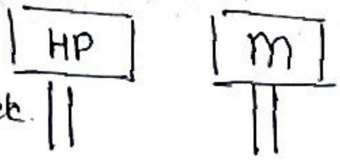
Supply Under GST

Meaning of goods

* Every kind of movable property will be termed as goods

* Goods also includes Anything attached to the earth or any immovable structure. will also be treated as goods.

  e.g signage,
  growing crops. trees etc.



* Actionable claims shall also be considered as goods.
  ↳ Contingent asset
    e.g- unsecured debt, betting, lottery. gambling Online gaming etc.

* Note
  * Money is neither goods nor services.
  * Land / Building → Immovable Property → Not consider as goods
  * Securities → Neither goods / Nor ~~securiti~~ Services
    ↳ Shares / Debt / Bonds

Meaning of Service

- Anything other than goods will be treated as service

- Money | Securities are neither goods / nor services
  however if any consideration is charged for conversion of one denomination of currency to another denomination or conversion of one currency into another currency shall be considered as service.

eg:- 'Mr N ⟶ Trip
$10000 from MY @ ₹84

RBI 1\$ = ₹83.

Y consideration = (84 − 83) × \$10000 = ₹10000
↓
Service provided by Y

Also securities are neither goods nor services but only person who facilities sale | purchase of securities & charge brokerage then it shall be consider as service.

1000 Reliance share sold through | ZERODHA | ⇒ trade facilitat
↓ Brokerage ↓ Service.

Note: Any old currency which is now not in circulation (like old ₹1000 Note / old ₹500 Note)

Has active market & these currency Notes are being traded in market

↓

Such notes shall be considered as goods

- Ceiling Fan - Goods
- PW signage - goods
- Security related service - service
- growing crops - goods
- land / Building let out & Rent charge - Service

crops / trees after cut - goods

betting - goods

loan - service

land / building sales - neither good / nor service

Commission paid for sale of L / B - service

- ~~Land &~~ Sale of Land / Building, where L/B is a SIT

Land sale / Purchase
↓
Neither good / Nor service
↓
hence o/s GST Ambit

Building → under construction
↓
service
↓
GST applicable

Building
↓
After construction
↓
Neither good nor service
↓
No GST

Tax levy → Taxable Event

- Income tax → on Earn. Income
- Excise duty → on manufacturing.
- CST /VAT → on sale of goods

GST → Taxable Event

⇓

Supply

If transaction covered underline meaning of supply - GST levied

Supply ÷ section 7 | section 8 of CGST Act. 2017

Section - 7(1)

Sec 7(1)(a)

⇓

General meaning of supply

Sec. 7 (1)(aa)

Sec 7(1)(b)

Sec 7 (1)(c) Read with Sch: I

⇓

Specific meaning of supply

Sec 7(1)(a) Any transaction which is undertaken for a consideration & in the course or furtherance of Business, shall be considered as supply & it includes

- Sale
- Exchange
- Transfer
- Barter
- License
- lease
- Renting
- disposal

In the course or Furtherance of Business → Business transaction.

e.g. Mr X → CA in Practice → old A/C installed in offic
sold for ₹ 10000

As office AC is sold for ₹ 10000 both of the falling conditions are satisfied :-

① Consideration

② In the Course or FOB

Hence this shall be considered As supply

e.g. Mr X → CA in Practice → T.V installed @ Residence sold for ₹ 10000

- Consideration ✓
- FOB ×

As there is no F.O.B hence this transaction is not considered as supply

e.g. Mr X dealer of AC

- Mr Y dealer of furniture

$$X \underset{\text{furniture} = 50000}{\overset{AC = 50000}{\rightleftarrows}} Y$$

Supply 1 - AC	Supply 2 - furniture.
• Consideration :- furniture	• consideration :- AC
• In course/FOB :- Yes	• In course/FOB - Yes.

eg: Flipkart $\xrightarrow[\text{Exchange}]{\text{Iphone-16 = 80000}}$ Mr J

old I-phone 13 + ₹ 50000.

