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A COMPLETE GUIDE FOR CA & CMA FINAL



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CA. KARAN SATIJA



SMART NOTES

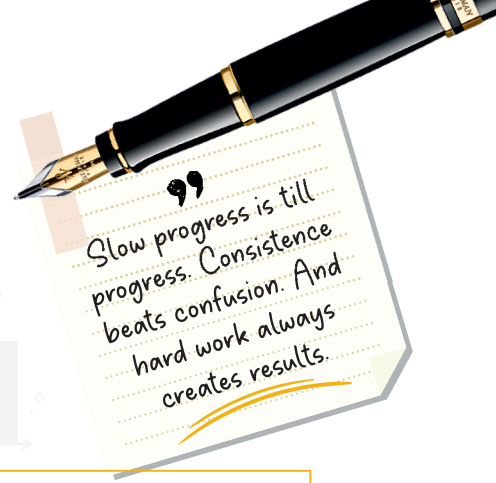


EXAM-READY



RESULT ORIENTED

A Note from Your Big Brother on the GST Journey



My dear aspiring professionals and students,

It gives me immense pleasure and a deep sense of connection to present this comprehensive book on Goods and Services Tax (GST). This book has been carefully curated to make the subject of GST not only comprehensible but also enjoyable. GST is not just a subject of Law, Case Study and Numbers—it is a dynamic and practical discipline that shapes the financial framework of individuals, businesses, and the nation.

Why this book?

This book has been carefully curated to make the subject of GST not only comprehensible but also enjoyable.

Having taught **GST** to thousands of students over the past few years, I have come to understand the common doubts, difficulties, and misconceptions students face while learning tax.

This book is an effort to bridge that gap with **clarity, structure, and relevance to the exam pattern.**

What's inside?

The content is aligned with the latest institute syllabus, and includes:

- ✔ Conceptual explanations in simple language
- ✔ Colourful Notes
- ✔ Highlights to important points
- ✔ Summary charts and revision notes for quick recall



I want you to know that this book is a testament to what we can achieve when passion meets dedication. A special, heartfelt thanks goes to my dedicated Notes Team, who have been involved "day and night, literally," pouring their energy into this stream. Without their commitment, this book would not have seen the light of day.

This book is not a substitute for the primary study material issued by the Institute. It is an aid—simplified, practical and exam-focused tool designed to make the concepts stick and stay.



Acknowledging The Pillars Of Strength

- ✓ **To My Parents & My Family:** Thank you for not only giving me life but for giving your entire life to me. I am indebted to all of you, indeed more than my life.
- ✓ **To all my CRITICS:** Your sharp comments and tough scrutiny have continuously kept me grounded and, most importantly, given me the power to strive for better.
- ✓ **To My Beloved Student Community:** You are the reason this book exists. Thank you for inviting me into your academics and for making me your teacher!



Remember This Mantra:

"Karna hai Zindagi mein kuch Naam, Toh Roz-Roz karo Apne Kaam. Sapna Dekha Hain Toh Raat-Din Jag, Nahi Toh Utha Le Bori, Daal De Aag."



A Big Brother's Guidance (Please Read Carefully)

Whether you are studying GST for the first time or revising before the exam, this book aims to be your companion—building your concepts from the ground up and boosting your confidence to tackle any tax-related question in the exam.

Now, let's dive into the world of GST and make you an expert!

Warm regards,

CA Karan Satija

Disclaimer

Every efforts has been made to avoid errors or omissions in this publication. In spite of this, errors may occur. Any mistake, error or discrepancy noted may be brought to our notice.



INDEX

S. No.	Chapter Name	Page No.
0	Introduction	0.1 to 0.10
1	Supply Under GST	1.1 to 1.18
2	Charge Under GST	2.1 to 2.18
3	Place of Supply	3.1 to 3.14
4	Exemption	4.1 to 4.22
5	Time of Supply	5.1 to 5.4
6	Value of Supply	6.1 to 6.10
7	Input Tax Credit	7.1 to 7.22
8	Registration	8.1 to 8.14
9	Tax Invoice	9.1 to 9.10
10	Accounts, Records & E-Way Bill	10.1 to 10.10
11	Payment of Tax & TDS	11.1 to 11.8
12	ECO & TCS	12.1 to 12.8
13	Returns	13.1 to 13.14

Things To Notice

General Concept

Amendments

Headings

Important

Abbreviations Used

ATO	Aggregate Turnover
PPOB	Principal Place of Business
APOB	Additional Place of Business
GA	Governmental Authority
GE	Governmental Entity
C	Commissioner
JC	Joint Commissioner
S	Supplier
PO	Proper Officer
R	Recipient
FCM	Forward Charge Mechanism
RCM	Reverse Charge Mechanism
GSB	Goods or Services or Both
CG	Central Government

SG	State Government
UT	Union Territory
LA	Local Authority
TT	Taxable Territory
NTT	Non Taxable Territory
BE	Business Entity
W.r.t.	With respect to
T/O	Turnover
Govt.	Government
VOS	Value of Supply
TOS	Time of Supply
POS	Place of Supply
Reg.	Registration

Important Notes

Genesis of GST in India (History of GST in India)

Year	Milestone	Key Details
2000	Initial Proposal	PM Atal Bihari Vajpayee introduced the concept and set up an Empowered Committee (EC) headed by Asim Dasgupta to design the GST model.
2003	Kelkar Task Force	The Vijay Kelkar-led Task Force on Indirect Taxes recommended a comprehensive GST to simplify the tax structure.
2006	First Budget Announcement	Finance Minister P. Chidambaram proposed a rollout date of April 1, 2010 , in his Union Budget speech.
2009	First Discussion Paper	The Empowered Committee released the First Discussion Paper (FDP), sparking national debate on GST's design.
2011	115 th Amendment Bill	The UPA government introduced the Constitution Amendment Bill to enable GST, but it later lapsed with the dissolution of the 15 th Lok Sabha.
2014	122 nd Amendment Bill	The new NDA government reintroduced the bill in the Lok Sabha in December 2014.
2016	The Legal Milestone	The 101st Constitution Amendment Act was passed by Parliament and received Presidential assent on September 8, 2016.
2016	GST Council Formed	The GST Council was notified on 12th Sept 2016 , creating a joint forum for the Centre and States to decide on tax rates and exemptions.
2017	Passage of GST Bills	Four key bills (CGST, IGST, UTGST, and Compensation Act) were passed by Parliament in March/April and subsequently by state legislatures.
July 1, 2017	The Grand Launch	GST was officially rolled out across India at a historic midnight session in the Central Hall of Parliament.

Overview of Taxation System in India

1. In Simple Words, Tax is nothing but **money** that people **pay to the Government**.
2. Type of Taxes in India

Types of Taxes	Meaning	Handled By
Direct Tax	<ol style="list-style-type: none"> 1. DT is levied directly on Income of a Person and where the tax burden cannot be passed on to any other person. 2. DT is levied on Income & Property. 	CBDT- Central Board of Direct Taxes
Indirect Taxes	<ol style="list-style-type: none"> 1. IDT is not paid on the Income or Property but is levied indirectly on the ultimate consumer of goods and services. 2. Indirect taxes are levied on <ol style="list-style-type: none"> a. consumption, b. expenditure, c. privilege, d. right . 	CBIC- Central Board of Indirect Taxes & Customs

Constitutional Power of Taxation (Constitutional Validity of IDT)

1. The **Constitution** of India is the **supreme law** of India. The authority to levy a tax is derived from the Constitution of India.
2. **Article 265**: Article 265 of the Constitution of India prohibits arbitrary collection of tax. It states that "no tax shall be levied or collected except by authority of law".
3. **Article 246** of the Indian Constitution, lays down **three types of lists** and distributes legislative powers including taxation, between the Parliament of India and the State Legislatures.
 - a) **Union List** - It contains the matters in respect of which the **Parliament** (Central Government) has the exclusive right to make laws. E.g. Income Tax except Agriculture Income
 - b) **State List** - It contains the matters in respect of which the **State Government** has the exclusive right to make laws. E.g. Taxes on agricultural income
 - c) **Concurrent List** - It contains the matters in respect of which **both** the Central Government and State Government have the exclusive right to make laws. (No taxes mentioned under this list)

Major IDT before GST



Tax Name	What it was	Levied By
Central Excise Duty	A tax on the manufacture of goods within India.	Central Government
Service Tax	A tax on the provision of services (intangibles).	Central Government
Value Added Tax (VAT)	A multi-point tax on the sale of goods within a state.	State Government

Introduction to GST

1. Commencement of Acts

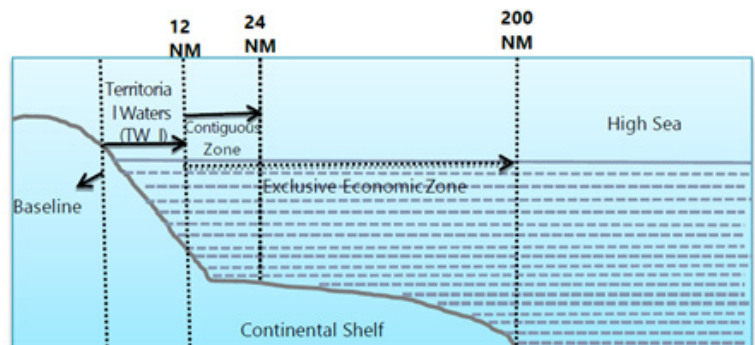
GST was made applicable to whole of India from 1st July 2017. (J&K- 8th July 2017).

