

UNIT-4

SUPPLY AND ITS FORM

MEANING OF SUPPLY:

Supply includes sale, transfer, exchange, barter, license, rental, lease and disposal. If a person undertakes either of these transactions during the course or furtherance of business for consideration, it will be covered under the meaning of Supply under GST.

FORMS OF SUPPLY:

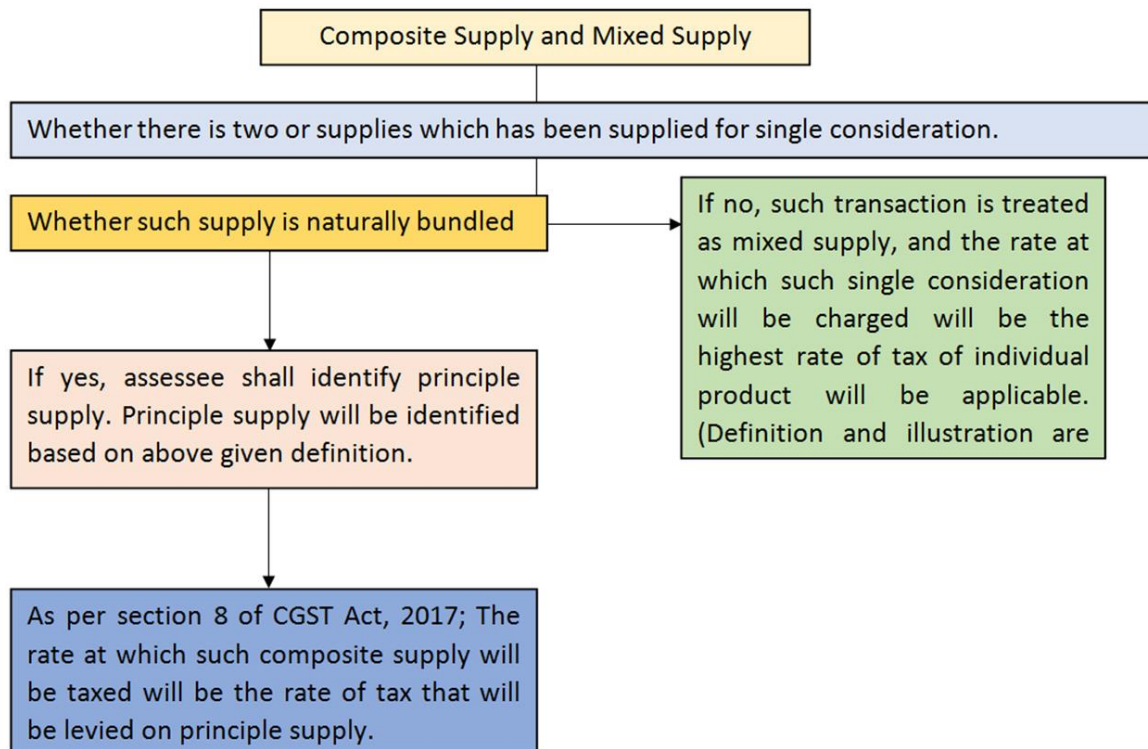
1. Composite Supply:

Composite Supply means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. For example, where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

2. Mixed Supply:

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. For example, a supply of package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juice when supplied for a single price is a mixed supply. Each of these items can be supplied separately and it is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

COMPOSITE AND MIXED SUPPLY (Section 8)

