



GOODS AND SERVICES TAX



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What is GST?

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Services Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on **1st July 2017**; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition.

In simple words, Goods and Services Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

GST is one indirect tax for the entire country.

Concept of GST

- 1. Tax on Value Addition-** It is a single tax on the supply of goods and services, right from the manufacturer to the consumer with credit of taxes paid at previous stages available as set-off. In a nutshell, only value addition is taxed.
- 2. Continuous flow of Tax Credit-** GST provides comprehensive and continuous chain of tax credits from the Manufacturer's point/ Service provider's point up to the Retailer's level/ Consumer's level thereby taxing only the value added at each stage of supply chain.

- 3. Tax incidence is to be ultimately borne by Final Consumer-** GST paid on the procurement of goods and services can be set off against that payable on the supply of goods and services. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain, with set-off benefits at all the previous stages.
- 4. Mitigation of cascading/double taxation** GST is levied only on value addition. Thus, it prevents cascading effect of tax i.e. tax on tax. GST does not differentiate between goods and services and thus, the two are taxed at a single rate.

Important Definitions

a) Consideration-

Any payment made or to be made, whether in money or otherwise or the monetary value of any act or forbearance, in respect of, in response, or for the inducement of, the supply of goods or services or both.

b) Goods-

Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply.

c) Services-

Anything other than goods, money and securities but includes

activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

d) Aggregate Turnover-

Aggregate Turnover is an all-encompassing term covering all the supplies effected by a person having the same PAN. It specifically excludes:

- Inward supplies effected by a person which are liable to tax under reverse charge mechanism; and
- Various taxes under the GST law, Compensation cess The different kinds of supplies covered are:

a) Taxable supplies;

b) Exempt Supplies:

- Supplies that have a 'NIL' rate of tax;
- supplies that are wholly exempted from SGST, UTGST, CGST, IGST or Cess; and
- supplies that are not taxable under the Act (alcoholic liquor for human consumption and articles listed in section 9(2) and in schedule III);

c) Export of goods or services or both, including zero-rated supplies. The following aspects among others need to be noted:

❖ Aggregate turnover is relevant to a person to determine:

- ❖ Threshold limit to opt for composition scheme.
- ❖ Threshold limit to obtain registration under the Act:

- ❖ Inter-State supplies between units of a person with the same PAN will also form part of aggregate turnover.
- ❖ For an agent, the supplies made by him on behalf of all his principals would have to be considered while analyzing the threshold limits.
- ❖ For a job-worker, the following supplies effected on completion of job work would not be included in his 'aggregate turnover' when working under Section 143: Goods returned to the principal
- ❖ Goods sent to another job worker on the instruction of the principal.
- ❖ Goods directly supplied from the job worker's premises (by the principal): It would be included in the 'aggregate turnover' of the principal.

e) Works Contract

Contract for;

- ❖ building, construction,
- ❖ fabrication,
- ❖ completion, erection, installation,
- ❖ fitting out,
- ❖ improvement, modification,
- ❖ repair, maintenance, renovation,
- ❖ alteration or commissioning
- ❖ Of immovable property.

- Wherein transfer of property in good is involved in the execution of such contract

Schedules under CGST Act

I	Supply without consideration- Taxable
II	Supplies to be treated as Supply of goods or Supply of services
III	Transactions which are neither supply of goods nor services

Section 7(1)(c)

Activities specified in **Schedule 1**, made or agreed to be made **without consideration** covered in scope of supply

Schedule – I

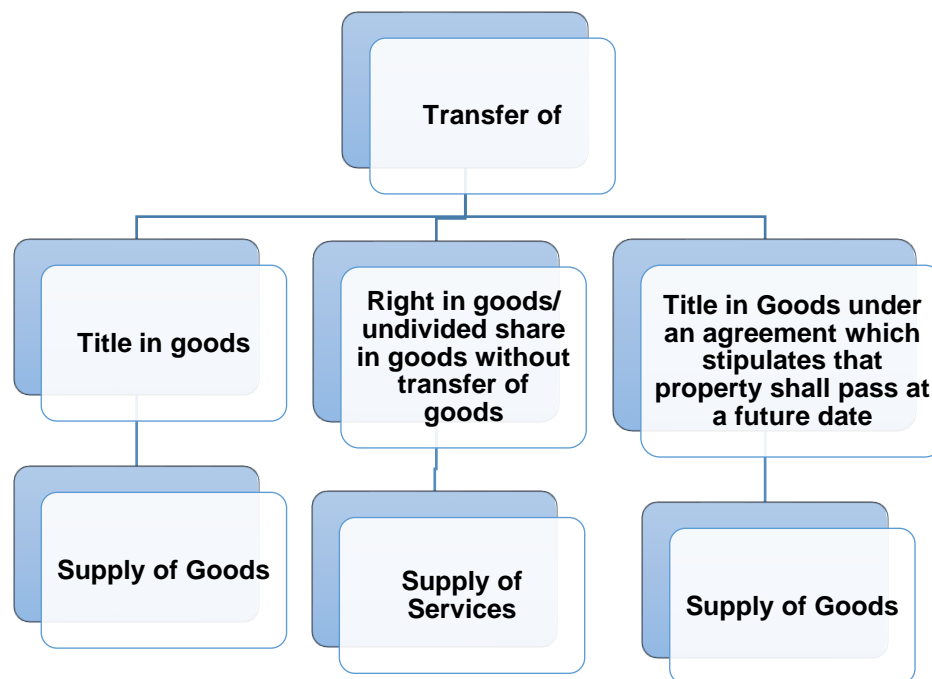
- 1 • Permanent transfer/ disposal of business assets where input tax credit has been availed on such assets.
- 2 • Supply of goods or services or both between related persons or distinct persons, when made in the course or furtherance of business:
• **Exception:** Gifts not exceeding Rs. 50,000/- in value in a FY by an employer to an employee shall not to be treated as supply
- 3 • Supply of goods between principal and agent
- 4 • Import of services by a person from a related person or from any of his establishments outside India, in the course or furtherance of business