2. Extent of CGST/ SGST/ UTGST /IGST Act (Section 1)- It extends to whole of India

3. Definition of India (Sec. 2(56) of CGST Act, 2017): India is extended upto 200 Nautical Miles (NM) in water.

"India" means

- a. the territory of India as referred to in article 1 of the Constitution,
- b. its territorial waters, sea-bed and sub-soil underlying such waters,
- c. continental shelf,
- d. exclusive economic zone or
- e. any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and
- f. the air space above its territory and territorial waters.



Difference Between Direct & Indirect Taxes

Basis	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
Nature	Progressive in nature i.e., higher tax is levied on a person earning higher income and vice versa.	Regressive in nature i.e., all persons will bear equal burden of tax on goods or service consumed by them irrespective of their ability.
Incidence and Impact	Falls on the same person . Assessee, himself bears such taxes. Thus, it pinches the taxpayer.	Falls on different person . Tax is recovered from the seller, who passes such burden to buyer. Thus, it does not pinch the taxpayer.
Burden	Cannot be shifted	Can be shifted
Event	Taxable income of the assessee	Supply of goods and services
Evasion	Tax evasion is possible	Tax evasion is hardly possible because it is included in the price of the goods and services.
Inflation	Direct tax helps in reducing the inflation.	Cost of goods and services increases due to levy of IDT thus indirect taxes promote inflation.
Example	Income Tax	GST, Customs Duty

Features of Indirect Taxes

1. **Tax on Goods and Services** : Indirect tax is levied at the time of supply or manufacture or purchase or sale or import or export of goods.
2. **Burden** : Indirect tax paid by the seller, shall be recovered by the seller from the buyer. Thus, one can say that burden of indirect tax is **shifted from seller to buyer** and ultimately borne by consumers of such goods or services.
3. **Inflationary in nature**: **Cost** of goods and services **increases** due to levy of indirect tax thus indirect taxes **promote inflation**.
4. **Social welfare**: It is useful tool to **promote social welfare** by checking the consumption of harmful goods or sin goods through higher rate of tax.
5. **Wider Tax Base**: Majority of goods and services are liable to indirect tax with very low threshold limits, so tax base is much wider in case of indirect tax in compare to direct tax.
6. **Regressive in Nature**: All persons (rich or poor) will bear **equal wrath of tax** on goods or service consumed by them irrespective of their ability.
7. **No Direct Pinch** : Seller (the person on which indirect tax is levied) does not perceive a direct pinch of tax as it is recovered by him from the buyer and then he (seller) pays it to the Government.

Pre GST-Tax Structure and Deficiencies

1. Certain transactions were subject to **double taxation** and were taxed as both goods and services, since under the earlier regime, distinction between goods and services was often blurred.
2. VAT where different states were charging **VAT at different rates**, which resulted in imbalance of trade between the states
3. CENVAT did not include chain of value addition in the distributive trade after the stage of production. Similarly, in the State-level VAT, CENVAT load on the goods was not removed. This led to the **cascading of taxes**.
4. Though **CENVAT** and State-Level **VAT** were essentially value added taxes, **set off** of one against the credit of another was **not possible** as CENVAT was a central levy and State-Level VAT was a state levy.
5. There were **several taxes** in the States, such as, Luxury Tax, Entertainment Tax, etc. which were **not subsumed in the VAT**. Hence for a **single transaction, multiple taxes** in multiple forms were required to be paid.
6. **VAT** on goods was **not integrated** with **tax on services**, at the State level, to remove the cascading effect of service tax.
7. **CST** was another source of distortion in terms of its cascading nature since it was **non-VATABLE**. Being an origin-based tax, CST was also against one of the basic principles of consumption taxes that tax should accrue to the jurisdiction where consumption takes place.

Amendments made by the Constitution (101st Amendment) Act, 2016

Introduction of the GST required amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax.

1. Article 246A - Special provision with respect to Goods and Services Tax

- a. Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.
- b. Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

2. Article 279A - Constitution of Goods and Services Tax Council

- a. The President has constituted the GST Council on **15th September 2016**
- b. The GST Council which will be a **joint forum** of the **Centre and the States**, shall consist of the following members.

a.	Union Finance Minister	Chairperson
b.	The Union Minister of State, in-charge of Revenue of finance	Member
c.	The Minister In-charge of finance or taxation or any other Minister nominated by each State Government	Members

- c. The Goods and Services Tax Council shall make recommendations to the Union and the States on—
- i. the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
 - ii. the goods and services that may be subjected to, or exempted from the goods and services tax;
 - iii. model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply;
 - iv. the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
 - v. the rates including floor rates with bands of goods and services tax;
 - vi. any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
 - vii. special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
 - viii. any other matter relating to the goods and services tax, as the Council may decide.
- d. The Goods and Services Tax Council shall recommend the date on which the goods and services tax shall be levied on 5 Petroleum Products (i.e. petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.)
- e. One-half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.
- f. Every decision of the GST Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:—
- i. the vote of the Central Government shall have a weightage of one third of the total votes cast, and
 - ii. the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.

3. Article 269A- Levy and collection of goods and services tax in course of inter-State trade or commerce

- a. Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.
- b. Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

Tax subsumed in the GST

Following **17 taxes**, levied by different Governments, were subsumed in the GST:

1. Central Taxes Subsumed

- a. Central Excise Duty
- b. Additional Excise Duties (Textiles and Textile Products, Goods of Special Importance, etc.)
- c. Excise Duty under Medical and Toilet Preparation Act, 1955.
- d. Additional Customs Duty (Countervailing Duty - CVD)
- e. Special Additional Duty of Customs (SAD)
- f. Service Tax
- g. Central Surcharges related to supply of goods and services.
- h. Central Cesses related to supply of goods and services.

2. State Taxes Subsumed

- a. Value Added Tax (VAT) / Sales Tax
- b. Central Sales Tax (levied by Centre, collected by States)
- c. Entertainment Tax (other than the tax levied by local bodies)
- d. Luxury Tax
- e. Entry Tax (All forms of Entry tax, Octroi, etc.)
- f. Purchase Tax
- g. Taxes on Advertisements
- h. Taxes on Lotteries, Betting, and Gambling
- i. State Cesses and Surcharges (insofar as they relate to supply of goods and services)

3. List of taxes not subsumed under GST in India

Central Taxes	State Taxes
Basic Customs Duty	State Excise Duty
Research and Development Cess	Stamp Duty
Export Duty	Profession Tax
Anti-Dumping Duty	Motor Vehicle Tax
Safeguard Duty	

Concept of GST

1. Value Added Tax
2. Continuous Chain of Credit
3. Burden Borne by Final Consumer
4. No Cascading effect of Taxes
5. Destination-based/ Consumption-based Tax

What are outside the purview of GST?

1. Alcoholic liquor for human consumption - State Excise Duty + VAT
2. Petroleum products: Petroleum crude, Motor spirit (petrol), High speed diesel, Natural gas and Aviation Turbine Fuel. - Central Excise duty + VAT
3. Electricity- GST Charged at Nil Rate but Electricity duty charged by State Government
4. Property tax such as Stamp Duty.
5. Motor vehicle tax.
6. Entertainment tax collected by State Authorities.

Taxes which Both GST and Other IDT are charged

1. Tobacco- Central Excise duty + GST.
2. Opium, Indian hemp and other narcotic drugs and narcotics - State Excise duties + GST.

GST Model

1. Dual GST Model:

- a. India has adopted a dual GST model, i.e., where the tax is imposed concurrently by the Centre and the States.
- b. For an intra-State sale, the GST is equally divided between the Centre and the State (CGST + SGST), and
- c. For inter-State sales, the GST is collected by the Centre (IGST)

2. GST consists of the following Acts:

- a. Central Goods and Services Tax Act, 2017
- b. State Goods and Services Tax Act, 2017
- c. Integrated Goods and Services Tax Act, 2017
- d. Union Territory Goods and Services Tax Act, 2017
- e. Goods and Services (Compensation to States) Tax Act, 2017

Nature of Supply

1. **INTER STATE SUPPLY:** Section 7 of the IGST Act, 2017 deals with the inter-State supply.
 - a. **Domestic:** Supply of goods or supply of services where location of the supplier and the place of supply are in:
 - i. two different States;
 - ii. two different Union territories;
 - iii. or a State and a Union territory
 - b. **Imports:**
 - i. Supply of Imported goods into the territory of India till they cross the customs frontiers of India.
 - ii. Supply of service imported into the territory of India

c. Exports and other scenarios:

Supply of goods or services or both,

- i. Where the supplier is located in India and the place of supply is outside India;
- ii. to or by a Special Economic Zone developer or a Special Economic Zone (SEZ) unit; or
- iii. in the taxable territory, not being an intra-State supply and not covered elsewhere in this section.

