



**The Institute of Cost Accountants of India**  
**(Statutory body under an Act of Parliament)**  
**Tax Research Department**

**Certificate Course on GST – 16<sup>th</sup> Batch (CCGST)**

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**Types of Supply**

GST laws uses a **single comprehensive word** i.e., “Supply”

**Parameters of “Supply”:**

- Supply should be Goods or Services or both.
- Supply should be made for a consideration
- Supply should be made in the course or furtherance of business

**Various types of Supply:**

- ❖ Inward & Outward Supply
- ❖ Taxable Supply
- ❖ Exempt Supply & Non-Taxable Supply,
- ❖ Non-GST Supply
- ❖ Zero-rated supply

- ❖ Composite Supply
- ❖ Mixed Supply
- ❖ Composite Supply vs. Mixed Supply,



Different types of supplies discussed in details as follows:

(i) **Inward & Outward Supply:**

Inward supply and outward supply should be read together.

✚ Section 2(67) of CGST Act, 2017 defines '**Inward supply**' refers to receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration,

✚ Section 2(83) of CGST Act, 2017 defines '**Outward supply**' refers to supply of goods or services or both, whether by

- ✓ sale,
- ✓ transfer,
- ✓ barter,
- ✓ exchange,
- ✓ licence,
- ✓ rental,

- ✓ lease or
- ✓ disposal or
- ✓ any other mode,
- ✓ made or agreed to be made
- ✓ by such person
- ✓ in the course or furtherance of business;

(ii) **Taxable Supply:**

Sec.2(108) of CGST Act, 2017 defines, “Taxable supply” means a supply of goods or services or both which is leviable to **tax** under this Act;

(iii) **Exempt Supply & Non-Taxable Supply:**

✚ Sec.2(47) of CGST Act, 2017 defines “**Exempt supply**” means, supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under **sec.11** of CGST Act, or under **sec.6** of the Integrated Goods and Services Tax Act, and includes non-taxable supply.

✚ Sec. 2(78) of CGST Act, 2017 defines “**Non-taxable supply**” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

- ✓ Non-taxable supply should essentially be ‘supply’
- ✓ It should satisfy the ingredients of the supply
- ✓ Such as supply of goods or service for consideration & in the course of business
- ✓ If a supply satisfies these ingredients but yet they are not taxable under this Act, then such supply becomes **non-taxable**.
- ✓ Say,

- the Act excludes alcoholic liquor for human consumption
- Petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel etc. are out of purview of GST.

(iv) **Non-GST Supply:**

- ❖ Schedule III of the CGST Act, 2017 specifically refers to activities of transactions which shall be treated **neither as supply of goods nor supply of services**.
- ❖ These transactions as given under Schedule III **cannot** be brought under the scope of non-taxable supply, but under Non-GST Supply only.
- ❖ Examples:
  - ✓ Services provided by employee to an employer
  - ✓ Sale of Land or Building or Both,
  - ✓ Services provided by any Court or Tribunal
  - ✓ High Sea Sale transactions
  - ✓ Actionable claims

(v) **Zero rated supply:**

**Sec.16** of the **IGST Act** refers to Zero rated supply as follows:

**Sec.16 (1)** *'Zero rated supply' means any of the following supplies of goods or services or both, namely: --*

*(a) export of goods or services or both; or*

*(b) supply of goods or services or both to a SEZ developer or a SEZ unit.*

### **Export of Goods:**

Section 2(5) of IGST Act, 2017 defines “Export of Goods” means taking goods out of India to a place outside India

### **Export of Services:**

Section 2(6) of IGST Act, 2017 defines “Export of Services” means the supply of any service when,

- i. the supplier of service is located in India
- ii. the recipient of service is located outside India;
- iii. the place of supply of service is outside India
- iv. the **payment** for such service has been received by the supplier of service in convertible foreign exchange [or in Indian rupees wherever permitted by the RBI]; and
- v. the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8 of IGST Act, 2017.

**Explanation 1 of section 8:** Distinct persons are persons with different GSTINs belonging to one legal entity (**single PAN**) situated within the same state or in two different states or in a different country.

### **Note on GST Refund:**

- ❖ Registered person may avail credit of Input tax for making zero-rated supplies
- ❖ He may claim refund of un-utilised ITC by making
  - ✓ Supply goods or Services or both under LUT & claim refund (or)
  - ✓ Supply goods or Services or both on payment of IGST and claim refund of such tax paid in accordance with the provisions of S.54 of CGST Act, 2017

#### **(vi) Composite Supply under GST:**

As per S.2(30) of CGST Act, 2017 **Composite supply** means a supply made by a taxable person to a recipient and:

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

**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.

**Note:** The tax rate of the **principal supply** shall apply on the entire supply.

#### **Clause (a) of Section 8 defines:**

- A composite supply comprising of
- Two or more supplies,
- Which are naturally bundled in the ordinary course of business
- One of which is a principal supply
  - Shall be treated as a supply of such principal supply

#### **Example:**

A Ltd Manufacturers of readymade shirts entered into a contract with B Ltd for supply of 1000 shirts packed in designer boxes at the premises of B Ltd. Further, A Ltd would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein **supply of goods** is principal supply.

