Chapter-2

Date

(1) Meaning of Supply (Section 7)

7(1) → Supply Includes:

1. All forms of Supply of goods or services or both
   - Such as sale, transfer, barter, exchange, license, rental, lease or disposal.
   - Made or agreed to be made
   - for a Consideration
   - In the Course or furtherance of business.
2. Import of Services → Tax payable under Reverse charge
   - for a Consideration whether or not in the Course or furtherance of business.
3. The activities Specified in Schedule I
   → shall be treated as supply even if made without Consideration.

Section 7(1A): classification as goods or services

Supply shall Include-

- Such activities or transactions as referred to in Schedule II.
- to be treated either as Supply of goods or Supply of Services.

Sec 7(2): Negative list (Neither Supply of goods nor Supply of Services)

The following shall be treated neither as Supply of goods nor Supply of Services:

(a) Activities Specified in Schedule III (like Services by an employee to employer, functions of MPs/MLAs, funeral services, etc.)

(b) Activities undertaken by:

- CG
- SG or
- local authority in which they are engaged as public authorities as may be notified.

8

Date

Sec 7(3): Government power

Government may notify certain activities as:

- Supply of Goods, Or
- Supply of Services or
- Neither Supply of goods nor Services.

Schedule (I) - Supply without Consideration

These are always treated as Supply, even if no Consideration:

1. permanent transfer or disposal of business assets where Input tax Credit has been availed.
2. Supply of goods or Services or both between related persons or between distinct person (as per Section 25) when made in the Course or furtherance of business. employee gift > 50000 not Supply.
3. Supply of goods - agent agreement i.e Invoice issue
   - by a principal to his agent Or,
   - by an agent to his principal, where the agent undertakes to Supply or receive such goods on behalf of the principal.
4. Import of Service by a taxable person from a related person or from any of his establishments Outside India, in his course or furtherance of buss.

Schedule II - Activities or Transactions to be treated as Supply of Goods or Supply of Services

(2) Trf of goods under agreement to trf title

(A) Supply of Goods →

- Transfer of title in goods. (Sale) (3) trf of buss. asset (when goods sold/disposed)
- Transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full Consideration (hire purchase).

Date

(B) Supply of Services   Work Contract

- Transfer of right in goods or of undivided share in goods without transfer of tittle.
- Lease, tenancy, license to occupy land.
- Lease or letting out of the building for business or Commerce.   Software development, Rent treat Service
- Treatment or process applied to another person's goods.
- Agreeing to the obligation to refrain from an act, to tolerate an act, or to do an act.

(C) Specific Cases

- Works Contract = Supply of Services.
- Supply of food, drinks, outdoor Catering = Supply of Services. / permanent trf of bussiness asset / Renting of Immovable property / Beverages.

Schedule III - Activities or transactions which shall be treated neither as Supply of Goods nor Supply of Services. Excluded Completely from GST Scope:-

1. Services by employee to employer in Course of employment.
2. Services by any Court / Tribunal
3. functions of MPs, MLAs, panchayat members, Constitutional posts, etc.
4. Services by funeral, burial, Crematorium, mortuary.
5. Sale of Land
6. Sale of Complete building (Only under Construction taxed)
7. Actionable claims (other than lottery, betting, gambling)

High sea Sale

Date

8. Supply of goods from a place in non taxable territory to another place in non taxable territory (without entering India)
9. Supply of warehoused goods before home clearance.
10. Supply of goods by endorsement of document of title before clearence for home consumption.

Clarification:-
- Employment Services are excluded completely.
- Sale of land/ building (after completion) outside GST, but stamp duty may apply.
- High Sea Sales/ warehoused goods before clearance are excluded to avoid double taxation

1. Donations to charitable Institutions - Not Supply if only acknowledgment (no buss. promotion)
2. Art works to galleries for exhibition - Not Supply unless Sold.
3. No-claim bonus (NCB) in Insurance - Not Consideration hence no Supply
4. Employer → Employee Imp
Gift upto 50000 in a FY = Not Supply
perquisites under employment contract = Not Supply
5. Stock transfers between branches - Imp
Supply Only if different GST registrations (distinct person
6. Del-Creder Agents (DCA) Imp
classification depends on Invoice name, Interest on short term loans may or may not form part of value
7. promotional Schemes
Free Sample = Not Supply (no ITC Reversal)
Buy 1 Get 1 free = Supply with Consideration (taxable).

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Date

Distinct person (Sec-25) :- If a person obtain more than One registration (in one state or more than One State / UT) each registion treated = distinct person
· Supply between them (even without Consideration) = Taxable.

