

## 2. SUPPLY UNDER GST

### MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER

Q.NO.	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18 (O)	N-18 (N)	N-18 (O)	N-18 (N)	M-19 (O)	M-19 (N)	N-19 (O)	N-20(N)	N-20(O)
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### CHAPTER OVERVIEW

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### SECTION 1: THEORY FOR CLASSROOM DISCUSSION

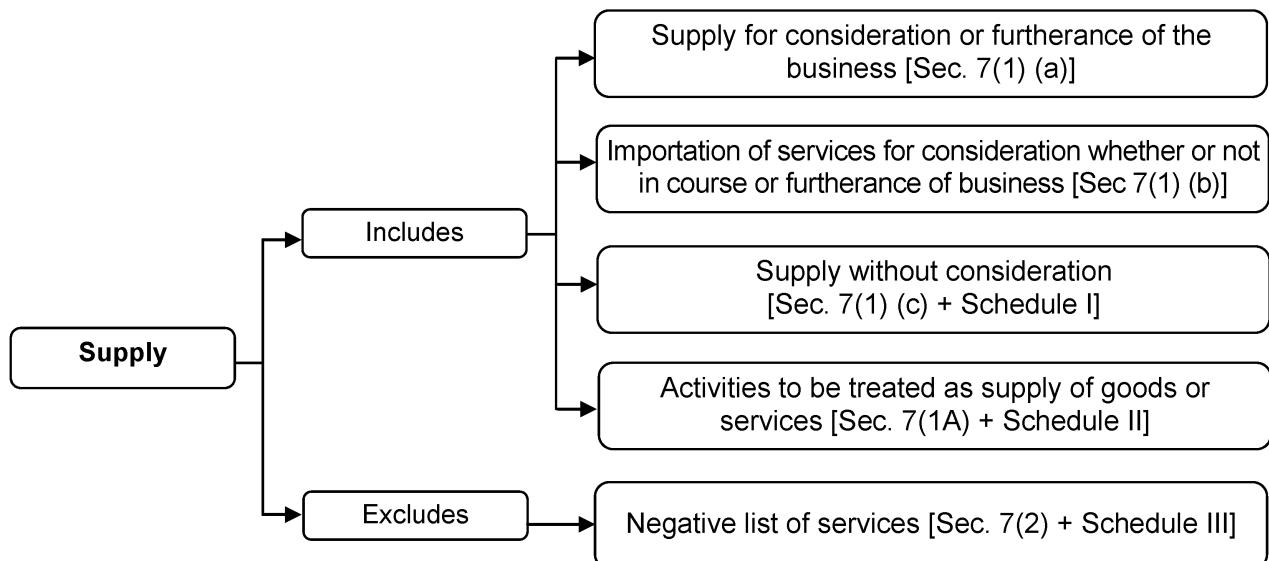
#### 1. INTRODUCTION

- 1) The incidence of tax / levy is the foundation stone of any taxation system. It determines the point at which tax would be levied, i.e. the taxable event.
- 2) The GST laws resolve these issues by laying down one comprehensive taxable event. i.e. "Supply" - Supply of goods or services or both.
- 3) In the GST regime, the entire value of supply of goods and /or services is taxed in an integrated manner, unlike the earlier indirect taxes, which were charged independently either on the manufacture or sale of goods, or on the provisions of services.

#### 2. CONCEPT OF SUPPLY

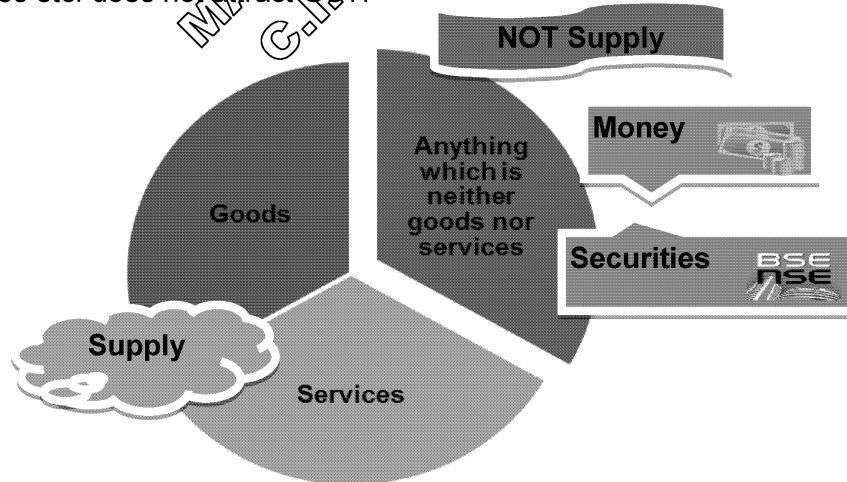
The concept of 'supply' is the key stone of the GST architecture. The provisions relating to meaning and scope of supply are contained in Chapter III of the CGST Act read with various Schedules given under the said Act.

<b>Section 7</b>	Meaning and scope of supply
<b>Section 8</b>	Taxability of composite and mixed supplies
<b>Schedule I</b>	Matters to be treated as supply even if made without consideration
<b>Schedule II</b>	Matters to be treated as supply of goods or as supply of services
<b>Schedule III</b>	Matters or transactions which shall be treated neither as supply of goods nor as supply of services.

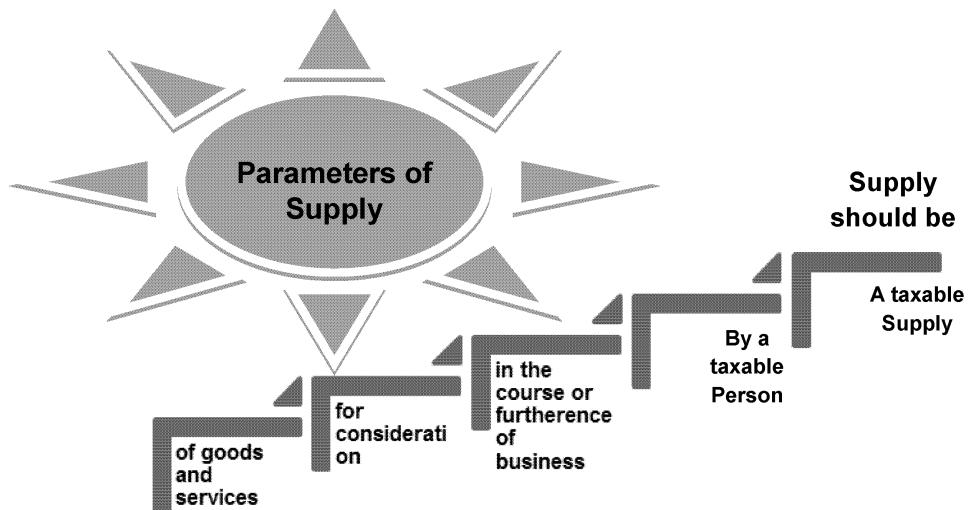


### 2.1. SUPPLY FOR CONSIDERATION OR FURTHERANCE (SUPPORTIVE) OF THE BUSINESS [Sec.7(1)(a)]:

a) Supply should be of goods or services. Supply of anything other than goods or services like money, securities etc. does not attract GST.



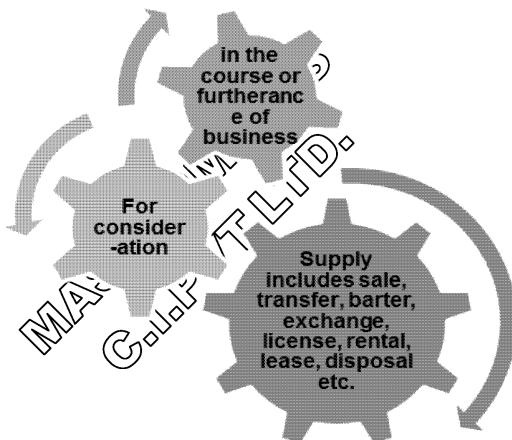
b) Supply should be made for a consideration.  
 c) Supply should be made in the course or furtherance of business.  
 d) Supply should be made by a taxable person.  
 e) Supply should be a taxable supply.



### Let's Crack Sec.7(1)(a):

1) **SUPPLY SHOULD BE OF GOODS OR SERVICES. SUPPLY OF ANYTHING OTHER THAN GOODS OR SERVICES LIKE MONEY, SECURITIES ETC. DOES NOT ATTRACT GST.**

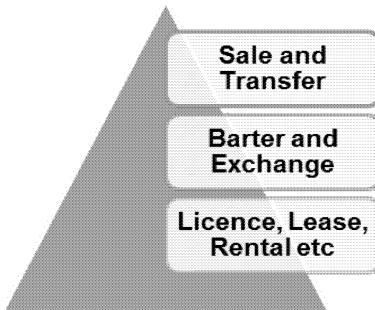
What is Supply?



Let us analyse the each and every component of the above chart.....

### WHAT ARE THE DIFFERENT MODES OF SUPPLY?

Supply includes all forms of supply of **goods** or **services** or both.



### EXPLANATION:

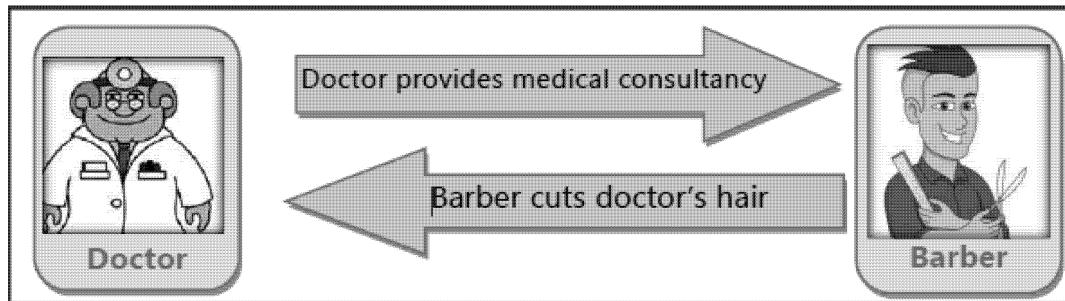
a) **SALE AND TRANSFER:** Earlier, States levied VAT on the sale of goods. The term **sale** has been defined under the respective state VAT laws. But now under GST regime, Supply shall include the sale. However, the CGST Act doesn't define the terms "Sale" and "Consideration".

The term **Transfer** is also included in supply but not defined in the CGST Act.

b) **BARTER AND EXCHANGE**: Generally, Barter involves only the exchange of goods **or** services. But whereas an exchange involves a transaction where the consideration may be paid in the goods and money as well. By the plain reading of above two terms, Barter involves an activity which constitutes Supply of goods or services under GST. But the GST laws specifically include the term exchange as well in the definition of Supply.

**Examples:**

- Exchange**: When a new car worth Rs.5,00,000 is purchased in exchange of an old car along with the monetary consideration of Rs.4,00,000 paid for the said purchase.
- Barter**: Haircut done by Barber for his doctor in exchange of the medical services provided to him.



