

# Goods & Services Tax

*Central Goods & Services Tax Act, 2017*

*“Composite Supply, Mixed Supply &  
Works Contract”*

**ICAI, New Delhi**

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# Five Pillars of GST Law

Liability to Pay- Sec.9



Time of Supply- Sec12 & 13



Place of Supply-IGST Act Sec.10-14



Value of Taxable Supply- Sec.15



Input Tax Credit- Sec. 16-19

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**New Life** 

 **Old Life**

**“Supply”**

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# Existing Law Vs GST



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# GST- Tax on Supply

Supply

```
graph TD; Supply[Supply] --- Sale[Sale]; Supply --- Service[Service]; Supply --- Manufacture[Manufacture]; Supply --- WorksContract[Works Contract];
```

Sale

Service

Manufacture

Works  
Contract

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# Constitutional Provisions for GST (Inserted w.e.f. 16.09.2016)

Article-366 (12A) “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption

Article-266 (26A) “Services” means anything other than goods;

# GST- Tax on Supply

## Supply of Goods

- Sale, Branch Transfer
- Export of Goods

## Supply of Services

- Services, Rental
- Works Contract of immovable property



# “Liability to Pay GST”

Local Supply  
(Within Same  
State)

- CGST + SGST
- (For Ex.  $9 + 9 = 18\%$ )

Central  
Supply (One  
State to  
Another)

- IGST
- (For Ex.  $18\%$ )

# “Liability to Pay GST”- Reverse Charge

## On Notified Services

- Like Goods Transporter, Advocate, Import of Services, Sponsorship

## Supply from Un-registered person

- On all Supply of Goods & Services (Purchase from URP)
- To be paid under reverse charge

# How To Pay GST





# Meaning and Scope of Supply

Section-7

Supply Includes

(a) Supply of  
Goods and/or  
Services

(b) Importation  
of Service

(c) Specified in  
Schedule-I (Without  
Consideration)

Activities to be  
treated as supply of  
goods/ services  
(Schedule-II)