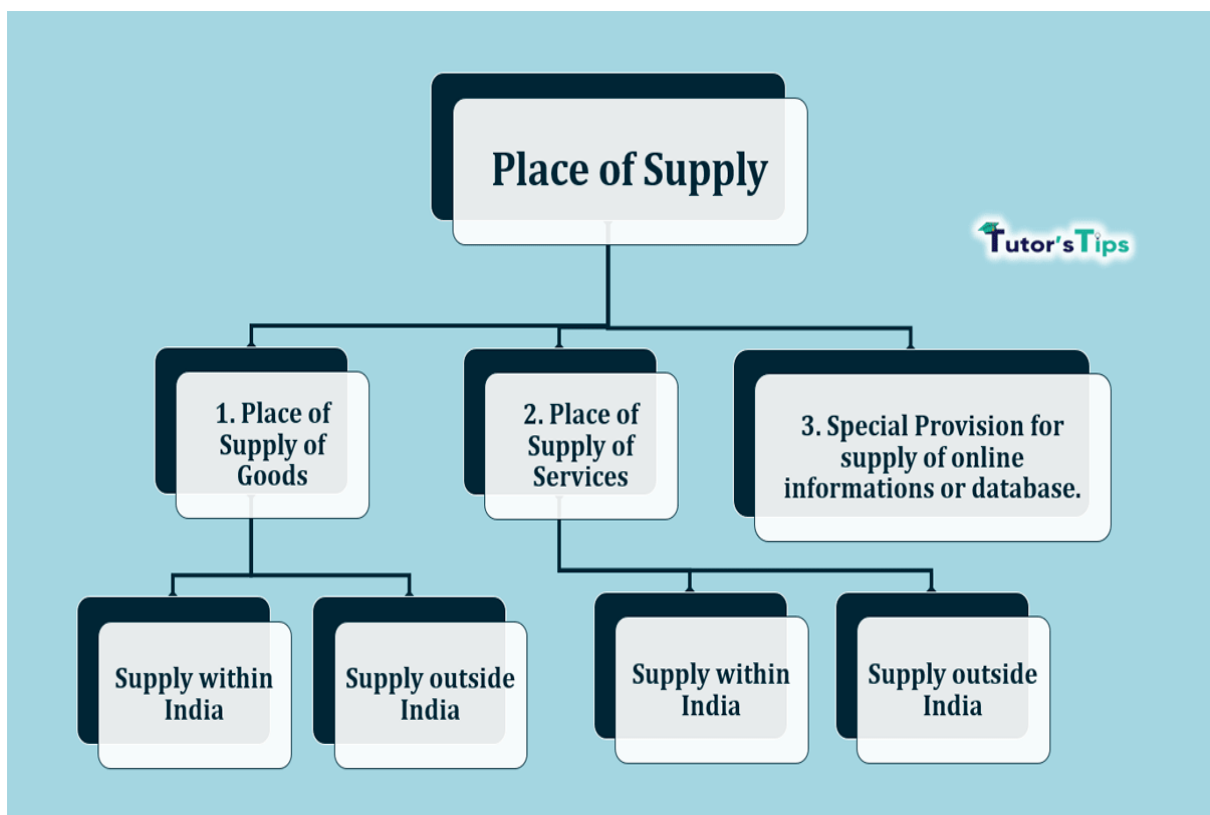
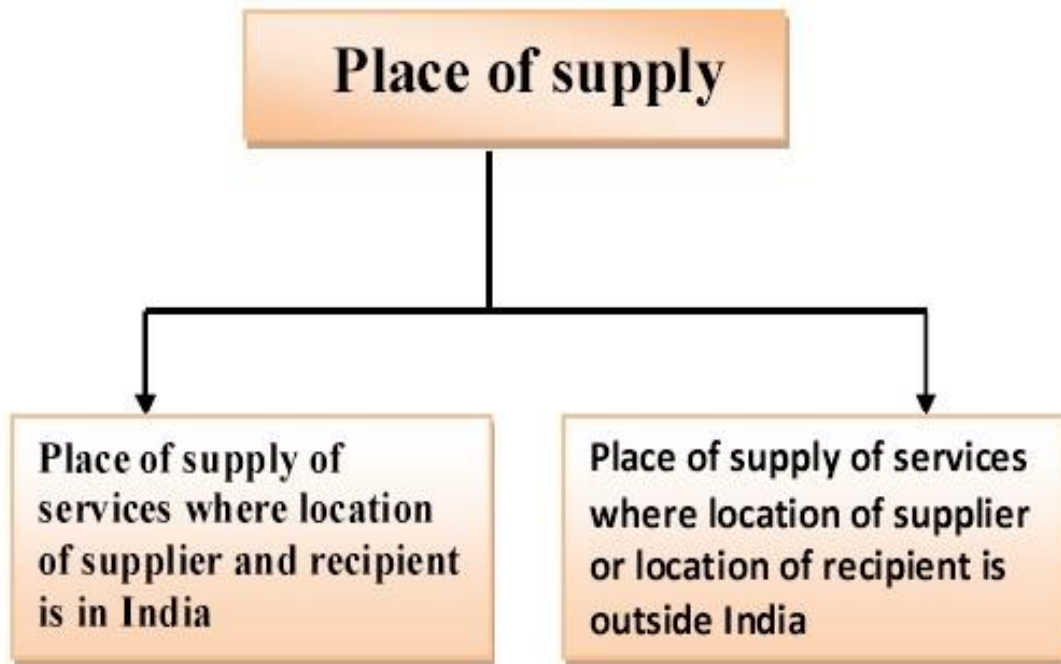