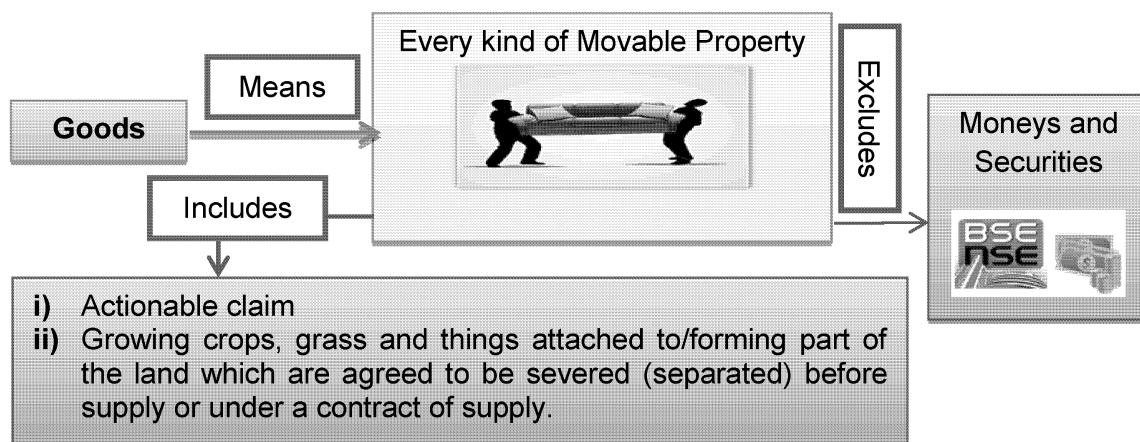
c) **LICENCE, LEASE, RENTAL ETC.**: Licence, Lease, Rental etc. of goods were earlier treated as the services involving the transfer of goods **without** transferring the right to use (means the effective possession and control always held by the transferor) but whereas a sale involves the transfer of goods **with** transfer of right to use.

**However** under the GST regime, the above elements have also been included in the definition of Supply by a specific deeming provision in Schedule II of CGST Act.

**WHAT DO YOU MEAN BY GOODS?**

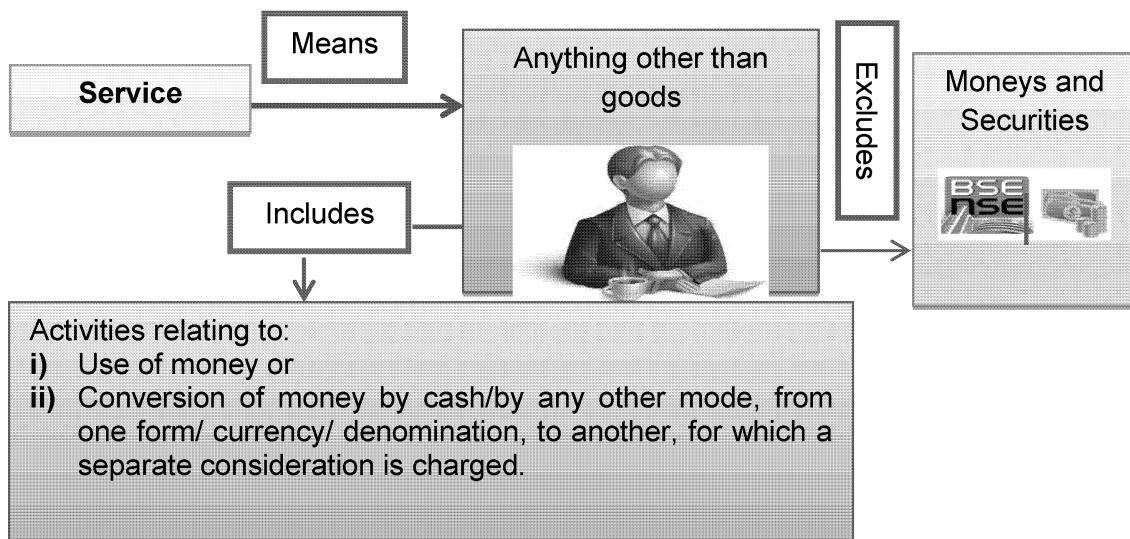
As per Sec. 2(52) of CGST Act, Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed (separated) before supply or under a contract of supply.

Let's start now.....



**WHAT DO YOU MEAN BY SERVICE?**

As per Section 2(102) of CGST Act, Service means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

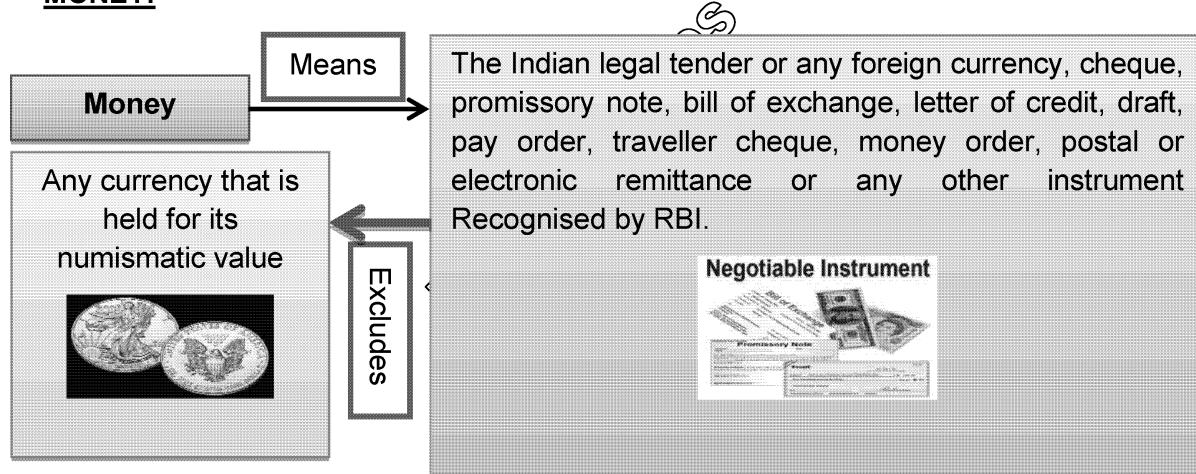


**NOTE:** Since securities are excluded from the definition of both 'goods' and 'services', they are neither goods nor services. However, **facilitating or arranging** transactions in securities is liable to GST.

**E.g.** Service charges or service fees in relation to transactions in securities etc.

### WHAT ARE THEY?

#### MONEY:



#### ACTIONABLE CLAIM:

#### (FOR ACADEMIC INTEREST)

- i) Any debt, other than a debt secured by mortgage of immovable property or by hypothecation or pledge of movable property; or
- ii) Any beneficial interest in movable property not in the possession, either actual or-constructive, of the claimant, which the Civil Courts recognize as affording grounds for relief,

Whether such debt or beneficial interest be existent, accruing, conditional or contingent.

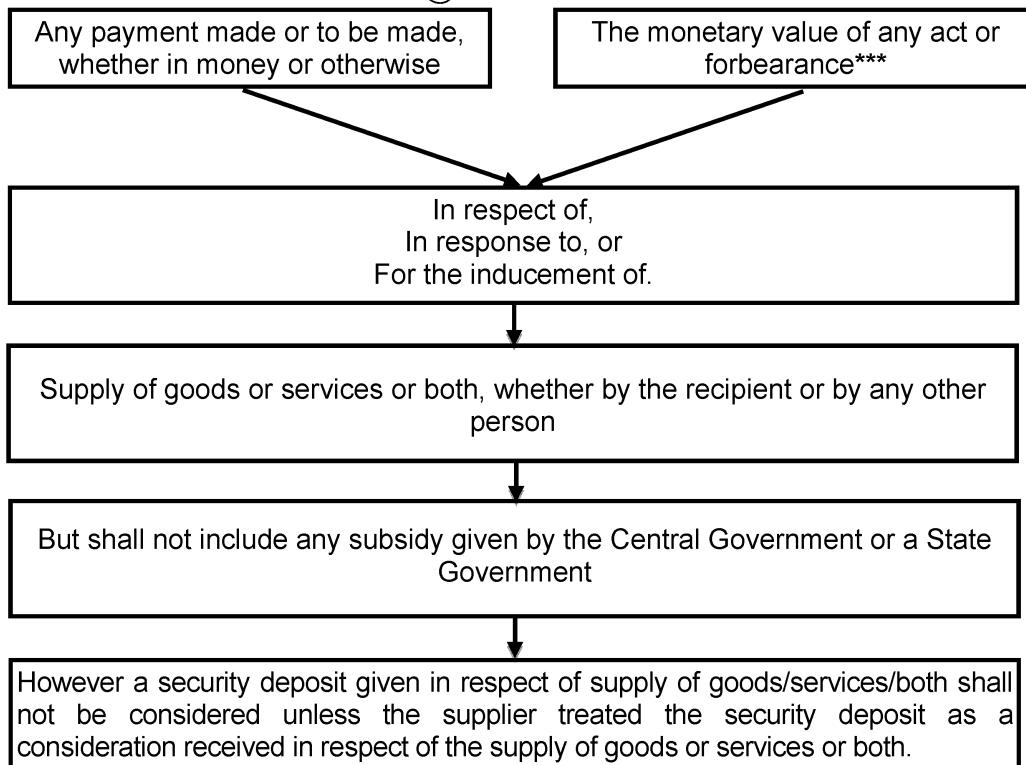
**MANUFACTURE:** Processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly.

**PERSON:****(FOR STUDENTS SELF STUDY)**

An Individual	A HUF	A Company
A Firm	A Limited Liability Partnership	An association of persons or a body of individuals, whether incorporated or not, in India or outside India.
Any corporation established by/under any Central, State or Provincial Act or Government company as defined in section 2(45) of Companies Act. 2013	Anybody corporate incorporated by or under the laws of a country outside India	A co-operative society registered under any law relating to cooperative societies
A Local Authority	Central Government / State Government	Society as defined under the Societies Registration Act, 1860
Trust	Every artificial juridical person, not falling above	

**SUPPLIER:** The person supplying the goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

**2) SUPPLY SHOULD BE MADE FOR A CONSIDERATION:**



\*\*\***SIGNIFICANCE OF “ANY ACT OR FORBEARANCE”:** The word forbearance means “tolerance”. It is very important to note that the supply of service not only includes an activity done / to be done by the supplier but also includes bearing the act of others.

