



## Meaning and Scope of Supply under GST

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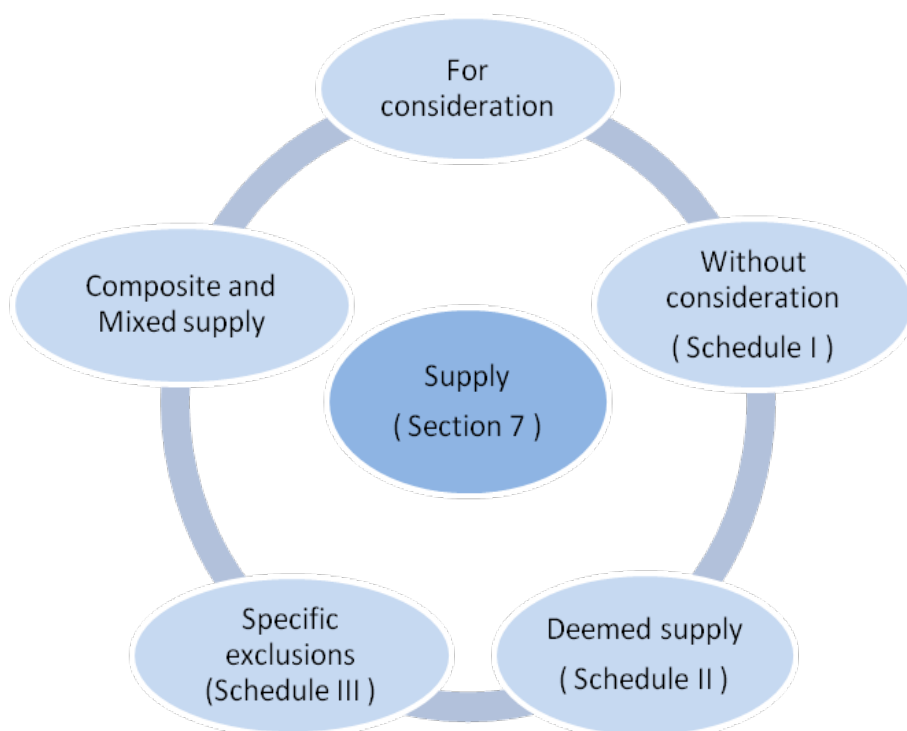
Goods and Service Tax means a tax on **supply** of goods and services or both. The word used is supply and not sales hence consideration is not the essential requirement for supply. Even the inter-state stock transfers, branch transfers will also get covered under GST net.

Under the current indirect tax structure, the taxable event differs for each type of tax. The taxable events under the current indirect tax structure are as follows below:

Types of Taxes	Taxable Event
Central Excise	Removal of excisable goods
Service Tax	Provision of taxable services
Value Added Tax	On sale of goods

The taxable event under GST is **the Supply of Goods and/Services**. All taxes such as Central Excise, Service Tax and VAT/CST will be subsumed under GST, and the concept of manufacture of goods, sale of goods, and provision of services would no longer be relevant.

The definition of supply as laid under section 7, of the Central GST Act, 2017 is an inclusive definition. Thus, any form of supply of goods or services would get covered. The term 'supply' includes all forms of supply of goods or services for a consideration, in the course of or for furtherance of business or even without a consideration. Supply can be categorized as follows:



## Part I: Supplies for consideration

- As per section 7(1) (a) of the Central GST Act, 2017 supplies include all forms as laid under for goods and / or services made for a consideration in the course of or for furtherance of business:

<b>Sale</b>	Any sale of goods or services which broadly result in the transfer of title in case of goods, and transfer of right to use in case of services.
<b>Transfer</b>	Any branches/stock transfers form a part of supply and are taxable.
<b>Barter/Exchange</b>	When the consideration is paid through goods instead of money. For example: a seller has supplied goods and the buyer supplies goods to the extent of payment or when one product is exchanged with another product.
<b>License</b>	Any grant of license to use forms part of supply. For example: online subscriptions.
<b>Rental</b>	Renting of property fully or partially is a supply under GST.
<b>Lease</b>	Letting out the building or property on lease is a supply under GST.
<b>Disposal</b>	Disposal of business assets forms part of supply.

- Under GST the specific inclusion has been made for **importation of services**, for a consideration whether or not in the course or furtherance of business.

## Part II: Supplies without consideration

Section 7 (1) (c) read with **Schedule I** of the Central GST Act, 2017 specifies services which are made or agreed to made without a consideration. Thus, the following transaction will be subject to GST, even if there is no consideration.

- Permanent transfer/ disposal of business assets where input tax credit has been availed.