Section 7(1)(d)

Activities to be treated as **supply of goods or supply of services** as referred to in the **schedule II**

Schedule II

1. Transfer



2. Land and Building

- a. Lease, tenancy, easement, license to occupy land- **Supply of Services**
- b. Leasing or letting out of building – **Supply of Services**

3. Treatment or process

- a. Any treatment or process which is applied to another person's goods is Supply of Services

4. Transfer of Business Asset

- a. Goods forming part of business assets- Supply of Goods
- b. Goods used for business are put to private use- Supply of Services
- c. Goods forming part of any business carried on by a person who ceases to be a taxable person- Supply of Goods

5. Supply of Services

- a. Renting of immovable property
- b. Construction except where consideration obtained after completion
- c. Temporary transfer of intellectual property right
- d. Development, design, programming, implementation of IT software
- e. Transfer of right to use any good

6. Composite Supply

The following composite supply shall be considered as Supply of Services

- f. Work contract services
- g. Food or any other article for human consumption

Section 7(2)

Activities or transactions specified in **schedule -iii** shall be treated **neither as a supply of goods nor a supply of services.**

Schedule III

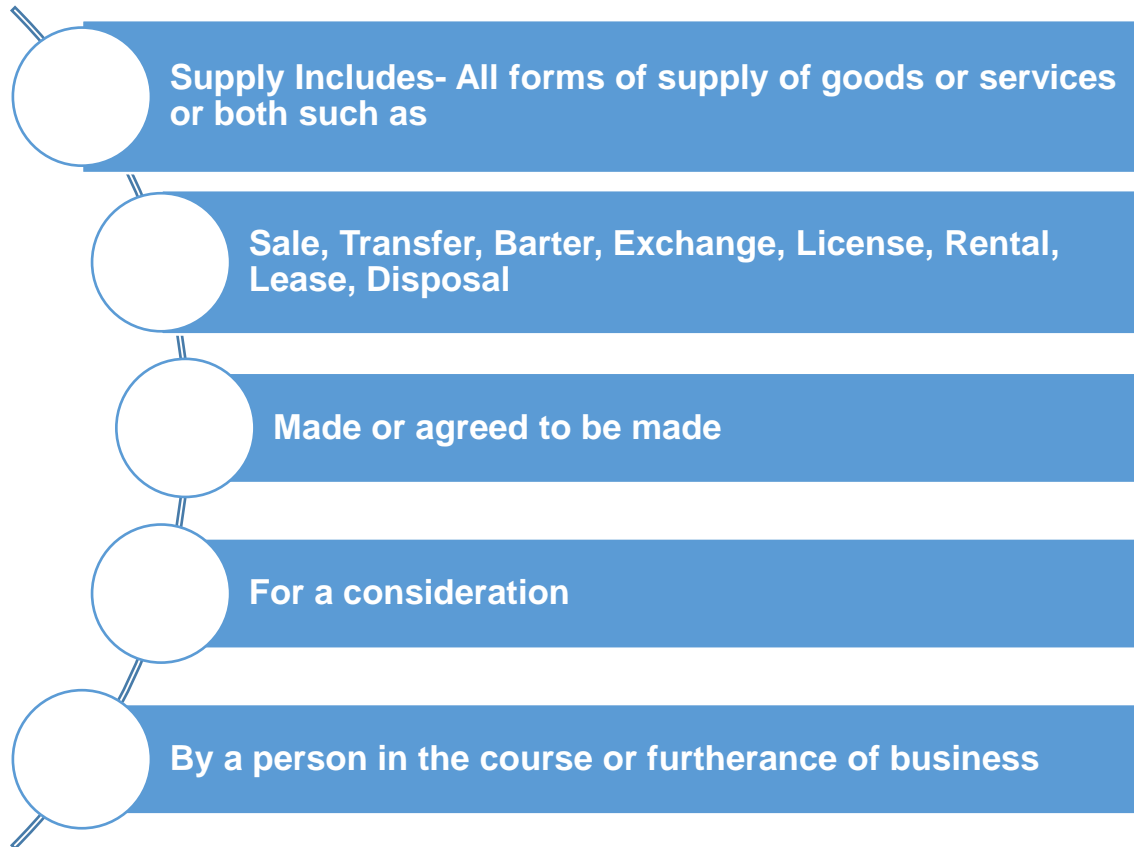
1. Services by employee to employer in the course of or in relation to his employment.
2. Services by any court or tribunal
3. Functions performed by elected representatives/ Government officials
4. Services of funeral, burial, cremation or mortuary including transportation of deceased.
5. Actionable claim other than lottery betting and gambling
6. Sale of Land and sale of Building where entire consideration has been received after issuance of completion certificate
7. Supply from a non-taxable territory to another non-taxable territory
8. Supply of warehoused goods before clearance for home consumption
9. Supply by consignee by endorsement of title of goods after goods have been dispatched from port of origin located outside India