Supply of Mobile phone

as consideration = ₹

F.O.B = ₹

<u>Sec 7(1)(aa)</u> - Any transaction undertaken between members & their Association | club shall be considered as supply

for the purpose of GST → Association & member are considered as 2 diffrent person.

eg: gokuldham society $\xleftarrow[\text{supply}]{\text{Maintenance charge = 10000}}$ Jethalal (member)

Security guard | garden | club house | GYM | Pool

Resident welfare Association (RWA)

Sec 7(1)(b) Import of service & consideration paid

* Import of service + * Consideration paid } Consider as supply whether or not in the course or furtherance of business.

Note: Import of Service → R.C.M Applicable i.e importer of services is liable to pay IGST to Govt

eg John (USA) —Interior decoration service→ Mr Ambani

← ₹1 crore consideration paid.

	Import of service	Consideration	F.O.B	Supply
(a) Interior decoration of office	Yes	Yes	Yes	Yes u/s 7(1)(b)
(b) Interior decoration of Bedroom	Yes	Yes	NO	Yes u/s 7(1)(b)

Sec 7(1)(a) = $\boxed{\text{Consideration}}$ + $\boxed{\text{F.O.B}}$

↓ Exception 7(1)(c) ↓ Exception 7(1)(b)

Sec 7(1)(c) There are certain notified transactions under schedule I, that are considered as supply irrespective of fact that such transaction are w/o consideration.

e.g: Stock transfer from one branch to another w/o consideration shall be considered as supply as per S.7(1)(c).

Schedule 1 : Deemed Supply (Most Important)

↳ Transaction considered as suppy even when they are taken place w/o to consideration.

1) |Permanent transfer| of |Business Asset| |w/o consideration| on which |ITC has been availed|

e.g: |Infosys| - 1/7/2022 100 laptop purchase
- value = 50,00,000
- |GST = 9,00,000|

ITC avail

↳ 24/12/2023 - 100 laptops Donate to orphanage house

As per S.I of CGST Act, 2017

Permanent transfer - Yes : Donation is Permanent Transfer

Business Asset - Yes. laptop are business Asset

w/o consideration - Yes, Donation w/o considration.

ITC avail - Yes, ITC availed on such laptops in month of July.23.

This Donation of 100 laptops are considered As |supply| as per S.7(1)(c) read with schedule I

↳ GST levy

GST = |value| × Rate

↓

Determine as per valuation rule.

e.g 2. Chomu → Saree wala

50 sarees Purchase 1/4/23 value = 1,00000

+ GST @12% = $\boxed{12000}$ → Input tax credit avail by chomu

31/6/23 ⇒ Chomini Birthday

2 saree gift to chomini on her birthday

- Permanent transfer
- w/o consideration
- Business asset
- ITC availed

} 2 sarees gift to chomini shall be considered as supply & hence liable to GST.

2) Supply of goods/service between Related person or distinct Person

Supplier: Mr P (father) (tissue paper manufacturing) → 500 packet tissue paper supply w/o consideration → $\boxed{\text{Mr J (son)}}$ Recipient

GST ↓ $\boxed{\text{Govt}}$

Deemed supply as per S7(1)(C) read with Schedule I

Related person

1) Partners in a business

2) ER/EE relation

3) Any person hold 25% or more equity in each of two Co.

4) Holding & Subsidiary Co.

5) Two or more person together controls third person

A Ltd — 27% → C Ltd

B Ltd — 26% → C Ltd

A Ltd & B Ltd together hold 53% sh. of C Ltd ie they together control C Ltd ie all of them are related person.

6) Members of same family

Mr A — spouse + children — Depn / Indepn

Mr A — Parents / G. Parents / Brother / Sister — Depn

★ Distinct Person : Person having

- GST registration → State Based + PAN based.
  - PAN is Mandatory for GST registration
  - Registration is State-wise.

eg: Mr J — $\boxed{\text{Noida - UP}}$ distinct person

Mr J — $\boxed{\text{Ludhiana - Punjab}}$ distinct person

2 separate Reg. is required one in UP & Another in Punjab

- Person having diff. registration whether in diff states or within same state for each registration they shall be considered

eg:- Mr J → Noida – Furniture ⎫ option 1 single reg for furniture & restaurant
Mr J → Noida – Restaurant ⎭ option 2 separate Reg for furn & restaurant

eg:

Mr J
stock transfer

Noida furniture showroom —"Furniture sent" w/o consideration→ Ludhiana furniture showroom

Above transaction is supply of goods to distinct person w/o consideration shall be considered as deemed supply as per schedule I & hence liable to GST

Noida showroom (supplier) liable to pay IGST to Govt. & Ludhiana showroom shall eligible to claim ITC of IGST paid by noida showroom.