2. INTRA STATE SUPPLY:

Section 8 of the IGST Act, 2017 where location of the supplier and the place of supply are in the same State or same Union Territory.

Benefits of GST

The benefits of GST can be summarized as under :

1. For Business and Industry

- a. **Easy compliance** : A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, **all tax-payer services** such as registrations, returns, payments, etc. would be available to the taxpayers **online**, which would make **compliance easy and transparent**.
- b. **Uniformity of tax rates and structures** : GST will ensure that indirect tax **rates and structures are common across the country**, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
- c. **Removal of cascading** : A system of **seamless tax-credits** throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
- d. **Improved competitiveness** : **Reduction in transaction costs** of doing business would eventually lead to an improved competitiveness for the trade and industry.
- e. **Gain to manufacturers and exporters** : The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would **reduce the cost of locally manufactured goods and services**. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

2. For Central and State Governments

- a. **Simple and easy to administer** : Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be **simpler and easier to administer** than all other indirect taxes of the Centre and State levied so far.
- b. **Better controls on leakage** : GST will result in better tax compliance due to a **robust IT infrastructure**. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.
- c. **Higher revenue efficiency** : GST is expected to **decrease the cost of collection of tax revenues** of the Government, and will therefore, lead to higher revenue efficiency.

d. Boost to 'Make in India' initiative : GST will give major boost to the 'Make in India' initiative of government of India by making goods and services produced in India competitive in all the markets.

3. For the Consumer

- a. Single and transparent tax proportionate to the value of goods and services :** Under GST, there would be **only one tax** from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
- b. Relief in overall tax burden :** Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Aggregate Turnover [Section 2(6)]

Includes	Excludes
Value of all outward Supplies	Taxes charged under GST Act
Taxable supplies (leviable to GST)	Value of inward supplies on which tax is payable under reverse charge.
Exempt supplies (includes supplies non-leviable to GST)	
Exports	
Inter-State supplies	
of persons having the same PAN to be computed on all India basis	

Threshold limit for Registration [Section 22]

Following is the threshold limit applicable to various States and Union territories

₹ 10 lakh for supplier of goods and / or services	₹ 20 lakh for supplier of goods and/ or services	₹ 20 lakh for supplier of services/both goods and services and threshold limit of ₹ 40 lakh for supplier of only goods
1. Manipur 2. Mizoram 3. Nagaland 4. Tripura	1. Arunachal Pradesh 2. Meghalaya 3. Sikkim 4. Uttarakhand 5. Puducherry 6. Telangana	1. Jammu and Kashmir 2. Assam 3. Himachal Pradesh 4. All other States

Definitions

1. Goods and Services

	Goods [Sec 2 (52)]	Services [Sec 2 (102)]
Means	Every Kind of Movable Property	anything other than goods
Does not Include	Money and Securities	
But Includes	i. actionable claim, ii. growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply	i. activities relating to the use of money or ii. 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 iii. facilitating or arranging transactions in securities

Clarification on Money and Securities

Future/Forward (Without delivery) (Derivative)	Transaction in securities, hence not covered in Goods or Services
Future/Forward of Securities (with delivery)	
Future/Forward of Commodities (with delivery)	Goods
Interest and Discount	Use of money - Services
Activities related to above products or securities i.e., brokerage, transfer fees, commission, issuance charges, service charges or any other fees or charges	Facilitating or arranging transaction in securities, hence covered in Services.
Issuance of Certificate of Deposit or Commercial Paper	Transaction in money, hence not covered in Goods or Services
Issuance of Letter of Credit by Bank	
Issuance of Loan, Deposit, Advance	

*Money shall not include any currency that is held for its numismatic value

Meaning of Actionable Claim

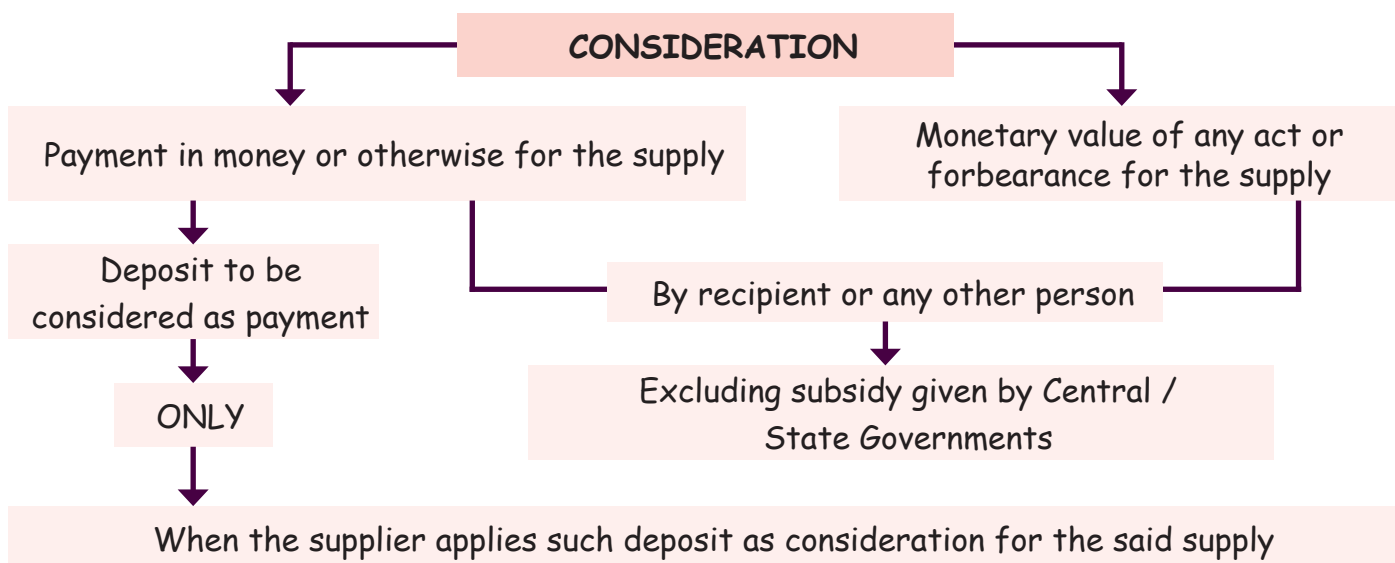
Any claim to any unsecured debt or beneficial interest in any movable property enforceable in the court of law i.e., betting, gambling, unsecured debt, insurance claim, lottery etc.

2. Business [Sec 2 (17)] -Business includes

- Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, **whether or not it is for a pecuniary benefit.**
- Any activity or transaction in connection with or **incidental or ancillary** to sub-clause (a);

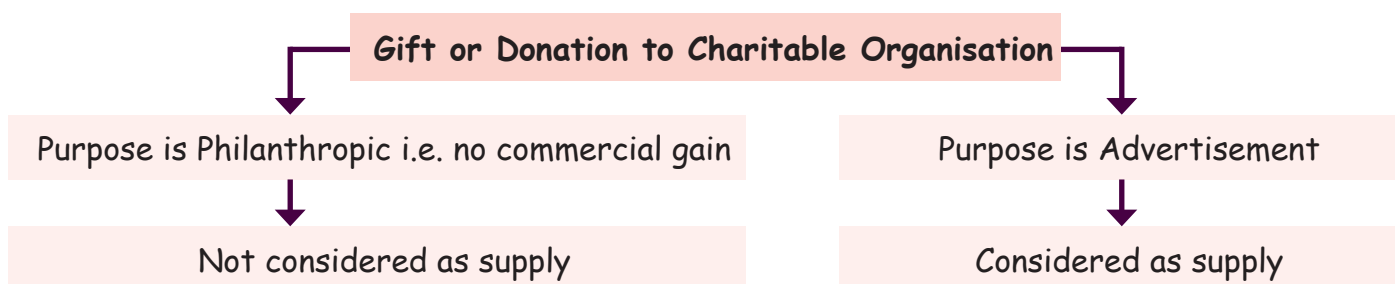
- c. Any activity or transaction in the nature of sub-clause (a), whether or not there is any volume, frequency, continuity or regularity of such transaction;
- d. Supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- e. Provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- f. admission, for a consideration, of persons to any premises;
- g. services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- h. activities of a race club including by way of totalisator or a license to book maker or activities of a licensed bookmaker in such club; and
- i. any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.

