

## Meaning & Scope Of Supply

### \* Meaning :-

According to Section 7 of CGST Act supply includes :-

- i) All forms of supply of G/S on sale, barter, transfer, exchange, licence, rental agreed to be paid for a consideration by a person in the course of business.
- ii) Import of services for a consideration whether or not in the course of business.
- iii) Activities specified in Schedule 1st agreed to be made without consideration.
- iv) Activities to be treated as supply of goods or supply of services in Schedule 2nd.

### \* Characteristics :-

- 1) The transaction shall involve supply of G/S or both.
- 2) Supply should be made by a taxable person.
- 3) Normally supply should be for consideration.
- 4) Supply should be made in the course of business.
- 5) Supply should be taxable under the act.
- 6) Supply should be made in taxable territory.

## \* Scope of Supply :-

### \* Elements determining the scope of supply -

- 1) Supply can only be in relation to goods or services or both :- Supply made in any of the following forms : i) Sale & transfer  
ii) Barter & exchange.  
iii) Licence, rental & lease.

2) Supply of G/S should be made of consideration : Activities that are treated as supply even if they are made without consideration.

- i) Permanent transfer or disposal of business assets
- ii) Supply b/w related or distinct person.
- iii) Supply of goods b/w principal & agent.
- iv) Import of services from related person or from other own establishment.

3) Supply should be made in the course of business.

4) Supply should be made by taxable person.

5) Supply should be of taxable G/S.

6) Supply of goods only in taxable territory.

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## Treated of Supply of Goods or Supply of Services

Transaction	Types	Nature of Supply
1) Transfer	i) Transfer of title of goods. ii) Transfer of right over goods or transfer of undivided share without transfer of title. iii) Transfer of title of goods under the agreement which stipulates that ownership shall pass at the future date on payment of full consideration.	Supply of goods Supply of service
2) Land & Building	i) Lease, easement, license, tenancy to occupy land. ii) Leasing or letting out of commercial, industrial or residential complex or any other building wholly or partially for business purpose.	Supply of services Supply of services
3) Treatment or Process	Applying any treatment or process on other persons goods	Supply of service
4) Transfer of business assets	i) Goods forming a part of business assets are transferred or disposed of by any person carrying on business whether or not for consideration. ii) Goods held or used for business are put to private	Supply of goods Supply of service

use or made available to any person for use of any purpose other than business by a person carrying on business whether or not for consideration.

iii) Goods forming a part of asset of any business carried on Supply of by a person who sees to be a taxable person shall be deemed to be supplied by him in the course of business immediately before he sees to be a taxable person.

5)

i) Renting of immovable property  
ii) Construction of complex, building, civil construction except where entire consideration have been received after issue of completion services.

iii) Temporary transfer or use of any intellectual property right.  
iv) Development, design, programming, implementation, upgradation of IT softwares.

Supply Services

v) Agreeing to obligation to refrain from an act.  
vi) Transfer or right to use any goods for any purpose

6&gt;

Following composite supplies :-

- i) Work contract services
- ii) Supply by pay or as a part of other services (except:- alcoholic consumption liquid).

7&gt;

Supply of goods by any unincorporated association or body of persons to a member for cash deferred payment on any other consideration.

07/09/19

~~\* Ques.~~ Treated as Neither as Supply of Goods  
 Nor as Supply of Services -

2019  
20 Mar 1) Services given by an employee to employer in course of his employment.

2) Services provided by court or tribunal established under any law for the time being in force

3) Functions performed by member of parliament, Member of state legislature, member of panchayat, member of municipality or other local authority.

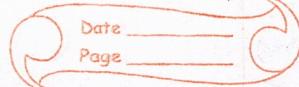
4) Services of funeral, Burial, crematorium or mortuary including transportation of died people.

5) Sale of land & building.

6) Actionable claim other than lottery, betting or gambling.

- Related Person
- Sale, exchange, gift, barter
- Consideration/ without consideration
- In course of business

- Registered person



Q:

An automobile dealer sold a scooter for ₹ 60,000 to a person for his personal use. Input tax credit was availed by a dealer on the purchase of scooter. Give reason whether the transaction is supply or not?

Soln

Supply includes sale, transfer, exchange for consideration in course of business since scooter is a goods & ₹ 60000 is a consideration & sale has been paid by a registered person as he has claimed for input tax credit so such transaction shall be treated as supply.

Q:

A registered dealer sold 1000 shares of Public Std. Co. for ₹ 2,00,000 to an employ of Pet. Co. & received an old car of his personal as consideration.

Ans:

According to the act the supply of goods & services should be completion.

But, supply of goods & services does not include shares & securities. So, in transaction shares & securities are not considered as supply of goods & services. So, transaction cannot be treated as supply.

