



M/s PRANJAL JOSHI & CO
CHARTERED ACCOUNTANTS

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What is taxable event under GST ?

Objectives and Importance of this chapter –

Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

The taxable events under the existing indirect tax laws such as manufacture, sale, or provision of services shall stand subsumed in the taxable event known as 'supply'.

Taxable event under present system and taxable event under GST -

Following chart shall present the change under GST as regards taxable event -

Existing Tax	Taxable Event	Taxable Event in GST Regime
Excise Duty	Manufacture of excisable goods	Supply of goods/services
Service Tax	Provision of Service	
VAT/Sales Tax	Transfer of title in goods within state	
CST	Transfer of title in goods outside state	
CVD	On import in lieu of excise duty	
SAD	On import in lieu of VAT	
Entry Tax/ LBT	Entry of specified goods in the State for sale, use or consumption	
Entertainment tax	Provision of entertainment	

Important definitions -

“**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 severed before supply or under a contract of supply;

“**services**” means 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;



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Coverage of term 'Supply' –

The inclusive definition of the term 'Supply' includes –

Sr No	Situation	Details / examples
01	All forms of supply of goods and/or services made or agreed to be made for a consideration by a person in the course or furtherance of business	Examples are - sale, transfer, barter, exchange, license, rental, lease or disposal
02	Importation of service	a) import of service for a consideration whether or not in the course or furtherance of business is a supply; b) import of service by a taxable person, even if made without consideration, from a related person or from any of his other establishments outside India, in the course or furtherance of business
03	Matters treated as supply without consideration	1. Permanent transfer/disposal of business assets. 2. Temporary application of business assets to a private or non-business use. 3. Services put to a private or non-business use. 4. Assets retained after deregistration. 5. Supply of goods and / or services by a taxable person to another taxable or non taxable person in the course or furtherance of business. Provided that the supply of goods by a registered taxable person to a job-worker in terms of section 43A shall not be treated as supply of goods. Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

In order to constitute a 'supply', the following elements are required to be satisfied, i.e.-

- (i) the activity involves supply of goods or services or both;
- (ii) the supply is for a consideration unless otherwise specifically provided for;
- (iii) the supply is made in the course or furtherance of business;
- (iv) the supply is made in the taxable territory;
- (v) the supply is a taxable supply; and
- (vi) the supply is made by a taxable person.

However, under certain circumstances such as import of services for a consideration whether or not in the course or furtherance of business or supplies made without consideration, specified under Schedule-I of CGST /SGST Act, where one or more ingredients specified above are not satisfied, still, it shall still be treated as supply for levy of GST.



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Different types of supplies under the GST law are -

(i) Taxable and exempt supplies.

(ii) Inter-State and Intra-State supplies (where the location of the supplier and the place of supply are in same state it will be intrastate and where it is in different states it will be inter-state supplies.)

(iii) Composite and mixed supplies (explained below) and

(iv) Zero rated supplies (Zero rated supply means export of goods and/or services or supply of goods and/or services to a SEZ developer or a SEZ Unit).

Determination of 'supply of Goods' or 'supply of services'

Transactions which will be regarded as Supply of goods	Transactions which will be regarded as Supply of services
<ul style="list-style-type: none">• Any transfer of the title in goods• Any transfer of title in goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed• Transfer or disposal of assets of business with or without consideration• Sale of any goods, forming part of the business assets of a taxable person, by any other person having power to do so to recover any debt owed by the taxable person, the goods shall be deemed to be supplied by the taxable person• supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.	<ul style="list-style-type: none">• Any transfer of goods or of right in goods or of undivided share in goods without the transfer of title• Any lease, tenancy, easement, licence to occupy land• Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly• Usage or making available Goods of business to another person for any purpose other than business• Renting of immovable property• Construction of a complex, building, civil structure intended for sale to a buyer, wholly or partly, where the consideration has been received before issuance of completion certificate• temporary transfer or permitting the use or enjoyment of any intellectual property right• development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software• Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act• works contract including transfer of property in goods (whether as goods or in some other form) involved in the



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	<p>execution of a works contract</p> <ul style="list-style-type: none">• transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration• transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration
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Composite supply and mixed supply

Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply.