· If a person has registration in One state and also has establishment in another state (registered or not) both establishment treated as distinct persons.

Composit Supply →
Two or more taxable supplies that are naturally bundled and supplied together in the Ordinary curse of buss. and one supply is Principal supply.
Supply is taxed as per the principal supply

... re taxable
Supplies of goods or ... are
naturally bundled ... uction with
each other in the ... siness, One
of which is a ...
· Tax liability shal... upply of the
principal suppl...
· Rate - Rate of principal supply

Mixed Supply :- · A ... two or more
Two or more Individual Supplies made together for a single price which are not naturally bundled and each can be supplied separately.
mixed supply is taxed at the highest tax rate among the items supplied.

Individual Supplies ...
· Made in Conju... for a single price.
· Shall be treate... particular
Supply which att... te of tax.

Cancellation Charge... upply of Service
at the same ... the Original
Supply.

Exempt Supply = Nill Rate + wholly exemp + Non Taxable.
Agg T/o = Taxble + exempt + export + Interstate (Same pan)

Date

Del Creder Agent :- is an agent who guarantees payment to the principal Tax treatment depends On whether Invoice is in his Own name Or in the name of the principal.

Goods - Movable property except money / Securities

Charges Of GST → Chapter - 3

Exempt Supply :- Supply which attracts NIL rate of tax or Which may be wholly exempt from tax & Includes non-taxable Supply.

Consideration → any payment for supply except Govt Subsidy.

Reverse charge - The liability to pay tax is on 'recipient' of Supply of goods & Service instead of Supplier of Such goods and Services.

Receipient - who pay consideration / to whom goods delivered.

India :- • Territory of India & its territorial Waters (TWL)
- Seabed & Sub-Soil underlying Such waters.
- Continental Shelf
- Exclusive economic Zone or any Other maritime Zone
- Air Space above its territory & TWL

Taxable person → Reg or liable to be be Reg.

① Extent & Commencement of GST Law :
- CGST → Whole of India Including J&K.
- SGST → Respective State / UT with legislature.
- IGST - Whole of India Including J&K
- UTGST - UTs without legislature (Andaman & Nicobar, Dadra & Nagar, Haveli, and Daman & Diu, Lakshadweep Chandigarh, Ladakh, ..

with legislature - Delhi, J&K, puducherry

Levy and collection of GST (Sec 9)(8)

Date

9(1) – provides that GST shall be levied on all Intra-state Supplies of goods or Services or both (except alcoholic liquor for human Consumption) on the transaction value determined u/s 15, at rates not exceeding 20% as notified by Govt, on recommendation of GST Council and shall be paid by the taxable person.

9(2) – The Central tax on the Supply of petroleum crude, high Speed diesel, motor Spirit (petrol), natural gas and aviation turbine fuel (ATF) shall be levied with effect from Such date as may be notified by the govt on the recommendation of the Council.

9(3) – Reverse charge Mechanism Imp → Govt notify kr deti hai tax receipien dega

The Govt may on recommendation of GST Council, notify Supplies of goods / Services on which tax shall be paid by the recipient under RCM and all provisions apply to Such recipient as if he were the Supplier.

Rcm [illegible] govt notify kari

~~Servi~~ Service notified under RCM

1. Goods transport Agency (GTA) Services –

- Recipient liable if GTA provides Service to
  - factory, Society, Co-operative Society, Registered person, Body Corporate, partnership firm (Including LLP) Casual taxable person.
- Rate – 5% (without ITC) – RCM or 12% (with ITC) – forward charge.

Agar Recipient tax de (5%) de to ITC mileg – Recipient ko
Supplier " 12% " " " – Supplier, Recipient
or Recipient tax de to Recipient ko ITC milega
Supplier ko nhi

Date

2. Legal Services – By Individual advocate / firm of advocates / Senior advocate → to business entity.

3. Arbitral Tribunal Services – provided to a business entity.

4. Sponsorship Services – provided to body Corporate or partnership firm.

5. Govt Services – Services Supplied by Central Govt, State Govt, or local authority → to business entity (excluding, ~~renting of Immovable property~~, Aircraft, vessel transport.) → GST nhi lgta, Dep of post, Indial railways Transport of passenger / Goods.

