UNIT-II
LEVY AND COLLECTION OF GST

1. What is taxable event under GST?

Ans. The taxable event under GST shall be the supply of goods or services or both made for consideration in the course or furtherance of business. 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.'

2. Define Supply under GST Law.

Ans. The term supply has been defined in an inclusive manner under Section 7(1) of CGST Act 2017. Supply includes—

(a) all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business,

(b) importation of services, for a consideration whether or not in the course or furtherance of business, and

(c) a supply specified in Schedule I, made or agreed to be made without a consideration.

3. Define Goods under GST Law.

Ans. As per section 2(52) "goods" means
(i)every kind of movable property
(ii)other than money and securities
(iii)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.

4. Define Services under GST Law.

Ans. As per section 2(102) "services" means
(i)anything other than goods, money and securities
(ii)but includes activities relating to the (a)use of money or its conversion,
(b)by cash or by any other mode,
(c)from one form, currency or denomination, to another form, currency or denomination, for which a separate consideration is charged.

For example: A foreign exchange dealer while exchanging one currency for another also charges a commission (often inbuilt in the difference between the purchase price and selling price currency). The related activity of providing the services for which a commission is charged separately would be very much a 'supply'.

5. Define Consideration under GST Law.

Ans. As per Sec. 2(31) Consideration, in relation to the supply of goods or services or both includes—
(a) any payment made or to be made,

(i) whether in money or otherwise,
(ii) in respect of, in response to, or for the inducement of,
(iii) the supply of goods or services or both,
(iv) whether by the recipient or
(v) by any other person
(vi) but shall not include any subsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance,
(i) in respect of, in response to, or for the inducement of,
(ii) the supply of goods or services or both,
(iii) whether by the recipient or
(iv) by any other person
(v) but shall not include any subsidy given by the Central Government or a State Government.

6. What are the different forms of supply?

Ans. Supply includes all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in course of or furtherance of business. These are explained below:

(i)Sale: Transferring the property in goods from one to another, upon valuable consideration.

(ii)Transfer: Any transfer of goods or right in goods or of undivided share in goods without transfer of title thereof.

(iii)Barter: To exchange one commodity for another without use of money.

(iv)Exchange: To swap, to part with, give or transfer for an equivalent with the use of money.

(v)Licence: Permission granted by competent authority to exercise certain privileges without such authorization the activity would have constituted as an illegal act.

(vi)Rental: Periodical payment for the use of another property.

(vii)Lease: Contractual agreement by which one party conveys an estate in property to another party, for a limited period, subject to various conditions, in exchange for something of value, but still remain ownership.

(viii)Disposal: To pass or into the control of someone else; to alienate, bestow, or part with.

7. What are two conditions for becoming supply under GST Law? Or State the two elements of supply.

Ans. The two conditions for supply are:
(i) Supply is for a consideration.
(ii) It is in the course or furtherance of business.

8. What are the activities specified in Schedule I which shall be treated as supply even if made without consideration?

Ans. Provisions under First Schedule (I) to CGST Act 2017 regarding "Activities to be treated as

Supply even if made Without Consideration" are as under:

(i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.

(ii)Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

(iii)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.

(iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

9. What are the activities which are treated as supply of goods or supply of services as per Schedule II of the CGST Act?

Ans. Certain matters have been separately explained to be treated as supply of goods and certain to be supply of services under Schedule II of the Model GST Law. This has been done considering the past litigations on the issue of double taxation like in works contract AC restaurants, intangible goods, transfer of right to use goods etc.

Matters to be treated as goods:

(a) Any transfer of title in goods

(b) Any transfer of title in future goods under an agreement (hire purchase)

(c) Transfer of goods forming part of assets on the directions of a person carrying on business, in such a way so as not to form part of business assets with or without consideration

(d) Goods forming part of business assets on ceasing to be a taxable person except when business is transferred as going concern to another person or business is carried on by a personal representative deemed to be a taxable person.

(e) Supply of goods by any unincorporated association to a member thereof for cash, deferred payment or other valuable consideration.

Matters to be treated as supply of services:

(a) Any transfer of right in goods or undivided share in goods (transfer of right to use is a service)

(b) Any lease, tenancy, easement, licence to occupy land, lease or letting out of building including commercial, industrial or residential complex (renting of immovable property is supply of service)

(c) Job work on other's goods

(d) Business goods put to private use or making available to any person for non-commercial purpose

(e) Renting of immovable property

(f) Construction of a commercial complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or before its first occupation, whichever is earlier

(g) Transfer of IPRs (Intellectual Property Rights)

(h) Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software;

(i) Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act;

(j) works contract including transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract;

(k) 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;

(l) Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration. (Restaurant service)

10. When will be the import of services be taxable under GST?

Ans. Import of services shall be treated as supply if such import are for consideration even though such import of services may be in the course or furtherance of business or not.

Thus if a person avail any service from outside India for a consideration, whether for business or for personal use, then such transaction shall be subject to GST in the hands of the person availing the services under reverse charge basis and in the case of reverse charge, there is no threshold exemption limit for registration.

