GST Supplies without Consideration

As per the Section 7(c) of GST Act, there are activities which are considered as supply for the purpose of this Act even without consideration. The Schedule I list out the activities which are considered as supply without consideration.

Permanent transfer or disposal:

When the business assets are transferred permanently or disposed and input tax credit was taken on such assets are considered as supply

Permanent transfer means that the goods are transferred with the intention that the same will not be received back, is considered as supply even without consideration.

When a taxable person disposes any assets, for example, Company 'A' disposes old machinery as scrap is considered as supply even without consideration.

Related or Distinct Persons:

Goods or services or both between related persons or distinct persons as specified in section 25 are considered as supply in the course or furtherance of business even without consideration

As per section 15(5) – the following persons are deemed to be 'related persons':

- officers or directors of one another's businesses
- legally recognised partners in business
- employer and employee
- any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them
- one of them directly or indirectly controls the other
- both of them are directly or indirectly controlled by a third person
- together they directly or indirectly control a third person
- they are members of the same family

Legal persons are also termed as related persons for this section. Also the persons who are associated in any business with each other by way of sole agent or sole distributor or sole concessionaire, however described are considered as related persons.

There is an exemption for the gifts, value of not exceeding fifty thousand rupees, in a financial year, by an employer to employee, which is not treated as supply without consideration.

As per section 25 (4) and (5) defines the following persons as distinct persons -

- persons having more than one registration for the same PAN in one state/union territory or more than one state/union territory – such different registrations are considered distinct persons
- persons having establishments in different state have to get registered in the respective states, such establishments are treated as distinct persons

Supplies between Principal and Agent:

- supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of his principal

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- supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of his principal

Import of Services:

Services imported by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.