CONCEPT OF SUPPLY (Section 7 of CGST)

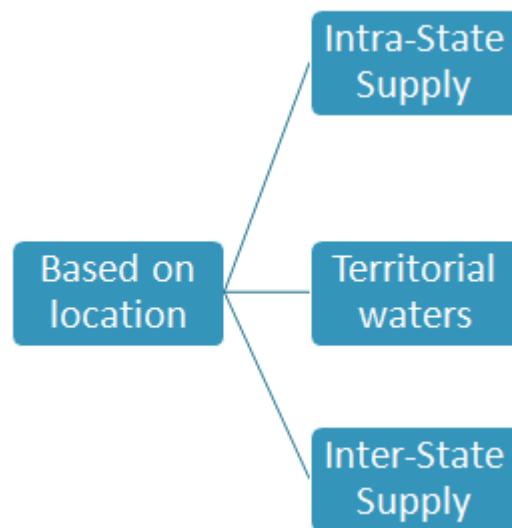
Concept of Supply – Sec 7 of CGST Act 4

Section 7 - Meaning and scope of supply			
Section 7(1)(a)	Section 7(1)(b)	Section 7(1)(c)	Section 7(1)(d)
All forms of supply of goods and / or services, made or agreed to be made, - for a consideration - in the course or furtherance of business such as: - sale, - transfer, - barter, - exchange, - license, - rental, - lease or - disposal	Importation of service, - for a consideration - whether or not in the course or furtherance of business	Supplies specified* - To be treated as supplies <i>made without a consideration</i> * Schedule I: 1. Permanent transfer / disposal of business assets for which ITC is availed 2. Supplies between related persons/ distinct persons in the course or furtherance of business (gifts of less than Rs. 50,000 in value in a FY by employer to employee not to be treated as supply) 3. Supply of goods by / to principal to / by agent where agent undertakes to supply / receive such goods on behalf of principal 4. Importation of service from a related person or from any of his other establishments outside India, in the course or furtherance of business.	<ul style="list-style-type: none"> • Activities to be treated as supply of goods or supply of services – Sch II Section 7(2) <ul style="list-style-type: none"> • Activities not be considered as supply (Sch-III) Section 7(3) By Notification on recommendation of GST Council treat activity as <ul style="list-style-type: none"> • Supply of goods and not service • Supply of service and not goods

PLACE OF SUPPLY



TYPES OF SUPPLY:



1. Based on location

Intra-State supply

Intra-State is a type of supply of goods or services where the **location of the supplier** and the **place of supply** of goods are in the same State or same Union Territory.

Territorial waters

- Where the **location of the supplier** is in the territorial waters; or
- Where the **place of supply** is in the territorial waters;

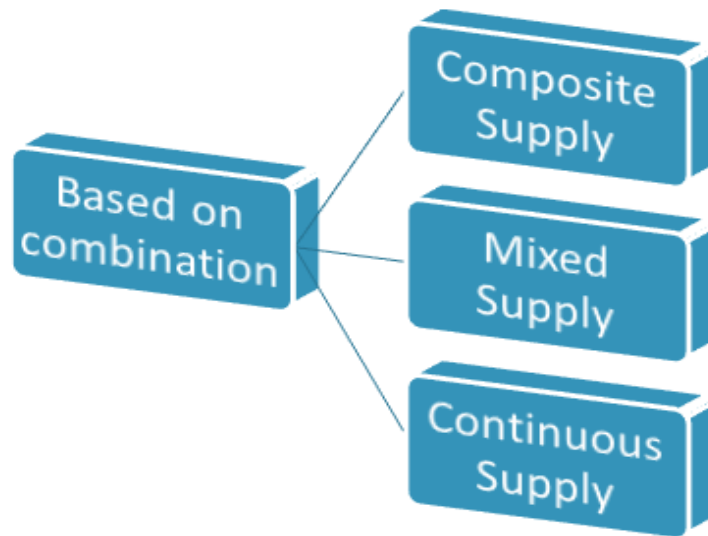
The place of supply will be in the **nearest Coastal State or Union Territory**