11. What are the activities which shall be treated neither as a supply of goods nor a supply of services?

Ans. There are certain activities which shall be treated as neither supply of goods nor supply of services; such transactions are mentioned under schedule III:

(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 for the time being in force.

(iii) (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;

(b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

(c) The 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.

(iv) Services by a foreign diplomatic mission located in India.

(v) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

12. Define related person and distinct person.

Ans. "**Related Person**" means with respect to any Person, any Affiliate of such Person or any employee, officer, director, shareholder, partner, manager, member or direct or indirect owner of such Person, or any spouse, parent, sibling, child, lineal descendant or trust for the benefit of any of the foregoing

Distinct Person: Every person with a valid PAN who is liable to be registered shall apply for GST registration in every state or union territory within 30 days of being liable to be registered. A person shall apply for one registration for all units within the same state.

13. What is Time of Supply? How are the provisions relating to time of supply relevant under GST Law?

Ans. The time of supply fixes the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. Even if the supply has taken place, GST would not become payable unless the time of supply is properly determined. The CGST/SGST Act provides separate Time of supply for goods and services.

The provisions relating to time of supply of goods and services are relevant in ascertaining the time to remit the taxes on a particular transaction involving supply of goods/services under the GST Law.

14. When shall the liability to pay tax on goods arise?

Ans. The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.

Section 12 provides for the determination of **time of supply of goods** in the following situations:

(1) Supply of goods where supplier is liable to pay tax under normal situation ie. Forward charge [Section 12(2)];

(2) Supply of goods where tax is levied on reverse charge basis [Section 12(3)];

(3) Supply in case of vouchers Section 12(4)]

(4) Residuary provision [Section 12(5)]

(5) Supply in relation to enhancement in value on account of interest, late fee etc. [Section 13(6)]

(1) Supply of goods where supplier is liable to pay tax under normal situation ie. Forward charge [Section 12(2)]: Generally, the time of supply of goods shall be the earliest of the following:

(a) Date of issue of invoice; or
(b) Due date of issue of invoice; or

(c) Date on which payment is entered in books of accounts of the supplier, or
(d) Date on which payment is credited to the bank account.

(2) Supply of goods where tax is levied on reverse charge basis [Section 12(3)]: In case of tax liable to be paid on goods under 'Reverse Charge Mechanism', the time of supply shall be the earliest of the following:

(a) Date of receipt of goods by the recipient; or
(b) Date on which the payment is entered in the books of accounts of the recipient; or
(c) Date on which payment is debited in the bank account of the recipient; or
(d) Date immediately following 30 days from the date of issue of invoice.

(3) Supply in case of vouchers [Section 12(4)]: In case of supply of voucher by a supplier, the time of supply shall be:

(a) The date of issue of voucher, if supply are identifiable at the point; or

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

(4) Residuary provision [Section 12(5)]: Where it is not possible to determine the time of supply according to above mentioned points, time of supply shall be:-

(a) in case where a periodical returns has to be filed, be the date on which such return is to be filed; or

(b) in any other case, be the date on which the tax is paid.

(5) Supply in relation to enhancement in value on account of interest, late fee etc. [Section 12(6)]: The time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed consideration shall be the date on which the supplier received such additional consideration.

15. When shall the liability to pay tax on services arise?

Ans. The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.

Section 13 provides for the determination of **time of supply of services** in the following situations:

(1) Supply of services where supplier is liable to pay tax under normal situation ie. Forward charge [Section 13(2)];

(2) Supply of services where tax is levied on reverse charge basis [Section 13(3)];

(3) Supply of services in case of vouchers Section 13(4)]

(4) Residuary provision [Section 13(5)]

(5) Supply in relation to enhancement in value on account of interest, late fee etc. [Section 13(6)]

(1) Supply of services where supplier is liable to pay tax under normal situation i.e. Forward charge [Section 13(2)]: The time of supply of services shall be the earliest of the following dates, namely:-

(a) If the invoice is issued within the period prescribed under Sec 31:

(i) The date of issue of invoice by the supplier, or
(ii) The date of receipt of payment, whichever is earlier.

(b) If the invoice is not issued within the period prescribed under Sec 31:

(i)The date of provision of service, or
(ii)The date of receipt of payment, whichever is earlier.

(c) In case where the provisions of clause (a) or (b) do not apply: The date on which recipient shows the receipt of services in his books of account.

(2) Supply of services where tax is levied on reverse charge basis [Section 13(3)]: In case of supplies in respect of which tax is paid or liable to be paid on Reverse charge basis, time of supply shall be earliest of the following dates, namely:-

(a) the date of payment as entered in the books of account or the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or

(b) The date immediately following sixty (60) days from the date of issue of invoice or any other documents, by whatever name be called, in lieu thereof by the supplier.

Where it is not possible to determine time of supply under clause (a) or (b), the time of supply shall be the date of entry in the books of account of the recipient of supply.

(3) Supply of services in case of vouchers Section 13(4)]: In case of supply of voucher by a supplier, the supply of voucher shall be:

(a) The date of issue of voucher**,** if supply are identifiable at the point; or

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

(4) Residuary provision [Section 13(5)]: Where it is not possible to determine the TOS according to above mentioned points, TOS shall be:-

(a) in case where a periodical returns has to be filed, be the date on which such return is to be filed; or

(b) in any other case, be the date on which the tax is paid.