**Let's discuss some Focus Points now.....**

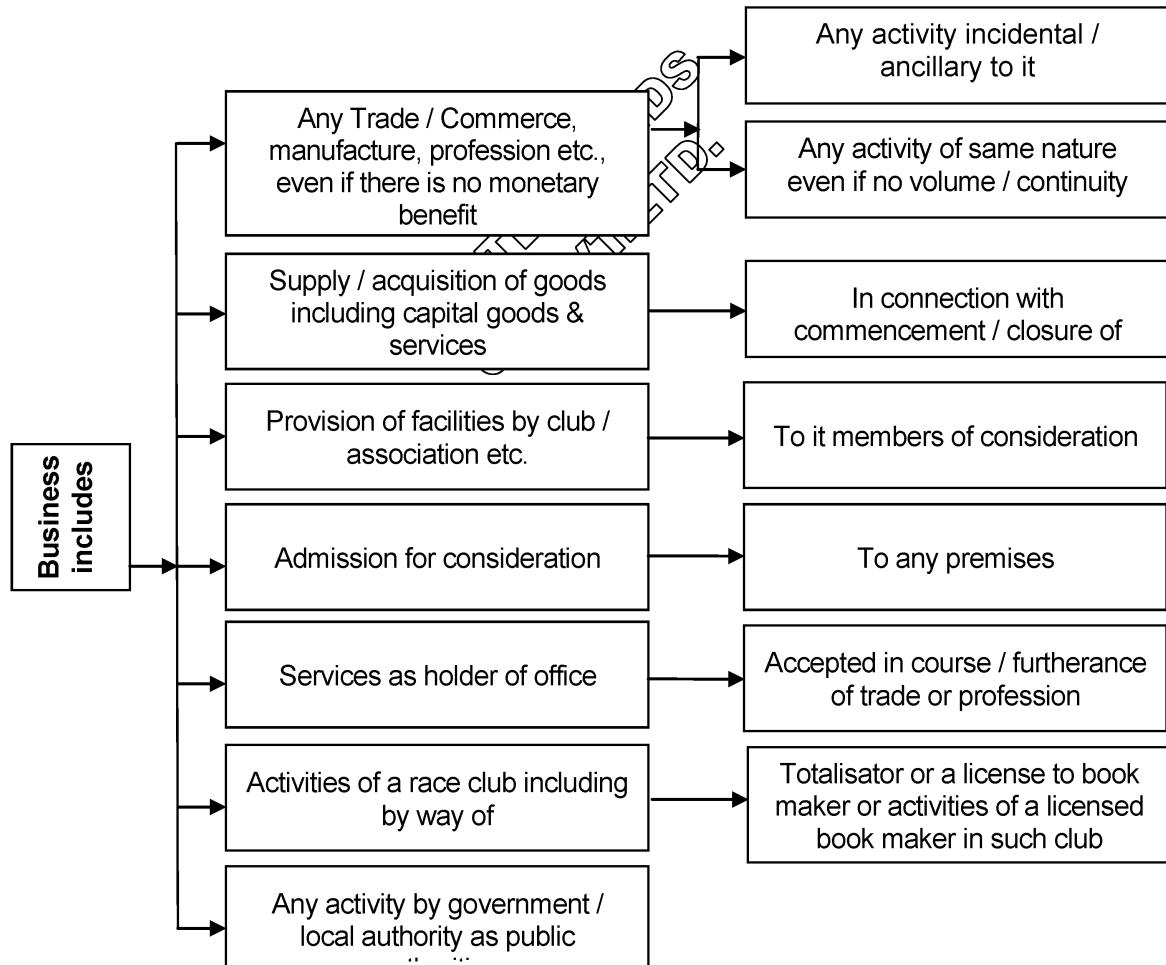
**(FOR ACADEMIC INTEREST)**

- Consideration may be paid in advance or future payment, which means the consideration may not be necessarily paid only after the supply of goods or services or both
- Consideration may be in cash or in kind.
- Consideration may not be necessarily received from the recipient of supply of goods or services or both only
- Consideration does not include subsidy received from SG/ CG
- Any transaction involves supply of goods or services or both, **without consideration** is not a supply unless deemed as a supply under the CGST Act.

**Art works sent by artists to galleries for exhibition is not a supply as no consideration flows from the gallery to the artists:**

Artists give their work of art to galleries where it is exhibited for supply. However, no consideration flows from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same is not a supply. It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place and applicable GST would be payable at the time of such supply.

### **3) SUPPLY SHOULD BE MADE IN THE COURSE OR FURTHERANCE OF BUSINESS:**



GST is a tax on commercial transactions. Therefore only those transactions incurred in the course or furtherance of the business shall constitute as a Supply. Further, Supplies made in the individual capacity without a commercial motive does not qualify as a supply under the GST unless they fall under any of the definitions of business.

**Examples:**

- i) Rishabh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because supply is not made by Rishabh in the course or furtherance of business.
- ii) Radhika sold her old gold bangles and earrings to 'Bhola Jewellers'. Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual.

**Exception to the term "course or furtherance of business" is import of services for a consideration.**

**Is any activity done as a part of his job, constitutes a supply under GST?**

Any activity undertaken in course/ for furtherance of business would constitute a supply. Since 'business' includes vocation, sale of goods or service even as a vocation is a supply under GST.

**For example,** Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust - 'Kind Human'. The sale of paintings by the actor qualifies as supply even though it is a one-time occurrence.

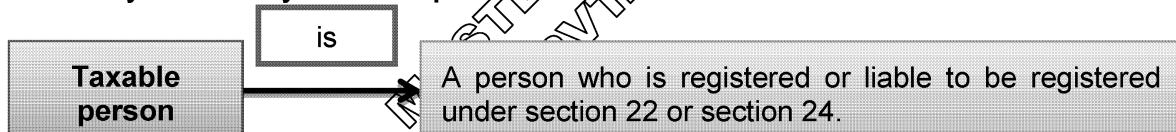
**Are the services provided by the club / association to its members for consideration constitutes a supply?**

Yes. Services provided by the club/association to its members for consideration is a supply.

**For Example,** A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as supply as this is included in the definition of 'business'.

**4) SUPPLY SHOULD BE MADE BY A TAXABLE PERSON:**

GST could be levied only when the supplier is a taxable person. In other words, the recipient may or may not be a taxable person.

**What do you mean by a taxable person?**

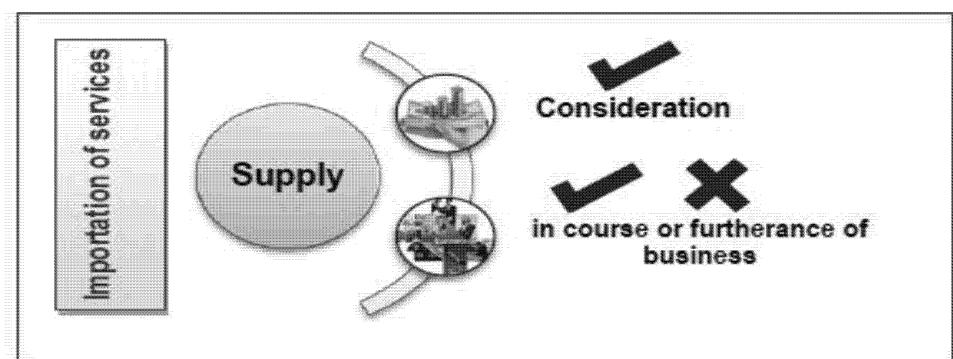
It is important to note that -

- a) A person who was not registered yet but liable for registration **or**
- b) A person agreed to be registered himself/herself/ itself voluntarily

Shall also be a  
Taxable Person

**5) SUPPLY SHOULD BE A TAXABLE SUPPLY:** "Taxable supply" means any supply of goods or services or both which, is leviable to tax under the GST Law. Exemptions may also be provided in respect certain specified services/goods.**2.2. IMPORTATION OF SERVICES FOR CONSIDERATION WHETHER OR NOT IN COURSE OR FURTHERANCE OF THE BUSINESS [Sec.7 (1)(b)]:**

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



### 2.3. SUPPLY WITHOUT CONSIDERATION [Sec.7 (1)(c) + Schedule I]:

This includes all supplies made to a taxable or non-taxable person, even if the same is without consideration. These are specifically mentioned in Schedule I appended to the CGST Act.

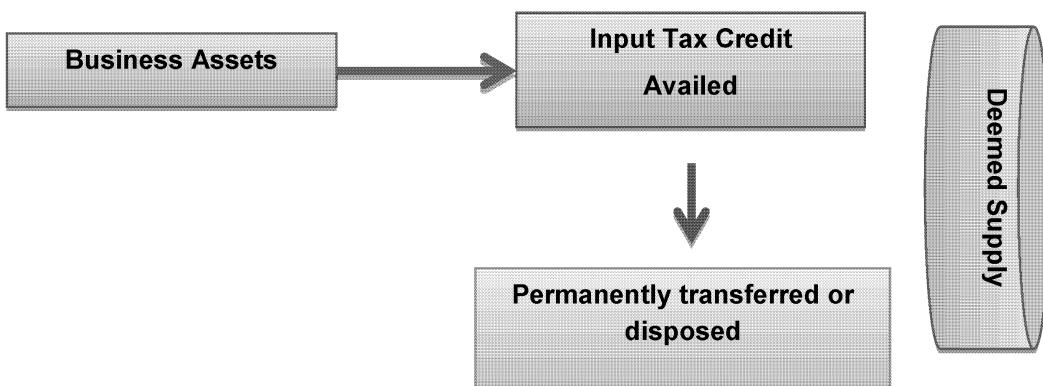
Under GST, the importance of consideration has been diluted in certain cases - this is an important departure from the earlier indirect tax regime.

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

**1) Permanent Transfer/Disposal of Business Assets:** Any kind of disposal or transfer of business assets made by an entity on permanent basis even though without consideration qualifies as supply.

However, it is important to note that this provision would apply only if input tax credit has been availed on such assets.

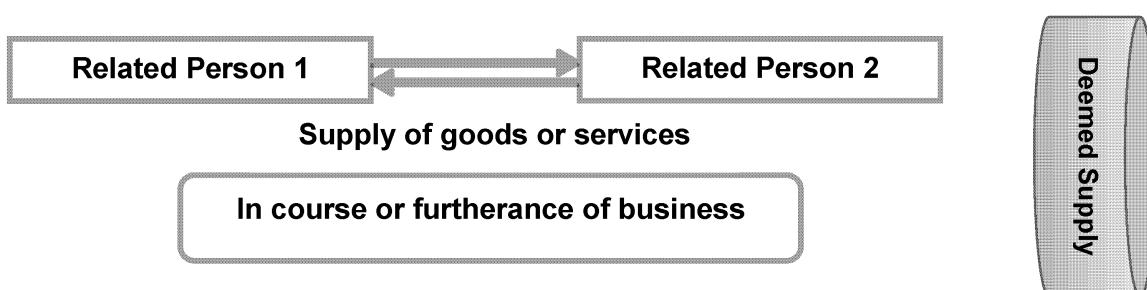
**Note:** If any business asset is transferred from holding to subsidiary company for no consideration, it will be still treated as supply.



#### Examples:

- a) XYZ & Co. donates old laptops to charitable Schools when new laptops are purchased by business will qualify as supply provided input tax credit has been availed by XYZ & Co. on such laptops.
- b) A cloth retailer gives clothes from his business stock to his friend free of cost. In this case, transfer of business stock would amount to 'supply' if he had claimed input tax credit on his purchase of the business asset.
- c) A dealer of air-conditioners permanently transfers an air conditioner from his stock in trade, for personal use at his residence. The transaction will constitute a supply as it is a permanent transfer/ disposal of business assets. The only condition is that input tax credit should have been availed on such assets. (Teach problem No.1 of classroom discussion)

2) **SUPPLY BETWEEN RELATED PERSON OR DISTINCT PERSONS:** Supply of goods or services or both between **related persons** or between **distinct persons** as specified in section 25, will qualify as supply provided it is made in the course or furtherance of business.