3. Consideration [Sec 2 (31)]



Special Points Related to Consideration

A. Donations



B. Art Work sent by Artists to Galleries for Exhibition

Displayed in Gallery but not sold	→	No Consideration hence no Supply
Sold to interested Person from Exhibition	→	Consideration is there hence Supply

C. No Claim Bonus (NCB) offered by an Insurance Company to the insured

- i. No supply is provided by the insured to the insurance company in the form of agreeing to the obligation to refrain from the act of lodging insurance claim
- ii. NCB is not a consideration for any supply by the insured to the Insurer

D. Salvage/wreck value earmarked in claim assessment of damage caused to motor vehicle

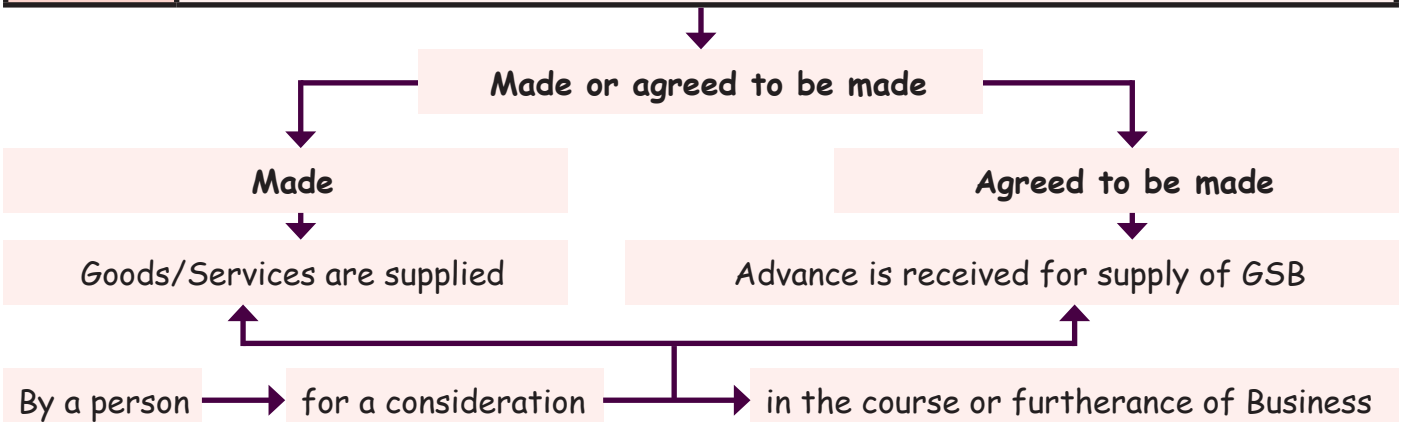
Insurance co. deducts value of salvage from claim amount	→	Ownership remains with insured. Hence no supply by insurance co. & no GST payable
Insurance co. does not deduct value of salvage from claim amount	→	Ownership of salvage is transferred to insurance co. & insurance co. is liable to pay GST on sale of such salvage

Taxable Event Under GST = Supply [Section 7]

Statutory Provisions	
Sec. 7	Meaning and Scope of Supply
(1)	Supply includes
	(a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business ;
	(aa) The activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration. <ol style="list-style-type: none"> 1. For GST purposes, an AOP/BOI and its members are deemed distinct persons; therefore, such transactions are taxable. 2. Similarly, supplies by a member to the AOP/BOI or to other members of the AOP/BOI are also treated as taxable supplies and attract GST. 3. Likewise, supplies of goods or services (or both) by a member of an unincorporated JV to the JV or to other members of the JV are also taxable under GST.
	(b) Importation of services , for a consideration whether or not in the course or furtherance of business . [Import of Goods governed by Customs Act]
	(c) The activities specified in Schedule I , made or agreed to be made without a consideration .
(1A)	Where certain activities or transactions constitute a supply in accordance with the provisions of sub section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II .
(2)	Notwithstanding anything contained in sub-section (1),
	a. Activities or transactions specified in Schedule III ; or
	b. Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council
	shall be treated neither as a supply of goods nor a supply of services .
(3)	Subject to sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as
	a. A supply of goods and not as a supply of services; or
	b. A supply of services and not as a supply of goods.

Supply Includes All forms of supply of goods or services or both such as

Sale	A Car dealer sells Car to Mr. Pawan
Transfer	A factory transfers goods to warehouse.
Barter	Mr. Pawan exchanges his Car with Mr. Chetan's bike without cash exchange between the two parties
Exchange	A car dealer sells new car for Rs. 50 lakhs along with an exchange of old car [Price of new car without exchange is Rs. 55 lakhs]
License	A developer (license holder) of information technology software gives license to use the software to his various clients
Rental	Car is given on rent
Lease	A machinery is given on finance lease or operating lease
Disposal	Sale of Old machineries after expiry of its useful life

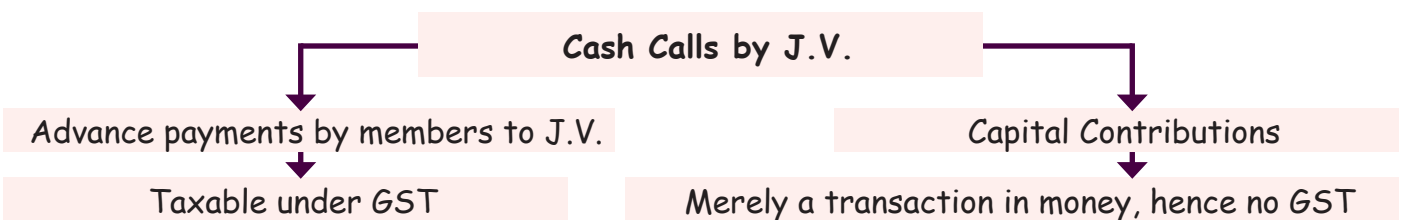


1. Following are the **essential ingredients** for any transaction to be considered as "Supply" as per Sec. 7(1)(a):

- Supply should be of **goods or services**. Supply of anything other than goods or services like money, securities etc. does not attract GST.
- Supply should be made for a **consideration**.
- Supply should be made in the course or furtherance of **business**.

2. Supply of anything other than goods or services does not attract GST.

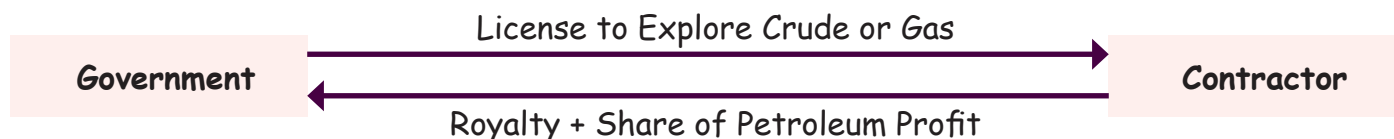
Cash Calls by Joint Venture



- Money called upon is used to purchase a machine for use in JV:** Cash calls will not be subject to GST since the operating member is not carrying out an activity for another for consideration. Here, the money paid = in nature of capital contribution and is therefore a transaction in money.
- The operating member uses its own machinery:** He is providing 'service' within the scope of 'supply' because here operating member is recovering the cost appropriated towards machinery & services from other JV members in their participating interest ratio. Taxable

GST on Cost Petroleum [Circular]

Relationship of govt. & contractor is of licensor or licensee is not Partnership



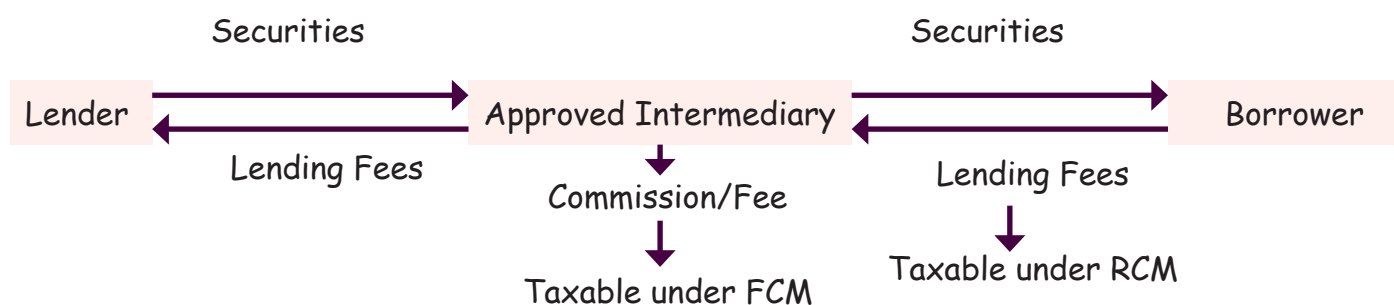
- a. Royalty- Taxable
- b. Cost Petroleum- Not Supply
- c. Share of profit petroleum - Exempt

Total Sales	XXX
Less- Cost Petroleum [Exploration Cost & Royalty)	(XXX)
Profit Petroleum (Exempt)	XXX

GST on Shares Held in Subsidiary Company [Circular]

- a. Securities are neither goods nor services under GST.
- b. Accordingly, **mere holding** of shares of a subsidiary by the holding company does not amount to a supply of services & thus is **not taxable** under GST.