(5) Supply in relation to enhancement in value on account of interest, late fee etc. [Section 13(6)]:
See Point No.5 of Question No. 14

16. What will be the time of supply of goods, generally or incase of forward charge?
Ans. See Point No.1 of Question No. 14

17. What will be the date of payment to ascertain the time of supply of goods?

(a) Date on which payment is entered in books of accounts of the supplier or

(b) Date on which payment is credited to the bank account.

18. What will be the time of supply of goods under Reverse Charge Mechanism (RCM)? Ans. See Point No.2 of Question No. 14

19. What will be the time of supply of services under Reverse Charge Mechanism (RCM)? Ans. See Point No.2 of Question No. 15

20. What is the supply of goods incase of supply of vouchers?

Ans. See Point No.3 of Question No. 14

21. What is Place of Supply under GST?

Ans. Usually, in case of goods, the place of supply is where the goods are delivered. So, the place of supply of goods is the place where the ownership of goods changes. What if there is no movement of goods. In this case, the place of supply is the location of goods at the time of delivery to the recipient.

Generally, the place of supply of services is the location of the service recipient. In cases where the services are provided to an unregistered dealer and their location is not available the location of service provider will be the place of provision of service.

22. How is the place of supply of goods other than supply of goods imported into or exported from India determined?

Ans. As per section 10(1) of IGST Act, place of supply of goods, other than supply of goods imported into or exported out of India, will be determined on following basis. As per section 10(1) of IGST Act, place of supply of goods will be determined on following basis, if it is within India (i.e. other than imports and exports of goods).

(i)Place of supply is where movement of goods terminates [Section 10(1)(a)]: Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

(ii)Goods delivered on direction of third person [Section 10(1)(b)]: Where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

This would cover sale in transit by transfer of documents of title. This clause would also cover situation when goods are sent to job worker on the instructions of 'principal'.

(iii)Place of supply is delivery to recipient when no movement of goods [**Section 10(1)(c)]:** Where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient.

(iv)Place of supply in case of installation or assembly [Section 10(1)(d)]: Where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly.

(v)Place of supply when goods are supplied on board a conveyance [Section 10(1)(e)]: Where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.

(vi)Residual provision [Section 10(2)]: Where the place of supply of goods cannot be determined in aforesaid terms, the same shall be determined in such manner as may be prescribed.

23. How is the place of supply of goods imported into or exported from India determined?

Ans. As per section 11 of IGST Act, place of supply of goods, other than supply of goods imported into or exported out of India, will be determined on following basis:

(a) Imported into India shall be the location of the importer.

(b) Exported from India shall be the location outside India.

24. How would you determine the Place of Supply of Goods under GST?

Ans. See Question 22 & 23.

25. How is the place of supply of services determined where location of supplier and recipient is in India?

Ans. Place of supply of services where location of supplier and recipient is in India described Section 12:

(i) Where the recipient is registered person: If recipient of service is a registered person, the location of such registered person' shall be the place of supply.

(ii) Where the recipient is unregistered person:

(a) The place of supply shall be the address of recipient exists on record of supplier.

(b) The place of supply shall be location of the supplier in other cases.

(B)Specific provisions for different situations: Specific Provisions for different situations for determination of place of supply of services provided under section 12(3) to 12(14) of the IGST Act, 2017, are presented below:

1. Services in relation to an immovable property [Section 12(3)]: Supply of such services including the services of architects, interior decorators, surveyors, engineers and other related expert or estate agents, etc.

The place of supply shall be the location at which immovable property or boat or vessel is located or intended to be located.

In case such location is outside India, the place of supply shall be the location of the recipient.

2. Restaurant and performance based services [Section 12(4)]: The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health services, etc. shall be the place where the services are actually performed.

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3. Training and performance appraisal services [Section 12(5)]:

(a) To registered person: If such services are provided to registered person, the place of supply shall be the location of such person.

(b) To a person other than registered person: The place of supply of services, such a case, shall be the location where such services are actually performed.

4 Services by way of admission to an event or amusement park or other places [Section 12(6)]: The place of supply of services by way of admission to cultural artistic, sporting, scientific, educational event or amusement park shall be the place where the event is actually held or where the park/place is located.

5. Organisation of event [Section 12(7)]: When such service is provided to registered person the place of supply is location of recipient when provided to unregistered person, the place of supply shall be where the event is actually held.

If the event is held outside India, the place of supply is the location of recipient.

6. Services by way of transportation of goods including mail or courier [Section 12(8)]:

(a) If such services are provided to a registered person, location of such person shall be the place of supply.

(b) If such services provided to a person, other than registered person, the location where goods are handed over for transportation, shall be the place of supply.

7. Passenger transportation service [Section 12(9)]: The place of supply of such service to

(a) Registered person: The location of such registered person shall be the place of supply of such service.

(b) Person other than a registered person: The place of supply of such service to a person other than a registered person shall be the place where the passenger embarks on the conveyance for a continuous journey.

