

## CHAPTER

# 3

# BASICS OF GOODS AND SERVICES TAX

### Covering-

- Basic concepts and overview of goods and services tax
- GST model & type of GST Acts
- Constitutional framework of goods & services tax
- Taxable event
- Levy & collection of tax
- GST rates (goods)
- GST rates (services)
- Calculation of GST
- Concept of supply
- Supply
- Composite & mixed supply
- Composite supply
- Mixed supply
- Schedule I
- Schedule II
- Schedule III



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# BASICS OF GOODS AND SERVICES TAX

## BASIC CONCEPTS AND OVERVIEW OF GOODS AND SERVICES TAX

Under GST, we have now moved

From **source based**

To **destination-based taxation.**

So, GST is labelled as a **destination-based / consumption-based tax.**

**Destination based Tax** is the tax based on destination or **consumption** of the goods or services.

It is different from Origin based taxation because **Origin based tax** is levied where goods or services are **produced.**

GST also **does away** with the cascading effects of taxation, by providing a comprehensive and continuous chain of tax credits, end to end and **taxing only the value-added at every stage.** *The final tax is borne by the end consumer*, as all the parties in the interim can extinguish their respective collections against their respective liabilities and the tax already paid by them (**Input Tax Credit**).

## GST MODEL & TYPE OF GST ACTs

India has adopted a **dual GST model**, i.e., where the *tax is imposed concurrently by the Centre and the States.*

- (a) For an **intra-statesale**, the GST is equally divided between the Centre and the State (**CGST + SGST**), and  
(b) for **inter-state** sales, the GST is collected by the Centre (**IGST**).

GST, therefore is a destination-based tax applicable on all transactions, involving supply of goods / services for **a consideration, and comprises of :-**

1. **Central Goods & Services Tax (CGST)**, levied by the **Central Government**. The CGST is levied under the **CGST Act, 2017**.
2. **State Goods and Services Tax (SGST)**, levied by the **State Government**. SGST is levied under the respective **state legislations**. Jammu & Kashmir & Ladakh has been made union territories but for the time being J&K SGST Act is applicable.
3. **Union Territory Goods and Services Tax (UTGST)** levied by **Union Territories**, on Intra-state supplies of taxable goods & services. UTGST is levied under the **UTGST Act, 2017** and this is applicable to Union Territories, *i.e.*,

Andaman & Nicobar Islands,

Lakshadweep, Dadra & Nagar Haveli and Daman & Diu (w.e.f. 26.01.2020),

Chandigarh,

Jammu & Kashmir (w.e.f. 31.10.2019),

Ladakh (w.e.f. 31.10.2019)

**National Capital Territory of Delhi, and**

Puducherry (earlier Pondicherry).

4. **Inter-state** supplies of taxable goods / services are subject to **Integrated Goods & Services Tax (IGST) Act, 2017**, which is levied by the **Central Government** and is equal to CGST + SGST.

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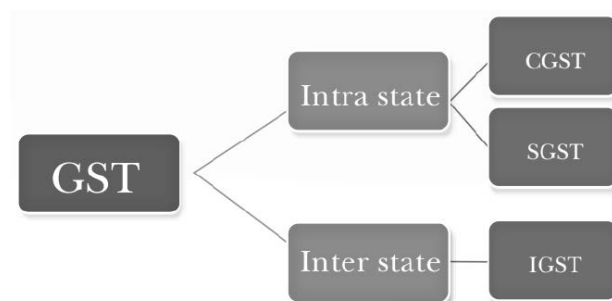
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| CLASSROOM MCQ   |   |
|---|---|
|  | <p><b>Q. 1.</b> Inter-state supplies of taxable goods / services are subject to Integrated Goods &amp; Services Tax (IGST) Act, 2017, is equal to :</p> <p>(a) IGST+UTGST<br/>(b) IGST+CGST<br/>(c) CGST+SGST<br/>(d) None of the above</p> |
|  | <p><b>Q. 2.</b></p> <p>(a)<br/>(b)<br/>(c)<br/>(d)</p>  |

## CONSTITUTIONAL FRAMEWORK OF GOODS & SERVICES TAX

Power to levy Goods and Services Tax (GST), has been conferred by **Article 246A of the Constitution**. This was introduced, by the **Constitution (101st Amendment) Act, 2016**.

## TAXABLE EVENT

The crux of any taxation system is the incidence, i.e., *the point at which the liability to charge tax arises*, and that event is nominated as the taxable event. **Taxable event means an event or situation which gives rise to tax liability.**

The taxable event in GST is the '**Supply**' of goods or services rather than sale, manufacture, production of goods and provision of services.