Mr J

$\boxed{\text{Noida}}$ furniture —Furniture transfer w/o consideration→ $\boxed{\text{Restaurant}}$

- Single Reg → Furn / Restaurant ⇒ Not a DP
  S 7(1)(c) + Sch 1 ⇒ not apply
  ∴ Not consider As supply – No GST

- Separate Reg → firm / Restaurant → DP → S.7(1)(c) + Sch I Apply

∴ Such transfer is deemed supply GST applicable

3) supply w/o consideration by Principal to Agent (selling Agent)

4) supply w/o consideration by Agent to Principal (Buying agent)

Selling agent

eg: Mr X (Principal) $\xrightarrow[\text{w/o consideration (supply 1)}]{\text{500 pair of shoes}}$ Mr Y (Agent)

Mr Y (Agent) → 500 pair sold for ₹ 1000 per pair. (supply-2) → Customer

Supply-I → Principal to Agent w/o consideration.

Supply As per S.7 (1)(c) + Sch - I.

Supply. 2 → Agent to customer for consideration

Supply as per S.7(1)(a)

- F.O.B ^
- Consideration. ^

GST paid by Principal to Govt & Agent shall claim ITC.

Supplier $\xrightarrow{\text{500 pair shoe sell @ ₹1000/pair}}$ Agent

$\boxed{\text{Supply-1}}$

Agent $\downarrow$ 500 pair supply w/o consideration $\boxed{\text{supply-2}}$

Principal.

[Supply 1] Vendor → Agent

supply as per S 7(1)(a)

- FOB ^
- Consideration ^

[Supply 2] Agent → Principal.

Supply u/s 7(1)(c) + Sch I As supply is in the course or F.O.B but w/o consid

Transaction between Principal + Agent w/o consideration shall fall u/s 7(1)(c) only if:-

Agent has authority to receive the title of goods i.e he purchase goods from vendor on his own name & not in name of Principal

or

Agent has Authority to Transfer title of goods to customer i.e when Agent sell goods to customer he Issues his own Invoice & not the name of principal.

(5) Import of service w/o consideration shall be deemed supply u/s 7(1)(c) if following 2 condition are satisfied

ⓐ Import of service is in the course or FOB

ⓑ Import is from related person.

Import of service
↓
consideration paid

- Yes
  ↓
  supply
  As per S 7(1)(b)
- No
  ↓
  In course or F.OB
  Import from related person
  - Yes
    ↓
    Supply as per s(7)(1)(c)
  - No
    ↓
    Not considered as supply

* | Loan Raise from Bank / FI |

↓

To issue loan, various charges are levied.

eg:- Inspection charges

Documentation charges

loan processing fees etc

Not considered as transaction in money. It is considered as service provided by Bank / FI - Hence GST levied

Bank — 15 lakh — Borrower → Money transaction

↳ Not a supply

Interest

⇓

Consideration for use of money

Supply of service → GST is Exempt on Interest

Q. Int charged on loan advance ?

Yes it is supply of service but GST is exempted on Int on loan.

Sec 7(1A) : where a transaction is treated as supply under sub section (1) they shall be treated either as supply of good or supply of service as referred in Schedule II

Schedule = II

Goods
- Title transfer
  - Immediately
  - future date
  - → Sales of goods
- Right to use
  - → Sales of service

Immovable Property
(L | B)

- Transfer of title / ownership
  - Land transfer
    ↓
    Neither goods nor service
    ↓
    o/s Ambit of GST
  - Land + Building transfer
    - Entire or part of the consideration received before receiving completion certificate from competent authority or before its first occupation - whichever is earlier
      (In short under-construction Building / Flat)
      ↓
      Supply of service.
    - Entire consideration received after receiving completion certificate from competent authority
      ↓
      Transfer of immovable property
      ↓
      o/s Ambit of GST.
- Lease / Rent / Tenancy etc
  (Right to use)
  ↓
  Consideration = Rental.
  ↓
  Supply of service.

eg : Builder → Purpose site - 500 Flats 1 Flat = only 1.5 cr

Booking	Foundation	5th Floor	10th floor	15th floor	Bal @ 10%
5%	10%	25%	25%	25%	@ time of possession

15/6/24 15/12/26

500 flats — 400 flats sold before received completion certificate } S.O.S. + GST levy.

