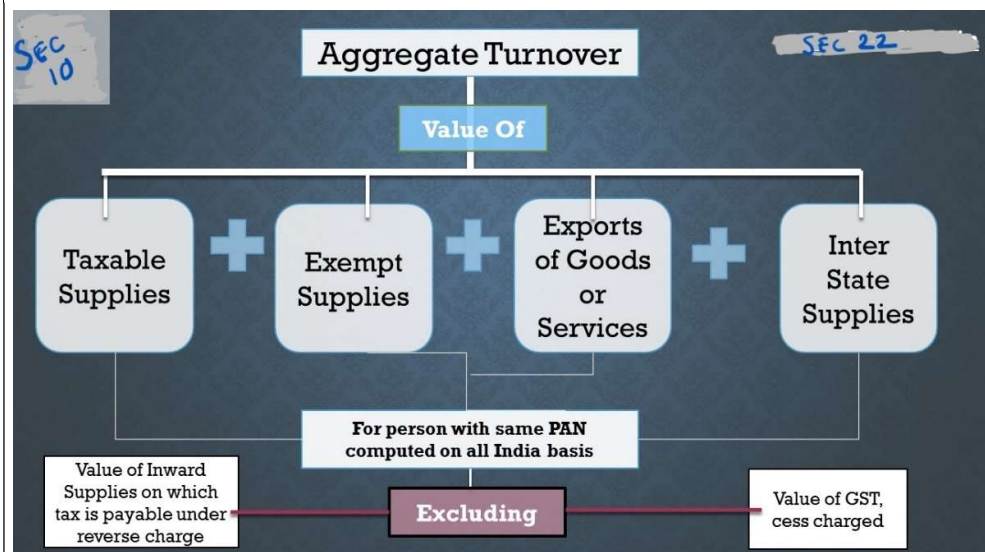
<b>Supplier and Recipient</b>	1."Supplier" means the person supplying the goods or services or both. It includes an Agent.	
	2."Recipient" of supply of goods or services or both, means -	
	Situation	Recipient
	Where a consideration is payable	Person who is liable to pay that consideration
	Where no consideration is payable for the supply of goods	Person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available
Where no consideration is payable for the supply of a service	Person including his agent to whom the service is rendered	

## COMPOSITION SCHEME (Sec. 10)

**1.Objective of the Scheme:** To bring simplicity and reduce the compliance cost for the small tax payers.

**2.Eligibility:** A Registered Person, whose aggregate turnover in the preceding FY does not exceed Rs 1.50Crores. [Incase of NotifiedStates, the turnover limit is Rs 75 Lakhs], [Notified States for the purpose of Composition Limits as above - Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Uttarakhand]

### Introduction







<b>Conditions and restrictions for Composition Levy</b>	Supplier Opting for composition scheme, shall— 1. Not to be engaged in manufacture of Specified goods [Ice Cream, Pan Masala and Tobacco] 2. Not to be a Casual Taxable Person / Non Resident 3. Not eligible for Input Tax Credit 4. Not to issue a Tax Invoice and Collect GST [instead to issue Bill of Supply] 5. Mention the details and status of Composition Dealer on Bills and Boards	
<b>Intimation for Composition Levy</b>	1. Electronic Filing of intimation for Composition Levy: (a) Option for availing composition is available to both migrated and new taxpayers up to 31.03.2018. (b) Persons already granted registration on a provisional basis wanting to opt Composition Scheme shall electronically file an intimation on the Common Portal. 2. Time Limit: Intimation to be made electronically within 90 days of the date of opting for composition levy. 3. Furnishing Details: Details of Stock, including the inward supply of goods received from unregistered persons, held by him on the day preceding the date of opting Composition Scheme.	
<b>Effective date for Composition Levy</b>	Situation	Effective from
	provisional Registration assesses	from the appointed day
	when the intimation is filed to opt for the scheme	effective from the beginning of FY
	Option for the Scheme once exercised shall become operational from	the first day of the month immediately succeeding the month
<b>Validity of Composition Levy</b>	1. Valid of the Scheme: As long as the prescribed conditions are met, the option exercised by a Registered Person to pay tax u/s 10 shall remain valid. 2. Duties of the Person when Scheme becomes invalid: (a) Liable to pay tax under normal scheme (b) Shall issue tax invoice for every taxable supply	

	<p>(c)within 7 days of occurrence of such event, Shall file an intimation for withdrawal in FORM GST CMP—04</p> <p>3.Show Cause Notice shall be given by the Proper Officer if he believes that the Registered Person was not eligible to pay tax u/s 10 or has contravened the provisions of the Act. Response to this notice should be furnished by taxable person within 15 days.</p>
	<p>4.Acceptance/ Refusal by the Proper Officer: Upon receipt of reply to the show cause notice from the registered person, the Proper Officer shall issue an order in within 30 days of receipt of such reply, either accepting the reply, or denying the option to pay tax u/s 10.</p> <p>5.In case of wrongly availing the Composition Scheme, taxable person is liable to a penalty.</p> <p>6.Details of Stocks to be furnished by : Persons who has furnished an intimation, or Filed an application for withdrawal, or order of withdrawal of option has been passed by the proper officer shall file a statement containing details of the stock within 30 days, from the date from which the option is withdrawn or from the date of order passed.</p>
<p><b>Concessional Tax scheme for Supplier of Services [Sec.10(2A)]</b></p>	<p>1.First supplies of goods or services or both upto an aggregate turnover of Rs 50 lakh rupees made on or after the 1<sup>st</sup> day of April in any financial year, by a registered person.</p> <p>2.Concessional Rate of Tax = CGST 3% + SGST 3% on supplies of Goods and Services in the State of UT</p> <p>3.Conditions to avail the benefit of this notification:</p> <p>(a)Supplies are made by a registered person -</p> <p>(i)whose aggregate turnover in the PFY was Rs 50 lakh rupees or below,</p> <p>(ii)who is not eligible to pay tax u/s 10(1) (Composition Scheme),</p> <p>(iii)who is not engaged in making any supply which is not leviable to tax,</p> <p>(iv)who is not engaged in making any inter-State outward supply,</p> <p>(v)who is neither a casual taxable person nor a non-resident taxable person,</p> <p>(vi)who is not engaged in making any supply through an e-commerce operator required to collect tax at source u/s 52 and</p> <p>(vii)who is not engaged in manufacturer / supplier of specified goods : (a) Ice</p>

cream and other edible ice, whether or not containing cocoa, (b) Pan masala (c) Tobacco and manufactured tobacco substitutes

(b) Persons having Same PAN, shall pay tax at uniform rate as above (i.e 3%).