**TAXABLE EVENT = SUPPLY**

## LEVY & COLLECTION OF TAX

GST is levied at the **point of supply**, that is *at the time and place of supply* and that's when the liability to charge GST arises.

As explained under **Section 15** to Central Goods & Services tax Act, 2017, such GST would be levied on the **transaction value**.

## GST RATES (GOODS)

Rates are broadly

**0.25%,**

**3%,**

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5%,

12%,

18% and

28%

and that is

split into CGST and SGST **equally** for **Intra state sales** and

**fully** leviable as IGST for **Inter-State sale**.

## **GST RATES (SERVICES)**

Rates are broadly

5%,

12%,

18% and

28%

and that is

split in to **CGST and SGST equally** for **Intra-state sales** and

**fully** leviable as IGST for **Inter-state sale**.

## **CALCULATION OF GST**

GST can be calculated simply by multiplying the Taxable amount by GST rate. If CGST & SGST/UTGST is to be applied then CGST and SGST both amounts are half of the total GST amount.

Goods and Services Tax = Taxable Amount x GST Rate

If you have the amount which is already including the GST then you can calculate the GST excluding amount by below formula

**GST excluding amount = GST including amount / (1 + GST rate/100)**

**For example,**



GST including amount of a product in UP is ₹1180 and GST rate is 18%.

GST excluding amount =  $1180 / (1 + 18/100) = 1180 / 1.18 = 1000$

GST is calculated on the transaction amount and not on the MRP.

So, **GST is ₹180**; (SGST is ₹90 and CGST is ₹90).

## **CLASSROOM MCQ**

|   |   |
|---|---|
|  | <p><b>Q. 3.</b> GST is calculated on :</p> <ul style="list-style-type: none"><li>(a) maximum retail price</li><li>(b) value determined by Officers</li><li>(c) value defined under section 15</li><li>(d) amount actually paid by the recipient</li></ul> |
|  | <p><b>Q. 4.</b></p> <ul style="list-style-type: none"><li>(a)</li><li>(b)</li><li>(c)</li><li>(d)</li></ul>   |

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# LEVY & COLLECTION

## SECTION 9

Section 9 is charging section of CGST Act, 2017

### 1. LEVY OF GST NOT EXCEEDING 20%:

|  |
|--|
| There shall be <u>levied a tax called the central goods and services tax (CGST)</u> on all Intra- State supplies of goods or services or both, |
| <u>except on</u> the supply of alcoholic liquor for human consumption,   |
| <u>on the value determined under Section 15</u> and  |
| <u>at such rates, not exceeding 20%</u> , as may be notified by the <b>Government</b> on the recommendations of the <b>Council</b> and         |
| collected in such manner as may be prescribed and  |
| shall be paid by the taxable person.   |

### 2. GST ON PETROLEUM PRODUCTS AT LATER DATE:

The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from **such date as may be notified by the Government on the recommendations of the Council**.

### 3. RECIPIENT OF SUCH GOODS OR SERVICES LIABLE TO GST – REVERSE CHARGE MECHANISM:

The Government may, on **the recommendations of the Council**, by notification, *specify categories of supply of goods or services or both*, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and **all the provisions of this Act shall apply to such recipient** as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

### 4. REVERSE CHARGE IN CASE OF RECEIPT OF SUPPLY FROM UNREGISTERED PERSON:

GST Amendment Act, 2018, substituted this sub-section with the new sub-section (4):-

|  |
|--|
| ✓ The Government may, on the recommendations of the Council, by notification,  |
| ✓ <b>specify a class of registered persons</b> who shall,  |
| ✓ in respect of supply of specified categories of goods or services or both <u>received from an unregistered supplier</u> ,  |
| ✓ <b>pay the tax on reverse charge basis</b> as the recipient of such supply of goods or services or both, and   |
| ✓ all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both. |

### 5. PAYMENT OF TAX BY ELECTRONIC COMMERCE OPERATOR:

The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on Intra-State supplies of **which shall be paid by the electronic commerce operator if such services are supplied through it**, and all the provisions of the Act shall apply to such electronic commerce operator **as if he is the supplier** liable for paying the tax in relation to the supply of such services.

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## CONCEPT OF SUPPLY

|                     |  |
|---------------------|--|
| <b>Section 7</b>    | Meaning and scope of supply  |
| <b>Section 8</b>    | Taxability of ' <b>composite</b> ' and ' <b>mixed</b> ' supplies   |
| <b>Schedule I</b>   | Certain activities <u>without consideration</u> are treated as supply  |
| <b>Schedule II</b>  | certain activities are <b>either</b> deemed as 'supply of goods' or 'supply of services'   |
| <b>Schedule III</b> | Activities or transactions which shall be treated <b>neither</b> as supply of goods nor as supply of services ( <b>Hence, no GST</b> ) |

## SUPPLY

### SECTION 7

Supply is the **point of taxation or the taxable event** under Goods & Services Tax.