500 flats — 100 flat sold After received C/C } Neither G nor S Hence o/s Ambit of GST.

e.g. PW —black plain t-shirt / Printing job - S.O.S.→ Mr J (Printer)

After printing PW logo.

* Treatment or process — applied to another person's goods.

* Temporary transfer or permitting use or enjoyment of any intellectual property right
(copyright | patent | trademark | know-how | Brand name etc)
Consideration — royalty.

* Software

Customised
↓
S.O.S
↓
Infosys Develop ITR software for Income tax dept
↓
customised software for IT Dept
↓
... to IT Dept

General software
eg Quick heal antivirus
↓
download from website after payment
↓
supply of service

Purchase from market & stored in media (CD/DVD)
↓
S.O.G

★ Agreeing to obligations

(a) to Refrain from Act.

e.g. NOT · flying Mobile tech Samsung

Royalty = ₹ 10000 / mobile

\+

$\boxed{\text{50 crore}}$

to not share tech. with any other Mobile manufacturer for 2 years

supply of service

Agreeing to obligation to refrain from sharing tech. with other Mobile Mfg.

(b) To tolerate an Act

gokuldham society → Celebrate New year - 'New year Party'

⇓

'Sound Pollution'

Roma society (Neighbour)

↳ senior citizen Reside → problem with sound pollution

gokuldham society (S. R) service reciepient → ₹ 1L to tolerate high sound. for one night → Roma society (SP) service provider

(3) to do an Act

e.g. Bank allow customer (Borrower) to early repay loan @ anytime after 3 year & charges 5% of outstanding balance

Suppose Mr A is closing loan after 3 yr. His o/s bal is ₹20L

Here bank will accept 5% of 20L i.e. $\boxed{1L}$ & allow early closure of loan.

1L ↓ GST Levy

This is a tax of agreeing to an obligation to do an Act & it is consider as supply of service

SP = Bank   SR = Customer (Borrower).

★ Composite Supplies = (Goods + Service) bundle

eg. • Restaurant
- Food - goods
- cook/serve | Ambience | facility = Services

eg. • Works Contract → Immovable property = Construction | Renovation | Reconstruction

↓

Tender

↓

Contractor
- material (goods)
- labour (service)

↓

supply of service

Composite Supply - Works contract, Restaurant] - supply of service

* Transfer of Business asset

(a) goods part of business asset transferred or disposed off by/under direction of person carrying business so as no longer to form part of business asset — supply of goods.

(b) Goods held for business put to private or are made available to any person for use for any purpose other than business — supply of service

eg:- $\boxed{\text{Projector}}$ → class room → Business Asset
↓
5days → let out (21-26) = No classes
↓
₹ 1500/day × 5 day = 7500

eg: Veere di wedding
↳ Pre-wedding shoot ⇒ Display in wedding function
↓
(coaching projector)

Business Asset put to use for personal purpose — SOS.

(c) Goods forming part of asset of any business carried by a person who cease 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

Meaning of Taxable person — Registered under GST
\ Liable to Register — S. 22
— S. 24

GST is paid to Govt by Taxable person.

S. 22 → goods supplier → Reg → Turnover > 40L

Service supplier → Reg → Turnover > 20L.

S. 24 → $\boxed{\text{Notified person}}$ → Mandatory reg irrespective of TO.

↳ eg:- Recipient who is liable to pay GST under R.C.M.

e.g: John (USA) —Interest due→ M Ambani

₹ 10L

↓

Import of service

RCM apply

↓

M. Ambani liable to pay tax

↓

M. Ambani has to take reg compulsorily u/s 24 e.g. Jethalal - Gada electronics → Reg under GST

1/4/23 — 30/12/23 — 31/12/23

Stock
10 TV
5 AC
4 Refrigerators

Govt GST collect

⇓

Deemed to be supplied before ceases to be a taxable person.

GST Reg. cancelled as he is now shifting to USA

⇓

Ceases to be a taxable person

⇓

Now not liable to pay GST to Govt w.e.f 31/12/23

Exception : In following taxes not considered as deemed supply

(a) Business transfer as a going concern.