(c) No Tax Collection and No ITC for persons opting for this scheme

(d) Instead of Tax Invoice, Bill of Supply shall be issued

(e) In the Bill of Supply, should mention as not eligible to collect tax.

(f) Shall pay tax at Concessional Rate for all Supplies (upto the specified limit)

(g) Shall be liable to pay tax on inward supplies on which he is liable to pay tax u/s 9(3) or 9(4) at the applicable rates.

(h) Rules applicable for Composition Schemes shall be equally applicable



#### ILLUSTRATION - GST - Composition Scheme M 18 [P]

Prem is running a consultancy firm and also a fancy store, registered under the same PAN number in the State of Rajasthan. Turnover of the fancy store is ₹ 65,00,000 and receipt of consultancy firm is ₹ 10,00,000 in the preceding financial year.

You are required to provide answers with supporting explanatory note for each answer to the following questions:

(i) Is Prem eligible for composition scheme under CGST Act?

(ii) Whether it is possible for Prem to opt for composition scheme only for fancy store?

(iii) If Prem is running a restaurant with turnover of ₹ 65,00,000 instead of consultancy firm as well as a fancy store, would he be eligible for composition scheme?

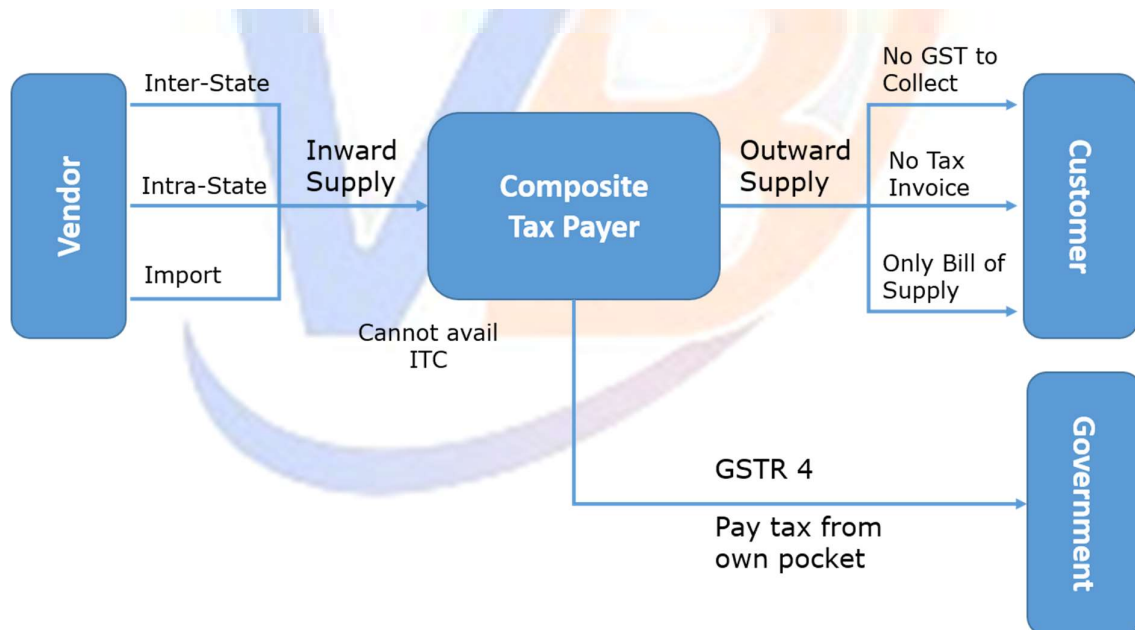
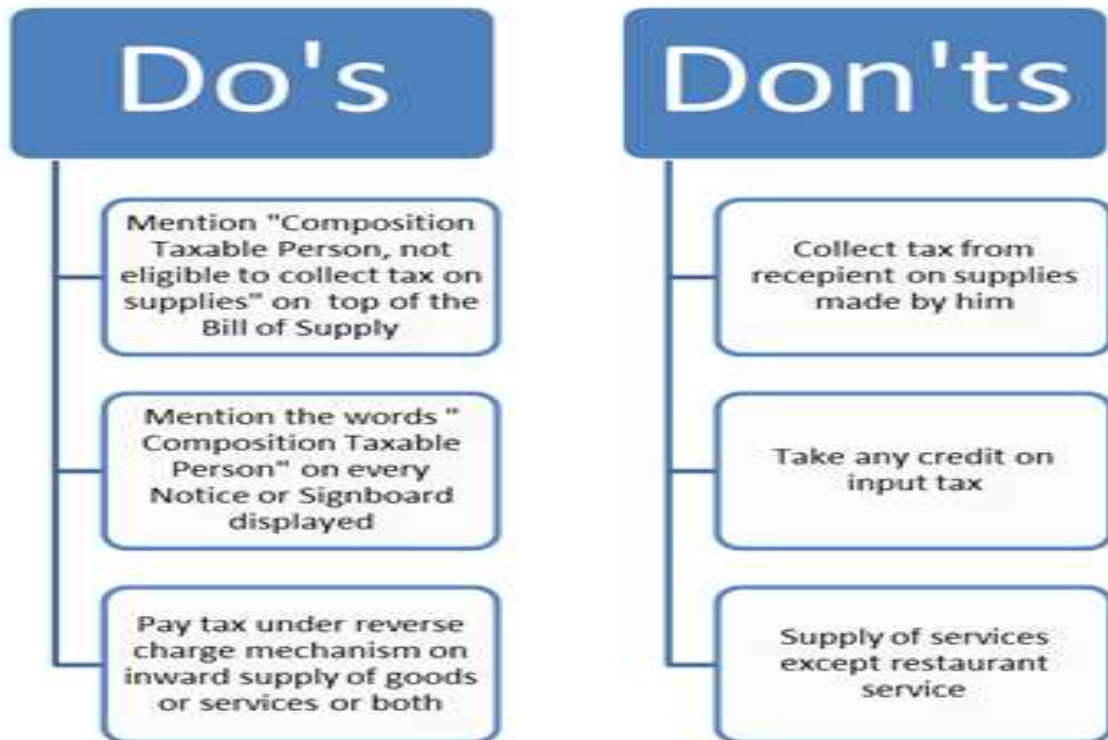
**Solution:**

(i) Person opting for Composition scheme may involve in supply services of value not exceeding 10% of turnover in a State or Union territory in the preceding Financial Year or ₹ 5,00,000, whichever is higher. This restriction does not apply to Restaurant Service provided by him.