Inter-State supply

It is a supply of goods or services, where the **location of the supplier** and **place of supply** are in-

- **Two different States;**
- **Two different Union territories; or**

- **A State and a Union territory**



2. Based on combination

Composite Supply

It means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Mixed Supply

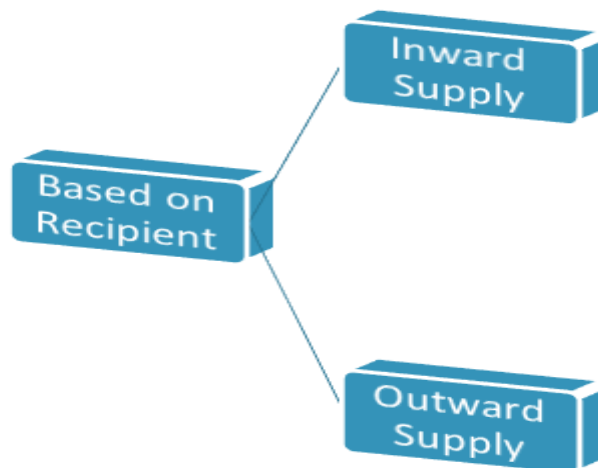
It means two or more individual supplies of goods or services, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Continuous Supply

Continuous supply is of two types viz., **continuous supply of goods** and **continuous supply of services**.

<u>Continuous Supply Of Goods</u>	<u>Continuous Supply Of Services</u>
<ul style="list-style-type: none"> • Means a supply of goods which is provided on continuous basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or basis and includes supply of notified goods. 	<ul style="list-style-type: none"> • Means a supply of services which is provided continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of notified services.

3. Based on Recipient



Inward Supply

It means receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration.

Outward Supply

It means a supply of goods or services or both, whether by sale, transfer, barter, exchange, license, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.

GOVERNMENT/PUBLIC AUTHORITIES AND SUPPLY:

As per section 2(53) of the [CGST Act, 2017](#), 'Government' means the Central Government. In the same manner, Section 2(53) of the State GST enactment(s) define 'Government' to mean Government of the respective State.

CENTRAL GOVERNMENT

As per clause (8) of section 3 of the said Act, the '**Central Government**', in relation to anything done or to be done after the commencement of the Constitution, means the President.

As per Article 53 of the Constitution, the executive power of the Union shall be vested in the President and shall be exercised by him either directly or indirectly through officer's subordinate to him in accordance with the Constitution.

Further, in terms of Article 77 of the Constitution, all executive actions of the Government of India shall be expressed to be taken in the name of the President. Therefore, the Central Government means the President and the officers subordinate to him while exercising the executive powers of the Union vested in the President and in the name of the President.

STATE GOVERNMENT

Similarly, as per clause (60) of section 3 of the General Clauses Act, 1897, the '**State Government**', as respects anything done after the commencement of the Constitution, shall be in a State the Governor, and in an Union Territory the Central Government.

As per Article 154 of the Constitution, the executive power of the State shall be vested in the Governor and shall be exercised by him either directly or indirectly through officer's subordinate to him in accordance with the Constitution.

GOVERNMENTAL AUTHORITY & GOVERNMENT ENTITY

“Governmental Authority” means an authority or a board or any other body, – (i) set up by an Act of Parliament or a State Legislature; or (ii) established by any Government, with 90 per cent. or more participation by way of equity or control, to carry out any function entrusted to a Municipality under Article 243 W of the Constitution or to a Panchayat under Article 243 G of the Constitution.

“Government Entity” means an authority or a board or any other body including a society, trust, corporation, (i) set up by an Act of Parliament or State Legislature; or (ii) established by any Government, with 90 per cent or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government, Union Territory or a local authority.”

Who is a Local Authority?