8. Services on board a conveyance [Section 12(10)]: The place of supply of such services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the first scheduled point of departure of that conveyance for journey.

9. Telecommunication service [Section 12(11)]: The place of supply of services including data transfer broadcasting, cable and DTH services to any person shall be as under:

(a) Service by way of fixed line: Service by way of fixed telecommunication line, leased circuits, internet or dish antenna, be the location, where such line or other facilities are installed for receipt of services.

(b) Mobile connection on post-paid basis: In case of mobile connection and internet services provided on post paid basis, the location of billing address of the receipt on record of the supplier of services shall be the place of supply.

(c) In case of mobile connection on pre-paid basis: Where mobile connection, internet service and DTH service are provided on pre paid basis through a voucher or any other means:

(i) through a selling agent or reseller or a distributor the address of such intermediary as per record of the supplier at the time of supply.

(ii) by any person to the final subscriber, be the location where such pre-payment is received or such vouchers are sold.

(d) In other cases: Be the address of the recipient as per the records of the supplier of services and where such address is not available the place of supply shall be the location of the supplier of services.

10. Banking and financial services (Section 12(12)]: The place of supply of banking and financial services including stock broking services to any person shall be the location of the recipient of services on records of the supplier of services. Otherwise, the location of supplier shall be the place of supply of services.

11. Insurance Services [Section 12(13)]: In case of insurance services, the place of supply of services shall be as follows:

(i) Supply to registered person: The place of supply shall be the location of such person.

(ii) Other cases: Insurance services provided to a person other than registered person, the place of supply shall be the location of the recipient of services on record of the supplier.

12. Advertisement Services [Section 12(14)]: In case of advertisement services provided to the Central Government, a State Government, a statutory body or a local authority meant for the States or UT. identified in the agreement the place of supply of services shall be taken as being each State or UT and the value of such supplies specific to each of such State or UT, shall be in proportion to the amount attributable to service provided in the respective State or UT in term of the agreement entered into in this regard or any other basis as prescribed.

26. How is the place of supply of services determined where location of supplier and recipient is outside India?

Ans. Place of supply of services where location of supplier or location of recipient is outside India (cross-border supplies) described u/s Section 13:

(A)General Provisions [Section 13(2)]: Place of supply of services shall be the location of the recipient of service. If the location of the recipient is not available in the ordinary course of business, the place of supply shall be the location of the supplier of service.

(B) Specific Provisions

1. Performance based services [Section 13(3)]:

Situation	Place of Supply
Services on goods made physically available by the recipient of services.	Location where services are actually offered.
Services are provided by way of electronic means.	Location where goods are situated at the time of supply of services.
Services requiring physical presence of the recipient.	Location where services are actually offered.

2. Services supplied in relation to immovable property [Section 13(4)]: The place of supply shall be the location where the immovable property is located or intended to be located.

3. Admission or Organisation of an event [Section 13(5)]: The place of supply shall be the location where event is actually held.

4. Services u/s 13(3) or 13(4) or 13(5) supplied at more than one location [Section 13(6)]: Place of supply shall be location in taxable territory.

5. Services uls 13(3) or 13(4) or 13(5) supplied at more than one State or UT [Section 13(7)]: Place of supply shall be each such State or UT in proportion to the value of services provided in each State or UT.

6. Banking, financial institutions, NBFC services [Section 13(8)]: The place of supply of the services shall be the location of the supplier of services.

7. Transportation of goods except mail or courier [Section 13(9)]: The place of supply of transportation of goods shall be the place of destination of such goods.

8. Passenger Transportation Services [Section 13(10)]: Place of supply shall be the place where passenger embark on the conveyance for a continuous journey.

9. Service provided on board a conveyance [Section 13(11)]: Place of supply shall be the first scheduled point of departure of that conveyance for the journey.

10. Supply of online information services [Section 13(12)]: The place of supply of online information and database access or retrieval services shall be the location of the recipient of services.

11. Power of Government to notify any description of services [Section 13(13)]: To prevent double taxation or non taxation of supply of a service, Government may notify any description of service for which the place of supply shall be the place of effective use and enjoyment of such a service.

27. How would you determine the place of supply of services? Ans. See question no. 25 & 26.

28. How would you determine the place of supply?

Ans. See question no. 23, 24, 25 & 26.

29. How the supply of goods or services in course of Inter-State Trade or Commerce and supply of goods or services within the State, is determined?

Ans. Determination of Supply of Goods or Services in course of Inter-State Trade or Commerce:

Section 7 of IGST Act makes provisions in respect of Supply of goods or services or both in the course of inter-State trade or commerce (i.e. from one State to another).

(i)Inter-state supply of goods - As per section 7(1) of IGST Act, supply of goods in the course of inter-State trade or commerce (i.e. from one State to another) means any supply where the location of the supplier and the place of supply are in two different States or two different Union Territories or a State and Union Territory. However, this is subject to the provisions of section 10 Act [i.e. provisions of section 10 override provisions of section 7].

