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SCOPE OF SUPPLY UNDER GST

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Introduction

Under GST various taxable events like manufacture, sale, rendering of service, purchase, entry into a territory of state etc. have been included in just one event i.e. "supply". The taxable event in GST is supply of goods or services or both.

In case of Intra-state supply the Central and State governments have simultaneous power to levy CGST and SGST respectively. However in case of Inter-state supply only central government can levy taxes, i.e. IGST.

The meaning and scope of supply can be understood from the following six points:-

- Supply of goods or services. Supply of anything other than goods or services does not attract GST
- Supply should be made for a consideration
- Supply should be made in the course or furtherance of business
- Supply should be made by a taxable person
- Supply should be a taxable supply
- Supply should be made within the taxable territory

Some of the exceptions to the requirements of supply are:-

- Any supply of goods or services without consideration is not a supply. In exception of this there is also some transactions which is treated as supply even done without consideration.
- Further, import of services for a consideration, whether or not in the course or furtherance of business is treated as supply.
- Any transfer of title in goods would be a supply of goods, whereas any transfer of right in goods without transfer of title would be considered as services.

Supply of Goods or Services or Both:-

Goods as well as services have been defined in the GST Law. The securities are excluded from the definition of goods as well as that of services. Money is also excluded from the definition goods and services.

Any transfer of title in goods would be a supply of goods, whereas any transfer of right in goods without transfer of title would be considered as services.

Some activities which are out of the scope of supply are mentioned below:-

- Services by an employee to the employer in the course of or in relation to his employment.
- Services of funeral, burial, etc.
- Sale of land and sale of building where the entire consideration has been received after completion certificate is issued or after its first occupation.
- Actionable claims other than lottery, betting and gambling shall be neither goods nor services.

Supply for Consideration:-

Consideration can be in terms of money or kind. Any subsidy given by the central government or state government is not considered as consideration.

In case of barter of goods or services the same activities is treated as supply and consideration.

Some of the activities which are treated as supply even if made without consideration and such are:-

- Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
- Supply of goods or services or both made in course of furtherance of business between related persons or between distinct persons.
- Gifts exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall be treated as supply of goods or services or both.
- Supply of goods— (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or (b) by an agent to his principal where the agent undertakes to 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

establishment outside India in course of furtherance of business.

Supply in the Course or Furtherance of Business:-

Only those supplies that are in the course or furtherance of business qualify as supply under GST. Sale of goods or service even as a vocation is a supply under GST. For example we can say that if a politician paints for charity and sales/auctions the paintings as one time occurrence then the sale will be treated as supply.

Import of services for a consideration though it is not in the course of furtherance of business, is treated as supply.

Supply by a Taxable Person:

A person who is registered or a person who is liable to be registered or who is not liable to registered but have taken voluntary registration under GST is treated as taxable person under GST. A supply to attract GST should be made by a taxable person. The person making supplies from different states need to take registration separately for each state.

Taxable Supply

Any supply of goods or services or both which is liable to tax is treated as taxable supply and to attract GST, a supply must be taxable.

Inter/Intra State Supply

Inter- State supply of goods means a supply of goods where the location of the supplier and place of supply are in different States or Union territories. Intra State supply of goods means supply of goods where the location of the supplier and the place of supply are in the same State or Union territory. Imports, Supplies from and to SEZs are treated as deemed Inter-State supplies.

Composite/Mixed Supply

When supply is made by a taxable person in ordinary course of business to a recipient compromising two or more supplies of goods or services any combination thereof then it is treated as composite or bundled supply & one of which is a principal supply.

In case of composite supply of two or more services, in which one is principal supply, then the whole composite supply is treated as supply of such principal supply.

Mixed Supply comprising two or more supplies, shall be treated as supply of that particular supply which attracts the highest rate of tax.

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