The term supply is characterised by the following necessary traits:

|  |
|--|
| (a) Supply should be of <b>goods or services</b>   |
| (b) Anything which is <b>not goods / services</b> (like money, securities etc.) is <b>not supply</b>                           |
| (c) It must be reiterated that only <b>movable property</b> is construed as goods  |
| (d) <b>Barter and exchanges</b> would be leviable to GST   |
| (e) <b>Licences, leases, rentals</b> with or without transfer of the right to use are considered as supply and leviable to GST |
| (f) Supply should be made for a <b>consideration</b> which could be in the form of <b>money or otherwise</b>                   |
| (g) Supply <b>includes the flow of money from a 3rd party</b> in lieu of OR on behalf of the recipient                         |
| (h) <b>Deposit is not consideration</b> unless specifically applied to by the supplier   |
| (i) Supply should be made <b>in the course of</b> OR for the <b>furtherance of business</b>                                    |
| (j) Any supply made for <b>personal consumption</b> OR in <b>personal capacity</b> does not attract GST                        |
| (k) Supply should be made by a <b>taxable person</b>   |
| (l) Supply between <b>both non-taxable parties</b> is not leviable to GST  |
| (m) Supply could be made to a <b>non-taxable person also</b>   |
| (n) A taxable person is one who is <b>registered</b> OR is <b>liable to be registered</b> under the Act                        |

## COMPOSITE & MIXED SUPPLY

### SECTION 8

Often **goods or services or both together** are **supplied in combination** and that's when *it may not be simple enough to distinguish supplies and identify them separately*, as **each of them may attract a different rate of tax but is sold as one package**.

## COMPOSITE SUPPLY

**Section 2(30)** defines "composite supply" as a supply made by a taxable person to a recipient consisting of **two or more taxable supplies of goods or services or both, 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 a principal supply;

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**The features** of a composite supply are:

- |   |
|---|
| (a) Two or more taxable supplies of goods / services / both which are supplied in conjunction with each other |
| (b) They are <b>naturally bundled</b>   |
| (c) A <b>single price</b> is charged for the supply   |
| (d) <b>One of the supplies</b> within the package is identifiable as a <b>principal supply</b>                |

**Example:**

On buying a **LED Television**, along with it, the **remote control**, the **wires** and all the **accessories** that go with it along with the warranty and the maintenance services are provided.

It is evident here that the LED Television is the principal supply and the others (remote / wires / warranty are all ancillaries).



**Answer:-**

**Taxability**

The composite supply will be charged at the rate which is applicable to the principal supply.

| Composite Supply  | INR           |
|---|---------------|
| LED Television supplied with remote, wires and 1 Year Warranty with AMC | 100000        |
| GST (LED TV) @ 28%  | 28000         |
| <b>Invoice Value</b>  | <b>128000</b> |

Here rates have been mentioned only for illustration purpose. Actual Rates may vary.

| CLASSROOM MCQ   |   |
|---|---|
|  | <b>Q. 5.</b> Inclusive meaning of the term ‘Supply’ under CGST Act is given under section<br>(a) Section 5<br>(b) Section 9<br>(c) Section 8<br>(d) Section 7 |
|  | <b>Q. 6.</b><br>(a)<br>(b)<br>(c)<br>(d)  |

## MIXED SUPPLY

Under **Section 2(74)** of CGST Act, 2017, “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**.

**The features of a mixed supply are:**

- |   |
|---|
| (a) Two or more taxable supplies of goods / services / both which are supplied in conjunction with each other |
| (b) They are <b>deliberately bundled</b>  |
| (c) A single price is charged for the supply  |
| (d) <b>None of the supplies</b> within the package is identifiable as a <b>principal supply</b>               |

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**Example:**

One buys a **consolidated package of beauty products** (that is shampoo, comb, conditioner, nail polish, lipstick and tooth powder).

It is evident here that the products can all be independently supplied and any one of them cannot be singled out as a principal supply and these are deliberately bundled and sold together.