Local authority is defined in clause (69) of section 2 of the CGST Act, 2017 and means the following:

- ❖ “Panchayat” as defined in clause (d) of article 243 of the Constitution;
- ❖ “Municipality” as defined in clause (e) of article 243P of the Constitution;
- ❖ Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
- ❖ Cantonment Board as defined in section 3 of the Cantonments Act, 2006;
- ❖ Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
- ❖ Development Board constituted under article 371 of the Constitution; or
- ❖ Regional Council constituted under article 371A of the Constitution;

TIME OF SUPPLY OF GOODS (Section 12)

Time of supply is a relevant measure under the GST law for every transaction entered into by the supplier of goods and services. It means the point in time when goods have been deemed to be supplied or services have been deemed to be provided for determining when the taxpayer is liable to pay taxes. While this article dwells upon the time of supply for goods, there is a separate article for time of supply of services.

The time of supply of goods shall be the earlier of that date:

- (a) The date of issuing of invoice (or the last day by which invoice should have been issued) **OR**
- b) The date of receipt of payment

Time of supply under reverse charge

Reverse charge means the liability to pay tax is by the recipient of goods/services instead of the supplier. In case of reverse charge, the time of supply shall be the earliest of the following dates—

- (a) the date of receipt of goods

OR

- (b) the date of payment

OR

- (c) the date immediately after 30 days from the date of issue of invoice by the supplier (60 days for services). If it is not possible to determine the time of supply under (a), (b) or (c), the time of supply shall be the date of entry in the books of account of the recipient.

Time of supply for vouchers

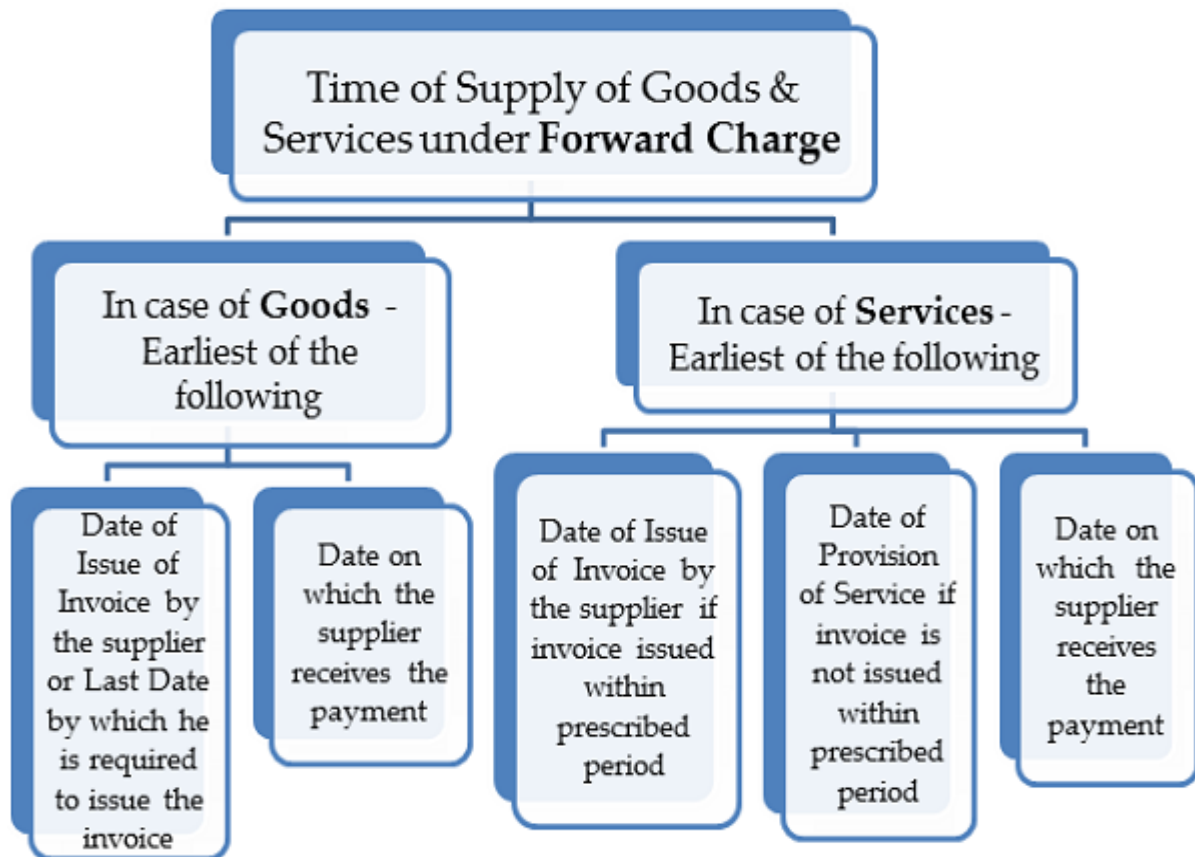
In case of supply of vouchers, the time of supply is-

- (a) The date of issue of the voucher, if the supply can be identified at that point.