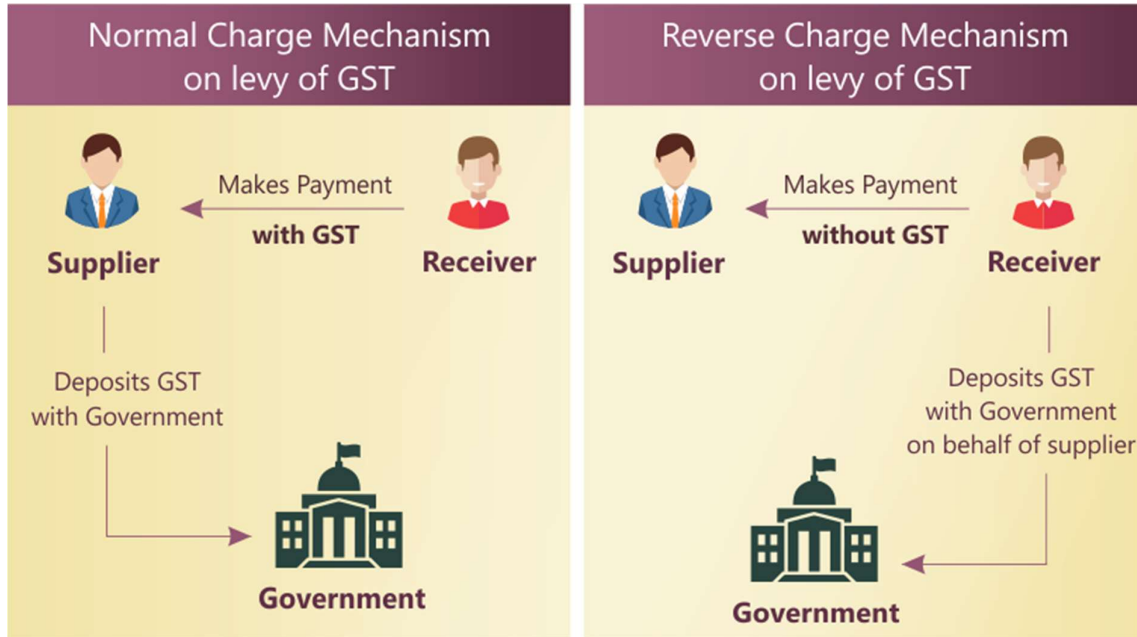
(ii) Maximum permitted value of Service for opting Composition Scheme = ₹ 6,50,000 or ₹ 5,00,000 (whichever is higher). Since in the given case, Turnover from Consultancy firm is exceeding the above limits, Prem is ineligible to opt for Composition Scheme u/s 10.

(iii) It is not possible to opt for composition Scheme for one type of supply and normal scheme for the other. Hence Prem is not eligible to opt for composition scheme only for fancy store.

(iv) If Prem is running a restaurant with turnover of ₹ 65,00,000, he is eligible to opt for composition scheme. Since restaurant services is an eligible supply for a person opting for Composition and also the total turnover is less than ₹ 1.50 Crores.



## REVERSE CHARGE



**1. Meaning:** "Reverse Charge" means the **liability to pay tax by the recipient** of supply of goods or services or both **instead of the supplier** of such goods or services or both u/s 9(3)/(4), or u/s 5(3)/(4) of the Integrated Goods and Services Tax Act.

**2. Tax on Reverse Charge Basis - Specific categories of Persons [Sec.9(3)]:** The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both.

**List of Services taxable on Reverse Charge Basis [Notification No.13/2017 CT (R), dated 28.06.2017]**

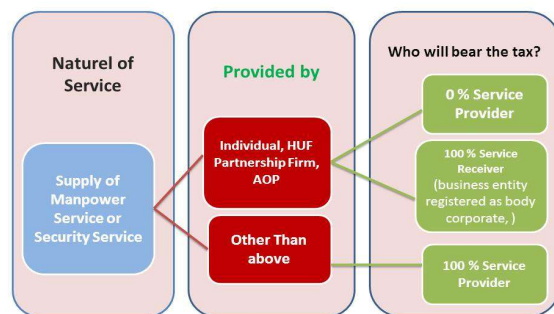
Sl. No.	Category of Supply of Services	Recipient of Service	Applicable Act
(1)	(2)	(3)	(4)
1	Any <b>Service supplied by any person who is located in a Non-taxable territory</b> to any person other than Non-taxable online recipient.	Any person located in the Taxable territory other than non-taxable online recipient.	IGST Act
2	<b>Supply of Services by a Goods Transport Agency (GTA)</b> in respect of transportation of goods by road.	The following Persons located in the taxable territory. (a) <b>Factory</b> registered under or governed by the Factories Act, 1948, or	CGST & IGST Act
	<b>[Note:</b> The Person who pays or is liable to pay freight for the transportation of	(b) <b>Society</b> registered under the Societies registration Act, 1860 or under	

	<p>goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the service for the purpose of this notification]</p> <p>[Note: This Entry shall not apply to</p> <p>(a) a Department or Establishment of the Central Government or State Government or Union territory or</p> <p>(b) local authority; or</p> <p>(c) Governmental agencies, which has taken registration under the CGST Act, only for the purpose of deducting tax u/s 51 and not for making a taxable supply of goods or services]</p>	<p>any other law for the time being in force in any part of India, or</p> <p>(c) <b>Co-operative society</b> established by or under any law, or</p> <p>(d) Person registered under the CGST Act or IGST Act or SGST Act or the UTGST Act, or</p> <p>(e) <b>Body Corporate</b> established, by or under any law; or</p> <p>(f) <b>Partnership Firm</b> whether registered or not under any law including association of persons or</p> <p>(g) Any Casual taxable person.</p>	
3	<p>Services provided by an individual advocate including a senior advocate or firm of advocates by way of <b>legal services</b>, directly or indirectly.</p> <p>Explanation.- "Legal service" means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.</p>	Any business entity located in the taxable territory.	CGST & IGST Act
4	Services supplied by an <b>Arbitral Tribunal</b> to a business entity.	Any business entity located in the taxable territory.	CGST & IGST Act
5	Services provided by way of <b>Sponsorship</b> to any Body Corporate or Partnership Firm.	Any Body Corporate or Partnership Firm located in the taxable territory.	CGST & IGST Act
6	<p>Services by the <b>Central Government, State Government, Union Territory or Local Authority</b> to a business entity excluding,</p> <p>-</p> <p>(a) Renting of immovable property,</p> <p>(b) Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority,</p> <p>(c) Services in relation to an Aircraft or a Vessel, inside or outside the precincts of</p>	Any business entity located in the taxable territory.	CGST & IGST Act