GST on Lending of Securities under SLS [Circular]



Schedule I [Supply without Consideration - Deemed Supply]

Para 1: Permanent Transfer/Disposal of Business Assets

- 1. In order to qualify as supply under this para, following conditions need to be satisfied cumulatively:
 - a. Transfer/disposal must be **permanent**, and
 - b. **ITC** must have been **availed** on such business assets.

Note :- If ITC on asset is blocked or ITC not availed then permanent transfer or disposal will not be treated as supply.

Supply without Consideration	
Personal Asset	No Supply
Business Asset	
> ITC availed	Supply ✓
> ITC not availed or blocked	No Supply

Para 2: Supply between Related Person or Distinct Persons

- a. Supply of goods or services or both by a person to his **related persons or distinct persons** will be considered as supply even if made **without consideration** but it should be made in the course or furtherance of his **business**.

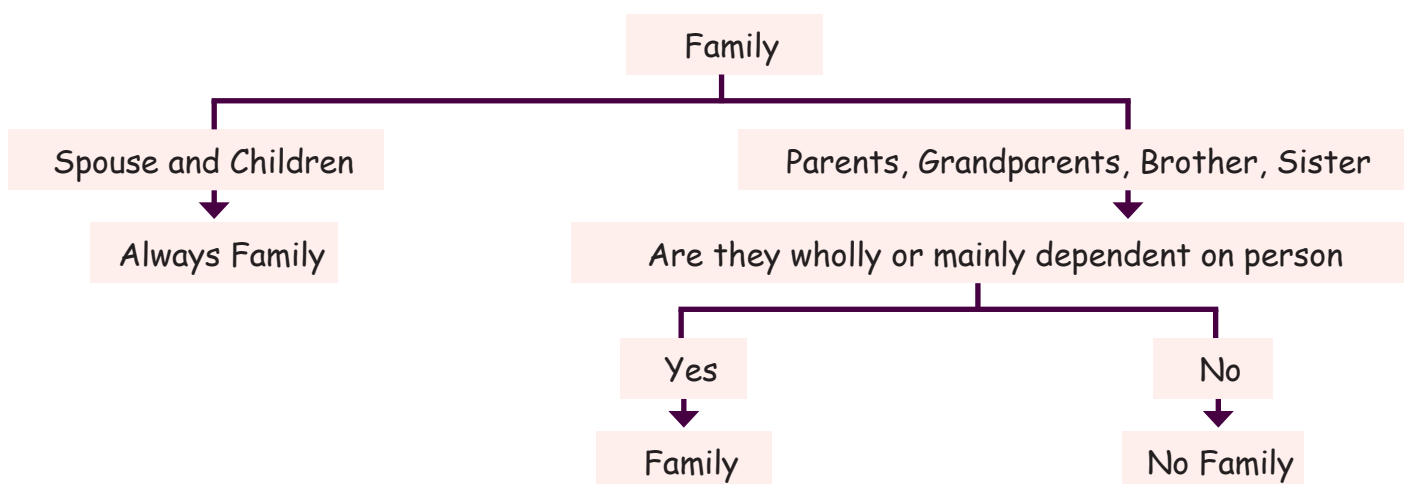
b. Related persons:

Person (Includes Legal person) deemed as related person, if:

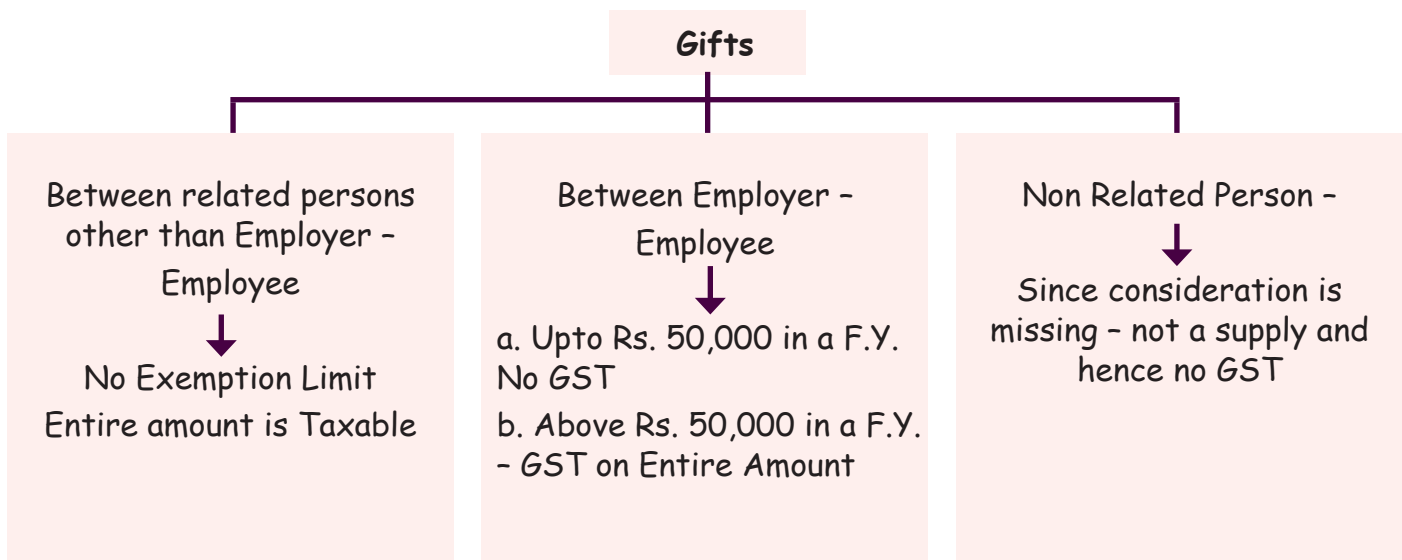
1. Such persons are officers/directors of one another's business
2. Such persons are legally recognised partners
3. Such persons are employer & employee
4. A third person controls/owns/holds (directly/indirectly) **at least 25%** voting stock/shares of both
5. One of them controls (directly/indirectly)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

c. Family means:

1. the spouse and children of the person, and
2. the parents, grandparents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.



d. Supply of goods or services or both between an employer and employee:



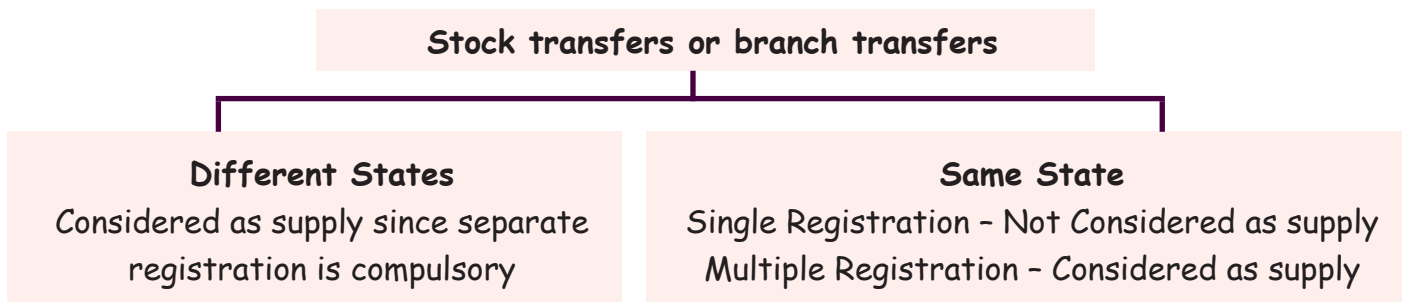
e. Distinct Persons specified u/s 25:

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.



f. Stock transfers or branch transfers:

In view of the aforesaid discussion, transactions between different locations (with separate GST registrations) of same legal entity (e.g., stock transfers or branch transfers) will qualify as supply under GST.



g. Moulds and dies owned by Original Equipment Manufacturers (OEM) that are sent free of cost (FOC) to a component manufacturer, in course or furtherance of business, do not constitute supply since they are not related persons or distinct persons and there is no consideration involved [Circular].