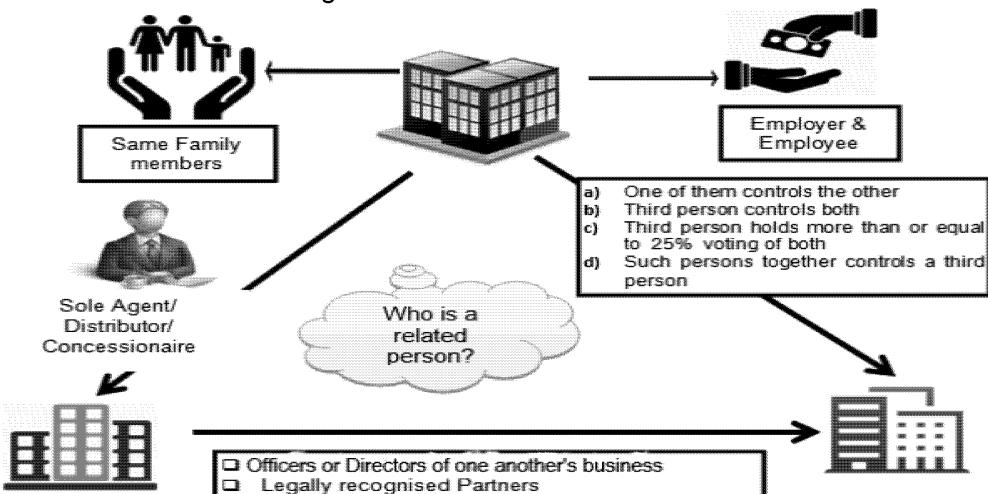


#### a) Related Person (Explanation to Section 15):

Persons including legal person are deemed as related persons if-

- i) Such persons are officers/directors of one another's business
- ii) Such persons are legally recognised partners

- iii) Such persons are employer & employee
- iv) A third person controls/ owns/ holds(directly/indirectly)  $\geq 25\%$  voting stock/shares of both of them
- v) One of them controls (directly/indirectly) the other
- vi) A third person controls (directly/indirectly) both of them
- vii) Such persons together control (directly/indirectly) a third person
- viii) Such persons are members of the same family
- ix) One of them is the sole agent/sole distributor/sole concessionaire of the other



### Family:

- i) The spouse and children of the person and
- ii) The parents, grand-parents, brothers and sisters of the person **if they are wholly or mainly dependent on the said person.**

### Examples:

- i) Ms. Priya holds 30% shares of ABC Ltd. and 35% shares of XYZ Ltd. ABC Ltd. and XYZ Ltd. are related.
- ii) Q Ltd. has a deciding role in corporate policy, operations management and quality control of R Ltd. It can be said that Q Ltd. controls R Ltd. Thus, Q Ltd. and R Ltd. are related.

### **b) Distinct Persons, Stock Transfers:**

#### **What do you mean by distinct person?**

A person who is obtained or required to obtain **more than one registration for his premises located at one or more state(s) or Union(s)** [i.e. union territory] shall be treated as distinct or separate persons in respect of his/ her/ its **premises**. Simply, we can say that the establishments belong to one person **and** having/ required to have different jurisdictional (authority) GST registrations, shall be treated as distinct persons.

### Examples:

### (ACADEMIC INTEREST ONLY)

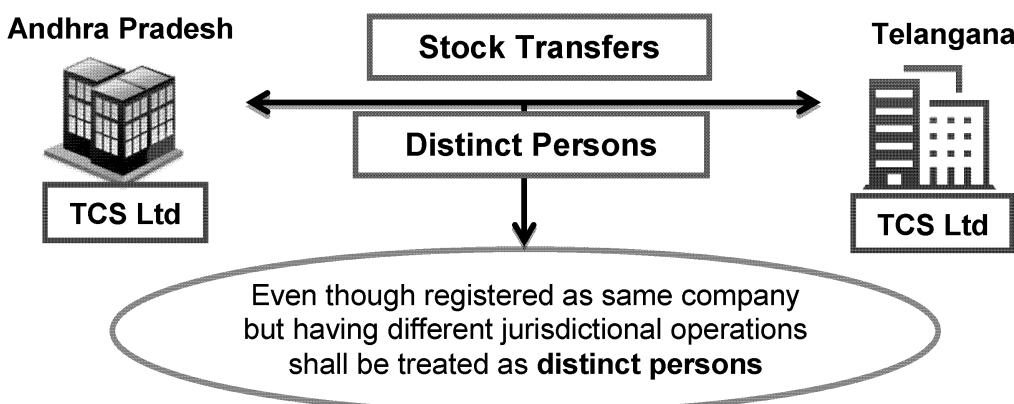
- i) Mohan, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mohan shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.
- ii) Rishabh Enterprises, a registered supplier, owns an air-conditioned restaurant in Virar, Maharashtra. It has opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption. Since supply of alcoholic liquor for human consumption in Uttarakhand is a non-taxable supply, Rishabh Enterprises is not required to obtain registration with respect to the same in Uttarakhand. In this case, air-conditioned restaurant in Maharashtra and liquor shop in Raipur [though unregistered] shall be treated as establishments of distinct persons.

### Is a stock transfer constitutes supply?

Based on above point, the transactions between different locations (with separate GST registrations) of same legal entity will qualify as 'supply' under GST.

**Example:** Raghbir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghbir Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.

**Example:** Raghbir Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Kanpur so that the same can be sold from there. It has taken one registration in the State of Uttar Pradesh declaring Lucknow factory as its principal place of business and Kanpur showroom as its additional place of business. Since no consideration is charged, supply of goods from factory to retail showroom in same State under single registration does not constitute supply.



### c) Is the supply of goods or services or both between the employer and employee constitutes Supply?

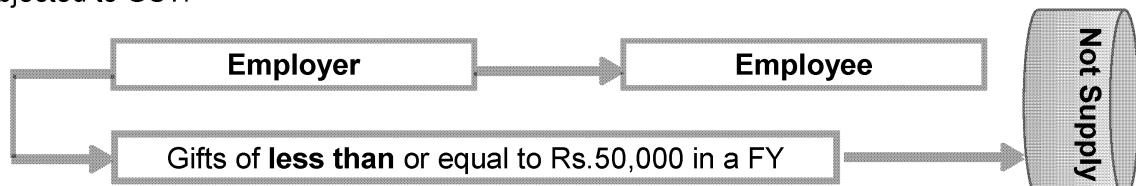
By reading the above related person definition, we can surely say that the employer and employee are related persons. However the services provided by an employee to his employer in the course of employment shall not be treated as a supply of service.

**Then in that case, is a gift taxable under GST during the course of employment?**

**Firstly, what is a gift?**

Generally, a gift is made without consideration, is voluntary in nature and is made occasionally. The donee shall not have any right in the court of law to claim the gift from the donor legally.

But whereas in the course of employment, 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.



**NOTE:** The chart given for gift relates to a gift which is **not in terms of employment**.

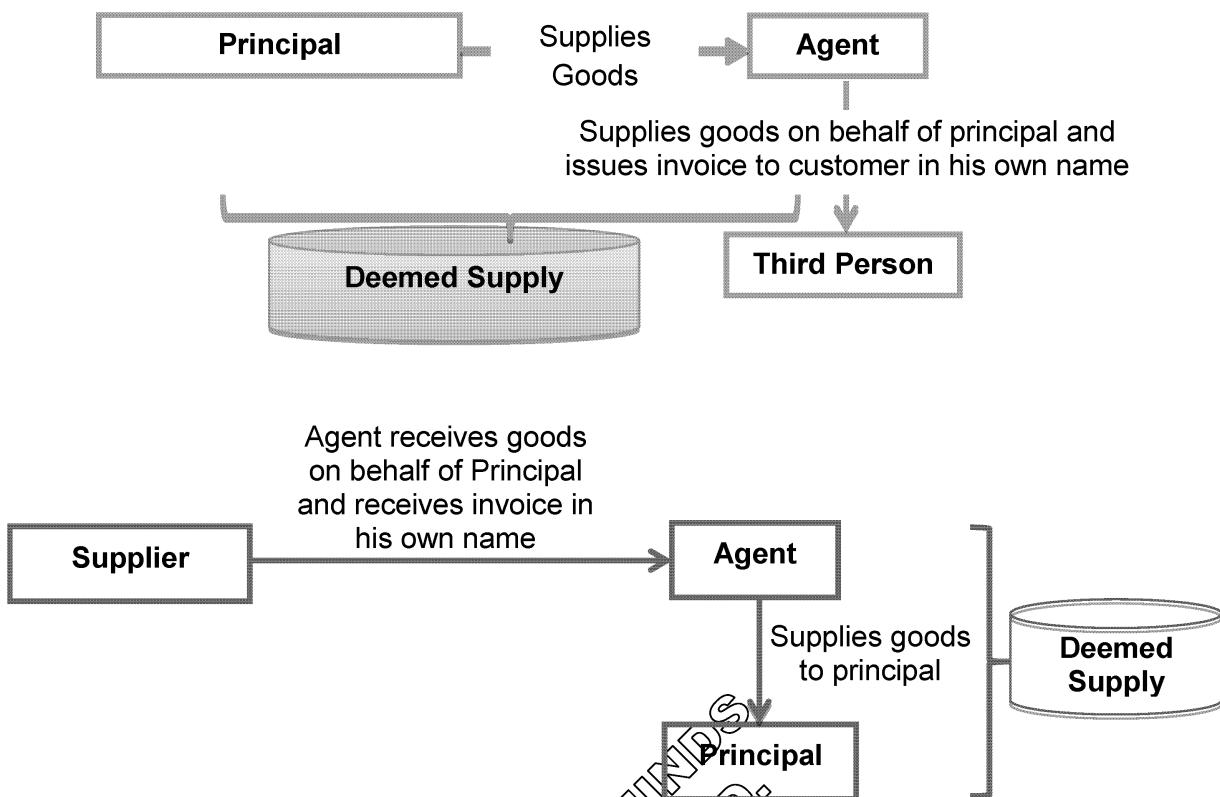
Further, Schedule I provides that Gift not exceeding ₹ 50,000 in value in a Financial year by an employer to an employee shall not be treated as supply of goods or services or both.

However, Gifts of value more than ₹ 50,000 made without consideration are subject to GST, when made in the course or Furtherance of business.

### EXAMPLES:

- Free housing provided to the employee in terms of the contract of employment where value exceeds more than Rs.50,000 which are subjected to GST.
- If services such as membership for a club, health and fitness centre etc. to the employee by the employer in the course of employment are not subjected to GST.

3) **SUPPLY BETWEEN PRINCIPAL & AGENT:** Supply of **Goods**, by Principal to Agent or vice versa (the agent is the person who undertakes further supply of such goods on behalf of the principal) shall be considered as supply.



**EXAMPLE:** ABC Manufacturers Ltd. engages Raghav & Sons as an agent to sell goods on its behalf. For the purpose, ABC Manufacturers Ltd. has supplied the goods to Raghav & Sons located in Haryana. Supply of goods by ABC Manufacturers Ltd. to Raghav & Sons will qualify as supply even though Raghav & Sons has not paid any consideration yet.

#### **FOCUS POINTS:**

- Supply of **Goods**, by Principal to Agent and vice versa shall be a supply of goods irrespective of the fact that there is no consideration.
- Supply of services shall not be covered here. (Supply of services between the principal and agent or vice versa shall not be constituted as supply).
- Who is principal (Section 2(88)):**

A person on whose behalf an agent carries on the business of supply or receipt of goods/services/both.