	a port or an airport, transport of goods or passengers.		
6A	Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017	Any person registered under the Central Goods and Services Tax Act, 2017.	CGST & IGST Act
7	Services supplied by a <b>Director of a Company</b> or a body corporate to the said company or the body corporate.	The Company or a Body Corporate located in the taxable territory.	CGST & IGST Act
8	Services supplied by an <b>Insurance Agent</b> to any person carrying on insurance business.	Any person carrying on insurance business, located in the taxable territory.	CGST & IGST Act
9	Services supplied by a <b>Recovery Agent</b> to a banking company or a financial institution or a non- banking financial company.	A <b>Banking Company</b> or a financial institution or a non-banking financial company, located in the taxable territory.	CGST & IGST Act
10	Services <b>supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India</b> up to the customs station of clearance in India. <b>Note: Gujarat HC ruled this provision as Unconstitutional.</b>	Importer, as defined in clause (26) of section 2 of the Customs Act, 1962(52 of 1962), located in the taxable territory.	IGST Act
11	Supply of services by a <b>music composer, photographer, artist</b> or the like by way of transfer or permitting the <b>use or enjoyment of a copyright</b> covered under Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like.	Music composer, photographer, artist, or the like <b>Note:</b> Music company, producer or the like, located in the taxable territory.	CGST & IGST Act
12	Supply of services by an <b>author</b> by way of transfer or permitting the <b>use or enjoyment of a copyright</b> covered under Copyright Act, 1957 relating to <b>original literary work</b> sto a publisher. The Publisher located in the taxable territory,] <b>Exceptions-</b> This Entry not applicable when <b>(i) Filing Declaration -</b>	<b>Author</b>	CGST & IGST Act



	(a) The Author has taken registration under the CGST Act and filed a declaration, in the form at Annexure I, (b) within the prescribed time limit, with the jurisdictional CGST or SGST commissioner, as the case may be,		
	(c) that he exercises the option to pay central tax/ Integrated Tax on the service specified, under forward charge in accordance with Sec. 9 (1) of the CGST Act, 2017 or sec. 5( 1) of IGST Act under forward charge, and (d) to comply with all the provisions of CGST Act, 2017 as they apply to a person liable for paying the tax in relation to the supply of any goods or services or both and (e) he shall not withdraw the said option within a period of <b>1 year</b> from the date of exercising such option, the author makes a declaration, as prescribed in Annexure II on the invoice issued by him in <b>Form GST Inv-I</b> to the publisher.		
13	Services provided by Business Facilitator (BF) to a Banking Company	A Banking Company, located in the taxable territory	CGST & IGST Act
14	Services provided by an agent of Business Correspondent (BC) to Business Correspondent (BC)	A Business Correspondent, located in the taxable territory	CGST & IGST Act
15	Security services (services provided by way of supply of security personnel) provided to a registered person by any person other than a Body Corporate. <b>Exception:</b> This Entry shall not apply to : I. (a) a Department or Establishment of the Central Government or State Government or Union territory or (b) local authority; or (c) Governmental agencies, which has taken registration under the CGST Act, only for the purpose of deducting tax u/s 51 and not for making a taxable supply of goods or services (or)	A registered person, located in the taxable territory	CGST & IGST



	<b>II. Registered person paying tax u/s 10.</b>		
16	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs).	A banking company or a non-banking financial company, located in the taxable territory.	CGST & IGST Act
17	Services provided by way of renting of a motor vehicle provided to a body corporate.	Any person other than a body corporate, paying Central Tax @ 2.5% or Integrated Tax @ 5% on renting of motor vehicles with input tax credit only of input service in the same line of business.	CGST & IGST Act
17	Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India ("SEBI"), as amended.	Lender [a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI] Borrower[a person who borrows the securities under the Scheme through an approved intermediary of SEBI],	CGST & IGST Act

#### Explanation for Terms-

<b>Recipient in relation to GTA Services</b>	The person who pays or is liable to pay freight for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the Service.
<b>Recipient in relation to Legal Services</b>	The Business Entity located in the taxable territory who is litigant, applicant or petitioner, shall be treated as the person who receives the Legal Services.

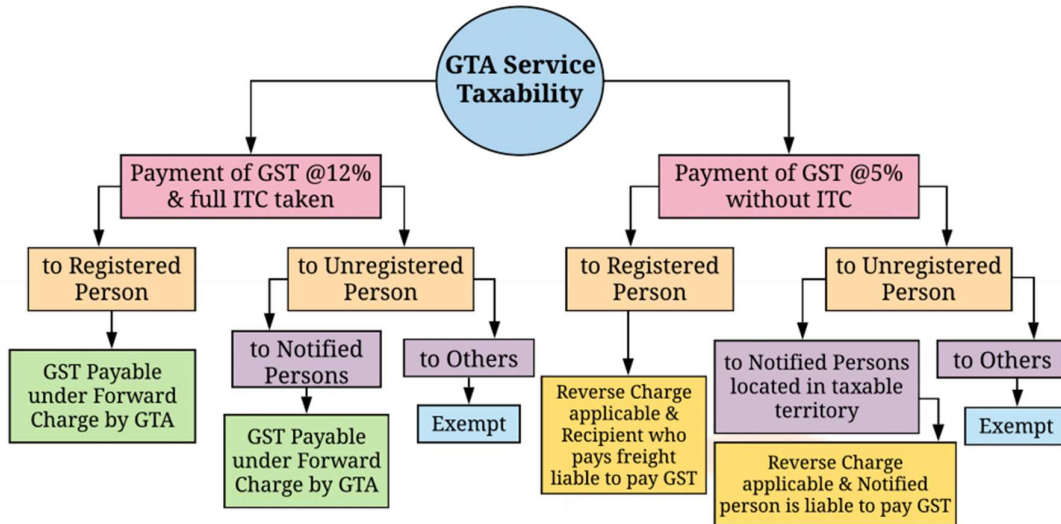
#### Notifications Relating to Reverse Charge:

Supply of services by the members of Overseeing Committee constituted by the RBI to RBI, will be payable under reverse charge by the recipient of service i.e., Reserve Bank of India. **[Notfn No. 33& 34/2017]**

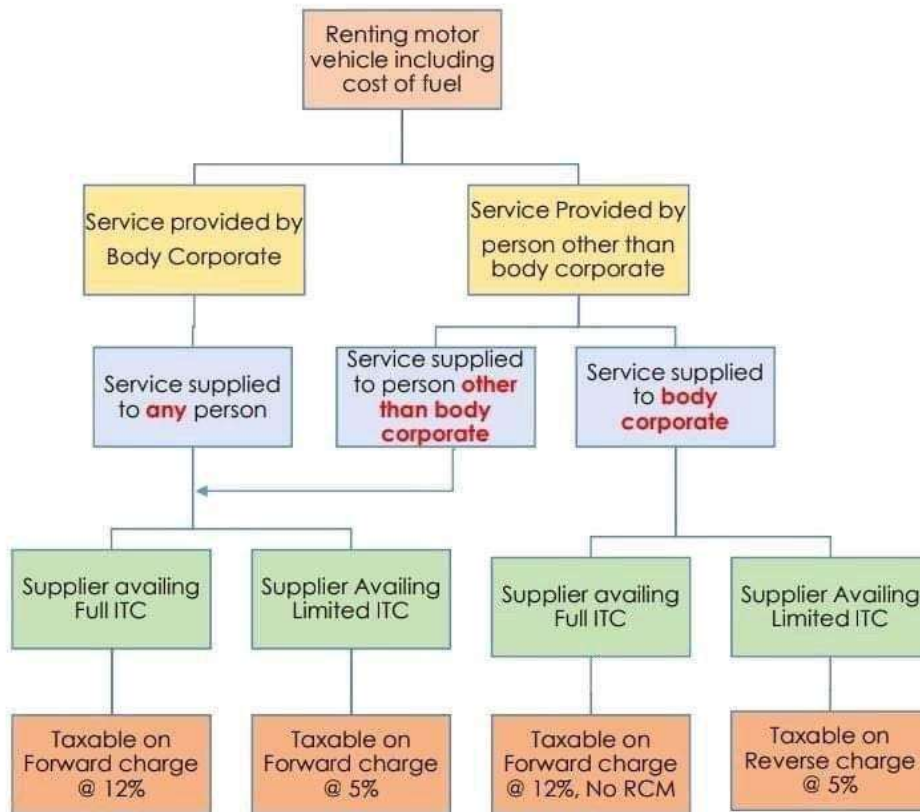
In case of supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods, CGST or IGST will be payable by the recipient of services under reverse charge only when GTA **has not paid CGST @ 6% or 1GST @ 12%.****[Notification No. 22/2017]**

**3. Tax on Reverse Charge Basis - Supply by an Unregistered Supplier ]Sec.9(4):** In respect of supply of **specified categories** of Goods or Services or both **received from an unregistered supplier**, the

Government by notification, specify a class of registered persons who shall pay the tax on **reverse charge basis** as the recipient of such supply.



**Clarification of Applicability of Forward Charge / Reverse Charge in case of Renting of Motor vehicle**



## ELECTRONIC COMMERCE OPERATOR

**Electronic Commerce Operator [ECO][Sec.9(5) of CGST/ Sec.5(5) of IGST]**

**1. Meaning of Electronic Commerce u/s 2(44) -** means the **supply of** goods or services or both, including digital products over **digital or electronic network**.

**2. Meaning of Electronic Commerce Operator (ECO) u/s 2(45) -**means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

### **3. Taxability:**

(a) For Specified categories of services, tax on intra-State supplies shall be **paid by the electronic commerce operator** if the services are supplied through it. The Actual **Supplier or Recipient shall not be liable** to tax in such case.

(b) All the provisions of this Act shall apply to those electronic commerce operators, as if he is the person liable for paying the tax in relation to those supply of services.

**4. Services for which ECO is liable: For the following Services**, the tax on intra-State supplies shall be paid by the **Electronic Commerce Operator**: [Notfn. 17/2017-CT(R), dt 28.06.2017]

- Services by way of **transportation of passengers by a Radio-Taxi, Motorcab, Maxicab and Motor cycle**,
- Services by way of providing **accommodation in Hotels, Inns, Guest houses, Clubs, Campsites or other commercial places meant for residential or lodging purposes**, except where the person supplying such service through electronic commerce operator is liable for registration.

### **5. Person liable to pay tax:**

Situation	Person liable to pay tax
ECO is located in taxable territory	ECO
ECO does not have a physical presence in the taxable territory	Any person representing such ECO for any purpose in the taxable territory shall be liable to pay tax.
ECO- <ul style="list-style-type: none"> <li>• Neither has physical presence in the taxable territory</li> <li>• Nor has a representative in the said territory.</li> </ul>	ECO shall appoint a person in the taxable territory for the puipose of paying tax and such person shall be liable to pay tax.

### Practical Scenarios for Practice

**1. What will be status of Tobacco and Tobacco products under the GST regime?**

Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.

**2. Can the registered person under composition scheme claim input tax credit?**

No, registered person under composition scheme is not eligible to claim input tax credit.

**3. Can the customer who buys from a registered person who is under the composition scheme claim composition tax as input tax credit?**

No, customer who buys goods from registered person who is under composition scheme is not eligible for composition input tax credit because a composition scheme supplier cannot issue a tax invoice.

**4. Can composition tax be collected from customers?**

No, the registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.

**5. When does Composition Scheme stands withdrawn?**

Sec. 10(3)-The permission granted to a registered person u/s 9(1) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified u/s 9(1).






. A person availing composition scheme during a financial year crosses the specified turnover during the course of the year i.e. say he crosses the turnover limits in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31st March?

No. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds the prescribed limits.