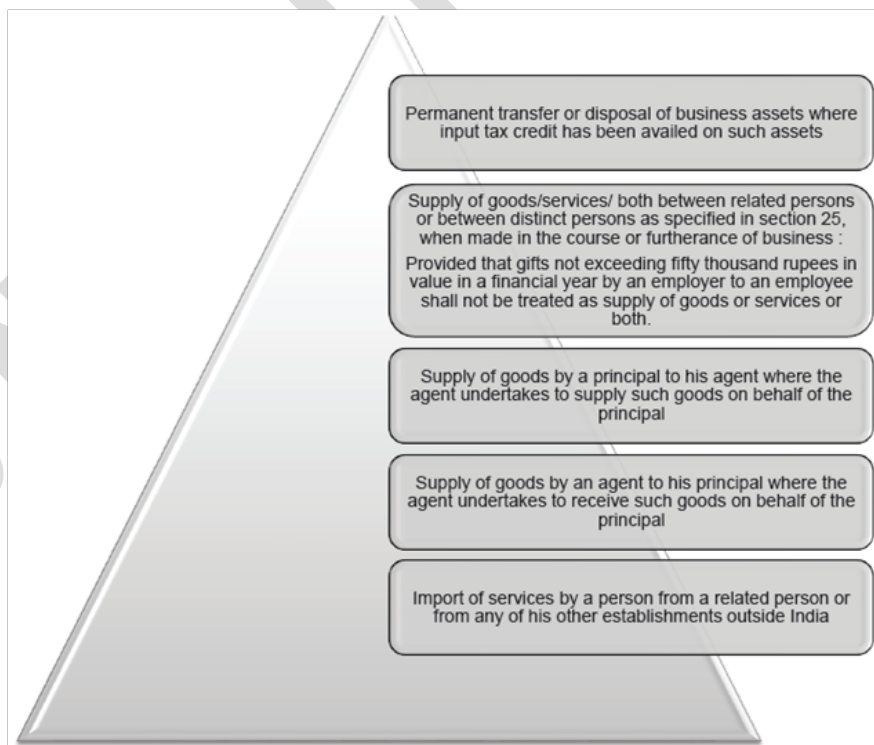
**Answer:-****Taxability**

The mixed supply will be charged at the rate applicable to the supply that attracts the highest rate of tax from within the consolidated package.

| Mixed Supply                        | INR   |
|-------------------------------------|-------|
| Bottles of Shampoo (GST @ 28%)      | 2000  |
| Bottles of Conditioners (GST @ 28%) | 1500  |
| Comb (GST @ 5%)                     | 200   |
| Hair Dryer (GST @ 28%)              | 1250  |
| Lipstick set (GST @ 28%)            | 1750  |
| Nail Polish (GST @ 28%)             | 800   |
| Tooth Powder (GST @ 12%)            | 500   |
| Consolidated Value of Supply        | 8000  |
| GST (highest rate 28%)              | 2240  |
| Invoice Value                       | 10240 |

**SCHEDULE I**

There are a few transactions which, **even without consideration are construed as supply**, also known as **deemed supplies** as specified in Schedule I:



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

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**(1) PERMANENT TRANSFER OR DISPOSAL OF BUSINESS ASSETS WHERE INPUT TAX CREDIT HAS BEEN AVAILED ON SUCH ASSETS. [PARA 1. OF SCHEDULE II]:**

In order to qualify as supply under this para, following conditions need to be satisfied:

- |   |
|---|
| (a) There must be a <b>disposal or transfer of business assets.</b> |
| (b) Transfer/disposal must be <b>permanent.</b>                     |
| (c) <b>ITC</b> must have been availed on such business assets.      |

**(2) SUPPLY OF GOODS OR SERVICES OR BOTH BETWEEN RELATED PERSONS OR BETWEEN DISTINCT PERSONS AS SPECIFIED IN SECTION 25 [PARA 2. OF SCHEDULE II]:**