#### **CIRCULARS/NOTIFICATIONS:**

(FOR STUDENTS SELF STUDY)

##### i) **Agent:**

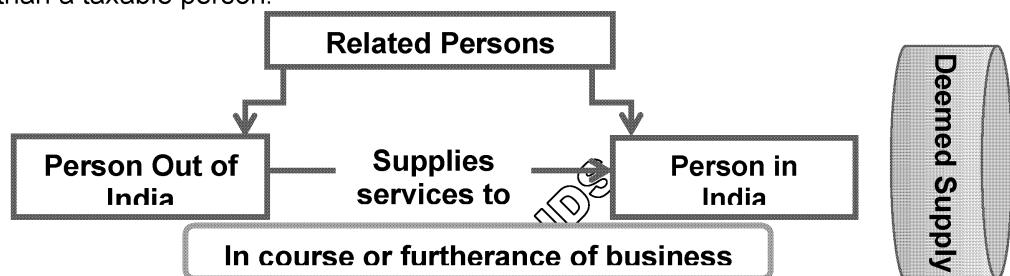
- The invoice for further supply is being issued by the agent in his name then, any provision of goods from the principal to the agent would be liable to GST.*
- The invoice is issued by the agent to the customer in the name of the principal, such agent shall not be liable to GST.*
- The goods being procured by the agent on behalf of the principal are invoiced in the name of the agent then further provision of the said goods by the agent to the principal would be liable to GST.*
- The crucial point is whether or not the agent has the authority to pass or receive the title of the goods on behalf of the principal.*

**Examples:**

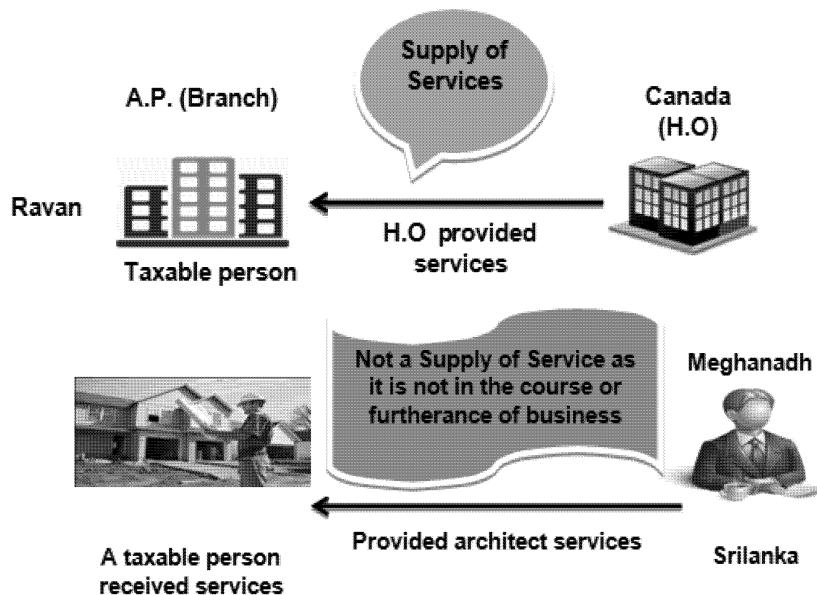
- Mr.A appoints Mr.B to procure certain goods from the market. Mr.B identifies various suppliers who can provide the goods as desired by Mr.A, and asks the supplier (Mr.C) to send the goods and issue the invoice directly to Mr.A. In this case, Mr.B is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. Hence, Mr.B is not an agent of Mr.A, shall not be liable to pay GST.
- Mr.A, an artist, appoints Mr.B (auctioneer) to auction his painting. Mr.B arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by Mr.B on the behalf of Mr.A but in his own name and the painting is delivered to the successful bidder. In this case, Mr.B is not merely providing auctioneering services, but is also supplying the painting on behalf of Mr.A to the bidder, and has the authority to transfer the title of the painting on behalf of Mr.A. Hence, Mr.B is an agent of Mr.A, shall be liable to pay GST.

4) **IMPORTATION OF SERVICES-WITHOUT CONSIDERATION:** Import of services by **any person** from a related person or from any of his other establishments outside India, in the course or furtherance of business is deemed to be supply even if made without consideration.

Import of service without consideration from a related party/establishment outside India in course of furtherance of business is deemed to be supply even if such service is received by a person other than a taxable person.

**Examples:**

- ABC Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since ABC Associates and the branch office are related persons, services received by ABC Associates will qualify as supply even though the head office has not charged anything from it.
- Sumedha, a proprietor registered in Delhi, has sought (received) architect services from his brother located in US, with respect to his newly constructed house in Delhi. Although services have been received by Sumedha without consideration from a related person, yet it will not qualify as supply since the same has not been received in course or furtherance of business.

**(TEACH PROBLEM NO.2, 3, 4 & 5 OF CLASSROOM DISCUSSION)**

## Taxability of Import of Services

With Consideration		Without Consideration	
In the course or furtherance of business	Not in the course or furtherance of business	Related person/distinct person and in the course or furtherance of business	Other Cases
Taxable	Taxable	Taxable	Non-taxable

CIRCULAR:Art gallery:

When the art works are sent to the **gallery for exhibition** by an artist, there is **no consideration** flowing from the gallery to the artist, the same is **not a supply**. When the buyer selects a particular art work displayed at the gallery, then the actual supply takes place and GST would be payable at the time of acceptance by the buyer.

#### 2.4. ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SERVICES [SECTION 7(1A) READ WITH SCHEDULE - III]:

Section 7(1A) of the CGST Act stipulates that where certain activities or transactions, constitute a supply in accordance with the provisions of **section 7(1)**, they shall be treated either as supply of goods or supply of services as referred to in **Schedule II**.

Schedule II determines whether a particular transaction is a supply of goods or supply of service or not.

Earlier laws levied VAT and Service tax on food served in an A.C. restaurant as it involves both the supply of goods and services. However in the Context of CGST, the said **entire** service could be treated as **supply of service** (strictly speaking as Composite Supply) even though it was a naturally bundled service under earlier laws.

Schedule II to the CGST Act listed out matters which are primarily those which had been entangled (complicated) in litigation in the earlier regime owing to their complex nature and susceptibility to double taxation which are as follows:

S.No.	Transaction	Type	Nature of Supply
1)	Transfer	Title of goods <b>Example:</b> Rohan sells ready-made garments to its customers	Supply of Goods
		Right in goods/undivided share in goods without transfer of goods <b>Example:</b> Genius Equipments Ltd. gives a machinery on rent to Suhaasi Manufacturers	Supply of Services
		Title in goods under an agreement which stipulates that property shall pass at a future date. <b>Examples:</b> i) Dhruva Capital supplied goods on hire purchase basis to customers ii) Optima Manufacturers supplies toys to retailers on 'sale or return basis'	Supply of Goods
2)	Land & buildings	Lease, tenancy, easement, license to occupy land <b>Example:</b> Lease agreement for land	Supply of Services
		Lease or letting out of building including a commercial, industrial or residential complex for business or commerce, wholly or partly <b>Example:</b> A shop let out in a busy market area	Supply of Services
3)	Treatment Process or	Applied to other person's goods. <b>Example:</b> Damani Dying House dyes the clothes given by Shubham Textiles Ltd. on job work basis	Supply of Services

4)	Transfer of Business Assets	<p>Goods forming part of business assets are transferred or disposed off by/under directions of person carrying on the business, whether or not for consideration.</p>	Supply of Goods
		<p>Goods held/used for business are put to private use or are made available to any person for use for any purpose other than business, by/under directions of person carrying on the business, whether or not for consideration.</p> <p><b>Example:</b> Arunodhya, a sole proprietor, owns a laptop used for making office presentations. He transfers said laptop to his son for making school projects</p>	Supply of Services
		<p>Goods forming part of assets of any business carried on by a person who ceases to be a taxable person, shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person</p> <p><b>Example:</b> Arun, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him</p> <p><b>Exceptions:</b></p> <ul style="list-style-type: none"> <li>a) Business is transferred as a going concern to another person.</li> <li>b) Business is carried on by a personal representative who is deemed to be a taxable person.</li> </ul>	Supply of Goods
5)	<p>a) Renting of immovable property</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>i) Renting of a commercial complex</li> <li>ii) Renting of precincts of a religious place</li> <li>iii) Renting of property to an educational institution</li> <li>iv) Permitting use of immovable property for placing vending/dispensing machines</li> </ul> <p>b) <b>Construction of complex, building, civil structure etc.</b></p> <p><b>Construction</b> 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 <b>competent authority</b> or after its first occupation, whichever is earlier.</p> <p>The term "Construction" <b>includes</b> additions, alterations, replacements, or remodeling of any existing civil structure.</p> <p><b>Example:</b> Revathi Builders has constructed individual residential units for agreed consideration of Rs. 1.2 crore per unit. Rs. 90 lakh per unit were received before issuance of completion certificate by the competent authority and balance after completion.</p> <p style="text-align: center;"><b>(FOR STUDENTS SELF STUDY)</b></p> <p>The expression <b>competent authority</b> means the Government or any authority authorised to issue completion certificate under any law for the time being in force and in case of non-requirement of such certificate from such authority, from any of the following, namely:</p> <ul style="list-style-type: none"> <li>i) An architect registered with the Council of Architecture constituted under the Architects Act, 1972; or</li> <li>ii) A chartered engineer registered with the Institution of Engineers (India); or</li> </ul>	Supply of Services	

	<p>iii) A licensed surveyor of the respective local body of the city or town or village or development or planning authority.</p> <p>c) Temporary transfer or permitting use or enjoyment of any intellectual property right  <u>Example:</u> <i>Temporary transfer of patent</i></p> <p>d) Development, design, programming, customization, adaptation, up gradation, enhancement, implementation of IT software.  <u>Example:</u> <i>ABC Solutions develops an accounting software for a business</i></p> <p>e) Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.  <u>Example:</u> <i>Cable operator - A has entered into an agreement with Cable operator - B that A will not provide cable connections in the specified areas where B is providing the connections. Non-compete agreements constitute supply of service</i></p> <p>f) Transfer of right to use any goods for any purpose  <u>Example:</u> <i>Machinery given on hire</i></p>	
6)	<p>Following composite supplies ;</p> <p>a) Works contract services***;</p> <p>b) Supply by way of or as part of any other service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink</p>	Supply of Services
7)	<p>Supply of goods by an unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.</p> <p><u>Example:</u> <i>RWA of Sanskriti Society supplies air-conditioners to its members at a concessional price</i></p>	Supply of Goods

\*\*\* **Works contract** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property where transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119) of CGST Act].

**EXAMPLE:**

Activity or Transaction		Goods or Services
i)	Title in goods under an agreement under which property shall pass at a future date	Supply of Goods
ii)	Transfer of right in goods without transfer of title in goods	Supply of Services
iii)	Transfer of Title in goods immediately	Supply of Goods
iv)	Renting of immovable property	Supply of Services
v)	The job work performed by a job worker	Supply of Services
vi)	Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business, whether or not for consideration	Supply of Goods
vii)	Leasing of land	Supply of Services
viii)	Repairing of goods belonging to other person	Supply of Services
ix)	Motor cab of business brought to personal use	Supply of Services
x)	Construction of civil structure	Supply of Services
xi)	Renovation of building (on labour-cum material basis)	Supply of Services
xii)	Supply of burger by McDonalds	Supply of Goods
xiii)	Supply of goods by any unincorporated association or body of persons to a member thereof	Supply of Goods
xiv)	Tolerate an act	Supply of Services

**CIRCULARS:****(FOR STUDENTS SELF STUDY)****1) Supply of printed books, pamphlets, etc. with logo, name, address etc.:**

- a) In the 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.
- b) In case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc. printed with design, logo etc. supplied by the recipient of goods but made using physical inputs including paper belonging to the printer, principal 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.

**2) Retreading of tyres: In retreading of tyres, which is a composite supply, the pre-dominant element is the process of retreading which is a supply of service. Rubber used for retreading is an ancillary supply. Which part of a composite supply is the principal supply, must be determined keeping in view the nature of the supply involved. Supply of retreaded tyres, where the old tyres belong to the supplier of retreaded tyres, is a supply of goods.****3. NEGATIVE LIST I SEC.7 (2) (A) & SCHEDULE III****1) Schedule III of CGST Act, illustrates the Supply which cannot be taxed at all. Those are as follows:**

S. No	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services
1)	<p><b>Services by an employee to the employer in the course of or in relation to his employment.</b></p> <p><b>Not liable to GST:</b></p> <ul style="list-style-type: none"> <li>i) Amounts received by an employee from the employer on premature termination of contract of employment</li> <li>ii) Services provided by casual workers to employer who gives wages on daily basis</li> <li>iii) Casual workers are employed by a contractor, who deploys them for execution of a contract or for provision of security services (Building contractor or A security services agency)</li> </ul> <p><b>Services provided outside ambit of employment for a consideration would qualify as supply.</b></p> <p><b>Liable to GST:</b></p> <ul style="list-style-type: none"> <li>i) An employee provides his services on contract basis to an associate company of the employer</li> <li>ii) Services provided on contract basis i.e. principal-to-principal basis</li> <li>iii) Any amount paid for not joining a competing business would be liable to be taxed being paid for providing the service of forbearance to act</li> </ul>
2)	<p>Services by any court or Tribunal established under any law for the time being in force.</p> <p><b>Explanation:</b> The term "Court" includes District Court, High Court and Supreme Court.</p>
3)	<ul style="list-style-type: none"> <li>a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; or</li> <li>b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or</li> </ul> <p><b>Example:</b> Duties performed by President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, Comptroller and Auditor General of India, Chairman of Union Public Service Commission, Attorney General of India, in that capacity</p> <ul style="list-style-type: none"> <li>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.</li> </ul>

4)	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5)	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
6)	Actionable claims, other than lottery, betting and gambling.