Supply under GST Section 7(1)(a) of CGST Act

Topic Covered ;

- **What is Supply under GST**
- **Elements of Supply**
- **Types of Supply**
- **Nature of Supply**
- **Composite and Mixed Supply**

What is Supply under GST

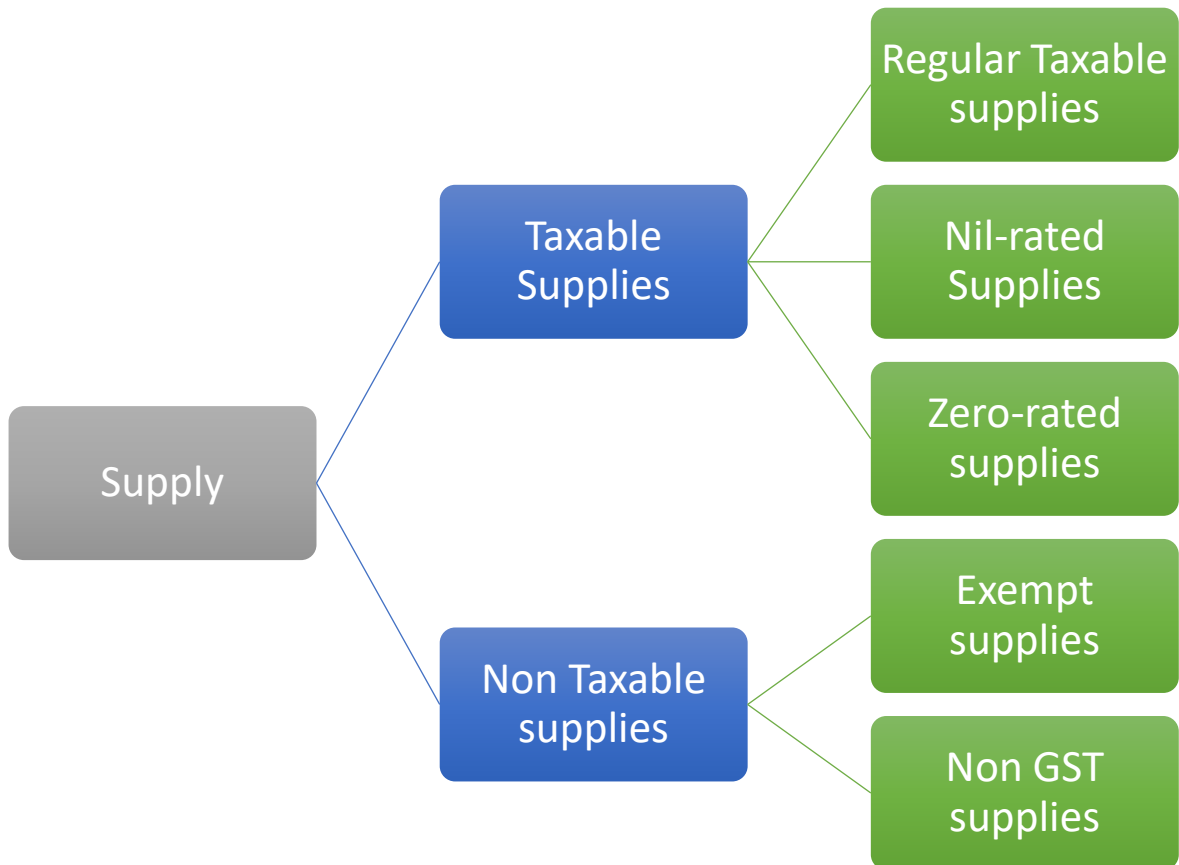


Elements of Supply

- Supply is done for a **consideration**
- In the **furtherance of Business**

** However, as specified in Schedule I of GST Act, certain activities are considered as supply even if it is made without consideration.*