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**“Supply”**

**Sec.7(1)(a)**

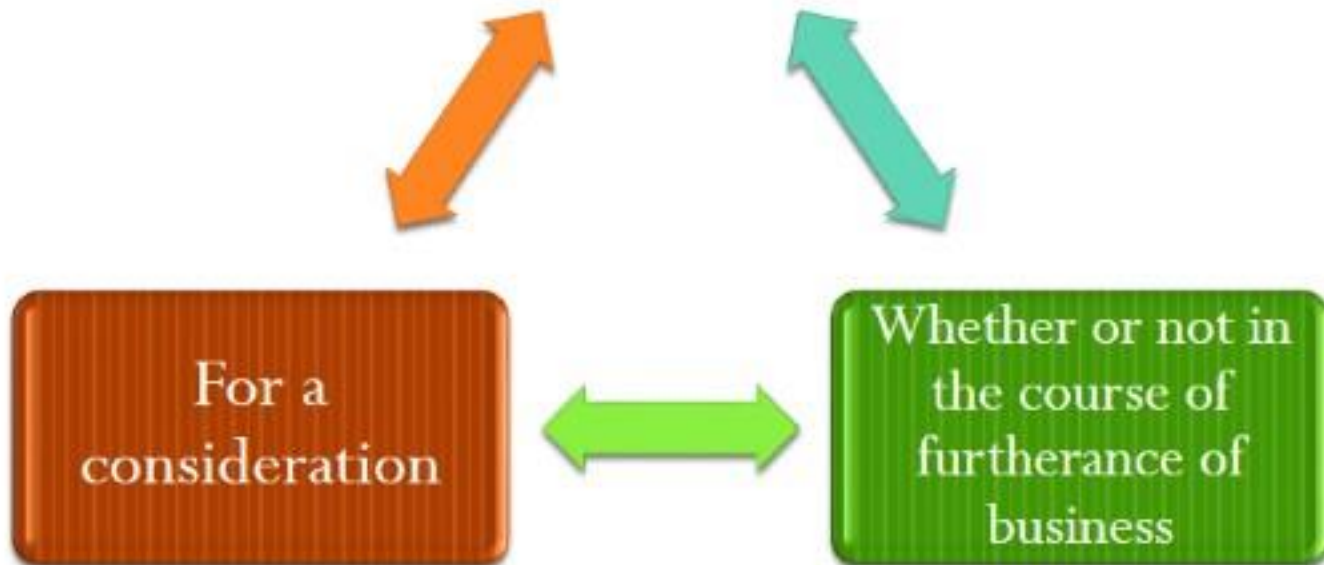


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**“Supply”**

**Sec.7(1)(b)**

**Importation of “Service”**



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# “Supply”

# Sec.7(1)(c)

A “Supply” specified in Schedule-I, made or agreed to be made without a consideration.

Supply of Goods/Services between related persons Or between distinct persons specified in Sec.25, when made in the course or furtherance of business. (except 50000/- in a year from employer to employee)

Permanent transfer / disposal of business assets where ITC has been availed

Supply of Goods by a principal to his Agent

Supply of Goods by an Agent to his Principal

Import of Service from related person or Branch for business

# “Supply”

# Sec.7(1)(d)

- Deeming Provision for classification of Supply of “Goods” or “Services”

## Schedule-II : Matters to be treated as Supply of Goods or Services

1. Transfer	2. Land and Building	3. Treatment or Process
4. Transfer of Business Assets	5/6. To be treated as Supply of Service OR supply of Goods	7. To be treated as Supply of Goods

# “Supply of Goods or Services” Schedule-II

## 1. Transfer

Transfer of  
title in goods-  
“Supply of  
Goods”

Transfer of  
right to use-  
“Supply of  
Service”

Hire  
Purchase-  
“Supply of  
Goods”



# “Supply of Goods or Services” Schedule-II

## 2. Land and Building

Lease, tenancy, easement,  
license to occupy of  
*Land* –

“Supply of Service”

Letting out of  
Commercial, industrial  
or residential building for  
business or commerce-

“Supply of Service”

**“Supply of Goods or Services”  
Schedule-II**

**3. Treatment or Process**

**Job Work**

Any treatment or process applied to  
another person’s goods-

**“Supply of Services”**

# “Supply of Goods or Services” Schedule-II

## 4. Transfer of Business Assets

Sale of  
Assets-  
“Supply of  
Goods”

Business Goods  
used for Private  
or non-business  
use-  
“Supply of  
Service”

When Person ceases  
to be Taxable  
Person-  
Deemed Supply of  
Assets  
Not Applicable if  
transferred as Going  
Concern



# “Supply of Goods or Services”

## Schedule-II

### 5- Deemed “Supply of Service”

- a) Renting of immovable property
- b) Construction of complex, building or civil structure, except where consideration received after completion services or its first occupation, whichever is earlier.
- c) Transfer of right to use of IP rights
- d) Development, design etc of IT software

# “Supply of Goods or Services”

## Schedule-II

e) Agreeing to refrain from an act, tolerate an act or to do an act.

f) Transfer of right to use of Goods

### (6) Composite Supply (To be treated as supply of Service)

(a) Works Contract as defined.

(b) Supply, as part of any service, of food or any other article for human consumption or any drink

# **“Supply of Goods or Services”**

## **Schedule-II**

### **7. Deemed “Supply of Goods”**

Supply of Goods by association to members with consideration.



# Negative List of Supply- Schedule-III

Services by  
employee to  
employer

Duties performed  
by directors etc in  
a body established  
by Govt.

Services of  
Funeral,  
mortuary etc.

Services by  
Court or  
Tribunal

Duties performed  
by any person  
holding  
constitutional post

Actionable  
claims except  
lottery, batting,  
gambling.