\* gift should exceed 50,000 (taxable)

otherwise it won't be considered as supply

(because it is tax free acc. to IT)

Date \_\_\_\_\_

Page \_\_\_\_\_

Q.1 A & B ABC Ltd gave 10 old computers to a charitable school permanently for ~~not~~ no consideration ITC was availed on these computers.  
Input Tax Credit

Q.2 XYZ Ltd. engages Birla Bar Ltd. as an agent to sell car on its behalf, for this purpose XYZ motors supply 100 cars to Birla Bar Ltd at its showroom located at Rohtak in Haryana.

Q.3 Ramesh went to a restaurant (a registered entity) & had a meal. But latter he found that his wallet is missing. Hence, he gave his watch against restaurant services.

Ans 1. Acc. to the act it shall be treated as supply of goods even if it is made without consideration. If any business asset on which input tax credit was availed has been transferred permanently than such transaction shall be considered as supply. Since, ABC Ltd has transferred the computer to charitable school permanently & the company has also availed ITC so such transaction will be treated as supply even if it is without consideration.

Ans 2. Acc. to the act supply of goods by a principal to his agent without consideration where the agent undertakes supply of such goods on the behalf of principal is considered as supply even if it is without consideration. So supply by XYZ motors to Birla Bar Ltd is considered as supply (Principal) (agent)

Ans 3 Supply of goods in any form such as sale, transfer, exchange etc., made in the course of business by a taxable person. If such supply is for consideration it shall be treated as supply. Hence, supply of food by a restaurant shall be considered as supply.

Q. A doctor provides medical consultancy services to a barber in return the barber cuts doctors hair neither the doctor nor the barber is registered person under CGST. What difference would it make if doctor is registered person in CGST?

Ans Services provided by doctor & barber are in the form of barter & has a consideration & the services provided by them are in the course of business but none of them are registered person so services provided by both will not be considered as supply. But if doctor is a registered person then he is a taxable person so the services provided by a doctor to the barber will be considered as supply, & services provided by barber will not be considered as supply.

- \* if gift exceed ₹ 50,000 (taxable) & will be consider as supply.  
\* if gift is less than ₹ 50,000 (not taxable)  
& will not be treated as supply.

Date \_\_\_\_\_  
Page \_\_\_\_\_

Q. On the occasion of Diwali PQR Ltd give each of its employees a car worth ₹ 4,00,000 by way of gift. Would your answer will diff. if Scooter worth ₹ 45,000 is given instead of car?

Ans. Acc. to the act it shall be ~~s~~ treated as supply ~~of~~ because in this case PQR Ltd gifted a car worth ₹ 4,00,000 to its employees which is taxable under the act (<sup>as</sup> the limit of good is gift is more than ₹ 50,000). Hence, it is treated as supply.

But, in the other case if PQR Ltd. gift a scooter worth ₹ 45,000 to its employees, it will not be considered as taxable under the act (<sup>as</sup> the limit of gift is less than ₹ 50,000). Hence, it will not be treated as supply.

13/09/19

### \* Levy & Collection of Tax -

Tax here means central G/S tax. The tax shall be levied on all inter-state supply or intra-UT supply of G/S. On such supplies SGST & UT GST is also imposed along with CGST.

i) Levy & Collection of CGST - It is levied on all intra-state supplies except on supply of alcoholic liquor for human consumption. The tax rate of tax does not exceed 20% & it is collected

by central govt. Similarly SGST is collected by state govt. on same rate.

Provisions are as follows :-

- i) This provision shall not be applicable on alcoholic liquor for human consumption.
  - ii) This shall be levied on supply of G/s.
  - iii) This tax is levied on intra state supply of G/s.
  - iv) Rate shall be notified by C.G.
  - v) Tax shall be paid by taxable person.
- 2) CGST shall be levied on Petroleum products
- 3) Payment of tax by recipient on the basis of reverse charge mechanism.
- 4) Payment of tax by recipient on the basis of gross reverse charge in case of supply by unregistered person.

Q) Mr P is not registered under GST Act as his aggregate turnover of taxable supply does not exceed ₹ 20 lakh. He has supplied goods of ₹ 4 lakh to Mr. Q a registered dealer. The place of business of P & Q is Rajasthan. Who is liable to pay tax on this transaction if rate of GST is 12%. Then what will be the amt. of tax & to which govt. shall be payable?

Sol~

(Supplier)

PC (Unregistered)

(Receiver)

Q (Registered)

Not

Rajasthan (Intrastate)

Rajasthan

liable to pay

tax

CGST

SGST

Siable to

Pay Tax

on reverse

charge basis

$$\text{Tax Payable} = 4,00,000 \times 12\%$$

$$= 48000$$

CGST (6%)

$$4,00,000 \times 6\%$$

$$24000$$

SGST (6%)

$$4,00,000 \times 6\%$$

$$24000$$

Q Ms X a registered dealer whose place of business is located at Jaipur, he receives supply from both registered & unregistered dealer.