**7. Will a taxable person, having multiple registrations, be eligible to opt for composition scheme only for a few of registrations?**

All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

## TIME AND VALUE OF SUPPLY

GOODS		SERVICES		
<b>FORWARD CHARGE</b>	Invoice or Payment Whichever is earlier		Invoice or Payment Whichever is earlier	<b>FORWARD CHARGE</b>
<b>REVERSE CHARGE</b>	Receipt of goods or Payment or 31 <sup>st</sup> day from date of invoice Whichever is earlier		Payment or 61 <sup>st</sup> day from date of invoice Whichever is earlier	<b>REVERSE CHARGE</b>
<b>VOUCHER SALES</b>	Date of issue if supply is identifiable or else Date of redemption		Date of issue if supply is identifiable or else Date of redemption	<b>VOUCHER SALES</b>
<b>INTEREST PENALTY</b>	Date of payment		Date of payment	<b>INTEREST PENALTY</b>
<b>RESIDUARY</b>	Periodical return is required – date of return or else Date on which tax is paid		Periodical return is required – date of return or else Date on which tax is paid	<b>RESIDUARY</b>

Issues	Points to remember	
<b>Issue of Tax invoice under GST</b>	1. Person responsible: A Registered Person supplying taxable goods/ taxable services. 2. Time of issue:	
	<b>For Goods [Sec.31(1)]</b>	<b>For Services [Sec.31(2)]</b>
	Before or at the time of - Where the supply involves the movement of goods: Removal of goods for supply to the recipient, or In Other Cases: Delivery of goods or making available thereof to the recipient	Before or after the provision of services but within the prescribed period. [Note: Invoice should be issued within 30 days from the date of Provision of Service. In case of Insurance, Banks and NBFCRs the limit is extended to 45 days]
	Time of Supply in case of Goods & Services	
<b>Time of Supply of Goods and Supply of Services</b>	Time of Supply: Time of Supply is the point at which the liability to pay GST arises-	
	<b>Time of Supply of Goods [Sec.12(2)]</b>	<b>Time of Supply of Service [Sec.13(2)]</b>
	The time of supply of goods shall be the earlier of the following - (a) Date of issue of invoice by the supplier, or (b) Last date on which he is required to issue the invoice with respect to the supply, or (c) Date of receipt of payment by the supplier with respect to the supply.	The Time of supply of services shall be the earlier of - (a) Invoice Issued within 30 days : Date of issue of Invoice by the Supplier, or the date of receipt of payment, whichever is earlier, or (b) Invoice not Issued within 30 days: Date of Provision of Service or the date of receipt of payment, whichever is earlier, or (c) Date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of (a) or (b) as

		above do not apply.
	<p>Liability to Dav Tax in case of SUDDLIV of Goods:</p> <p>Notification 66/2017 of CGST: Central Government, on the recommendations of the Council, notified that the registered person (other than the person opted for the composition levy u/s 10), shall pay the Central Tax on the outward supply of goods at the time of supply as u/s 12(2)(a). Based on the date of payment, registered person shall accordingly furnish the details and returns.</p>	
<b>Time of Supply</b>	Instance	Time of Supply
	<b>Miscellaneous Items</b>	<p>Earliest of the following dates, namely-</p> <p>(a) Date of Receipt of Goods (in case of Supply of Goods), or</p> <p>(b) Date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier, or</p> <p>(c) Date immediately following</p> <ul style="list-style-type: none"> <li>• For Supply of Goods: 30 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.</li> <li>• For Supply of Services: 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.</li> </ul>
	Receipt upto Rs 1,000 in excess of the Invoice amount	Option to take the related invoice date as the time of supply
	addition in the value of supply by way of interest,	Date on which the supplier receives such addition in value



late fee or penalty for delayed payment of any consideration		
Supply of Vouchers [Eg. Food Pass, Coupons, Gift Cards etc.]	Situation	Time of Supply
	If the supply is identifiable at point of Issue of Voucher	Date of Issue of Voucher
	In all other cases	Date of Redemption of Voucher
If it is not possible to determine the time of supply	(a) in a case where a periodical return has to be filed, the date on which such return is to be filed, or (b) in any other case, be the date on which the tax is paid.	

**ILLUSTRATION - Time of Supply- Goods**

Brahma Ltd wants to erect a Machinery in its Factory Premises. It entered into a Contract with Shiva Ltd to supply and erect the same. Shiva Ltd sourced various components from Othervendors assembled the Machinery and installed the it at the agreed place. The details of the various events in this contract are as follows:

17th September	Purchase order from Brahma Ltd with advance of ₹ 5,00,000 is received by Shiva Ltd for supply of goods worth ₹ 9 lakh and the same was duly accounted in the Books of Shiva Ltd.
20th October	Installation of Machinery, tested at site, and accepted by Brahma Ltd
23rd October	Invoice raised by Shiva Ltd for full Value of Contract.
4th November	Balance payment of ₹ 4,00,000 received by Shiva Ltd

Decide on the time of supply in the above scenario.

**ILLUSTRATION - Time of Supply - Provision of Services** Determine the time of supply of Services from the following particulars:

Mr.Ragu, a Service Provider, received an Advance of ₹ 5,00,000 from Mr.Hanuman on 05th April as part payment for a service. The Service was completed on 10th April and the date of Invoice was 5thMay. He received the remaining amount of ₹ 1,50,000 on 14th June.

**ILLUSTRATION - Time of Supply - Provision of Services** Determine the time of supply of Services from the following particulars:

Mr.Vineet, a Service Provider, received an Advance of ₹ 1,00,000 from Mr.X on 05th April as part payment for a service. The Service was completed on 10th April and the date of Invoice was 16th May. He received the remaining amount of ₹ 1,50,000 on 14th June.

**ILLUSTRATION-Time of Supply M 18**

M/s Mansh&Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply from the following information furnished by it:

- (i) Goods were supplied on 03rd October
- (ii) Invoice was issued on 05th October
- (iii) Payment received on 09th October

**ILLUSTRATION - Determination of Time of Supply M 18[F]**

Determine the Time of Supply from the following particulars:

