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

Certificate Course on GST – 17th 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:

S*ec*.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

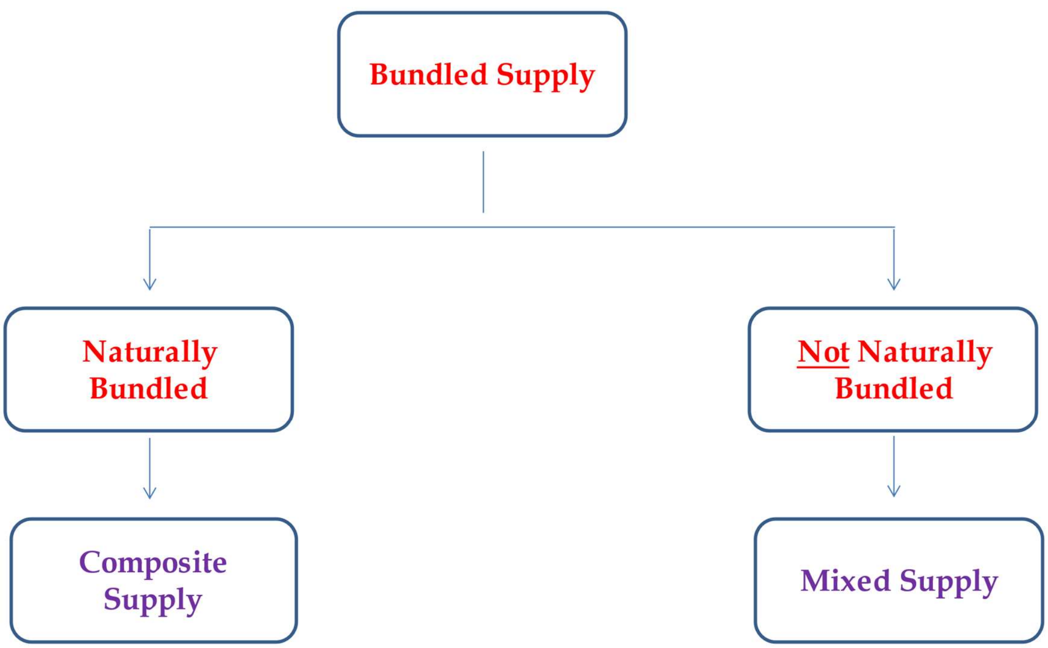
- Consist of two or more supply
- Not naturally bundled
- Though can be supplied independently, still supplied together
- Tax liability shall be the rate applicable to the supply that attracts highest rate of tax
- **Example:** A gift pack comprising of choclates, candies, sweets and balloons.

In a Nutshell:

Particulars	**Composite Supply**	**Mixed supply**
Main item	Principal item	**Item** 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-

By

CMA Kedarnath

Kedarnath.potnuru@gmail.com

Mobile No # 9985162155

Hyderabad.