Circulars regarding Inter-State Transfer:

Case	Inter-State Movement between Distinct Persons	GST Impact
Aircraft engines, parts & accessories (for own airline use)	Stock transfer	IGST payable; ITC allowed
Modes of conveyance (trucks, buses, aircraft, vessels, etc.)	For transportation use	Not supply- No IGST, (except if for further supply)

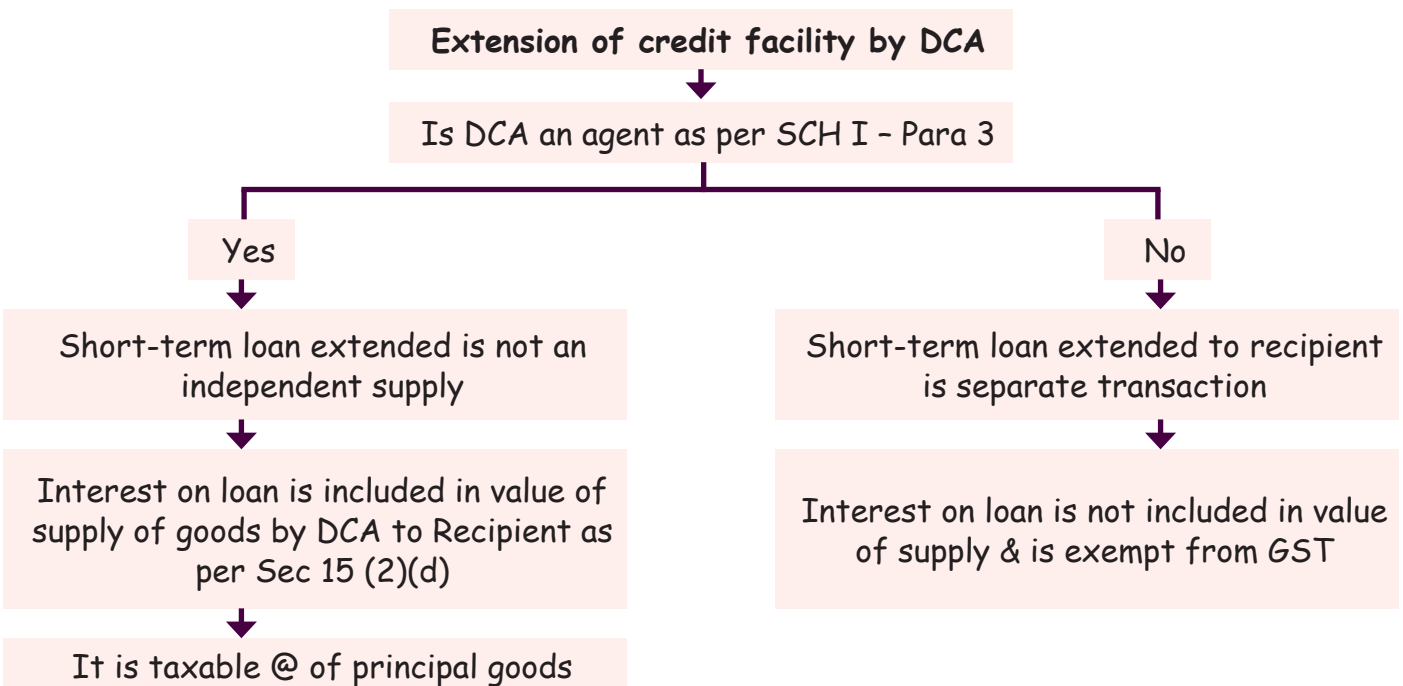
Repairs & maintenance of conveyance	By distinct person	GST payable
Rigs, tools, spares & goods on wheels (cranes, etc.)	Not for further supply	No IGST, except when moved for further supply

PARA 3: Supply of Goods between Principal and Agent

Scenario	Invoice Issued In Name Of	Para 3, Sch. I	GST on Movement
Principal→Agent	Agent	Yes	Taxable (GST leviable)
Principal→Agent	Principal	No	Not supply (No GST)
Agent→Principal (procurement)	Agent	Yes	Taxable (GST leviable)

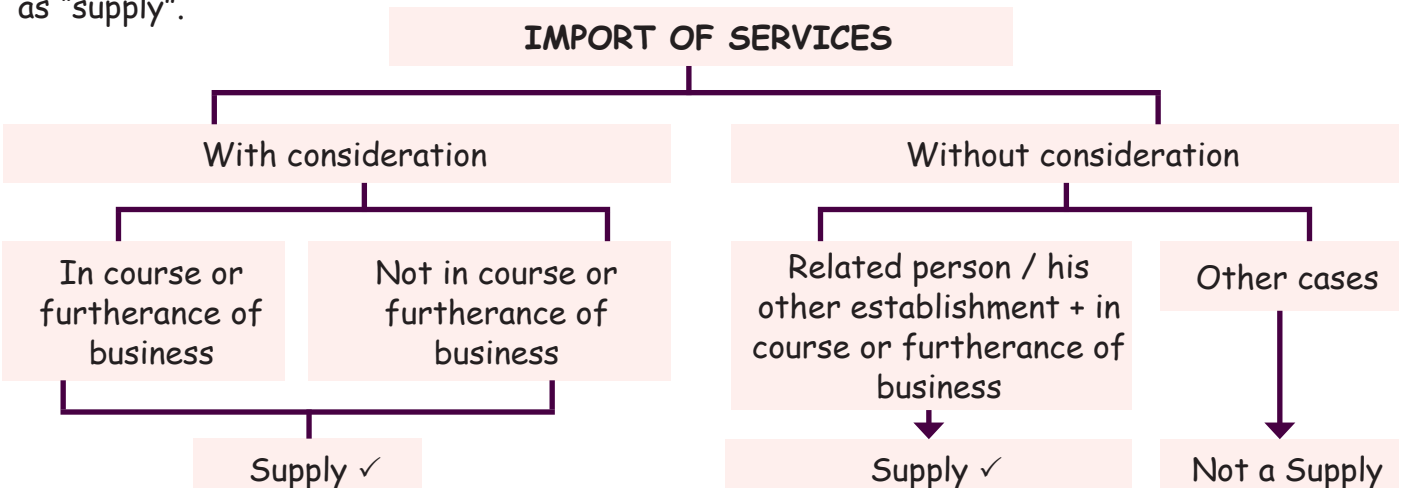
Circular regarding transactions between Principal & Del-Credere Agent [Circular]:

Del-Credere Agent (DCA) - DCA is an agent who guarantees payment to supplier.



PARA 4: Importation of Services

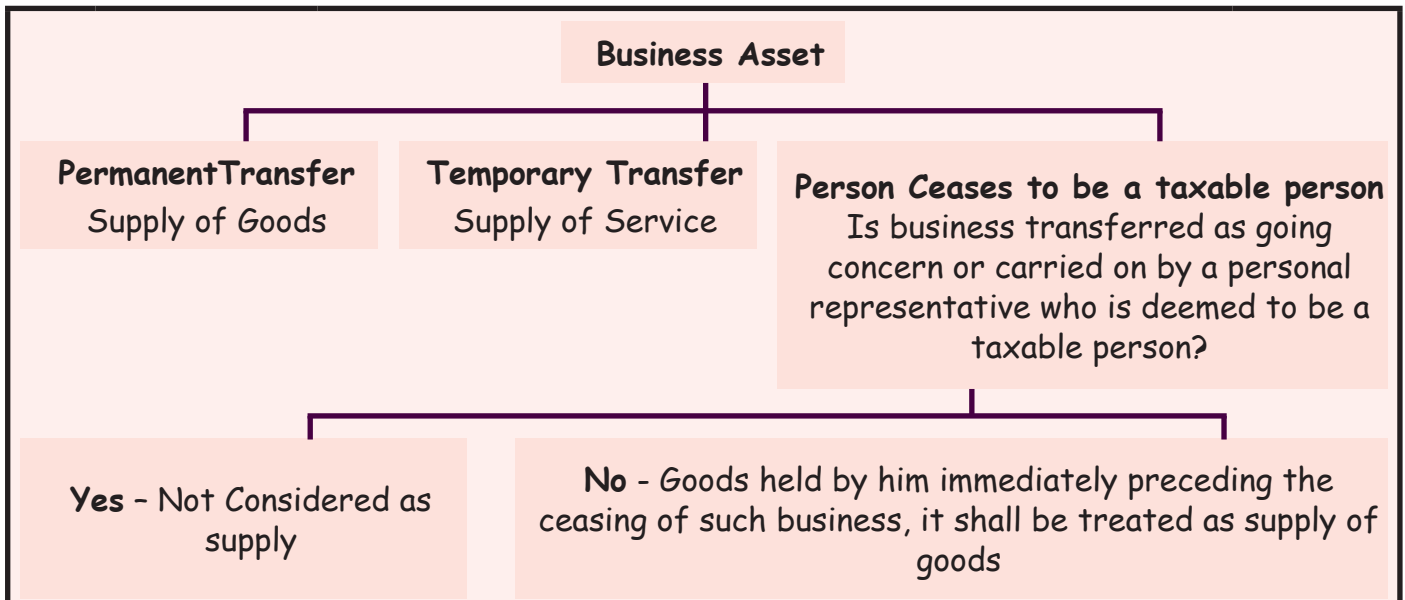
Import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".



