

3. Concept of Supply

Q1. Example wherein the following activities would not be supply under GST Act
 (a) Bulokha manufactures 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.

Ans:- Schedule I of GST Act, states that supply of goods or services or both between related person or between distinct person will be treated as supply even without consideration provided it is made in course or furtherance of business. In the above case factory & depot of Bulokha manufactures are establishment of two distinct person. Therefore, supply of goods from delhi factory to mumbai depot without consideration but in course of business of supply section 7 under GST

(b) Roman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Roman has taken legal advice from him once or cost coin regard to his family dispute.

Ans:- Schedule I of GST Act, states that import of services by a taxable person from a related person located outside India. without consideration is treated as supply if it is provide in course or furtherance of business. Here related person means members of the same family in the given case Roman has received once or cost legal advice from his brother. But Roman has taken legal advice in personal matter and in not course or furtherance of business. Hence, it cannot be treated as supply.

(c) Rom has received a sum of Rs. 500000 from his employer on premature termination of his contract of employment. Rom needs your advice as to whether such receipts are liable to GST.

Ans:- It is not a supply. As per sec. 7(2)(d) of GST Act, 2017 supply excludes services provided by the employee to the employer in the course of employment (covered under Schedule III of GST Act 2017)

(d) Mr. Raghav an employee provides his service on contract basis to an associate company of Vikram Enterprises, the employer. The above activity is being considered in lieu of specific monetary consideration.

Ans: Mr. Raghav supplied services for consideration to associate company of Vikram Enterprises but not to his employer (Vikram Enterprises). Hence, it is supply of services and liable to pay GST in the hands of associate company.

(e) Salary paid to partner by partnership firm.

Ans: No, it is not supply as it is just an appropriation of profit. Salary received by partner is taxable as business income and subject to income tax in the hands of concerned partner if allowed as business expense.

(f) M's Ltd. has 3 branches. A, B & Z in different states. A in Telangana has run out of stock and B from Andhra Pradesh transfers its excess stock.

Ans: Yes, it is supply of goods and liable to GST reason: Supply of goods between distinct person. In the course or furtherance of business & without consideration shall deemed and liable to GST.

(g) M/s Vidya Academy Pvt. Ltd gives reward gifts to each employee worth Rs. 75000

Ans: An employee and employer are considered as related person. Any gift received from employer will be treated as supply if the gift value in a FY exceeds Rs. 50000

(h) Ravi & Co ... (a CMA firm) employer who is represents his employee before the income tax authorities but does not charge any professional fee in respect of the same.

Ans: Schedule I of CGST is applicable, it would constitute a taxable supply and liable to GST as they (employer and employee) are related persons even though no consideration is involved.

(P) M/s M & Co. a sole proprietor, is in the business of selling furniture. His owner took a set of furniture to furnish his house permanently. ITC on furniture is not availed.

Ans: No, the transfer of the furniture by the owner without consideration is not a supply of goods, because credit is not allowed in case of personal consumption of business assets.

(Q) Mr. Das purchased a car for personal use and after a year sold it to a car dealer for Rs. 2 lakhs.

Ans: This transaction is not a supply. Moreover, supply is made by individual is not in the course or furtherance of business. Further, no input tax credit was admissible on such car at the time of its acquisition as it was meant for non-business use.

(R) M/s Z Ltd upgrades the computer system. The existing computers and laptops, which do not support the upgraded version, donated to a trust.

Ans: As per Schedule I of CGST Act, permanent transfer of or disposal of business assets will be treated as supply even if made without consideration provided input tax credit has been availed on such assets. In the above case, disposal of old computers & laptops will be treated as supply of goods liable to GST in the hands of Z Ltd provided if company availed input tax credit on such computers and laptops.

(S) Import of some services by an Indian branch from the parent company outside India in the course of furtherance of business without consideration.

Ans: As per Schedule I of CGST Act, import of services by a person from related person or from any of his other establishment outside India in the course of furtherance of business will be subject to GST even if made without consideration. Hence it is taxable supply and subject to GST.

(m) M/s. P. Appalarao & Co. (Chennai), Tamil Nadu, supplies fashion designing services of Rs. 5000000 from P. Srinivas Deshpande in Singapore.

Ans: It is a supply under GST as import of services in course or furtherance of business. In the above case recipient of service is liable to pay GST.

(n) X Ltd supplied spare parts factory to replace during warranty period.

Ans: It is not supply. GST is not chargeable if such replacement is provided by a business to customers without consideration under warranty.

(o) Paul & Co. engages Honda Cars Ltd. as an agent to sell cars on its behalf. Honda Cars Ltd. has supplied 50 cars to the showroom of Paul & Co. located in Chennai.

Ans: Supply of cars by Honda Cars Ltd. to Paul & Co. is supply of goods by principal to his agent with quality of supply and the same is taxable to GST.

2. Determine whether the following supplies amount to composite supplies or mixed supplies.

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

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

(c) A shopkeeper selling storage water bottles along with refrigerators.

(d) Sparo Bazar offers a free bucket with detergent purchased. Rate of GST for detergent @ 28% and bucket @ 18%.

Ans: (a) Under composite supply two or more taxable supplies of goods or services or both or any combination thereof are naturally bundle & supply in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(80) of the CGST Act]. A 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. [Section 2(71) of the CGST Act].

(a) Since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled. So, said supplies qualify as 'composite supply'.

(b) Since supply of toothbrush along with the toothpaste are not naturally bundled. So, said supplies do not qualify as 'composite supply' but is mixed supply.

(c) Bottles and the detergents can easily be packed and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

(d) This is a mixed supply. These items (bucket and detergent powder) can be sold separately. Product which has the higher rate, will apply on the whole mixed bundle (i.e. 28%).

3. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act.

(a) Renting of immovable property - Supply of services

(b) Goods forming part of business assets are transferred or disposed of by under directions of person conducting the business, whether or not for consideration - Supply of goods

(c) Transfer of right in goods without transfer of title in goods - Supply of services

(d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date - Supply of goods.