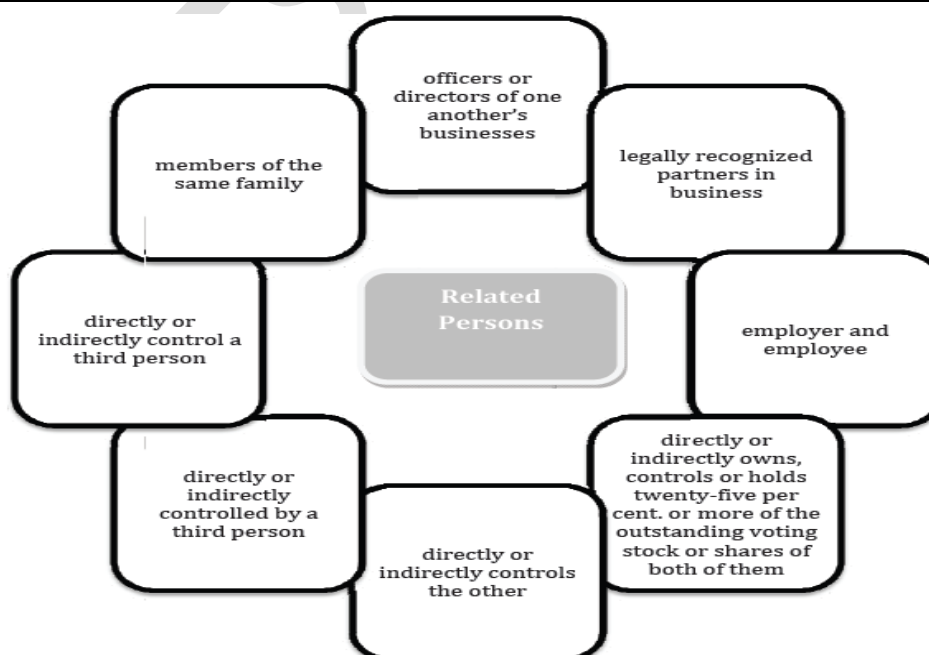
The deemed supplies covered in this paragraph are **based on a relationship between the supplier and recipient.**

**MEANING OF RELATED PERSON:**

**(Explanation to Section 15)**

Persons including legal person are deemed as related persons if

- |   |
|---|
| 1. Such persons are <b>officers/directors of one another's business</b>   |
| 2. Such persons are <b>legally recognised partners</b>  |
| 3. Such persons are <b>employer &amp; employee</b>  |
| 4. <b>A third person</b> controls/ owns/ holds (directly/ indirectly) <b>≥ 25%</b> voting stock/shares of <b>both of them</b> |
| 5. One of them <b>controls</b> (directly/indirectly) the other  |
| 6. A <b>third person controls</b> (directly/indirectly) <b>both</b> of them   |
| 7. Such persons <b>together control</b> (directly/indirectly) a <b>third person</b>   |
| 8. Such persons are members of the <b>same family</b>   |
| 9. One of them is the <b>sole agent/sole distributor/sole concessionaire</b> of the other                                     |



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## MEANING OF DISTINCT PERSON

### [Section 25]

**Section 25(4) of the CGST Act:** A person who has obtained/is required to obtain more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, **be treated as distinct persons**.

**Section 25(5) of the CGST Act:** Where a person who has obtained or is required to **obtain registration** in a State or Union territory **in respect of an establishment**, has an establishment in another State or Union territory, then **such establishments shall be treated as establishments of distinct persons**

## GIFT

However, gifts not exceeding Rs 50,000 in value in financial year **by an employer to an employee** shall not be treated as supply of goods or services or both.

It may also be noted that a **gift need not always be in terms of goods**. A **service can also** constitute a gift, such as **gift vouchers for a beauty treatment**.

Question which arises that is on what value will the GST liability be calculated in case the gift amount exceeds ₹50,000/-. Although it is not expressly mentioned in the GST Act. But a reasonable construction can be drawn that **GST shall be levied on the whole amount in case the gift amount exceeds ₹50,000/-**.

### (3) **PRINCIPAL – AGENT [PARA 3. OF SCHEDULE I]:**

Supply of goods by a **principal to his agent and vice-versa**, without consideration, where the agent undertakes to supply such goods **on behalf of the principal and vice-versa**, is considered as supply.

#### **Example 1:**

**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 scenario, 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, in accordance with the provisions of this Act, **Mr. B is not an agent of Mr. A** for supply of goods in terms of Schedule I.

#### **Example 2:**

**M/s XYZ, a banking company, appoints Mr. B** (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders.

The highest bid is accepted and the goods are sold to the highest bidder by M/s XYZ. The invoice for the supply of the goods is issued by M/s XYZ to the successful bidder.

In this scenario, the auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Even in this scenario, **B is not an agent of M/s XYZ** for the supply of goods in terms of Para 3. of Schedule I

#### **Example 3:**

**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 scenario, 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. This scenario is covered under Schedule I.

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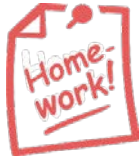
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#### (4) **IMPORT OF SERVICES [PARA 4 OF SCHEDULE I]**

Import of services by a person **from a related person or from his establishments located outside India**, without consideration, **in the course or furtherance of business** shall be treated as “supply”.