Functions  
performed by  
MP/MLA/other  
s members

Sale of  
Land/Building



## “Levy of Tax (Charging Section)”

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# “Levy & Collection of GST”

Sec.9(1)

## Liability to Pay “GST”

CGST/SGST to be levied on all Intra-State supplies of Goods/Services on Value as per Sec.15 and at specified rate & prescribed manner (Rate Not exceeding 20%)

CGST/SGST shall be paid by the “Taxable Person”



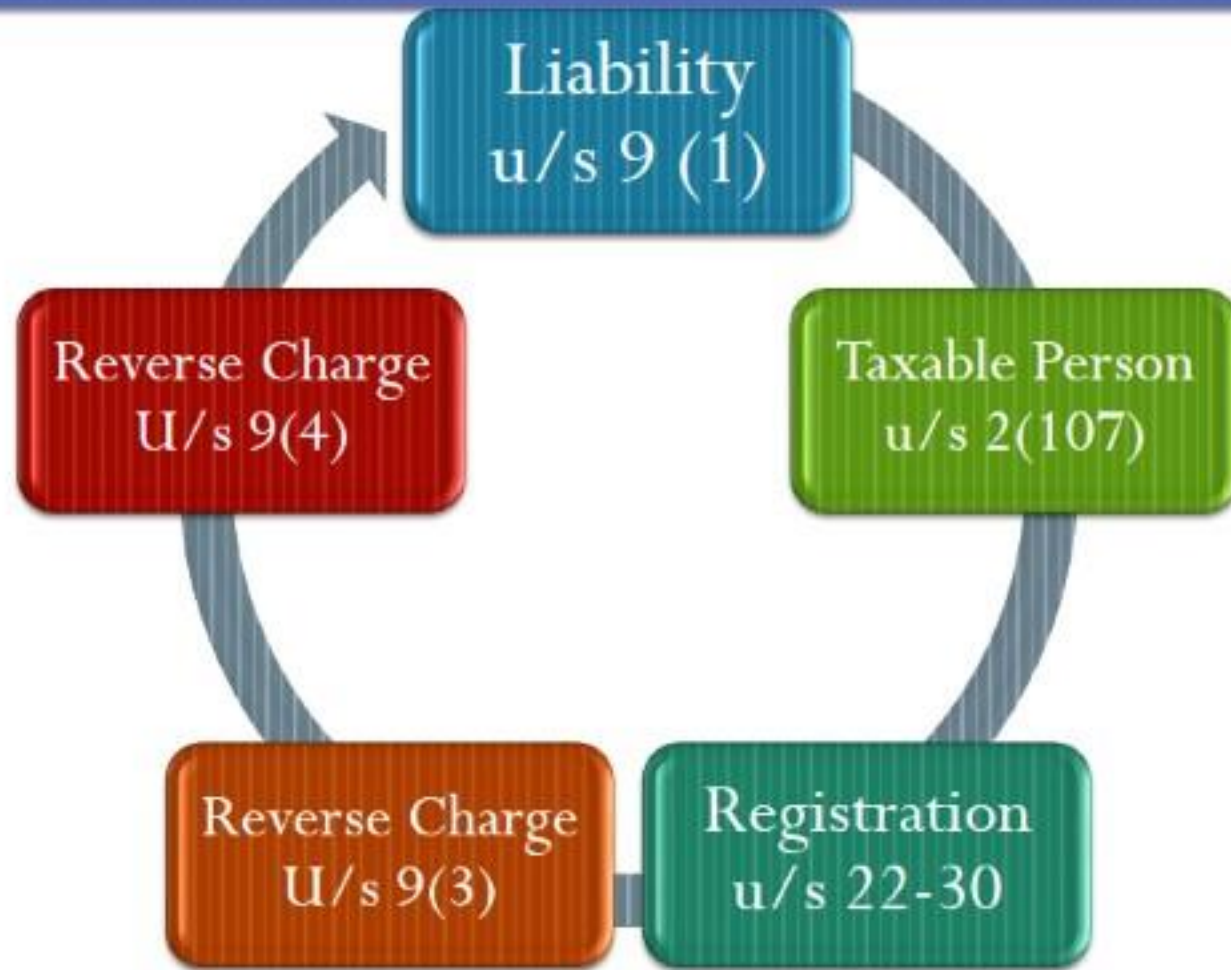
# “Taxable Person”      Sec.2(107)

