



## GST Bytes..

Series 4

*An Educational Series for building GST awareness*

### Concept of “Supply”

- General Inclusions
- Specific Inclusion
- Exclusions from supply
- “Composite supply” and “Mixed supply”
- Need for determining Place of supply

### Concept of Supply of Goods/ Services

GST is a destination based consumption tax. Unlike previous indirect tax structures where taxation was based on different incidences such as manufacture, provision of service and sale/ purchase of goods, etc, the GST regime, emphasizes **supply** as a taxable event. Accordingly, determination of nature of transaction as IGST or CGST + SGST depends upon place of supply of goods or services.

### What is Supply?

#### General Inclusions

- **Sale or purchase of goods** (tangible or intangible), services and/or assets in exchange for money
- **Transfer of property**
- **Barter/exchange**
- **Licensing**
- **Renting or leasing** ie, providing assets on hire
- **Disposal** ie, the act of transferring or providing something to another

#### Specific Inclusion (Highlights)

##### **1. Activities without Consideration, being deemed supply**

- Permanent transfer or disposal of business assets where input tax credit has been availed on such assets
- Supply **of goods or services or both between related persons/** ‘distinct persons’ in course of business
- Supply of goods by a principal to an agent or vice versa** where the agent undertakes to supply/ receive such goods on behalf of the principal
- Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course of business

##### **2. Activities deemed supply of goods:**

- Transfer of title of goods, transfer of rights in goods, or in agreement to pass at a future date upon full payment of consideration
- Supply of goods** by trust / association (unregd) to its members.

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<b>3. <u>Activities deemed supply of services:</u></b>	
a. Land and building	Any lease, tenancy, easement, license to occupy land
b. Process or treatment	On any person's goods (Job Work)
c. Activities	Renting of immovable property
	Construction of a complex or building (not being a case of sale of a pre-constructed complex or building )
	Temporary transfer/ permitting use of intellectual property
	Development/designing/programming/customizing/adaptation/ramming/customizing/adaptation/upgradation /enhancement/ implementation of IT software
	Agreeing to obligation of refrain from an act, or tolerate an act or a situation, or to do an act
	<u>Transfer of right to use</u> any goods for any purpose for valuable consideration
<b>4. <u>Composite Supply</u></b>	
a. Works contract service (No Dual Taxation – It is deemed as Supply of services)	

#### **Exclusion of Services – Exemptions/ Negative List/ Zero Rated**

- Service by an employee from an employer in course of employment
- Services by any court or tribunal established under any law
- functions performed by Members of Parliament/ Legislature/ local bodies
- Services of funeral, burial, crematorium including transportation of the dead
- Sale of land and building
- Actionable claims, other than lottery, betting and gambling

#### **Taxation in case of Composite Supply and Mixed Supply**

##### **Composite Supply**

- Comprises of 2 or more supplies
- Such supplies are naturally bundled
- Supplied in conjunction with one another in ordinary course of business
- One supply is the principal supply (being predominant in nature). Other supplies are ancillary

**Composite supplies are to be taxed according to the rates applicable on the supply being dominant in nature.**

##### **Mixed supply**

When 2 or more supplies rendered together, being other than in nature of composite supply, shall be termed as 'Mixed supply'.

**Mixed supplies are not naturally bundled and are to be taxed at the highest of the rates applicable on such supplies.**

**Next- Series 5:  
Determination of Tax based on  
Place of Supply**

**Need for determining Place of Supply**

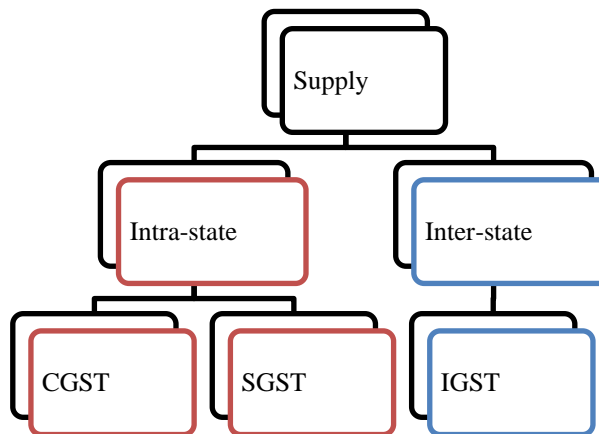
Place of supply is important to determine the category of tax that is to be applied. Supplies can be either Inter-state Supply or Intra-state Supply, depending on the location of supplier and location of supply.

▪ **Inter-state Supply- IGST**

The supply shall be an inter-state supply when the location of supplier and the place of supply are in 2 different states. IGST (Integrated Goods and Service Tax) shall be applied on such supplies

▪ **Intra-state Supply- CGST+SGST**

When location of supplier and place of supply is in the same state shall be an intra-state supply. Such supplies will attract Central GST (CGST) and State GST (SGST) of the respective state



*Taxes to be levied*

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