(ii)Import of goods shall be deemed to be inter-state supply - Supply of goods imported into the territory of India. Till they cross the customs frontiers of India shall be treated to be a supply of goods in the course of inter-State trade or commerce - section 7(2) of IGST Act.

Thus, IGST will be payable, at the time of import of goods from customs.

IGST will be payable on value determined under section 3 of Customs Tariff Act on value determined under said Act at the point where duties of customs are levied on the said goods under section 12 of Customs Act, 1962 - proviso to section 5(1) of IGST Act.

(iii)Inter-state supply of services - Supply of services in the course of inter-State trade or commerce means any supply where the location of the supplier and the place of supply are in different States or two different Union Territories or a State and Union Territory. However, this is subject to the provisions of section 12 of IGST Act - section 7(3) of IGST Act.

(iv)Import of services shall be treated to be inter-state supply - Supply of services imported into the territory of India shall be deemed to be a supply of services in the course of inter-State trade or commerce - section 7(4) of IGST Act. Thus, IGST will be payable, mostly under reverse charge.

(v)Export of goods or services shall be treated to be inter-state supply - Supply of goods or services or both, when the supplier is located in India and the place of supply is outside India, shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce - section 7(5)(a) of IGST Act.

(vi)Supply to and by SEZ developer or SEZ unit shall be treated to be inter-state supply of goods and Services - Supply of goods and/or services to or by a SEZ developer or an SEZ unit, shall be deemed to be a supply of goods or services or both in the course of inter-state trade or commerce - section 7(5)(b) of IGST Act.

(vii)Supply which is not intra-state supply is inter-state supply of goods and services: Any supply of goods or services or both in the taxable territory, not being an intra-State supply and not covered elsewhere in this section, shall be deemed to be a supply of goods or services or both in the course of inter-State trade or commerce - section 7(5)(c) of IGST Act, 2017. Thus, any supply which is not intra-state supply is 'inter-state' supply and will be subject to IGST.

Determination of Supply of Goods or Services within the State i.e. intra-state:

Section 8 of IGST Act makes provisions in respect of supply of goods or services or both in the course of intra-State trade or commerce, i.e. trade or commerce within the State.

(i)Intra-state supply of goods - As per section 8(1) of IGST Act, supply of goods where the location of the supplier and the place of supply of goods are in same State or same Union Territory shall be treated as intra-state supply. However, this is subject to the provisions of section 10 of IGST Act.

Further, the intra-State supply of goods shall not include –

(i) Supply of goods to or by a SEZ developer or to or by an SEZ unit.

(ii) Supply of goods brought into India in the course of import till they cross the customs frontiers of India.

(iii) Supplies made to a tourist under section 15 of IGST Act.

(ii) Intra-state supply of services - Supply of services where the location of the supplier and the place of supply are in the same State or same Union Territory shall be treated as intra-state supply. However, this is subject to the provisions of section 12 of IGST Act.

Further, the intra-state supply of services shall not include supply of services to or by a SEZ developer or to or by an SEZ unit. Section 8(2) of IGST Act

30. What is the value of supply for the levy of GST? How would determine the value of supply?

Ans. The value of taxable supply of goods and services shall ordinarily be "the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration. Section 15 of the CGST/SGST Act further elaborates various inclusions and exclusions from the ambit of transaction value. For example, the transaction value shall not include refundable deposit, discount allowed subject to certain conditions before or at the time of supply.

Determination of Value of Supply (Valuation Rules):

1. Value of supply of goods or services where the consideration is not wholly in money: Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall-
a) The open market value of such supply.

b) If open market value is not available, the sum of total consideration in money and such further amount in money that is equivalent to consideration not in money, if such amount is known at the time of supply.

c) If value is not determinable as above (a&b) then value of like kind and quality.

d) If value is not determinable as above(a, b & c) then sum total consideration in money and such further amount in money that is equivalent to consideration not in money as determined by rule 4& 5 in that order.

2. Value of supply of goods or services or both between distinct or related person, (other than through an agent):

a) The open market value of such supply.

b) If open market value is not available, then value of like kind and quality.

c) If value is not determinable as above (a & b) then the value as determined by rule 4& 5 in that order.

3. Value of supply of goods made or received (through an agent):

The value of supply of goods between the principal and his agent shall be;

a) The open market value of the goods being supplied.

b) Or at the option of the supplier, 90% of the price charged for the supply of like kind and quality by the recipient (intended for further supply) to his customer not being related.

c) If value is not determinable as above (a & b) then the value as determined by rule 4& 5 in that order.

4. Value of supply of goods or services or both based on cost: Where the value of the goods or services is not determinable by any preceding rules, the value shall be 110% of the cost of production or manufacture or cost of provision of such services.

5. Residual method for determination of value of supply of goods or services or both: Where the value of supply of goods or services or both cannot be determined under rule 1 to 4 the same shall be determined by using reasonable means consistent with the principle and general provision of section 15 and its rules,(in case of services, the supplier may opt for this rule).