Amt. of Purchase per Day	No. of days in months	Rate
3000	4	18
4000	5	12
5000	3	5
6000	5	18
7000	6	12
8000	7	5

Calculate the amt. of tax payable by Ms X if he is liable for payment of tax on reverse charge basis. Is he liable for both CGST & SGST then

14/09/19

state the amt. of tax each separate?

Sol<sup>n</sup>

Bomp. of GST Payable by Mr. X

Amnt. of Purchase	No. of days	Total Purchase	Rate	Tax Payable
6000	5	30000	18%	5400
7000	6	42000	12%	5040
8000	7	56000	5%	2800
Total Tax Payable.				13,240

CGST

$$30000 \times 9\% = 2700$$

$$42000 \times 6\% = 2520$$

$$56000 \times 2.5\% = 1400$$

$$6,620$$

SGST

$$30000 \times 9\% = 2700$$

$$42000 \times 6\% = 2520$$

$$56000 \times 2.5\% = 1400$$

$$6,620$$

Q. State whether the following supply are mixed or composite:

(i) gift packages supplied on diwali which have sweets, namkeens, biscuits & chocolates. This gift pack is supplied at a single price. Each of the item can be supplied individually is not dependent on each other.

Ans Supply of sweets, namkeens, biscuits, chocolates is given in a gift pack. These goods are not naturally bundled & they can be supplied individually. So, this supply is a mixed supply as they are not dependent on each other.

(ii) A hotel provides 4 days 3 night pack packages wherein the facility of breakfast & dinner is provided along with the room accommodation.

Ans. Facility of accommodation in a hotel along with facility of breakfast & dinner are naturally bundled & these facilities can be supplied together only so accommodation of room in a hotel is principle supply hence it is a composite supply.

Q. 1 A toothpaste company has started a scheme of selling toothbrush ~~as~~ along with toothpaste in single pack at single pack in single price.

Q. 2 A person books Rajdhani Train ticket from Jaipur to ~~Bombay~~ Bombay which includes meal also.

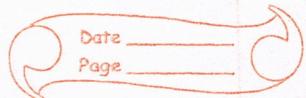
Q. 3 A consumer purchase a television set & he also gets warranty & a maintenance contract with the TV.

Q. Determine the nature of supply & tax liability :-

ABC Ltd. is a manufacturer of sweets & namkeens supplied in a package consisting of Dayu Kathi (GST rate 18%) , Bengali sweets (18%) , Bikanori Bhujia (12%) & Mixed Namkeen (5%). The ~~per~~ price per package is ₹ 400 + ₹ 400 (exclusive of tax) , 15000 packs were supplied by the company.

Mixed Supply :- In this case highest rate should be taken.

Composite Supply :- In this case tax rate on principle supply should be taken.



Sol:-

### Tax Liability

Value of Supply  
 $(15000 \times 400)$

60,00,000

(highest  
rate should  
be taken)

Tax  $(60,00,000 \times 18\%)$

10,80,000

As all the bundled packages are not bundled & are not depended on each other hence, this supply is a mixed supply.

- Q:- Century Garment Ltd. Jaipur entered into a contract with XYZ Ltd. Noida for supply of ₹ 10,000 readymade shirt, each shirt value ₹ 200. Goods will be packed in designer box. Century Garment would make arrangement for transp. & insurance. Packing cost ₹ 50,000, transp. ₹ 10,000, Insurance ₹ 20,000. GST @ on ~~the~~ garment 12%, package material 5%, transportation 18%, Insurance 18%.

Sol:-

### Tax Liability

Value of Supply  
 $10,000 \times 200$

20,00,000

Tax rate  
should be

Add: Packaging charges  
of transportation

50,000

taken on  
principle

Insurance

10,000

supply

Total Value of Supply

20,000

in this

20,80,000

base

Tax  $(20,80,000 \times 12\%)$

2,49,600

~~The~~ Century Garment Ltd. is a principle supplier

Date \_\_\_\_\_  
Page \_\_\_\_\_

because accommodation of supply by Bentury Garment Ltd. or along with the arrangement of packing cost, transportation & insurance are naturally bundled & these facility can be supplied together only. Hence, it is a composit supply.

Ans 1 The scheme consist of selling toothbrush along with toothpaste at a single price. These goods are not naturally bundled and hence can be supplied individually. So, this supply is a mixed supply, hence they are not dependent on each other.

Ans 2 Facility of accommodation of booking a train ticket along with facility of meal provided in a train are naturally bundled and these facilities can be supplied together only. So, accommodation of ticket is a principle supply, hence, it is a composit supply.

Ans 3 Facility of accommodation of TV set along with the facility of its warranty & maintenance are naturally bundled and these facilities can be supplied together only. So, accommodation of TV set is a principle supply. Hence, it is a composit supply.