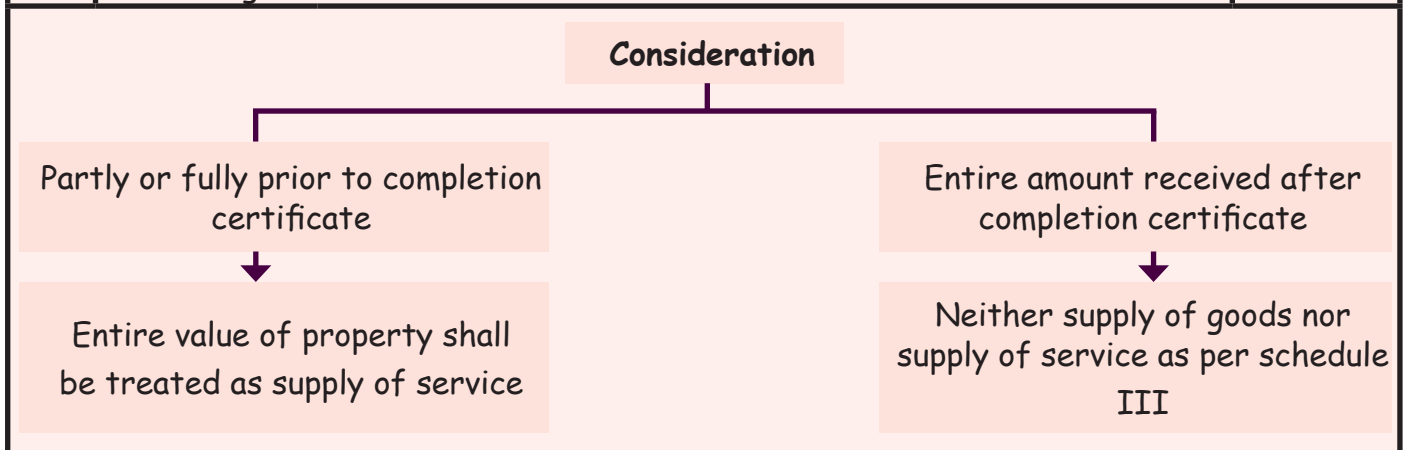
Schedule II [Transactions to be treated as Supply of Goods or Supply of Services]

Where certain activities or transactions constitute a supply in accordance with the provisions of sub section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

Sl.	Transaction	Type	Nature of Supply
1.	Transfer	a. Title in goods	Supply of Goods
		b. Right in goods/undivided share in goods without transfer of title in goods	Supply of Services
		c. Title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed.	Supply of Goods
2.	Land and Building	a. Lease, tenancy, easement, licence to occupy land	Supply of Services
		b. Lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly.	Supply of Services
3.	Treatment or Process	Applied to another person's goods	Supply of Services
4.	Transfer of Business Assets	a. Goods forming part of assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets.	Supply of Goods
		b. Goods held/used for business are put to private use or are made available to any person for use , for any purpose other than a purpose of the business, by/under the direction of a person carrying on the business.	Supply of Services
		c. Goods forming part of assets of any business carried on by a person who ceases to be a taxable person , shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person.	Supply of Goods
		Exceptions: a. Business is transferred as a going concern to another person. b. Business is carried on by a personal representative who is deemed to be a taxable person.	



5.	a. Renting of immovable property	Supply of Services
	b. Construction of complex, building, civil structure, etc.: Scope of Taxable Construction: i. GST applies to construction of complexes, buildings, civil structures, or any part thereof, including those intended for sale, whether wholly or partly. ii. Exception: Construction is not taxable if the entire consideration is received after issuance of the completion certificate (where required) or after first occupation, whichever is earlier. Definition of Construction: i. Includes additions, alterations, replacements, or remodelling of any existing civil structure.	Supply of Services



	c. Temporary transfer or permitting use or enjoyment of any Intellectual Property Right (IPR)	Supply of Services
	d. Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of Information Technology Software.	Supply of Services
	e. Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.	Supply of Services
	f. Transfer of right to use any goods for any purpose	Supply of Services

6.	<p>Following composite supplies:</p> <p>a. Works contract Works contract means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.</p> <p>Let's Decode: Composite Contract (Labour + Material):</p> <p>i. Where the service provider supplies both labour and materials, it is treated as a supply of service. ii. GST is charged under "Works Contract Service".</p> <p>Pure Labour Contract:</p> <p>i. Where the service provider supplies labour only (no materials), GST is charged under:</p> <p>a. "Construction Service" or b. "Repairing, etc. Service".</p>	Supply of Services
	<p>b. Restaurant and Outdoor Catering Services - Supply of food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption)</p>	Supply of Services

GST on Tenancy Rights [Circular]

Tenancy Premium Received Against Tenancy Right [Pagadi System]	
1. Outgoing Tenant	Always Taxable
2. Owner- Other than Residential property	Taxable
3. Owner- Residential Property	Exempt
Payment of stamp duty & registration charges do not alter the supply. It is still only supply of services & not supply of property	

GST on Priority Sector Lending Certificates (PSLCs) [Circular]

PSLCs are in the nature of goods and not securities, hence GST is leviable on the same, supply of PSLC certificate between banks is interstate supply of goods, hence IGST is levied.

Taxability of Liquidated Damages, Compensation and Penalty

Liquidated Damages	Cash compensation for not tolerating breach of contract	Not Supply
Cheque Dishonour Fine/Penalty or Penalty for Violation of Law	Fine or penalty for not tolerating act & penalizing	Not Supply
Forfeiture of Salary	Not tolerating non- service of minimum, agreed period. also employee does not get anything in return from employer.	Not Supply
Late payments/ penalty	Tolerating delay in receipt of money	Supply
Cancellation Charges, amt. Forfeited in non- refundable ticket	Charges for cost involved in making arrangement	Supply
Fixed Charges for power	Charged for sale of electricity which is nil rated.	Exempt from GST

GST on Warranty Replacements & Repairs During Warranty Period

Scenario 1 - OEM offering replacement of Goods or its Parts/ Repair Services under Warranty to Customers

Issue	Clarification	GST Impact
Replacement / repair under warranty without extra charge	Cost already included in value of original supply	No separate GST; covered in GST paid on original supply

Scenario 2 - Distributor provides warranty replacement and/or repair services to the customer on behalf of the manufacturer

Issue-1 Transaction between distributor & customer

No separate charges for such replaced part / repair services	→	No further GST
Additional consideration charged for such replaced part / repair	→	GST will be payable

Issue-2 Taxability of transaction/activity undertaken between Distributor and Manufacturer

Scenario	Nature of Transaction	GST Impact
Distributor invoices manufacturer	Supply by distributor to manufacturer	GST payable by distributor
Free supply by manufacturer using requisition note	Supply without consideration	No GST payable
Manufacturer issues credit note	Replacement from distributor's stock	Tax adjustable, subject to ITC reversal by distributor
Replenishment (delivery challan by manufacturer)	Free replacement by manufacturer	No GST payable

Issue 3: Services by Distributor to Customer free of cost which is billed to Manufacturer

Free repair to customer but invoiced to manufacturer = taxable service; GST payable by distributor on repair service supplied to manufacturer.

Scenario 3 - Extended Warranty

At Time of original supply	
Same supplier	Composite Supply
Different Supplier	Supply of Service
After original supply	
Any Supplier	Supply of Service

Schedule III [Negative List under GST]:

Activities specified under **schedule III** can be termed as "**Negative list** under the GST regime. This schedule specifies transactions / activities which shall be **neither treated as supply of goods nor a supply of Services** i.e., **no GST is leviable** on Such Transaction.

SI.	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services
1.	<p>a. Services by an employee to the employer in the course or in relation to his employment.</p> <p>b. Fees received by an employee for non-compete are taxable, as they are not in course of employment.</p> <div style="text-align: center;"> <p>Amount paid by company to</p> <pre> graph TD Root[Amount paid by company to] --> ID[Independent Director] Root --> WTD[Whole time Director] ID --> ID_Rem[Remuneration] ID --> ID_SF[Sitting fee] ID_SF --> ID_SF2[Sitting fee] ID_SF2 --> ID_SF2_Prof[Professional Fee] ID_SF2_Prof --> ID_SF2_Prof_Tax[Taxable under RCM U/S 9(3)] ID_Rem --> ID_Rem_Prof[Professional fees] ID_Rem_Prof --> ID_Rem_Prof_Tax[Taxable under RCM U/S 9(3)] WTD --> WTD_Rem[Remuneration] WTD_Rem --> WTD_Rem_Sal[Salary] WTD_Rem_Sal --> WTD_Rem_Sal_GST[Covered under Schedule III hence no GST] </pre> </div> <p>c. Perquisites provided to Employee under contractual agreement are part of salary & thus not subject to GST</p>
2.	<p>Services by any Court or Tribunal established under any law for the time being in force.</p> <p>Explanation: The term "Court" includes District Court, High Court and Supreme Court.</p> <p>Leviability of GST on amounts/fees charged by Consumer Disputes Redressal Commission [Circular]</p> <p>a. Consumer Disputes Redressal Commissions are clothed with the characteristics of a Tribunal</p> <p>b. Fee paid by litigants while registering complaints to said Commissions are not leviable to GST.</p> <p>c. Any penalty in cash imposed by or amount paid to these Commissions will also not attract GST.</p>
3.	<p>a. Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; or</p> <p>b. Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity: Eg: President, Vice President, Prime Minister of India.</p> <p>c. Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause. Example- Chairperson, Director, or Member of CBDT or CBIC appointed in a nonemployee capacity</p>
4.	Services of funeral, burial, crematorium or mortuary including transportation of the deceased .
5.	Sale of land and, subject to paragraph 5 (b) of Schedule II, sale of building.