6. Renting of Immovable property – Govt → to a registered person.

7. Renting of Residental Dwelling → Any person → to a registered person (RCM applicable w.e.f. 18/7/22)

8. Services by a Director :- Director → to Co. or body Corporate. IMP

9. Insurance agent Services :- Insurance agent → to Insurance Co.

10. Recovery agent Service: Recovery agent → to bank, financial Institution, NBFC.

11. Copyright Services – By music Composer, photographer, artist → to music co, producer, publisher, etc.

12. Author Services – Author – publisher (option: author may pay under forward charge Instead of publisher).

13. Members Of Overseeing Committee – To Reserve Bank of India.

Supplier → जो Supply करता
Goods / Service > देता है
Invoice - काटता
Comm - लेता

जो पैसा देता Recipient - ~~देता~~ supply लेता है

Date

14. DSA (Direct Selling Agent) - By an Individual DSA (not body Corporate / firm) → to bank / NBFC.

15. Business facilitator (BF) BF → Bank
16. Agent of business Correspondent → Agent - BC
17. Society Services - provided by any person (other than body Corporate) → to a registered person.

18. Renting of Motor vehicle - Motor vehicle (with fuel Cost Included) → to a body Corporate (if Supplier is not body Corporate, does not issue Invoice charging GST @ 12%.)

19. Securities Lending Services - lender → borrower (under SEBI Scheme) 18%.

20. Import of Services (Covered under IGST Act Sec 5(3)
- Recipient located in India pays IGST under RCM.

21. Director Remuneration Case - If paid in Capacity of employee = No GST (Schedule III) if paid for professional Capacity = RCM.

9(4) - Supplies by unregistered to notified registered persons.
- Govt notifies which registered persons are Covered.
- Currently applies mainly to promoters in real estate Sector
- Recipient (RP) liable to pay tax under RCM.
- All provisions apply as if recipient is the ~~Supplier~~ Supplier.

Supplier - Reg
Recipient unReg > ~~no~~ Tax supplier

Reg ⟷ unreg
GTS
Tax ✓

Supplier unReg
Recipient Reg > No Tax until Govt notify.

$<$ – Less than
$>$ – Great

Goods

Imp

Date

10(1)- Composition levy A registered person, whose aggregate turnover in the preceding fy does not exceed 1.5 crore (₹75 lakhs for Special Category States) may opt for Composition levy and pay in ~~lieu~~ lieu of tax under Sec 9(1), an amount of tax at prescribed rates, not exceeding.
- 1% of turnover in State/UT → Manufacture
- 5% of T/O in ST/UT – Restaurant Services (not liquor)
- 1% of T/O in ST/UT – Other Suppliers (Traders

For understanding-

① What is Composition levy →
- यह एक Optional Scheme है छोटे taxpayers के लिए।
- इसमें tax की दर बहुत कम है और Compliance (return, filling, record keeping) भी आसान है।

② Eligibility (T/O limit)
- यदि पिछले fy का aggregate t/o ≤ 1.5 Cr, eligible
- Special Category States – ₹75 lakh

③ Turnover Considered:
- T/O in State/UT का मतलब है उस State/UT के भीतर taxable Supplies + exempt Supplies + exports + Inter State Supplies लेकिन GST और Cess को छोड़कर।
- Composition tax T/O in ST/UT पर Calculate होता है।

④ Restrictions (Covered in Sec 10(2)) ये रखना जरूरी।
- Inter State outward Supply allowed नहीं है।
- E-Commerce Operator के through Supply allowed नहीं है
- Certain goods Manufactures (ice-Cream, pan Masala, tobacco, aerated waters) → Composition का Option नहीं ले सकते।
- Service supply allowed नहीं except
- Restaurant Service और
- कुछ notified Services (जैसे Int Income)।

Date

⑤ Important Condition - Composition dealer

- ITC claim नहीं कर सकता।
- Customer से GST charge नहीं कर सकता।
- Invoice की जगह Bill of Supply issue करेगा।

* Who Cannot opt for Composition Scheme?

1. ① Inter state outward Supplier
   ② E commerce Operator ⑧ Supplier of goods
2. ③ Non taxable goods/Service Supplier through agent
   ④ Ice cream pan masala tobacco (if Inter-state)
   ⑤ Casual taxable person
   ⑥ Non Resident taxable person
   ⑦ Restaurant serving alchohol

Sec ~~10~~ (2A) Special Composition for Service provider

- A registered person with T/O ≤ 50 lakh in preceding FY.
- may opt to pay tax @ 6% (3% CGST + 3% SGST)
- On first supplies of goods/Services, subject to Conditions.
- This is for small Service providers/mixed Suppliers.

Special Category of State → ① Arunachal pradesh ② Assam ③ Sikkim ④ Jammu & Kashmir ⑤ Manipur ⑥ Meghalya ⑦ Mizoram ⑧ Nagaland ⑨ Tripura ⑩ Himachal Pradesh ⑪ Uttarakhand