Jethalal $\xrightarrow[\text{sale}]{\text{gada electronic}}$ Sundar lal

(b) Business is carried on by a personal representative

Jethalal $\xrightarrow{\text{Power of Attorney}}$ Bhide.

Sec 7(2) – Negative list

Transactions → Neither goods nor service

→ o/s Ambit of GST

①

* Income tax appealate tribunal
* National Company law tribunal
* GST – Appealate Tribunal

} • As per law
• Dispute Resolution.

② • Court service → services → Neg list

• Tribunal → Establishment → as per law

→ Not as per law

Pvt Arbitral tribunal ⇒ Supply of service not cover under neg. list

i) Ec/Er → NO GST

ii) Court → No GST

Tribunal — law – NO GST
— Pvt – GST

(iii) Sale of land / Building – No GST
(accept under - construction)

(iv) MPs / MLAs - function.

Sech III = Actionable claim —— lottery | betting | Gambling | Casino

online gaming = good

↳ other actionable claim – Neither good Nor service.

↓

eg. Brand name use – unauthorise

↓

suit file – compensate = ₹ 50L = NO GST

1) Services of funeral, burial, crematorium or mortuary including the transportation of the deceased.

GST

Govt | Private firm / Co

↓

NO Distinction

eg:- Private firm / (Pvt) ⟶ service → GST

Govt ⟶ Service → GST

Govt ⟶ license – Minning right, spectrum, permit } fees charge

↓

GST levied.

liquor policy → liquor fee license → Negative list

↓

NO GST

⇓
GST applicable (RCM)

e.g.: ER ← service — EE
EE → ER: $\boxed{\text{Salary}}$
⇓
NO GST

e.g.: ER — $\boxed{\text{Benefit / Perq}}$ — EE

- As per Employment contract
  ↓
  Part of salary
  ↓
  NO GST applicable irrespective of Perq value.

- Not as per Employment contract
  - Aggregate value upto 50000 during FY.
    - Yes
      ↓
      NO GST
      covered under Negative list.
    - NO
      ie exceed 50k
      ⇓
      GST applicable on entire benefit
      ER liable to pay GST to govt

e.g.: ER gift 85th super Amoled LED TV to his EE Mr X on Achieving Sale target (this gift is not as per employment contract). Show GST implication if

(a) value of TV is ₹ 105000.

As this benefit is not as per Employment Contract & it value exceeds ₹50000 it shall be considered as supply As per schedule I, because ER & EE are related person.

Entire 105000 is liable to GST

(b) Value of TV is ₹50000

As gift Amt doesn't exceed 50k this gift is neither supply of goods nor supply of service hence o/s Ambit of GST

Sec 8: Bundled supply

→ More than one goods or services or both are supplied together

→ single price is charged for such bundle

Mobile phone package — Hand set — G_1
Mobile phone package — charger — G_2
Mobile phone package — 1yr warranty — Service
Mobile phone package — phone cover — G_3

↓

₹25000/-

This is a bundled supply as more than one G/S are supplied @ a single price of ₹25000 ie no individual G/S is priced separately.

Bundled Supply Types

Composite supply

→ Bundling is in ordinary course of business ie natural Bundling

→ Supply is considered supply of that good or service whose supply is principal supply.

eg Mobile → 18% → principal suppy

\+

charger → 12% } Ancillary

\+

warranty → 18%

Mobile = 25000 → GST @ 18%

eg GOA → Hayatt Hotel

| 4N +5 D | Booking = 50000

Deluxe room ↓ Renting of Immovable property @ 18%

Breakfast & dinner complimentary + Restaurant service @ 5%

P/S → Renting of Immovable

Hence, = 50000 liable to GST @ 18%.

Mixed supply

· Supply which is not a composite supply is a mixed supply ie bundling is not in Ordinary course of Business (not a natural bundle)

eg. Calculator & Pen bundle supply @ 400.

This is not a natural bundle & hence it is considered as mixed supply.

· In case of mixed supply, supply shall be considered as supply of that G/S was which attract higher rate of GST

In above eg : calculator & Pen supplied together @ ₹ 400, calculator = 5%

Pen = 12%.

This bundle is considered as supply of pen. Hence GST @ 12% is levied on ₹ 400.