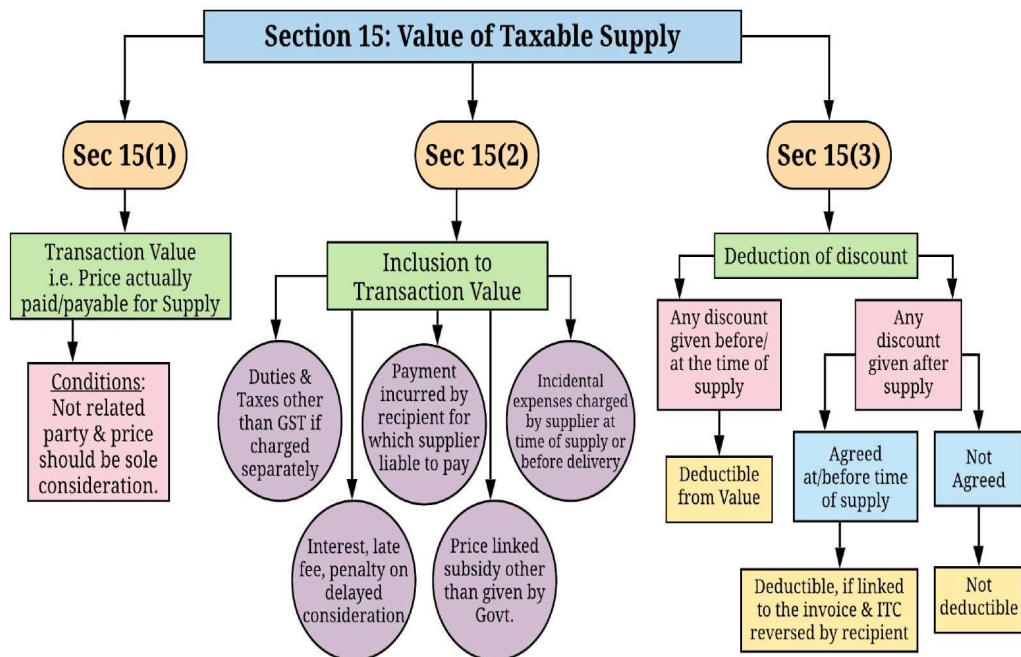
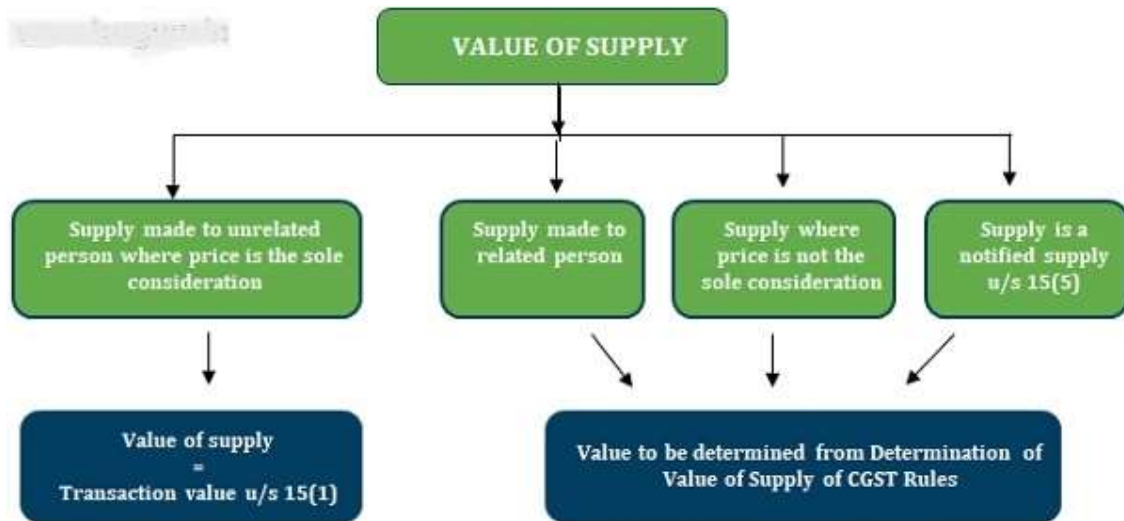
8th September	Community hall booked for a marriage, sum agreed ₹ 1,20,000, advance ₹ 20,000 recorded in the books of account.
10th September	Advance amount credited in bank account.
2nd November	Marriage held in the Community hall.

18th December	Invoice issued for ₹ 1,20,000 indicating the balance of ₹ 1,00,000 payable.
22nd December	Balance ₹ 1,00,000 recorded in the books of account.
24th December	Payment ₹ 1,00,000 credited to the bank account.

#### ILLUSTRATION - Time of Supply - Vouchers

Situation	Time of Supply	Reasoning
GRG Jewellery Issues Vouchers worth ₹ 100 on every Purchase of Jewellery above ₹ 10,000/-. Those vouchers have to be redeemed against purchase of Jewellery within 1 month from the date of Issue.	Date of <b>issue of the Voucher</b>	Supply against which the voucher will be redeemed is known on the date of the sale
Saraxo Limited sells food coupons to a Company, which gives those Coupons to its employees as part of perquisites. The Food coupons can be redeemed for purchase of any item of food /provisions in the outlets that are part of the program.	Date on which the employee <b>redeems</b> it against food / provision items of his choice.	As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon.

# TRANSACTION VALUE





### Illustration - Inclusions in Value of Taxable Supplies - Services

Mr. X provides some Taxable Services to Mr. Y. In the course of providing such services, Mr. X incurs some expenditure such as Inspection and Certification charges etc. and includes these amounts in the value of Taxable Services. Discuss whether GST has to be charged on these items of expenditures.

**1. Provision:** As per Sec. 15(2), Incidental expenses, including commission and packing, charged by the Supplier to the Recipient of a supply is to be included in the Taxable Value of Supplies.

**2. Analysis & Conclusion:** In this case, the Inspection and Certification Charges incurred by Mr. X, supplier shall be added to the value of Taxable Supplies. GST shall be charged on the same.

### Illustration - Determination of Value of Taxable Supplies - Services

Jack and Jill Ltd. has provided the following particulars relating to goods sold by it to Jingle Bells Pvt. Ltd.

Particulars	
List price of the goods (exclusive of taxes and discounts)	1,00,000
Tax levied by Municipal Authority on the sale of such goods	10,000
CGST and SGST chargeable on the goods	20,880
Packing charges (not included in price above)	2,000

Jack and Jill Ltd. received ₹ 4000 as a subsidy from a Twinkle Trust a Non Governmental organisation on sale of such goods. The price of ₹ 1,00,000 of the goods is after considering such subsidy. Jack and Jill offers 4% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Jack and Jill Ltd.