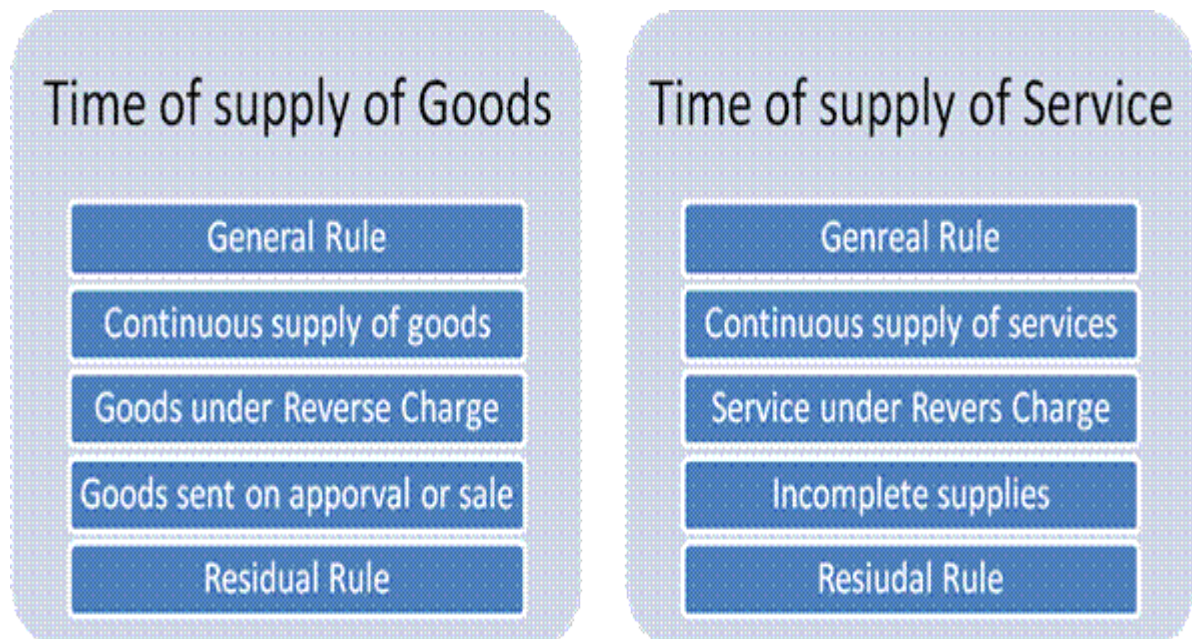
(OR)

- (b) The date of redemption of the voucher, in all other cases.

TIME OF SUPPLY OF SERVICES (Section 13)



COMPARISON BETWEEN TIME OF SUPPLY OF GOODS & SERVICE



VALUATION OF SUPPLY :

Definition: The value of a supply of goods or services or both shall be the **transaction value**, which is the **price actually paid or payable** for the said supply of goods or services or both where the **supplier and the recipient of the supply are not related and the price is the sole consideration** for the supply.

Transaction Value: Transaction value is the consideration charged from the recipient for supply.

Price actually paid or payable: – It means the consideration paid or to be paid by the supplier for the supply.

Condition-1: Supplier and Recipient of the supply are not related: Supplier and recipient should not be related party. Definition of related party is as below:

Persons shall be deemed to be “**related persons**” if

- ❖ Such persons are officers or directors of one another businesses;
- ❖ Such persons are legally recognized partners in business;
- ❖ Such persons are 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; or
- ❖ They are members of the same family.

Condition-2: Price is the sole consideration: Price will be sole consideration if it is on the arm length price. It means if the price charged which is equivalent to Open Market Value or **Fair Market Value** then the same will be sole consideration.