#### CLASSROOM MCQ

|   |  |
|---|--|
|  | <p><b>Q. 7.</b> Supply includes transactions without consideration referred to in schedule I. Which of the following is not covered by this schedule ?</p> <p>(a) Permanent transfer of business assets after taking ITC</p> <p>(b) Transfer made by principal to his agent</p> <p>(c) Import Supply between related persons</p> <p>(d) Services by employee to his employer</p> |
|  | <p><b>Q. 8.</b></p> <p>(a)</p> <p>(b)</p> <p>(c)</p> <p>(d)</p>  |

### SCHEDULE II

Schedule II of the Central Goods & Services Tax Act, 2017 lists **activities or transactions which are to be treated as ‘SUPPLY OF GOODS’ or ‘SUPPLY OF SERVICES’**.

| Form of Supply            | Description   |
|---------------------------|---|
| <b>Supply of Goods</b>    | Transfer of <b>title</b> in goods<br><i>Example:</i> A of Delhi deals in Electronic Goods. He transfers the <b>title of a television set</b> for an agreed consideration to B of Delhi in Jan. 2020. In the given case, the transfer of title in television shall be considered as supply of goods.   |
| <b>Supply of Goods</b>    | Transfer of <b>title in goods</b> under an agreement where property in goods passes at a <b>future date</b> on payment of full consideration<br><i>Example:</i> Under a scheme of finance, a supplier of a car gives the possession of car to the buyer in March 2020. He, agrees to transfer the ownership of the car to the buyer in August 2020 upon payment of full consideration of ₹26,60,000. in instalments as agreed. The aforesaid transaction shall be treated as supply of goods.   |
| <b>Supply of Goods</b>    | <b>Permanent transfer or disposal of goods</b> forming part of business assets by or under the directions of the person carrying on the business whether or not for consideration<br><i>Example :</i><br>(i) A is carrying on the business of consumer durable products. He disposed of a defective refrigerator for ₹50,000 to B whereas its normal price is ₹3,50,000. A foresaid disposal shall be considered as supply of goods by B.<br>Any goods forming a part of business assets will be deemed to be transferred in furtherance of business, before any person ceases to be a taxable person<br><b>Exception</b><br>(a) The business is transferred as a going concern<br>(b) The business is carried on by a personal representative who is deemed to be a taxable person |
| <b>Supply of Goods</b>    | Supply of goods by any <b>unincorporated association or body of persons</b> to a member thereof for cash, deferred payment or other valuable consideration.   |
| <b>Supply of Services</b> | Any transfer of <b>right in goods or undivided share in goods without transfer of title</b><br><i>Example:</i> A transfers <b>right to use of a generator</b> for a period of 2 months for an agreed consideration to B in Feb, 2020. The foregoing transfer of generator without transfer of title in generator shall be treated as a supply of service.   |

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|---------------------------|--|
| <b>Supply of Services</b> | Any <b>lease, tenancy, easement, licence</b> to occupy land<br><i>Example:</i> A the owner of a specific piece of land in Delhi, leases the same to B for one year for an agreed consideration in Jan 2020. The aforesaid lease of land shall be treated as a supply of services.<br>Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly  |
| <b>Supply of Services</b> | Any <b>treatment or process</b> which is applied to another person's goods<br><i>Example:</i> A is a manufacturer of goods. He sends his goods for the purpose of <b>special packaging to B on job work</b> . In the given case, the activity of special packing by B shall be treated as supply of services. Further, it shall be immaterial whether B uses his own packing material or the same is provided by A.  |
| <b>Supply of Services</b> | Where, by or under the direction of a person carrying on a business, goods held assets or used for the purpose of business <b>are put for any private use</b> or made available to any person <b>for any use other than for the purpose of business</b> , at the direction of the person carrying on the business, whether or not for a consideration.<br><i>Example:</i> A deals in home appliances like washing machines, refrigerator, etc. He uses computers in his shops for keeping track of inventory and for other business purposes. Out of 2 computers, <b>A takes home one computer to be used by his son for his studies during the month of Jan 2020</b> and thereafter computer is brought back to the show room of A. The <b>aforesaid private use</b> of a computer by A/his son shall be treated as a 'supply of services.' |
| <b>Supply of Services</b> | <b>Renting</b> of immovable property   |
| <b>Supply of Services</b> | Construction 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 competent authority or after its first occupation, whichever is earlier   |
| <b>Supply of Services</b> | Temporary transfer or permitting the use or enjoyment of any intellectual property Right   |
| <b>Supply of Services</b> | Development design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software  |
| <b>Supply of Services</b> | Agreeing to the <b>obligation to refrain from an act, or to tolerate an act</b> or a situation, or to do an act<br><u><i>Example:</i></u><br>A who is interested in taking loan from some bank but <b>does not have any collateral security</b> , approaches B who agrees to <b>mortgage his property as collateral security</b> to the bank for advancing loan to A'. <b>B charges some consideration from 'A' for providing such collateral security</b> . Consideration received by B shall be covered under the scope of this entry and shall be subject to tax as a supply of services.   |
| <b>Supply of Services</b> | Transfer of the <b>right to use any goods</b> for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration   |
| <b>Supply of Services</b> | <b>Works Contract</b> as defined under Section 2(119)<br><b>Supply of goods, as a part of any service or in any manner, being food or any other article for human consumption or any drink</b> (other than alcoholic liquor for human consumption), where such supply or service is for cash deferred payment or other valuable consideration  |