6. Determination of value in respect of certain supplies: The value of supply shall be determined by the supplier of services in the following manner:

(i) **Purchase or sale of foreign currency including money changing:** The value of supply of services in relation to the purchase or sale of foreign currency, including money changing, shall be determined by the supplier of services in the following manner:

(a) Where one of the currencies exchanged in Indian Rupees:

Value of Service = Buying or Selling Rate (-) RBI reference rate for that currency at that time (x) Total Units of currency

(b) Where the RBI reference rate for a currency is not available:

Value of Service = 1% of the gross amount in Indian Rupees received by the person changing the money.

(c) Where neither of the currencies exchanged in Indian Rupees:

Value of Service = 1% lesser of the two amounts by converting any of the two currencies in to Indian Rupees as per RBI rate on the reference date.

Option to pay in lump-sum: A person supplying the services may exercise the option to ascertain value as below for a financial year and such option shall not be withdrawn during the remaining part of that financial year.

(a) For currency exchanged upto Rs.1 lakh:

Value of Service = 1% of the gross amount of currency exchanged; subject to minimum amount of Rs.250.

(b) For currency exchanged more than Rs.1 lakh upto Rs.10 lakh:

Value of Service = Rs.1000 + 0.5% of the gross amount of currency exchanged for an amount exceeding Rs.1 lakh.

(b) For currency exchanged more than Rs.10 lakh:

Value of Service = Rs.5500 + 0.5% of the gross amount of currency exchanged for an amount exceeding Rs.10 lakh; subject to maximum amount of Rs.60,000.

(ii)Booking of Air Tickets by Travel Agents: The value of supply of services in relation to booking of air tickets by air travel agents are:

(a) For Domestic Bookings:

Value of Service = 5% of the basic fare.

(b) For International Bookings:

Value of Service = 10% of the basic fare.

(iii) Life Insurance Business: The value of supply of services in relation to Life Insurance Business is:

(a)Policies where amount of Investment/saving is intimated to policyholder at the time of supply of services:

Value of Service = Gross premium charged (-) Amount allocated for investment/savings on behalf of policyholder as intimated.

(b)Single premium annuity policies other than (a):

Value of Service = 10% of single premium charged.

(c) In all other cases:

Value of Service = 25% of premium charged in the 1st year and 12.5% of premium charged in the subsequent year.

(iv) Second hand goods (no input claimed):

Value of Service = Difference between the selling and purchase price *(*ignored if negative*).*

(v) Value of token, voucher, coupon or stamp (other than postage) which is redeemable against a supply of goods and services or both:

Value of Service = Money value of goods or services or both redeemable against such token, voucher or coupon.

7. Value of supply of services in case of Pure Agent: The cost or expenditure incurred by the suppliers as a pure agent of the recipient of supply of services shall be excluded for the value of supply if the following condition satisfied:-

(i) The supplier acts as a pure agent of the recipient of the supply when he makes the payment to the third party on authorization by such recipient;

(ii) The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and

(iii) The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

8. Rate of exchange of currency, other than INR for determination of value: The reference rate for that currency as determined by RBI on the date when point of taxation arises in respect of such supply in terms of Sec-12/13.

31. What is transaction value? What is included or excluded for the purpose of determining value of supply?

Ans. Transaction value refers to the price actually paid or payable for the supply of goods and or services where the supplier and the recipient are not related and price is the sole consideration for the supply. It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply.

Inclusion for the purpose of determining value of supply:

Currently, GST will be charged on the 'transaction value'. Transaction value is the price actually paid (or payable) for the supply of goods/services between un-related parties (i.e., price is the sole consideration). The value of supply under GST shall include:

(i)Any taxes, duties, cess, fees, and charges levied under any act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.

(ii)Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.

(iii)The value will include all incidental expenses in relation to sale such as packing, commission etc.

(iv)Subsidies linked to supply, except Government subsidies will be included.

(v)Interest/late fee/penalty for delayed payment of consideration will be included.

Exclusion for the purpose of determining value of supply or Exclusion of discounts from "Transaction Value:

(i)Discount given before or at the time of the supply, provided such discount has been duly recorded in the invoice issued in respect of such supply.

(ii) Discount given after the supply has been effected, provided that, such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices

32. Explain the taxability of reimbursement of expenses.

Ans. As per the provision of GST law, value of supply of services includes "reimbursement of expenses". In other words, if any consideration is received as reimbursement from the customer, then GST liability would attract and to be charged on the invoice raised by the service provider.

However, reimbursement of expenses can be exempt in one case i.e. pure agent. To understand the meaning of Pure Agent wherein law provides that value of expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply subject to certain conditions:

(i) The supplier acts as a pure agent of the recipient of the supply when he makes the payment to the third party on authorization by such recipient;

(ii) The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and

(iii) The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

33. Who is Pure Agent?

Ans. The expression “pure agent” means a person who-

1. enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

2. neither intends to hold nor holds any title to the goods or services or both so procured or supplied as a pure agent of the recipient of supply;

3. does not use for his own interest such goods or services so procured and receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

34. What is Small Supplies and Composition Scheme? Who can opt for composition scheme/levy or when is the person eligible to opt for composition scheme?

Ans. Composition Scheme is a simple and easy scheme under GST for taxpayers. Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover. This scheme can be opted by any taxpayer whose turnover is less than Rs. 1.5 crore.