“taxable person” means a person who is registered or liable to be registered under section 22 or section 24

As per section 22 if the aggregate turnover exceeds 20 Lakhs/10 Lakhs in a financial year

As per section 24 certain specified persons are liable to register mandatorily even if aggregate turnover is below the specified limit.

# Liability to Pay Under GST



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**“Levy & Collection of GST” under  
Reverse Charge Sec.9(3)**

**Liability to Pay “GST”**

The Government may 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 recipient as if he is the person liable for paying the tax in relation to the supply.



# “Levy & Collection of GST” under Reverse Charge Sec.9(4)

Inward Supplies from un-registered persons

The GST 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

## Composite Supply



One night stay



Breakfast

**“Composite Supply”**

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## Composite or Mixed Supply- Sec.8

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

A mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax



# “Composite Supply” Sec.2(30)

“composite supply” 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

## **“Composite Supply” Sec.2(30)**

### **Illustration in Sec.2(30)**

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 a principal supply

# “Naturally Bundled” – Not Defined in GST Law

In the ordinary course of business

Normal trade practices in the line of business

Perception of the customers or recipients



# “Principal Supply”

Sec.2(90)

“principal supply” means the supply of goods or services

which constitutes the predominant element of a composite supply

and to which any other supply forming part of that composite supply is ancillary

# “Composite Supply” of “Goods” or “Services”

Composite Supply



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# Examples of “Composite Supply”

Hotel Room with Breakfast

Construction contract with site plan and govt. approvals

GTA providing loading and unloading services



# Examples of “Composite Supply”

Purchase of AC with  
installation

Purchase of window glass with  
fixation

Purchase of Mobile Phone with  
Charger

# “Composite Supply” Vs “Works Contract”

## Composite Contracts

In relation to  
“Immovable  
Property”

Works  
Contract  
Sec.2(119),  
6(a) of Sch-II

Builders  
Services-  
5(b) of Sch-II

In relation  
to “Movable  
Property”

Composite  
Supply  
Sec.2(30)

Mixed  
Supply  
Sec.2(74)

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# Deemed “Service”- Schedule-II

Deemed “Service”

5 (b) construction of a complex, building, civil structure or a part thereof....

6. Composite supply  
(a) works contract as defined in clause (119) of section 2;



# “Works Contract”

Sec.2(119)

## “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

# “Immovable Property”- Sec.3(26) of General Clauses Act, 1897

“Immovable” property shall include

Land,  
benefits to  
arise out of  
land,

and things  
attached to  
the earth,

or  
permanently  
fastened to  
anything  
attached to  
the earth

# What is “Works Contract”

Works contract is essentially and inherently a contract of service

Works Contract is a contract for work where supply of work is incidental to the contract for work



# Transfer of Property in Goods involved in execution of Works Contract

In Works Contract, property in Goods passes on the principles of-

“Accretion”  
Construction  
of Immovable  
Property

“Accession”  
Repair of  
Machinery

“Blending”  
Printing  
Work

# Examples of “Works Contract” as per GST Definition

Construction of Building

Centrally Air Conditioner Plant

Joint Development Agreements

## Mixed Supply



**“Mixed Supply”**

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# “Mixed Supply”

Sec.2(74)

## “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

# “Mixed Supply”

Sec.2(74)

Illustration.— A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately

# Difference between “Composite Supply” & “Mixed Supply”

Composite Supply

Naturally Bundled

Separate price may be charged

Mixed Supply

Not Naturally Bundled

Single price charged



# Examples of “Mixed Supply”

Gift Hamper

Note Book with Pen

AC with Stabilizer

*Thank You*

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