2) **Inter-state movement: Activities/ transactions undertaken** by the Central Government, a State Government or any local authority in which they are engaged as public authorities shall be covered under the Negative list.

Further, services by way of any activity in relation to a function entrusted (in relation) to a **Panchayat** under article 243G of the Constitution or a **Municipality** under article 243W of the Constitution has been notified under the negative list. **(Teach problem No.6 of classroom discussion)**

**SECTION 7(3):** The Government may notify the transactions that are to be treated as a supply of goods and not as a supply of services, or as a supply of services and not as a supply of goods.

## 4. COMPOSITE & MIXED SUPPLIES (SEC. 8)

GST is payable on the **identifiable** goods or services or both at notified rates. Some of the supplies are a combination of goods or services or both and each individual component of such supplies may attract a different rate of tax.

That's why the GST law designed accordingly with a view to tax these kinds of services also. At this juncture, there are two types of supplies (viz. Composite, Mixed Supplies). These two supplies have different treatment depending upon the nature they were bundled. For this purpose, we have to decide one thing that whether these supplies are bundled naturally or not.

### 1) WHAT DO YOU MEAN BY A COMPOSITE SUPPLY?

- a) A **combination** of two or more supply of goods or services or both or any of the combination.
- b) **Bundled naturally and supplied in conjunction with each other**, in the ordinary course of business.
- c) One of which is a

#### Principal Supply

The supply of goods or services which constitutes the predominant (main) element of a composite supply and to which any other supply forming part of that composite supply is ancillary (related)

### 2) WHAT DO YOU MEAN BY NATURALLY BUNDLED SUPPLIES?

It depends upon various factors which are as follows:

- a) **Majority of service providers** in a particular area of business provides similar bundle of services.
- b) If the services have been provided or to be provided in such a way that we cannot expect one of the services alone **except** the whole packaged services. The elements are normally advertised as a package.

**For example**, service of stay in a hotel is often combined with a service or laundering of 3-4 items of clothing free of cost per day.

- c) There is a single price or the customer pays the same amount, no matter how much package they actually receive or use.
- d) The different elements are integral to one overall supply. If one or more element is removed, the nature of the supply would be affected.

### 3) HOW ONE CAN DECIDE A SUPPLY AS A COMPOSITE SUPPLY?

- a) There involves two or more supplies **and**
- b) One of which shall be a principal supply which is necessary to complete the other supplies.

**EXAMPLES:**

- i) Works Contracts, Restaurant Services.
- ii) Ravan Manufacturers entered into a contract with XYZ Ltd. for supply of readymade shirts packed in designer boxes at XYZ Ltd.'s outlet and also insured the same during the transit.
- iii) Supply of TV is the principal supply, warranty services are ancillary in a case where the seller provides warranty for purchase of TV.
- iv) The transport of passenger is treated as the principal supply and all other supplies are ancillary in the case of transport of passengers.

**4) HOW TO DETERMINE THE TAX LIABILITY OF A COMPOSITE SUPPLY?**

A composite supply comprising of two or more supplies, **one of which is a principal supply** shall be **treated as a supply of such principal supply**. Tax rate of principal supply shall be the tax rate of whole composite supply.

**5) WHAT DO YOU MEAN BY A MIXED SUPPLY?**

- a) A **combination** of two or more supply of goods or services or both or any of the combination.
- b) Such supply does not constitute a composite supply, where the price charged is a single price.

**6) HOW ONE CAN DECIDE A SUPPLY AS A MIXED SUPPLY?**

- a) The individual supplies are independent of each other and are not naturally bundled.
- b) First decide whether the supplies are **composite** in nature. If not, then the said supply shall be treated as a mixed supply.
- c) A supply where if the transaction consists of supplies not naturally bundled in the ordinary course of business.

**7) HOW TO DETERMINE THE TAX LIABILITY OF A MIXED SUPPLY?**

A **mixed** supply comprising of two or more supplies shall be treated as supply of that particular **supply that attracts highest rate of tax**.

**EXAMPLES:**

- a) A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink (containing air) and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.
- b) A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

(TEACH PROBLEM NO.7, 8 & 13 OF CLASSROOM DISCUSSION)

**CIRCULARS/NOTIFICATIONS:**

- 1) **SERVICING OF CARS:** Servicing of car involves both supply of goods (spare parts) and services (labour), the value of such goods and services supplied are shown separately, taxable at the rates as applicable to such goods and services separately.
- 2) **SALES PROMOTION SCHEMES:** 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).
  - **Free samples and gifts:** 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 offer:** 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. Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply.

(TEACH PROBLEM NO.12 OF CLASSROOM DISCUSSION)

*(Refer ITC chapter for further information about ITC eligibility on these schemes)*

**EXAMPLE:**

SITUATION	ANSWER
Mr. Pradeep sells gift hampers consisting of canned foods, sweets, chocolates, cakes and dry fruits on Diwali.	Mixed supply
Mr. Pradeep dispatched chocolates to Mr. Tharun from Delhi to Punjab after getting it packed and paying insurance charges of such goods.	Composite supply
Mr. Pradeep purchases air travel ticket of Air India from Delhi to Bangalore for Rs.75, 000 which includes free food on board and free insurance.	Composite supply
A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation to Mr. Pradeep	Composite supply
Mr. Pradeep has let out his house which has two floors. Tharun (tenant) uses ground floor as a shop and the first floor as his residence.	Mixed supply
Mr. Pradeep purchases a washing machine from GGC Ltd. He also gets warranty and a maintenance contract with the washing machine	Composite supply
Tharun Ltd. (toothpaste company) has offered the scheme of free toothbrush along with the toothpaste.	Mixed supply
Rent deed executed for renting of two different floors of a building by Mr. Pradeep in favour of Mr. Tharun. The first floor has been let out for residential purpose whereas the ground floor is let out for business purpose. Both the floors have separate entry and passage and can be let out separately also	Mixed supply
On the occasion of Diwali Festival, Pradeep Ltd. Sells watch, tie and belt in a single pack at a consolidated price	Mixed supply
A charger has been supplied by the Tharun along with the mobile phone	Composite supply
A gift pack comprising of chocolates and sweets	Mixed supply

**3) SERVICE BY WAY OF GRANT OF ALCOHOLIC LIQUOR LICENSE IS NEITHER A SUPPLY OF GOODS NOR A SUPPLY OF SERVICE.**

In terms of section 7(2) of the CGST Act, the Government has notified that **Service by way of grant of alcoholic liquor license**, against consideration in the form of license fee or application fee or by whatever name it is called undertaken by the State Governments in which they are engaged as public authorities, to be treated neither as a supply of goods nor a supply of service.

**ANALYSIS:** It applies only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and has no applicability in respect of other licenses and privileges for a fee where GST is payable.

**EX:** Services provided by the Government to business entities (including Privileges, licenses, mining rights, natural resources such as spectrum etc. Other than above **alcoholic liquor license** are taxable under GST under Reverse Charge Mechanism. **(TEACH PROBLEM NO.10 OF CLASSROOM DISCUSSION)**

**4) NO LEVY OF GST ON THE SERVICE OF DISPLAY OF NAME OR PLACING OF NAME PLATES OF THE DONOR IN THE PREMISES OF CHARITABLE ORGANIZATIONS RECEIVING DONATION OR GIFTS FROM INDIVIDUAL DONORS.**

**EX:**

- i) "Good wishes from Mr. Rajesh" printed underneath a digital blackboard donated by Mr. Rajesh to a charitable Yoga institution.
- ii) "Donated by Smt. Malati 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.

**NOTE:** In above examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, where all the three conditions are satisfied namely the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, GST is not leviable.

**(TEACH PROBLEM NO.9 OF CLASSROOM DISCUSSION)**

## 5) INTER-STATE MOVEMENT OF VARIOUS MODES OF CONVEYANCE.

Inter-State movement of various modes of conveyance, between distinct persons including-

- i) Trains, ii) Buses, iii) Trucks, iv) Tankers,
- v) Trailers, vi) Vessels, vii) Containers, viii) Aircrafts,
- a) carrying goods or passengers or both; or
- b) for repairs and maintenance,

[except in cases where such movement is for further supply of the same conveyance] was discussed in GST Council's meeting held on 11th June, 2017 and the Council recommended that such inter-State movement shall be treated 'neither as a supply of goods or supply of service' and therefore not be leviable to IGST.

Thus, above activity may not be treated as supply and consequently IGST will not be payable on such supply. However, applicable CGST/SGST/IGST, as the case may be, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

**(TEACH PROBLEM NO.11 OF CLASSROOM DISCUSSION)**

## SECTION 2: PROBLEMS FOR CLASSROOM DISCUSSION

**PROBLEM NO.1:** Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air-conditioner to Sahab Sales for Rs.5,000. Aakash had bought the said air-conditioner six months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017?

(B) (RTP M18 (N&O)) (ANS.: SUPPLY, NOT A SUPPLY)

(SOLVE PROBLEM NO. 1 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

**PROBLEM NO.2:** Examine whether the following activities would amount to supply under section 7 of the CGST Act:

- a) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.
- b) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- c) Raman is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
- d) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai? (A) (NEW SM) (ANS.: A) NOT A SUPPLY, B) SUPPLY, C) NOT A SUPPLY, D) SUPPLY)

(SOLVE PROBLEM NO. 2 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

**PROBLEM NO.3:** Mrs. Pragati received legal advice for her personal problems & paid 1,000 pound as a legal fee to Miss Unnati of U.K. (London).

Explain whether the above activity of import of service would amount to supply u/s 7 of the CGST Act, 2017? If in above case both of them are real sisters & no consideration is paid then will it change your answer?

Further in the above case if both of them are real sisters & Mrs. Pragati receives legal advice for her business & she doesn't pay any consideration then what will be your answer?

(A) (M18 (O) - 5M) (ANS.: SUPPLY, NOT A SUPPLY, SUPPLY) (SOLVE PROBLEM NO. 3 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.4:** Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

Examine whether the said activity would amount to supply under section 7 read with Schedule I of the CGST Act, 2017.

Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

(A) (MTP N19 (N&O)) (ANS.: NOT A SUPPLY, NOT A SUPPLY)

(SOLVE PROBLEM NO. 4 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.5:** Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?

a) Miss Shriniti Kaushik received vaastu consultancy services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollars.

b) Miss Shriniti Kaushik received vaastu consultancy services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.

c) Miss Shriniti Kaushik received vaastu consultancy services for her business premises located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.