#### Computation of value of taxable supply

Particulars	₹	Reason
List price of the goods	1,00,000	Base Price exclusive of Taxes and Discounts
Tax levied by Municipal Authority	10,000	Includible in the value as Tax being other than GST Tax
CGST and SGST chargeable on the goods	-	GST Taxes not includible in the Value
Packing charges	2,000	Includible in the value
Subsidy received from a non-Government body	4,000	Subsidy is received from a non-Government body,
Total Value before Discount	<b>1,16,000</b>	
Less: Discount @ 4% on ₹ 1,00,000	4,000	Since discount is known at the time of supply, it is deductible from the value

Value of taxable supply	1,12,000	
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### Illustration - Value of Supply M 18

Candy Blue Ltd Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October:

	Particulars	GST Paid ( ₹ )
(0)	List price of goods supplied inter-state	12,40,000
	Item already adjusted in the price given in (i) above:	
(1)	Subsidy from Central Government for Supply of Biscuits to Government School	1,20,000
(2)	Subsidy from Trade Association for Supply of Quality Biscuits.	30,000
	Items not adjusted in the price given in (i) above:	
(3)	Tax Levied by Municipal Authority	24,000
(4)	Packing Charges	12,000
(5)	Late fee paid by the recipient of supply for delayed Payment of Invoice	5,000

Calculate the Value of Taxable supply made by M/s Candy Blue Ltd for the month of October

**Solution:**

Particulars	₹	Reason
List price of the goods	12,40,000	List Price of Goods
Subsidy received from Central Government	-	Subsidy is received from a Government body
Subsidy received from a Trade Association	30,000	Subsidy is received from a non-Government body
Tax levied by Municipal Authority	24,000	Includible in the value as Tax being other than GST Tax
Packing charges	12,000	Includible in the value
Late Fee Paid by recipient of Supply for delayed Payment	5,000	Interest or late fee or penalty for delayed payment of any consideration for any supply.

Value of taxable supply	13,11,000	
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### Illustration - Value of Supply

Laxmi Ltd of Bhopal (Madhya Pradesh) is a supplier of machinery. Laxmi Ltd has supplied machinery to PQR Enterprises in Indore (Madhya Pradesh) on 1st October. The invoice for supply has been issued on 1st October. Thus, the Time of supply of machinery is 1st October. Laxmi Ltd and PQR Enterprises are not related. Following information is provided.

Basic price of machinery excluding all taxes but including Design and Engineering charges of ₹ 10,000 and loading charges of ₹ 20,000 - ₹ 20,00,000.

Laxmi Ltd provides 2 years free warranty for the machinery. Laxmi Ltd also provides an extended one year warranty on payment of additional charges of ₹ 1,00,000. PQR Enterprises opted for one year warranty.

Laxmi Ltd has collected consultancy charges in relation to pre-installation planning of ₹ 10,000 and freight and insurance charges from place of removal to buyer's premises of ₹ 20,000.

Laxmi Ltd received subsidy of ₹ 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd also received ₹ 50,000 from the Joint Venture partner of PQR Enterprises for making timely supply of machinery to the recipient.

A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount @ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.

The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @ 18%.

Compute the CGST and SGST or IGST payable, as the case may be on the machinery.

**Solution:**

#### Computation of GST Liability

Particulars	Amount ( ₹ )
Price of Machine (Note 1)	20,00,000
Design and Engineering Charges (Note 2)	-
Loading Charges (Note 2)	-
Warranty Cost (Note 3)	1,00,000
Consultancy Charges for Pre-installation Planning (Note 4)	10,000
Freight and Insurance (Note 4)	20,000
Subsidy from Central Government (Note 5)	-
Subsidy from Joint Venture partner of PQR Enterprises (Note 5)	<b>50,000</b>
<b>Total Price of the Machine</b>	<b>21,80,000</b>
<b>Less: Cash Discount (Note 6) 20,00,000 x 1%</b>	(20,000)



<b>Taxable Value of Supply</b>	<b>21,60,000</b>
CGST @ 9% (Note 7)	<b>1,94,400</b>
SGST @ 9% (Note 7)	<b>1,94,400</b>
<b>Total GST Payable</b>	<b>3,88,800</b>

**Notes:**

1. As per Sec 15(1) of the CGST Act 2017, the value of a supply is the transaction value, i.e. the price actually paid or payable for the said supply when the supplier and the recipient of the supply are not related and the price is the sole consideration. It is given that Laxmi Ltd and PQR Enterprises are not related.

2. All incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply in terms of Sec 15(2)(c) of CGST Act, 2017. Since the basic price is inclusive of design and engineering charges and loading charges, it is not added again.

3. Warranty Cost is includible in the value of the supply since the transaction value includes all elements of the price excluding those that can be specifically excluded as per Sec 15 of the CGST Act.

4. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before the delivery of goods is includible in the value of supply in terms of Sec 15(2)(c) of CGST Act, 2017.

5. Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Government are includible in the value of supply in terms of Sec 15(2)(c) of CGST Act, 2017.

6. Cash Discount was deducted by Laxmi Ltd upfront at the time of Supply on 01.10.2017 and hence the same is excluded from the value of supply as it did not form part of the transaction value.

7. In the given case:

(a) The location of supplier is in Bhopal (Madhya Pradesh) and

(b) The place of supply is in Indore (Madhya Pradesh)

Therefore the given supply is an intra-state supply as the location of supplier and place of supply is in the same state. Thus the supply is leviable to CGST and SGST.

**Illustration - Value of Supply**

Vayu Ltd provides you the following particulars relating to goods supplied by it to Agni Ltd:

Particulars	
List Price of goods (Exclusive of Taxes and discounts)	<b>76,000</b>
Special packing at the request of customer to be charged to the customer.	<b>5,000</b>
Duty levied by local authority on the sale of such goods.	<b>4,000</b>
CGST and SGST charged in Invoice.	<b>14,400</b>
Subsidy received from a NGO (The price of ₹ 76,000 given above is after considering the subsidy)	<b>5,000</b>

Vayu Ltd offers 3% discount of the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supplies made by Vayu Ltd.

**Solution:**

**Computation of Value of Taxable Supply**

Particulars		Reason
List price of goods	76,000	Base Price exclusive of Taxes and Discounts
Special Packaging	5,000	Sec. 15(2) - Includible in the value
Duty levied by local authority	4,000	Sec. 15(2) - Includible in the value as Tax being other than GST Tax
CGST & SGST change in invoice	-	GST Taxes not includible in the Value
Subsidy received from NGO	5,000	Sec. 15(2) - Subsidy is received from a non-Government body, includible
Gross Value before Discount	<b>90,000</b>	
<b>Less:</b> Discount @ 3% of LP	(2,280)	Sec. 15(3) - Since discount is known at the time of supply, it is deductible from the value
<b>Value of Taxable Supply</b>	<b>87,720</b>	