In case of event of sale or transfer of business assets where input tax credit has been availed the transaction shall be treated as supply even when these are cleared or transferred without consideration, and the business is liable to pay GST.

- Supply of goods or services or both between related persons, or between distinct persons when made in the course or furtherance of business.

As per GST Laws the person who has obtained different registrations under GST will be treated as different persons. Establishment of a person in another state will also be different person, irrespective of whether such establishment in another state is registered or not under GST. Moreover, as regards to transaction between related persons would cover the situation of branch and stock transfers.

- Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or by an agent to his principal where the agent undertakes to supply such goods on behalf of the principal.

As per aforesaid clause, the agent will be liable for GST on value of goods or services only if he undertakes to supply any goods and/or services on behalf of any principal. However, if the agent does not supply goods or services, he is not liable for GST on the value of goods or services. He would be liable for GST only on his commission. Moreover, in case of goods returned by the an agent to principal would be covered under this clause and attract GST.

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

This implies that services imported without consideration from related persons situated outside India will be subject to levy of GST only if it is in the course of or for furtherance of business.

### **Part III: Deemed Supply**

As per Schedule II of Central GST Act, 2017 read with Section 7(1)(d) provides clarity on determining the type of supply as supply of goods or supply of services. This aims at eliminating the ambiguity that exists in the current indirect tax system, regarding, Service Tax Vs VAT on works contract, AC Restaurant Service, etc.

It is, therefore, important for businesses to know whether supply amounts to supply of goods or supply of services, and treat them accordingly. The list of the prescribed deemed supply are as under:

#### **Transactions Deemed as Supply of Goods:**

- Any transfer of the title in goods is a supply of goods
- Any transfer of title of goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed like hire purchase
- Permanent transfer or disposal of business assets with or without consideration
- Supply of goods by any unincorporated association or body of persons to a member thereof

#### **Transactions Deemed as Supply of Services:**

### **Part IV: Specific Exclusions**

There are certain categories of services which are specifically excluded from the levy of GST. As in the present service tax law concept of negative list prevails similar concept has been introduced in the GST.

As per schedule III read with section 7(2) (a) of the Central GST Act, 2017 the following matters shall be treated as neither supply of goods nor supply of services:

- Services by an employee to the employer in the course of or in relation to his employment.
- Services by any court or tribunal
- The functions performed by any Members of Parliament, State legislature, Panchayats, Municipalities and other local authorities
- The duties performed by any person as a Chairperson/Member/Director in a body established by the Central Government, State Government or local

- Transfer of right or undivided share in goods without transfer of title
- Any lease, tenancy, easement, license to occupy land
- Any lease or letting out of the building for business or commerce either wholly or partially
- Any treatment or process applied on another person's goods like job work
- Any business assets put for private use whether or not for consideration
- Renting of immovable property
- Construction of a complex, building, civil structure or part thereof
- Temporary transfer or permitting the use or enjoyment of any intellectual property right
- Development, design, programming, customization, adaptation, up -gradation, enhancement, implementation of information technology software
- Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act
- Works contracts

Supply of goods, being food or any other article for human consumption or any drink

authority and who is not deemed as an employee before the commencement of this clause

- Services of funeral, burial, crematorium or mortuary including transportation of deceased
- Sale of land, sale of building after the issuance of completion certificate and
- Actionable claims other than lottery, betting and gambling

Certain categories of activities or transaction undertaken by the Central Government, State Government or any local authority in which they are engaged as public authorities as may be specified by the Central/ State Government, shall be treated neither as a supply of goods nor a supply of services. Therefore, no tax is payable by recipient of such services.

## **Part V: Mixed and Composite Supply**

As per Section 8 of the Central GST Act, 2017 certain specific provisions have been made to determine rate of GST in case of composite supply and mixed supply.

“Composite supply” means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is principal supply. For e.g. In case where goods are packed and transported with insurance, the supply of goods, packing materials, transportation and insurance is a composite supply and supply of goods is the principal supply.

Also the work contracts and supply of goods, being food or any other article for human consumption or any drink are considered to be deemed composite supply as per clause 6 of Schedule II of the law.

“Mixed supply” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. For e.g. In case of supply of a package consisting of watch, tie, belts as a combo pack then although always these items can be sold individually and are not dependent on each other. Then such a supply would be termed as mixed supply.

## **CONCLUSION**

Thus from the aforesaid definition of supply it can be concluded that the ambit of supply under GST has been made very wide. Though the taxable event under GST is only supply but it would subsume all taxable event of the current indirect taxes i.e. Manufacture, sale or provision of services.



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