Eligible persons for composition levy

(i) Only persons who deal in goods can opt for such scheme. Manufacturers can also opt for composition scheme. Restaurants who do not serve alcohol can opt for the composition scheme.

(ii) Small services or mixed services providers whose annual turnover during preceding financial year does not exceed Rs.50 lakh.

(iii) Persons whose Aggregate Turnover in the preceding financial year doesn't exceed 1.5 crore are only eligible under this scheme. For persons in a State of Uttarakhand, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura this limit is 75 lakh.

(iv) If a person wants to opt for the composition scheme, then all of his firms should opt for composition scheme registered under same PAN. It is not allowed that some of his firms are in composition scheme and some are not.

(v) Person should not make inter-State sales of goods. Such person is only allowed to make intra-State sales.

(vi) Person should not make sales through any e-commerce portal like Amazon or Flipkart.

(vii) Casual taxable person and a non-resident taxable person cannot register under composition scheme.

35. Who are not eligible to opt composition scheme/ levy?

Ans. Broadly, five 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 whose turnover exceeds Rs.50 lakh annually;

(ii) Supply of goods which are not leviable to tax under this Act. For example, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel (ATF);

(iii) An inter-State supplier of goods;

(iv) Person supplying goods through an electronic commerce operator;

(v) Manufacturer of certain notified goods i.e., Ice-cream and other edible ice, whether or not containing cocoa, pan masala and Tobacco and manufactured tobacco substitutes.

36. What are the conditions for composite scheme?

Ans. A person opting for the composite scheme has to satisfy the conditions:

(i) Such persons shall not be entitled to input tax credit. Net

tax payable = Turnover multiplied by Composition Rate.

(ii) Such person also breaks the input credit chain so it also cannot pass the input tax credit. So composition scheme is not suitable for wholesalers and B2B businesses.

(iii) Such person cannot charge composition tax separately in the invoice issued.

(iv) Such person cannot make sales through any e-commerce portal like Amazon or Flipkart.

(v) Such person is liable to pay tax on purchases of goods or services from unregistered persons.

(vi) Such person should mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.

(vii) Such person shall mention the words "composition taxable person" on every notice or signboard displayed at a prominent place at his all place of business.

If the proper officer has reasons to believe that a taxable person has paid tax under the scheme despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty.

37. What are the benefits and drawbacks of composition scheme?

Ans. Benefits of Composition Scheme

(1) Limited Compliance: Under the composition scheme, the taxpayer is required to furnish one yearly return only, yet tax to be deposited quarterly and thus he need not worry on record keeping and can focus on his business more rather than being occupied in compliance procedures.

(2) Limited Tax Liability: Another benefit of getting registered under the composition scheme is that the tax rate for such taxpayer is nominal under the GST Law.

(3) High Liquidity: One of the major benefits of registering as a composition supplier is high fund availability in the business. A normal taxpayer will be required o pay output tax on his supplies at a standard rate. Thus, a large chunk of his working capital will always remain blocked in the form of input credit.

(4) Level Playing Field : Just because a taxpayer has chosen to get registered under the composition scheme, it doesn't necessarily mean he is losing the competitive edge Since the profit margin of a supplier in composition scheme is more than a large taxpayer, such supplier can outplay the economies of scale of large enterprises.

Drawbacks of composition scheme

(1) Limited Territory for Business: A taxpayer registered under the composition scheme is barred from carrying out inter-State transactions and cannot offer import-export of goods and services.

(2)No Credit of Input Tax: There has been no provision of input credit on B2B transactions. Thus, if any taxable person is carrying out business on B2B model, such person will not be allowed the credit of input tax paid from the output liability.

(3)No Collection of Tax: Though the rate of composition tax is kept very nominal at 0.5%, 1% or 2.5%, of CGST and SGST each a taxpayer under composition scheme is not allowed to recover such tax from his buyer, as he is not allowed to raise a tax invoice.

(4) Electronic Commerce Operator (ECO) out of scope: Since ECO is into inter-State supplies they are not eligible for composition scheme and thus the benefit has been kept away from them. This is further in contradiction with the government vision of “Digital India” and “Start-up India”.

38. What is Composite Supply? Give examples.

Ans. Composite supply' is defined to mean a supply made by a taxable person to a recipient comprising two or more taxable 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.

Examples of 'composite supply

(i)Supply of air conditioner and installation of the same;

(ii)Supply of repair services on computer along with requisite consumables;

(iii)Supply of health care services along with consumable and medicines;

(iv) Education service along with supply of study materials etc.

39. What is Mixed Supply? Give examples.

Ans. 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.

Examples of 'mixed supply

(i) Supply of toothpaste with toothbrush;

(ii) Supply of mosquitoes repellent machine along with mats;

(iii) Providing lodging facility in hotel along with breakfast and dinner.