(A) (RTP N18 (N&O)) (ANS.: A) SUPPLY, B) NOT A SUPPLY, C) SUPPLY)

(SOLVE PROBLEM NO. 5 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.6:** State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act:

- a) Renting of immovable property
- b) Transfer of right in goods without transfer of title in goods.
- c) Works contract services
- d) Temporary transfer of permitting use or enjoyment of any intellectual property right
- e) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

(C) (MTP M19 (N&O))

(ANS.: I) SUPPLY OF SERVICE, II) SUPPLY OF SERVICE, III) SUPPLY OF SERVICE, IV) SUPPLY OF SERVICE, V) SUPPLY OF GOOD) (SOLVE PROBLEM NO. 6 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.7:** Determine whether the following supplies amount to composite supplies:

a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.

b) A toothpaste company has offered the scheme of free toothbrush along with the toothpaste.

(C) (MTP M18 (N&O)) (ANS.: A) COMPOSITE SUPPLY, B) NOT A COMPOSITE SUPPLY)

(SOLVE PROBLEM NO. 7 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.8:** From the following information determine the nature of supply and tax liability.

XYZ Ltd. a manufacturer of cosmetic products supplied a package consisting of hair oil (GST Rate - 18%), sunscreen cream (GST Rate - 28%), shampoo (GST Rate - 28%) and hair comb (GST Rate - 12%). The price per package is Rs. 500 (Exclusive of taxes). 10,000 packages were supplied by the company to its dealers. Determine the nature of supply and its tax liability.

(B) (ANS.: MIXED SUPPLY, RS. 14, 00,000) (SOLVE PROBLEM NO. 8 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.9:** The temple of ancestral deity of Mr. Aman goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated Rs.10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating "Donated by Mr. Aman Goel upon birth of his first child".

You are required to examine the leviability of GST on the donation received from Mr. Aman Goel?

(IRTP MAY 2020 (N)) (ANS.: GST IS NOT LEVIABLE) (SOLVE PROBLEM NO. 9 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.10:** Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

(A) (NEW SM) (ANS. 'NEITHER A SUPPLY OF GOODS NOR A SUPPLY OF SERVICE')

(SOLVE PROBLEM NO. 10 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.11:** Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the leviability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.

(A) (NEW SM) (ANS. 'NEITHER A SUPPLY OF GOODS NOR A SUPPLY OF SERVICE')

(SOLVE PROBLEM NO. 11 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM NO.12:** PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

(A) (NEW SM) (ANS. TAXABILITY DEPENDS UPON WHETHER THE SUPPLY IS A COMPOSITE OR A MIXED SUPPLY)

(SOLVE PROBLEM NO. 12 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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**PROBLEM 13:** Dum dum Electronics has sold the following electronic items to Akbar Retail Store.

- a) Refrigerator (500 litres) taxable @ 18%
- b) Stabilizer for refrigerator taxable @ 12%
- c) LED television (42 inches) taxable @ 12%
- d) Split air conditioner (2 Tons) taxable @ 28%
- e) Stabilizer for air conditioner taxable @ 12%

Dum dum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

(A) (NEW SM) (ANS. 'NEITHER A COMPOSITE SUPPLY NOR A MIXED SUPPLY'. TAXABLE AT RESPECTIVE RATES)  
(SOLVE PROBLEM NO. 13 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_

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### SECTION 3: PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

#### **PROBLEM NO.1**

Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- a) Supply should be of goods and/or services.
- b) Supply should be made for a consideration.
- c) Supply should be made in the course or furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but it's not in the course or furtherance of business.

#### **PROBLEM NO.2**

- a) Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and toys to children living in slum area would not amount to supply under section 7 of the CGST Act.
- b) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act]. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.
- c) Schedule I of CGST Act, inter alia, stipulates that import of services by any person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. In the given case, Raman has received legal services from his brother free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Raman's brother to him would not be treated as supply under section 7 of the CGST Act.
- d) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would be treated as supply under section 7 of the CGST Act as the same are provided in course or furtherance of business though received from a related person.

**PROBLEM NO.3**

Supply, under section 7 of the CGST Act, 2017, inter alia,

- a) Includes import of services for a consideration
- b) Even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Mrs. Pragati is not in course or furtherance of business, it would amount to supply.

Further, import of services by any person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Mrs. Pragati from her real sister - Miss Unnati [real sister, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

However, import of service without consideration by Mrs. Pragati from her sister - Miss Unnati (related person) will be treated as supply if she receives legal advice for her business, i.e. in course or furtherance of business.

**PROBLEM NO.4**

Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, 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.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman's brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman's brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

**PROBLEM NO.5**

- a) Supply, under section 7 of the CGST Act, 2017, inter alia,
  - i) Includes import of services for a consideration
  - ii) Even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business, as the vaastu consultancy service has been availed in respect of residence, it would amount to supply.

- b) Section 7 of the CGST Act, 2017 read with Schedule I provide that import of services by any person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Miss Shriniti from her brother - Mr. Varun [brother, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

- c) Section 7 of the CGST Act, 2017 read with Schedule I provide that import of services by any person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

Thus, import of service without consideration by Miss Shriniti from her brother - Mr. Varun (brother, being member of the same family, is a related person) will be treated as supply as she receives vaastu consultancy service for her business premises, i.e. in course or furtherance of business.

**PROBLEM NO.6**

- a) Renting of immovable property would be treated as supply of services in terms of Schedule-II of CGST Act, 2017.
- b) As per Schedule-II of CGST Act, 2017, transfer of right in goods without transfer of title in goods would be treated as supply of services.
- c) As per Schedule-II of CGST Act, 2017, works contract services would be treated as supply of services.
- d) As per Schedule-II of CGST Act, 2017, temporary transfer of permitting use or enjoyment of any intellectual property right would be treated as supply of services.
- e) As per Schedule-II of CGST Act, 2017, transfer of title in goods under an agreement which stipulates that property shall pass at a future date would be treated as supply of goods.

**PROBLEM NO.7**

Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act]. In view of the same,

- a) Since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
- b) Since supply of toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

**PROBLEM NO.8**

This supply would be regarded as mixed supply, since in the case of each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidate price. The tax rates applicable in the case of mixed supply would be the rate of tax attributable to that one supply (goods or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply.

Therefore, the package will be chargeable to 28% GST

The tax liability will be arrived as under:

Particulars	Amount. (Rs.)
Value of taxable supply as per package	500
No. of packages	10,000
Total Taxable Value of Supply	5,00,000
Applicable GST Rate	28%
Total Tax Liability	14,00,000

**PROBLEM NO.9**

It has been clarified vide Circular No. 116/35/2019 GST dated 11.10.2019 that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable.

**PROBLEM NO.10**

Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called. This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is neither a supply of goods nor a supply of service.

**PROBLEM NO.11**

As per section 25(4), a person who has obtained 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'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is neither a supply of goods nor supply of service'.

**PROBLEM NO.12**

As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as "supply" except in case of activities mentioned in Schedule I of the CGST Act. Under "Buy One Get One Free" scheme, 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. However, 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 accordingly.

**PROBLEM NO.13**

In the given case, the items supplied by Dum dum Electronics are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply. Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dum dum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items which are taxable at the respective rates applicable to them.

**SECTION 4: ASSIGNMENT PROBLEMS**

**PROBLEM NO.1:** Gopal, a car dealer in Bengaluru, Karnataka, needs 2 cars for his wife and son. Therefore, he transfers 2 cars [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.

Further, a Bengaluru resident, Aswin, approached Gopal. He sold a car to Gopal for Rs.1,20,000. Aswin had bought the said car two months before, for his residence. Does sale of the car by Aswin to Gopal amount to supply under section 7 of the CGST Act, 2017?

(C) (ANS.: SUPPLY, NOT A SUPPLY)

**PROBLEM NO.2:** Examine whether the following activities would amount to supply under section 7 of the CGST Act:

- a) Sudhakar Charitable Trust, a trust that gets the eye treatment of underprivileged children done free of cost, donates clothes and toys to children living in slum area.
- b) Rooplekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from the factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- c) Daman is an interior decorator in Chennai. His brother who is settled in London is a well-known lawyer. Daman has taken legal advice from him free of cost with regard to his family dispute.

(B) (MTP M18 (O)) (ANS.: A) NOT A SUPPLY, B) SUPPLY, C) NOT A SUPPLY)

**PROBLEM NO.3:** Examine whether the following activities would amount to supply under section 7 of the CGST Act:

- a) Shri Ram Charitable Trust, a trust that gets the neuro treatment of underprivileged children done free of cost, donates clothes and food to children living in slum area.
- b) Simran is a beauty consultant in Mumbai. Her brother who is settled in Paris is a well-known lawyer. Simran has taken legal advice from him free of cost with regard to her family dispute.

(B) (MTP N18 (O)) (ANS.: A) NOT A SUPPLY, B) NOT A SUPPLY)

**PROBLEM NO.4:** Madhan is an Engineer in Guntur. His brother who is settled in Australia is a well-known lawyer. Madhan has taken legal advice from him free of cost with regard to his family dispute. Examine whether the said activity would amount to supply under section 7 read with Schedule I of the CGST Act, 2017

Would your answer be different if in the above case, Madhan has taken advice in respect of his business unit in Guntur?

(C) (ANS.: NOT A SUPPLY, NOT A SUPPLY)

**PROBLEM NO.5:** Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?

- a) Mr. Venkat received Hema Decorative services for his residence located at Eluru, Andhra from Mr. William of Gina (London). The amount paid for the said service is 1,620 London pounds.
- b) Mr. Venkat received Hema Decorative services for his residence located at Eluru, Andhra from his brother, Mr. Ashok residing in Gina (London). Further, Mr. Venkat did not pay any consideration for the said service.
- c) Mr. Venkat received Hema Decorative services for his business premises located at Eluru, Andhra from his brother, Mr. Ashok residing in Gina (London). Further, Mr. Venkat did not pay any consideration for the said service.

(B) (ANS.: A) SUPPLY, B) NOT A SUPPLY, C) SUPPLY)

**PROBLEM NO.6:** State in which Schedule (Schedule II or III), the following supplies have been covered. Also determine in which category they shall be classified:

- a) Goods forming part of business assets are transferred by the business so as no longer to form part of those assets, without any consideration.
- b) Services by an employee to the employer in the course of or in relation to his employment.
- c) Services by any court or Tribunal established under any law for the time being in force.
- d) Temporary transfer of intellectual property right.
- e) Services of funeral, burial, crematorium or mortuary including transportation of the deceased
- f) Lease rentals collected
- g) Sale of land

(C) (ANS.: A) II & SUPPLY OF GOOD, B) III & NEITHER SUPPLY OF GOOD NOR SUPPLY OF SERVICE, C) III & NEITHER SUPPLY OF GOOD NOR SUPPLY OF SERVICE, D) II & SUPPLY OF SERVICE, E) III & NEITHER SUPPLY OF GOOD NOR SUPPLY OF SERVICE, F) II & SUPPLY OF SERVICE G) III & NEITHER SUPPLY OF GOOD NOR SUPPLY OF SERVICE)

**PROBLEM NO.7:** Mr. Ravi being a dealer in laptops, sold a laptop bag along with the laptop to a customer, for Rs. 55,000. CGST and SGST for laptop @ 18% and for laptop bag @ 28%. What would be the rate of tax leviable? Also find the GST liability.

(C) (ANS.: COMPOSITE SUPPLY, RS. 4,950)

**PROBLEM NO.8:** From the following information determine the nature of supply and tax liability.

Poshaak Manufacturers entered into a contract with Cheeku Ltd. for supply of Readymade shirts packed in designer boxes at Cheeku Ltd.'s outlet. Further, Poshaak Manufacturers would also get them insured during transit. It consisting of Readymade shirt (GST Rate - 28%), Designer box (GST Rate - 12%) and Insurance (GST Rate - 18%). The price per package is Rs. 1,500 (Exclusive of taxes). 15,250 packages were supplied by the company to its dealers. Determine the nature of supply and its tax liability.