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## PRACTICAL QUESTION

| Goods/Services                                  | Description  | Treated as : |
|---|--|--------------|
| <b>1. Goods</b>                                 | Sale of goods  |              |
|   | Lease of goods   |              |
|   | Hire-purchase of goods   |              |
| <b>2. Land and Building</b>                     | In relation to any land/building, any lease, tenancy, easement, licence to occupy  |              |
| <b>3. Job works</b>                             | Any treatment or process which is applied to another person's goods.   |              |
| <b>4. Business assets</b>                       | Transfer or disposal of business assets whether or not for consideration   |              |
|   | Allowing business goods to be used for private or personal use   |              |
|   | Business assets on cessation of that business, EXCEPT<br>✓ Where the business is transferred as a going concern<br>✓ Where the business is carried on by a personal representative |              |
| <b>5. Immovable property</b>                    | Renting of immovable property.   |              |
| <b>6. Construction</b>                          | Construction of a complex, building, civil structure etc. EXCEPT where the entire consideration has been received after issuance of completion certificate.                        |              |
| <b>7. Intellectual Property rights</b>          | Temporary transfer or permitting the use of an IPR.  |              |
| <b>8. Information technology</b>                | Development, design, programming, customization, adaptation, upgradation etc. of information technology software.  |              |
| <b>9. Action</b>                                | Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act.  |              |
| <b>10. Composite Supplies</b>                   | Works Contract as defined under Section 2(119).  |              |
|   | Supply of goods (as a part of any service) being food or any drink for a consideration.  |              |
| <b>11. Supply by unincorporated association</b> | Supply of goods by any unincorporated association to a member thereof for a consideration  |              |

**Answer :-** Goods, Service, Goods, Service, Service, Goods, Service, Goods, Service, Service, Service, Service, Service, Service, Goods.

### CLASSROOM MCQ

|   |  |
|---|--|
|  | <p><b>Q. 9.</b> The activities to be treated as supply of goods or supply of services are referred to in ____ of CGST Act, 2017</p> <p>(a) Schedule I<br/>(b) Schedule III<br/>(c) Schedule II<br/>(d) none of the above</p> |
|  | <p><b>Q. 10.</b></p> <p>(a)<br/>(b)<br/>(c)<br/>(d)</p>  |