40. Distinguish between Composite Supply and Mixed Supply. Ans.

Basis	Composite Supply	Mixed Supply
1.Supplies	It is a supply in Which goods or services are naturally bundled.	It is a supply in which goods and services are not naturally bundled.
2. Jointly	Goods or services are Supplied in conjunction with each other.	Although, the supply can be made independently, still supplied together.
3. principal supply	Here, one of goods is a principal supply.	Principal supply cannot be identifiable.
4. **rate of GST**	GST shall be charged at the rate, as applicable on the principal supply.	GST shall be charged at the rate applicable to the supply, which attracts the highest rate.
5. **Example**	Charger supplies with Mobile Phone.	Gift of Chocolates and sweets.

41. What will be the time of supply in case of continuous supply of goods?

Ans. 'Continuous supply of goods' means a supply of goods which is provided, continuously or on a recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduits, and for which the supplier invoices the recipient on a regular or periodic basis.

42. What is HSN Code? State applicability of HSN code under GST Law.

Ans. HSN code stands for “Harmonized System of Nomenclature”. This system has been introduced for the systematic classification of goods all over the world. HSN code is a 6-digit uniform code that classifies 5000+ products and is accepted worldwide. It was developed by the World Customs Organization (WCO) and it came into effect from 1988.

The HSN structure contains 21 sections, with 99 Chapters, about 1,244 headings, and 5,224 subheadings. Each Section is divided into Chapters. Each Chapter is divided into Headings. Each Heading is divided into Sub Headings. Section and Chapter titles describe broad categories of goods, while headings and subheadings describe products in detail.

For example, the HSN Code is (0701 10) for Potato seeds

- The first two digits (07) will represent the chapter number under which Potato
- The third and fourth digit (01) represents the heading number for Potatoes Fresh or Chilled
- The last two digits (10) is the product code for Seeds

India is a member of World Customs Organization (WCO) since 1971. It was originally using 6-digit HSN codes to classify commodities for Customs and Central Excise. Later Customs and Central Excise added two more digits to make the codes more precise, resulting in an 8 digit classification.

Applicability of HSN code under GST

Indian manufacturers under GST shall be required to follow a 3-tiered structure of HSN.

Type of Business	Applicability of HSN
Turnover of less than Rs. 1.5 Crores	Need not follow HSN
Turnover of greater than Rs. 1.5 Crores but less than 5 crores	Use 2 digit HSN Code
Turnover exceeding Rs. 5 Crores	Use 4 digit HSN code
Imports and Exports dealer	Use 8 digit HSN codes (mandatorily)

43. What is SAC? How many digits in SAC code?

Ans. Services Accounting Code (SAC) is a classification system for services. Service Accounting Code is similar to the International HSN codes adopted by other countries across world. Similarly in GST the applicability of Service Accounting Codes have been defined for identifying the applicability of the respective tax rates to the services.

The SAC code is a 6 digit number contrary to the 8 digit HSN code. The same is required to be mentioned in the GST invoices and **GST returns.**

44. What is the difference between SAC and HSN code?

Ans. HSN means Harmonized System of Nomenclature used for classifying goods under GST i.e. Goods and Services Tax. On the other hand the SAC means the Service Accounting Code under which services are classified as per their inclusions in GST law.

Name few exempted goods and services under GST. Ans.

List of Exempted Goods under GST

1. Live asses, mules and hinnies.
2. Live bovine animals.
3. Live swine
4. Live sheep and goats.
5. Live poultry, that is to say, fowls of the species Gallus domesticus, ducks, geese, turkeys and guinea fowls.
6. Other live animal such as Mammals, Birds, Insects.
7. Meat of bovine animals, fresh and chilled.
8. Meat of bovine animals frozen [other than frozen and put up in unit container].
9. Meat of swine, fresh, chilled or frozen [other than frozen and put up in unit container]
10. Live fish.
11. Curd; Lassi; Butter milk.
12. Chena or paneer, other than put up in unit containers and bearing a registered brand name;
13. Birds' eggs, in shell, fresh, preserved or cooked.
14. Natural honey, other than put up in unit container and bearing a registered brand name.
15. Human hair, unworked, whether or not washed or scoured; waste of human hair.
16. Potatoes, fresh or chilled.
17. Tomatoes, fresh or chilled.
18. Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
19. Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled.
20. Coffee beans not roasted etc.

At present 167 exempted goods included under GST.

List of Exempted Services under GST

1. Services by Government or a local authority excluding the following services—

(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 Government;

(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; or

(iv) any service, other than services covered under clauses (i) to (iii) above, provided to business entities.

2. Services by the Reserve Bank of India

3. Services by a foreign diplomatic mission located in India

4. Service by way of access to a road or a bridge on payment of toll charges

5. Transmission or distribution of electricity by an electricity transmission or distribution utility

6. Services by way of renting of residential dwelling for use as residence

7. Services provided to the United Nations or a specified international organization.

8. Services by a veterinary clinic in relation to health care of animals or birds;

9. Services by a specified organisation in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement;

10. Services provided,-

(a) by an educational institution to its students, faculty and staff;

(b) to an educational institution, by way of,-

(i) transportation of students, faculty and staff;

(ii) catering, including any mid-day meals scheme sponsored by the Government;

(iii) security or cleaning or house-keeping services performed in such educational institution;

(iv)services relating to admission to, or conduct of examination by, such institution; upto higher secondary.