Sale of Land & Building	
Temporary Basis	Permanent Basis
Supply of services	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Land Neither supply of Goods Nor supply of service Schedule III Para (5)(b) No GST </div> <div style="text-align: center;"> Building / Flat Is Consideration received prior to completion certificate or 1st occupancy? </div> </div>
	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Yes Supply of services Schedule II Para (5) (b) GST Applicable </div> <div style="text-align: center;"> No Neither supply of Goods Nor supply of service Schedule III Para (5) No GST </div> </div>
Note - 1. Sale of land after development is still treated as sale of land & no GST payable on it 2. Services provided for development of land are taxable	
6.	Actionable claims , other than specified actionable claims. Specified Actionable Claims- Means the actionable claim involved in or by way of- 1. Betting 2. Casinos 3. Gambling 4. Horse Racing, 5. Lottery; or 6. Online Money Gaming
7.	Merchant Trading Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
8(a)	In-bond Sale Supply of warehoused goods (as per Customs Act) to any person before clearance for home consumption.
8(b)	High Sea Sales Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.
9.	Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in co-insurance agreements, subject to the condition that the lead insurer pays GST on the entire amount of premium paid by the insured.
10.	Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that GST is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

Activities/Transactions notified by the Government [Sec. 7(2)(b)]

Activities Not Treated as Supply under GST

General Rule:

- a. Activities/transactions by Central/State Government, Union Territory, or local authority as public authorities may be notified to be neither supply of goods nor supply of services.
- b. Notification issued on recommendation of GST Council.

Notified Activities:

- a. Services by Central/State/UT Government or local authority in relation to functions entrusted to Panchayats (Art. 243G) or Municipalities (Art. 243W).
- b. Services by State Government for **grant of alcoholic liquor license**, against license fee/ application fee, etc.

Composite And Mixed Supplies [Section 8]

Statutory Provisions	
Section 8	Tax liability on Composite and Mixed Supplies
Clauses	Particulars
a.	a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply ; and
b.	a mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax .

Let's Decode

Composite Supplies

1. Composite supply means a supply made by a taxable person to a recipient and:
 - a. Comprises two or more taxable supplies of goods or services or both, or any combination thereof,
 - b. Which are naturally bundled and
 - c. supplied in conjunction with each other,
 - d. in the ordinary course of business,
 - e. One of which is a principal supply.
2. **Principal Supply** means the supply of goods and services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

Let's Decode

Mixed Supplies

1. Mixed supply means:
 - a. two or more individual supplies of goods or services, or any combination thereof,
 - b. made in conjunction with each other by a taxable person;
 - c. for a single price
 - d. where such supply does not constitute a composite supply.
2. The individual supplies are independent of each other and are not naturally bundled.

GTA Ancillary Services - Composite vs Independent Supply [Circular]

Composite Supply:

Ancillary/incidental services by GTA (loading/unloading, packing/unpacking, transshipment, temporary warehousing, etc.) provided in the course of transportation are treated as **composite supply** of transport of goods.

Invoicing:

- > **Method of invoicing does not change the nature** of composite supply.
- > Charges for ancillary services, whether in same or separate invoice, are still part of composite supply of transport service.

Exception:

If such services are **not in the course of goods** transportation and invoiced separately, they are **not treated as composite supply** of transport of goods.

GST on Retreading of Tyres [Circular]

Issue 1: Is retreading a supply of goods or services?

Clarification:

- a. Retreading is a composite supply.
- b. Predominant element = service of retreading process.
- c. Rubber used = ancillary supply.
- d. Conclusion: Retreading of tyres = **supply of services**.

GST on Bus Body Building Activity

Issue 2: Is sale of retreaded tyres a supply of goods or services?

Clarification:

When the owner sells retreaded tyres, it is a **supply of goods**.

In the case of bus body building, there is supply of goods and services. Thus, classification of this composite supply, as goods or service would depend on which supply is the principal supply which may be determined on the basis of **facts and circumstances of each case**.

GST on Printing Contracts [Circular]

Issue:

Are supplies of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes, etc., printed with designs/logos/content supplied by the recipient, supply of goods or services?

Clarification:

Such supplies are composite supplies.

a. Printing of Books, Pamphlets, Brochures, Annual Reports:

- i. Content supplied by publisher/rights owner.
- ii. Physical inputs (paper, etc.) belong to printer.
- iii. Principal supply = printing service.
- iv. GST treatment: **Supply of services**.

b. Printed Envelopes, Letter Cards, Boxes, Tissues, Napkins, Wallpaper, etc.:

- i. Content/design supplied by recipient; physical inputs belong to printer.
- ii. Predominant supply = goods.
- iii. Printing of content = ancillary.
- iv. GST treatment: **Supply of goods.**

GST on Car Servicing with Parts & Labour [Circular]

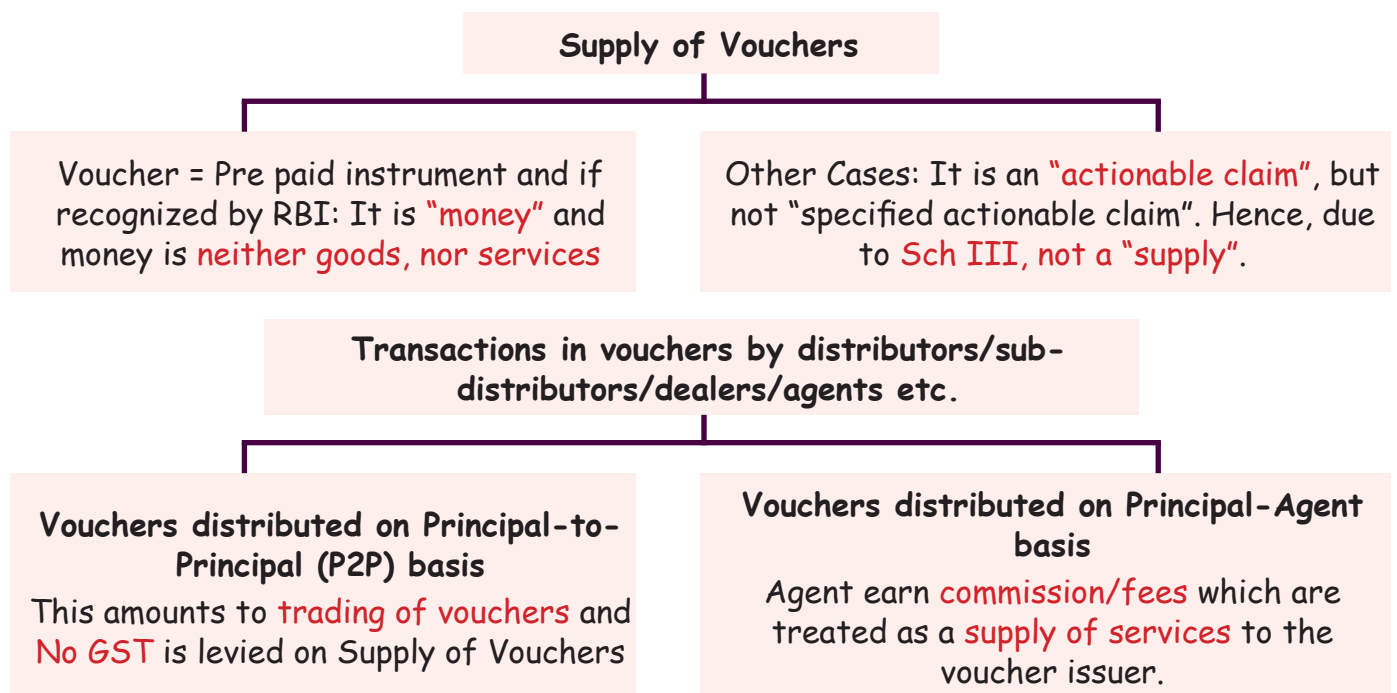
The taxability of supply would have to be determined on a **case to case basis** looking at the facts and circumstances of each case.

Where a supply involves supply of both goods and services and the **value of such goods and services** supplied are **shown separately**, the goods and services would be **liable to tax** at the rates as applicable to such goods and services **separately**.

GST on Food & Beverages in Cinema Halls [Circular]

Cinema ticket + Food or Beverages	Composite Supply → GST @ Cinema ticket
Food or Beverages sold separately in cinema hall	Restaurant Services

GST on Vouchers - Distribution, Breakage & Services [Circular]



Vouchers

Additional services

[Ex., advertisement, co-branding, customization services, technology support services, customer support services, etc.]

Against a service fee/service charge/ affiliate charge or any other amount, by whatever name called

Such **service fee** etc. would be **liable to GST** at the applicable rate in the hands of the said service provider

Unredeemed vouchers (breakage)

[Vouchers unused/unredeemed at the end of the expiry period.]

No supply of underlying goods and/or services on account of such unredeemed vouchers (breakage)

Amount attributable to unredeemed vouchers (breakage) would **not be leviable to GST** as per the provisions of section 9(1) of the CGST Act.