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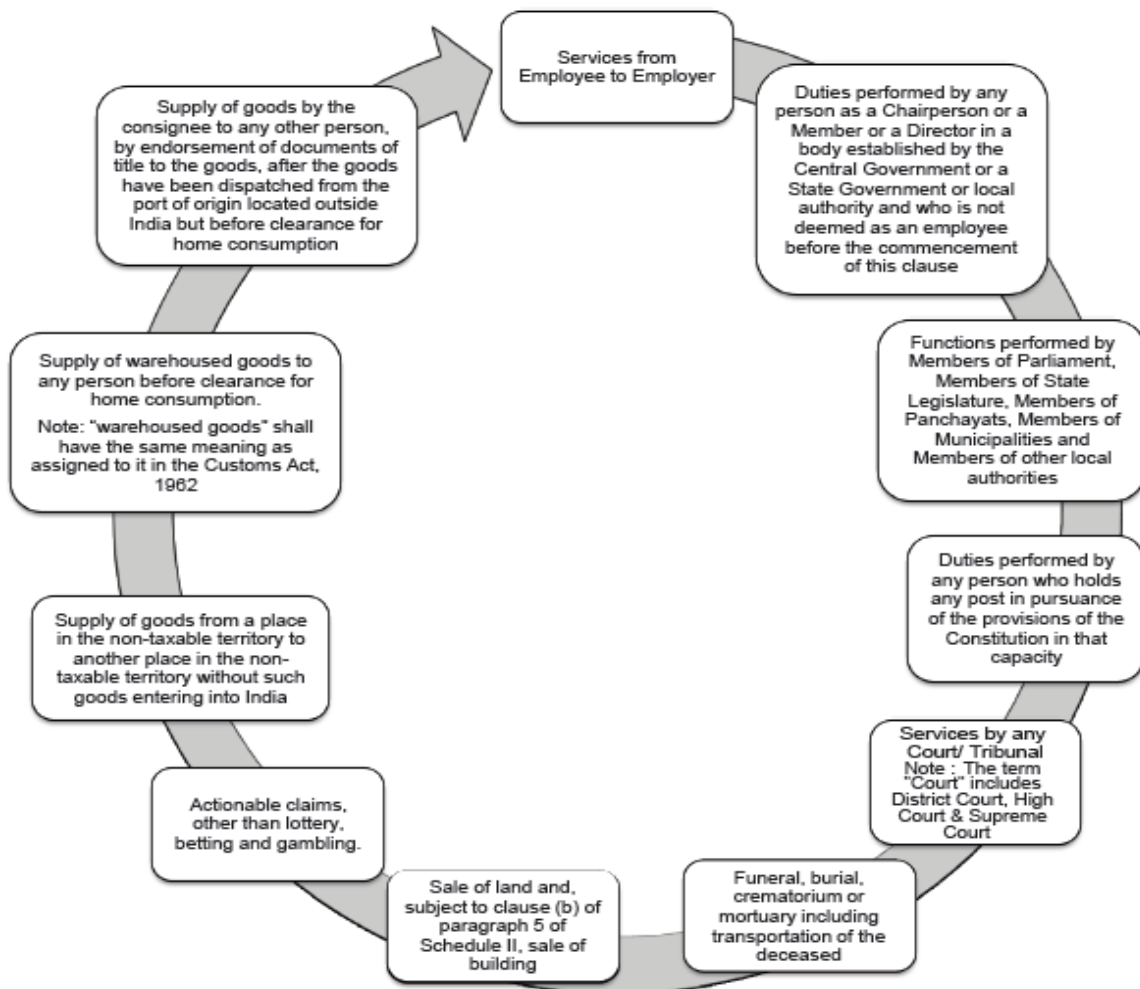
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## SCHEDULE III

There are a few activities which are specifically **not to be considered as Supply**. Schedule III to CGST Act, 2017 lists down the following activities which shall be treated **NEITHER as supply of goods NOR supply of services.**



## LIABILITY TO PAY GST

The **liability to pay GST would depend on the mechanism** the transaction aligns to, as under:

### (a) Forward Charge Mechanism (FCM)

Forward charge or direct charge is the mechanism where the **supplier of goods/services is liable** to pay tax. For instance, if a *Company Secretary provided a service to his client, the service tax will be payable by the Company Secretary*. Here the supplier is registered under GST, he issues a tax invoice, collects the GST and pays it to the Government.

### (b) Reverse Charge Mechanism (RCM)

Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like **imports and other notified supplies**, the liability may be cast on the recipient under the reverse charge mechanism. Reverse Charge means the **liability to pay tax is on the recipient** of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply. *Here the supplier is not registered under GST*, hence, he cannot issue a tax invoice, and therefore the recipient pays the GST on the supply on behalf of the supplier, directly to the Government.

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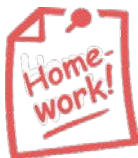
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It must be noted although, **that Input Tax Credit can be availed in both the above scenarios**, subject to the fulfilment of conditions for availing Input Tax Credit.

In case of E-commerce, **the E-commerce operators**, who are mandatorily required to register with GST, collect tax at source at a specified percentage and pay the same to the Government.

| CLASSROOM MCQ   |  |
|---|--|
|  | <p><b>Q. 11.</b> Which of the following schedule contains list of those activities which shall be treated as neither supply of goods nor supply of services</p> <p>(a) schedule I<br/>(b) Schedule II<br/>(c) both of the above<br/>(d) Schedule III</p> |
|  | <p><b>Q. 12.</b></p> <p>(a)<br/>(b)<br/>(c)<br/>(d)</p>  |

|     |  |     |  |     |  |     |  |     |  |     |  |   |
|-----|--|-----|--|-----|--|-----|--|-----|--|-----|--|---|
| 1.  |  | 2.  |  | 3.  |  | 4.  |  | 5.  |  | 6.  |  |  |
| 7.  |  | 8.  |  | 9.  |  | 10. |  | 11. |  | 12. |  |   |
| 13. |  | 14. |  | 15. |  | 16. |  | 17. |  | 18. |  |   |

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CS NITESH KR. JAISWAL



Answers to be analysed in Classroom

Q. 2.

Answer to Question No. 2:-

CS NITESH KR. JAISWAL