For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary.

Mixed supply is combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately.

For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

(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 two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

Reverse charge mechanism and supply received from unregistered person -

Reverse Charge - It means the liability to pay tax is on the recipient of supply of goods and services instead of the supplier of such goods or services in respect of notified categories of supply. Reverse charge applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council.

The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such



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recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Supply of goods under RCM as per section 9(3) -

[Table is of Notification No. 4/2017- Central Tax- Rate dated 28.06.2017 (after amendments)]

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of Goods	Recipient of Supply
1	0801	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2	1404 90 10	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3	2401	Tobacco leaves	Agriculturist	Any registered person
4	5004 to 5006	Silk yarn		Any registered person
4A	5201	Raw Cotton		Any registered person
5		Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent.
6	Any Chapter	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	Central Government, State Government, Union territory or a local authority ¹	Any registered person

Supply of services under RCM pursuant to Section 9(3)

S. No.	Category of Supply of Services	Supplier of Service	Recipient of Service
1	Supply of Services by a goods transport agency (GTA) [who has not paid central tax at the rate of 6%]in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, 1948(63 of 1948); or (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax	Goods Transport Agency (GTA)	(a) any factory registered under or governed by the Factories Act, 1948(63 of 1948); or (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the Central Goods and Services Tax Act or the



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	Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or (e) anybody corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person.		Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or (e) anybody corporate established, by or under any law; or (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person.
2	Services supplied by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such service has been entered through another advocate or a firm of advocates, or by a firm of advocates, by way of legal services, to a business entity.	An Individual Advocate incl a Senior Advocate or firm of Advocates	Any business entity located in the taxable territory.
3	Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in the taxable territory.
4	Services provided by way of sponsorship to anybody corporate or partnership firm.	Any person	Anybody corporate or partnership firm located in the taxable territory.
5	Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, - (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;	Central Government, State Government, Union territory or local authority	Any business entity located in the taxable territory.



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	(ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.		
6	Services supplied by a director of a company or a body corporate to the said company or the body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory.
7	Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8	Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company	A recovery agent	A banking company or a financial institution or a non-banking financial company, located in the taxable territory.
9	Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory.
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India	Members of Overseeing Committee constituted by the Reserve Bank of India	Reserve Bank of India

Supply received from unregistered person –

The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. **Currently, all intra-state supplies made by unregistered suppliers to a registered person are exempted. Moreover, all inter-state and interstates supplies made by unregistered suppliers to a registered person are exempted.**



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Activities which are treated as neither a supply of goods nor a supply of services –

- (i) services by an employee to the employer in the course of or in relation to his employment,
- (ii) services by any Court or Tribunal established under any law,
- (iii) functions performed by members of Parliament, State Legislatures, members of the local authorities, Constitutional functionaries
- (iv) services of funeral, burial, crematorium or mortuary and
- (v) sale of land and
- (vi), actionable claims other than lottery, betting and gambling shall be treated neither a supply of goods or supply of services.

Composition levy –

The threshold for composition scheme is Rs. 100 Lakhs (Rs 75 Lakhs in few states) of aggregate turnover in the preceding financial year.

Rates of tax for composition scheme –

There are different rates for different sectors.

1. 1% of the turnover in State or turnover in Union territory in case of a manufacturer;
2. 5% of the turnover in State or Union territory in case of food / restaurant services; and
3. 1% of the turnover of taxable supplies of goods in State or turnover in Union territory in case of other suppliers (traders, agents for supply of goods, etc.)

Broadly, following categories of registered person are not eligible to opt for the composition scheme. These are:

- (i) supplier of services other than supplier of restaurant service;
- (ii) supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act (alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel);
- (iii) an inter-State supplier of goods;
- (iv) Supply of goods through an e-commerce operator who is liable to collect tax at source (TCS) – while there is no restriction on goods supplier through a portal owned and operated by the same person;