- ✓ Principal Supply: Goods
- ✓ Ancillary Supply: Packing material, transport and Insurance
- ✓ **Tax Applicability:** Tax on the principal supply i.e., GST rate on readymade shirts.

**(vii) Mixed Supply under GST:**

**As per S.2(74) of CGST Act, 2017, 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

**It means**

- ✓ Each of supplies can be supplied **separately** and
- ✓ Not dependent on any other supply i.e., each supply is independent and
- ✓ Such supplies are not naturally bundled

**Clause (b) of Section 8 defines**

A mixed supply comprising of:

- Two or more supplies
- Shall be treated as a supply of that particular supply
- Which attracts highest rate of tax

**Example:**

A Diwali gift box consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices supplied for a single price is a mixed supply. All are also sold separately.

**Applicable Tax Rate:** Since aerated drinks have the highest GST rate of 28% and 28% will apply on the entire gift box.

(viii) Composite Supply vs. Mixed Supply:

**Composite and mixed supplies**



**Composite Supply**

- Consist of two or more supplies
- Naturally bundled
- In conjunction with each other
- One of which is principal supply
- Tax liability shall be rate of principal supply
- **Example:** Charger supplied alongwith mobile phones.



**Mixed Supply**

- Consist of two or more supply
- Not naturally bundled
- Though can be supplied independently, still supplied together
- Tax liability shall be the rate applicable to the supply that attracts highest rate of tax
- **Example:** A gift pack comprising of chocolates, candies, sweets and balloons.

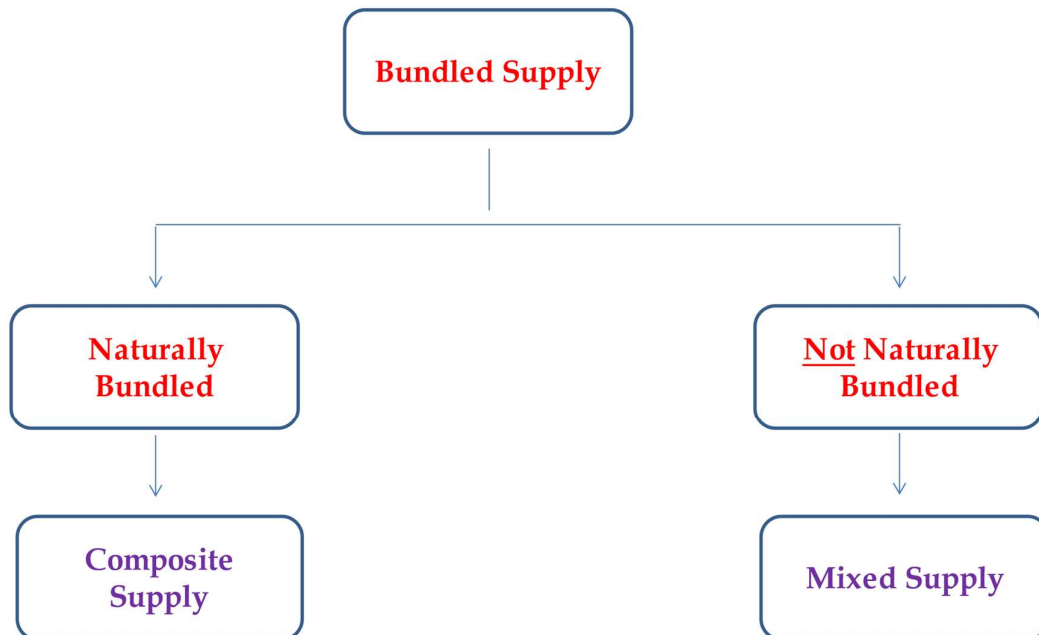


### **In a Nutshell:**

Particulars	Composite Supply	Mixed supply
Main item	Principal item	<b>Item</b> with highest tax rate
Tax rate applicable	Tax rate of Principal item	Highest tax rate of all the items

### **Bundled Supply**

- ❖ A bundled supply is a combination of goods and/or services.



## How to report the "Different types of Supply" in GST Returns:

### Form GSTR-3B:

**3.1 Details of Outward Supplies and inward supplies liable to reverse charge** Help ?

Table 3.1(a), (b), (c) and (e) are auto-drafted based on values provided in GSTR-1. Whereas Table 3.1(d) is auto-drafted based on GSTR-2B.

Nature of Supplies	Total Taxable value (₹)	Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)
(a) Outward taxable supplies (other than zero rated, nil rated and exempted)	1,25,059.00	0.00	11,255.31	11,255.31	0.00
(b) Outward taxable supplies (zero rated )	0.00	0.00			0.00
(c) Other outward supplies (Nil rated, exempted)	0.00				
(d) Inward supplies (liable to reverse charge)	0.00	0.00	0.00	0.00	0.00
(e) Non-GST outward supplies	0.00				

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### Conclusion:

- ❖ Unlike the erstwhile tax regimes where indirect taxes were levied in different stages of a good or a service,
- ❖ GST unifies them all and a single term '**Supply**' is used in place of excise duty, VAT, service tax etc.
- ❖ Thus, it becomes more important now to understand the term 'Supply' and its applicability in detail in light of the definitions provided under the Act.

-Thank You-

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