Types of Supply



**Can you guess whether following items falls under which category...?
Present Position**

1. Meat other than those in frozen state - **Non-taxable – Nil**
2. rated Coffee bean not roasted - **Non-taxable – Nil rated**
3. Handloom - Non-taxable – **Exempted**
4. Newspapers - **Non-taxable – Nil rated**
5. Mobile Phones - **Taxable**
6. Organic Manure - **Non-taxable – Nil rated**
7. Furniture - **Taxable**

Nature of Supply

INTRA STATE SUPPLY

Location of the supplier and place of supply are in the same State or Union Territory

INTER STATE SUPPLIES

Location of the supplier and place of supply are in different States/ Union Territory

Composite and Mixed Supply (Sec 8 of CGST)

Composite Supply



- Comprises two or more taxable supplies of goods or services or both, or any combination thereof
- Naturally bundled and supplied in conjunction with each other,
- In the ordinary course of business,
- One of which is a principal supply

Mixed Supply



- 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

Rate Applicable

Tax Rate of the Principal supply shall apply on the entire transaction (Composite supply)

Tax rate that is higher of the two supplies shall apply to the entire transaction (Mixed supply)

Can you guess whether the following are composite or mixed supply?

- | | | |
|--|---|-----------|
| Accommodation with breakfast in a hotel | - | Composite |
| Laptop with carry case of same company | - | Composite |
| Supply of equipment and installation of same | - | Composite |
| Health care services along with medicaments | - | Composite |
| Tooth brush is supplied along with tooth paste | - | Mixed |
| A supply of package consisting of canned foods, chocolates, cakes, dry fruits etc. | - | Mixed |

Place of Supply under GST

Topic Covered;

- **What is Place of Supply under GST**
- **Importance of POS**
- **Place of Supply - Goods**
- **Place of Supply – Import and Export**
- **Place of Supply – Services**

➤ What is Place of Supply?

GST is a destination-based tax, i.e., the Goods/Services will be taxed at the place where they are consumed and not at the origin. So, the state where they are consumed will get the benefit of GST. This, in turn, makes the concept of place of supply crucial under GST.

➤ Importance of Place of Supply?

Place of supply of goods under GST defines whether the transaction will be counted as intra-state or inter-state, and accordingly levy of SGST/CGST & IGST will be determined.

➤ Place of supply- Goods

Sl.No.	NATURE OF TRANSACTION	PLACE OF SUPPLY
1	When movement involved	Place where movement terminates for delivery
2	When movement not involved	Location at the time of delivery
3	Bill to Ship to model	The final recipient place

4	Supplied on Board a conveyance	Place where goods taken on Board
5	Supply by way of assembly/ installation	Place of such installation/ assembly
6	Goods imported into India	Location of the importer
7	Exported from India	Location outside India

Lets' Discuss...

- ❖ Mr. Sam of Mumbai, Maharashtra sells 10 TV sets to Mr. Rahul of Nagpur, Maharashtra.

Place of supply: Nagpur – Maharashtra

CGST and SGST will apply Intra- state Supply

- ❖ Mr. Raj of Mumbai, Maharashtra sells 30 TV sets to Ms. Chinchu of Bangalore, Karnataka.

Place of supply: Bangalore – Karnataka

IGST will apply Inter- state

➤ Imports and Exports

Place of supply of goods ;

imported into India - the location of the importer.

exported from India - the location outside India.

Nature of supply	Place of supply	GST
Goods imported into India	Location of the importer	IGST on imports
Exported from India	Location outside India	Exports are zero rated

➤ Place of supply- Services

SI.No.	NATURE OF TRANSACTION	PLACE OF SUPPLY
1	Supply made to a Registered person	Location of such Registered person
2	Supply made to other than registered person- a) Address available b) In other cases	a) Location of the Recipient b) Location of the Supplier

3	Immovable property services	Location of the property
4	Performance based services	Location where the service performed
5	Event related services	Place where the event actually held
6	Supply by way of transportation of goods etc. a) To a registered person b) Other than registered	a) Location of registered person b) Location where goods are handed over for transportation
7	Passenger Transportation	Location of recipient if registered, elsewhere the passenger embarks for a continuous journey
8	Services on Board a conveyance	Location of the first scheduled point of departure
9	Banking & financial Services	Location of recipient if records are available, else location of supplier