(B) (ANS.: COMPOSITE SUPPLY: RS. 64,05,000)

**PROBLEM NO.9:** The temple of ancestral deity of Mr. Amar Raja and his family is located at Guntur, Andhra Pradesh. The temple is run by a charitable organisation registered under section 12AA of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Amar Raja is a big entrepreneur having flourishing business of tiles in Vijayawada. Upon the birth of their second child, he donated Rs. 10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating "Donated by Mr. Amar Raja upon birth of his second child".

You are required to examine the leviability of GST on the donation received from Mr. Amar Raja?

(B) (ANS.: GST IS NOT LEIVABLE)

**PROBLEM NO.10:** Ambani & Sons wishes to start supplying liquor in the State of Karnataka. Therefore, it applies for license for selling liquor to the Karnataka Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Karnataka Government to Ambani & Sons qualifies as supply.

(B) (ANS.: NEITHER A SUPPLY OF GOOD NOR A SUPPLY OF SERVICE )

**PROBLEM NO.11:** Badhri Mechanical Services Pvt. Ltd. registered in Rajasthan, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Badhri Mechanical Services Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Rajasthan workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the leviability of GST on the Inter-State movement of trucks from the workshop of Badhri Mechanical Services Pvt. Ltd. in Rajasthan to its own repairing centres located in other States across India.

(B) (ANS.: NEITHER A SUPPLY OF GOOD NOR A SUPPLY OF SERVICE )

**PROBLEM NO.12:** Aditya Birla Fashions Pvt. Ltd. is a retail store of merchandise located in 18 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, Aditya Birla Fashions Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one Cotton Jeans Pant to be given free with purchase of one Cotton Jeans Pant. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

(B) (ANS.: WHETHER THE SUPPLY IS A COMPOSITE SUPPLY OR A MIXED SUPPLY AND THE RATE OF TAX SHALL BE DETERMINED ACCORDINGLY)

**PROBLEM NO.13:** TMC Electronics has sold the following electronic items to Subhani Retail Store.

- a) Refrigerator (250 litres) taxable @ 18%
- b) Stabilizer for refrigerator taxable @ 12%
- c) Plasma television (24 inches) taxable @ 12%
- d) Air conditioner (1.5 Tons) taxable @ 28%
- e) Stabilizer for air conditioner taxable @12%

TMC Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Subhani Retail Store has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

(B) (ANS.: NOT A COMPOSITE SUPPLY, NOT A MIXED SUPPLY TAXABLE AT THE RESPECTIVE RATES APPLICABLE TO THEM.)

## SECTION 5: ADDITIONAL PROBLEMS FOR SELF PRACTICE

**PROBLEM NO.1:** A Temple management is operating a shop within the temple premise in which it is selling prashad (offerings) and Phool mala (garlands) at a price to shardhaloos (devotees). Whether such sale is liable to GST?  
 (ANS.: NO)

**PROBLEM NO.2:** Are the following imports of services taxable services? [Y/N]

i)	from unrelated person for personal consumption with consideration
ii)	from unrelated person for business with consideration
iii)	from unrelated person for personal consumption without consideration
iv)	from unrelated person for business without consideration
v)	from relative with consideration in the course or furtherance of business
vi)	from relative without consideration in the course or furtherance of business
vii)	from relative for personal consumption with consideration
viii)	from relative for personal consumption without consideration

(ANS.: I) YES, II) YES, III) NO, IV) NO, V) YES, VI) YES, VII) YES, VIII) NO)

**PROBLEM NO.3:** M/s. ABC Ltd. provides the following relating to information technology software. Compute the value of taxable service and GST liability (Rate of CGST 9% and SGST 9%)?

a) Development and Design of information technology software: Rs.15 lakhs;  
 b) Sale of pre-packaged software, which is put on media: Rs.52 lakhs.

(ANS.: RS. 67 LAKHS, CGST & SGST OF RS.6.03 LAKHS EACH)

**PROBLEM NO.4:** Discuss whether GST is applicable in the following transaction:

Situation	Applicability of GST
i) Mr. J transfers 1,000 debentures of J Ltd. to Mr. D for a consideration of Rs.4,50,000.	Debentures are securities which are neither goods nor services. Thus, transfer of debentures is not subject to GST.
ii) Mr. J transfers a plot of land situated in Delhi to Mr. D for a consideration of Rs.40 Lakhs. Consideration is however, payable in installments.	Transaction of sale of land is out of scope of supply under Schedule III of CGST Act. Thus, sale Consideration is not subject to GST.
iii) Mr. J, a registered person in GST, is a flower dealer in Delhi, He sells roses for decoration purposes for Rs. 1,50,000 to an interior decorator.	Flowers are goods. GST is applicable. However GST rate for supply of natural flower is nil. Therefore, GST liability is nil.
iv) A cloth retailer gives clothes from his business stock to his friend free of cost.	Cloth retailer (trader) has gifted cloth to his friend (unrelated person). Since the good supplied (cloth) is his business stock, he must have availed ITC thereon and thus such transfer of business stock would amount to supply.
v) A dealer of air-conditioners permanently transfers an air conditioner from his stock in trade, for personal use at his residence.	Since the goods transferred (AC) is his business asset, he must have availed ITC thereon and thus such transfer of business stock would amount to supply.
vi) ABC Academy purchases some laptops for business purpose. ITC on these laptops have been availed. After 3 years it has been donated to the trust.	Since the goods transferred (laptop) is his business asset, he must have availed ITC thereon and thus such transfer of business asset would amount to supply.
vii) Mr. J, a proprietor, has received the architect services for his house in Punjab from an architect located in New York at an agreed consideration of \$ 5,000.	Supply of service by foreign architect to Mr. J Indian service recipient constitutes 'import of service'. Though such import is not in course of or furtherance of business of Mr. J this transaction of import of service will fall within the scope of supply but GST is exempt.

viii) Johar and Associates received legal consultancy services from its head office located in Malaysia. The head officer has rendered such services free of cost to its branch office in Delhi.	The import of service by Johar and Associate from his other establishment outside India (which is deemed distinct entity) will constitute supply, even if no consideration has been charged for such supply.
ix) Mr. Sharad is running a printing press in Delhi. He purchases paper, prints calendars on it and then sells or supplies calendars in market. The consideration received from such sale is Rs.1,00,000.	Purchase of paper, printing calendars thereon and selling/supplying calendars in market for the consideration of Rs.1,00,000 is the case of manufacture of calendars and supply thereof. Thus, it is simple case of supply of goods on which GST is applicable.
x) Mr. Sharad is running a printing press in Delhi. He purchases paper and prints books for Gyan Gurukul for which content of the book belongs to Gyan Gurukul and is supplied by Gyan Gurukul. The consideration charged is Rs.3,00,000.	It is not simple cases of manufacture of book and sale to Gyan Gurukul. Mr. Sharad cannot be said to have made sale of books he is not the owner of the content of book. He is just carrying out printing activity on paper belonging to him. Thus, this supply is composite supply (supply of paper/goods and supply of printing/service). Printing service being principal service, the composite supply shall be treated as 'supply of service'

(ANS.: I) NO, II) NO, III) NO, IV) YES, V) YES, VI) YES, VII) NO, VIII) YES, IX) YES, X) YES

**PROBLEM NO.5:** Mr. J is employee of J Ltd. For the year ending 31/03/2020 Mr. J has earned following emoluments:

Particulars	Rs.
Salary (Rs.2,00,000 per month)	24,00,000
Residential accommodation (taken on rent by company, cost to company: Rs. 6,00,000)	6,00,000
Conveyance facility	3,00,000
Cost to company (CTC) for employing Mr. J	33,00,000

On 01/01/2020 J Ltd. gifts a new car to Mr. J (price tag: Rs.12,65,000 before GST). Gift of car is not covered by CTC as well employment agreement.

Mr. J owns a commercial building. It is given on rent to J Ltd. (monthly rent being Rs.3,00,000).

Discuss whether GST is applicable. Determine the amount of GST liability for the month of January 2020 (assume that GST rate is 28 % for car and 18 % for others).

- Rent received on account of renting of commercial building by Mr. J to J Ltd.
- Salary received by Mr. J
- Residential accommodation, conveyance facility provided by J Ltd. to Mr. J
- Gift of car by J Ltd. to Mr. J

(ANS.: I) YES, II) NO, III) NO, IV) YES

**PROBLEM NO.6:** S Pvt. Ltd. was awarded a contract in July 2019 for providing flooring and wall tiling services in respect of a building located in Delhi by N Ltd. As per the terms of contract, S Pvt. Ltd. was to provide all the required material for execution of the contract. However, N Ltd also provided a portion of the material.

Whether the services provided by S Pvt. Ltd. are subject to GST? If yes, determine the GST liability of S Pvt. Ltd. from the following particulars-

Particulars	Amount (Rs.)
i) Gross amount charged by the S Pvt. Ltd.	6,00,000
ii) Fair market value of the material supplied by N Ltd.	1,00,000
iii) Amount charged by N Ltd. for the material [included in (i) above]	60,000

**Note:** CGST 6% and SGST 6%.

(ANS.: YES, CGST & SGST OF RS. 38,400 EACH)

**PROBLEM NO.7:** Mr. A booked a Rajdhani train ticket, which includes meal. Is it composite supply or mixed supply?

(ANS.: COMPOSITE SUPPLY)

**PROBLEM NO.8:** A builder has entered into agreement to sale a flat (carpet area 1900 sq. ft) to customer. The additional information is as follows:

- Price of flat (including apportioned value of cost of land): Rs.42,00,000 (includes Prime Location Charges namely charges for getting sea view Rs.2,00,000).
- Charges for providing space for covered parking: Rs.1,25,000.

The builder received part payment before construction was completed and balance amount was received after obtaining completion certificate from the Corporation. Find the GST liability (CGST 6% and SGST 6%)?

(ANS.: IGST OF RS. 5, 19,000 EACH)

**PROBLEM NO.9:** With reference to provisions of CGST Act, 2017 discuss in brief, when "Importation of services" to be considered as supply and when it is not to be considered as supply. (NOV 20-3M)

(Ans: import of service will not qualify as supply)

## SECTION 6: TEST YOUR KNOWLEDGE

- List the activities to be treated as supply under CGST Act, 2017 even if made without consideration. (M18 (O) - 5M)
- List any four activities which shall be neither treated as supply of goods nor a supply of services under the GST law. (RTP N18 (N&O))
- Discuss the term 'composite supply' and its taxability under GST law. (MTP M18 (N&O))
- Explain the concept of "related persons" as given under CGST Act? (MTP N18 (O), MTP M18 (O))
- Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods? (MTP M19 (N&O))
- What is the taxable event under GST? (NEW SM)
- What is the tax treatment of composite supply and mixed supply under GST? (NEW SM)
- Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason. (NEW SM)
- Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the GST Act, 2017. [MTP MAY 2020]

## SECTION 7: THINGS TO REMEMBER

### SECTION NUMBERS

S. No	CONCEPT	Sec. No.
1.	Meaning and scope of supply	7
2.	Taxability of composite and mixed supplies	8
3.	Meaning of Goods	2(52)
4.	Meaning of Services	2(102)
5.	Supply of goods or services or both between related persons or between distinct persons	25
6.	Taxable person registered under GST	22
7.	Taxable person liable to be registered under GST	24

**THE END**

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