Printing Industry

Goods | Service.

e.g. Author → Content → Printer

Hard copy

Paper | Binding | Ink

Content | Intangible property more important

↓

Printing service is pre-dominant

↓

Supply of service.

eg:- Annual report | Book | Visiting card | Brochure pamplet

Paper is predominant

↓

Supply of goods

e.g:- Envelopes | letterhead | Tissue paper | Notebook

Retreading of Tyres

↳ Purane tyre par new grip banayi jati hai

↓

Supply of service.

Mr X → Retreading

Mr X —— old tyre —— Mr Y

retreading of old tyre.

Mr X seller of re-treaded tyre.

Mr X $\xrightarrow[\text{Retreaded tyre sell}]{}$ Mr Z } Supply of goods

* Buy one get one free — composite / Mixed } Depends on case to case basis

e.g. $\boxed{\text{Buy 1 shirt get 1 shirt free}}$ = Natural bundle — Composite

↓ Ordinary course of business

e.g. $\boxed{\text{Buy 1 2 ltr coke \& get 1 kitkat free}}$

↓ Not a natural bundle ⇒ Mixed.

* More than one supply made together Taxed at Individual rates

Electronic showroom —
- TV = 100000 — 12%
- Refri - 120000 — 18%
- Micro wave - 70,000 — 28%

290000

-dis (5000)

285000

neither mixed nor composite

Clarifications

(1) Art work sent by Artist to exhibition → not considered as supply

e.g. Majnu Bhai —Painting sent for display→ Exhibition ——— chomu

Agent service

Commission → supply of service

Painting sold ——— supply of goods.

JIV raised

Value = 100

GST = 18

118

(2) CBIC has clarified Taxability of 'tenancy rights' / pagadi under GST as under.

↓

lease premium → paid upfront for taking any immovable property on lease

e.g. Mr X (landlord) —15 years lease— Mr Y —Transfer tenancy right— Mr Z

- Pagadi (Premium) = 10L
- lease rent = 15000 pm

Pagadi - 12 L

supply of service

3) Inter-state movement of various mode of conveyance

| Konpur branch | ———— | Delhi Branch |

stock transf
↓
deemed supply

<u>Exception</u>: Inter state movement of conveyance between DP

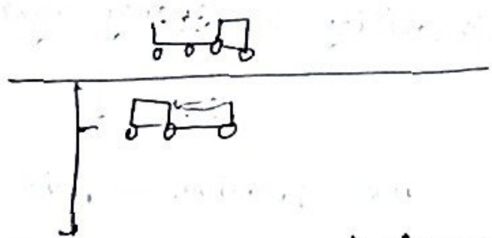
Bus/Car/Truck | Tanker | Train etc

eg:- M/s JSA Car Noida car dealer. $\xrightarrow[\text{Test drive car}]{\text{Creta}}$ M/s JSA cars Delhi car showroom

not consider as deemed supply under sch-I

eg:- Konpur
XYZ transpotation

Delhi
XYZ transportation



Truck movement between Konpur Depot & Delhi Depot shall not be considered as supply under sch-I

but goods transportation from knp to Delhi & back to Konpur is transportation of Goods service & hence liable to GST.

* Donation | charity | Gift

eg. Chomu → ₹ 5L → Donate → Gurudware
↓
Dharam Shala

Donati by shri chomull ← 201 203 → Donation from shri chomulal in loving memory of chomin who broke up with him.

Business - cloth
↓
Supply of service

* Del- Credor Agent (DCA)

Issue	Clarification
1) whether DCA is covered under sch I or not	DCA Issue his 'own invoice' to customer → Yes → DCA covered under sch I; → NO → DCA is not covered under sch I
2) DCA is not an agent as per sch - I & DCA extend short term loan to buyer and charge interest, so that buyer can make timely payment to Principal.	As DCA is not an agent as per sch I therefore extension of credit by DCA to customer in consideration of interest is altogether a different supply by DCA to customer & hence it will not be included in the value of G/S provided by Principal to customer

3. DCA is agent as per sch I & DCA makes payment to principal on behalf on customer & charge interest from customer on late payment to DCA

As DCA is agent as per sch I & issue invoice on his own name to customer so if customer makes late payment then such Int charged by DCA shall be included in value of supply as per sec 15.

Consideration:

e.g.- Internet connection → Security Deposit = 5000

↓

Monthly plan = 2500

- Not considered as a consideration
- But as & when security deposit adjust against amount due

⇓

It will be considered as consideration.