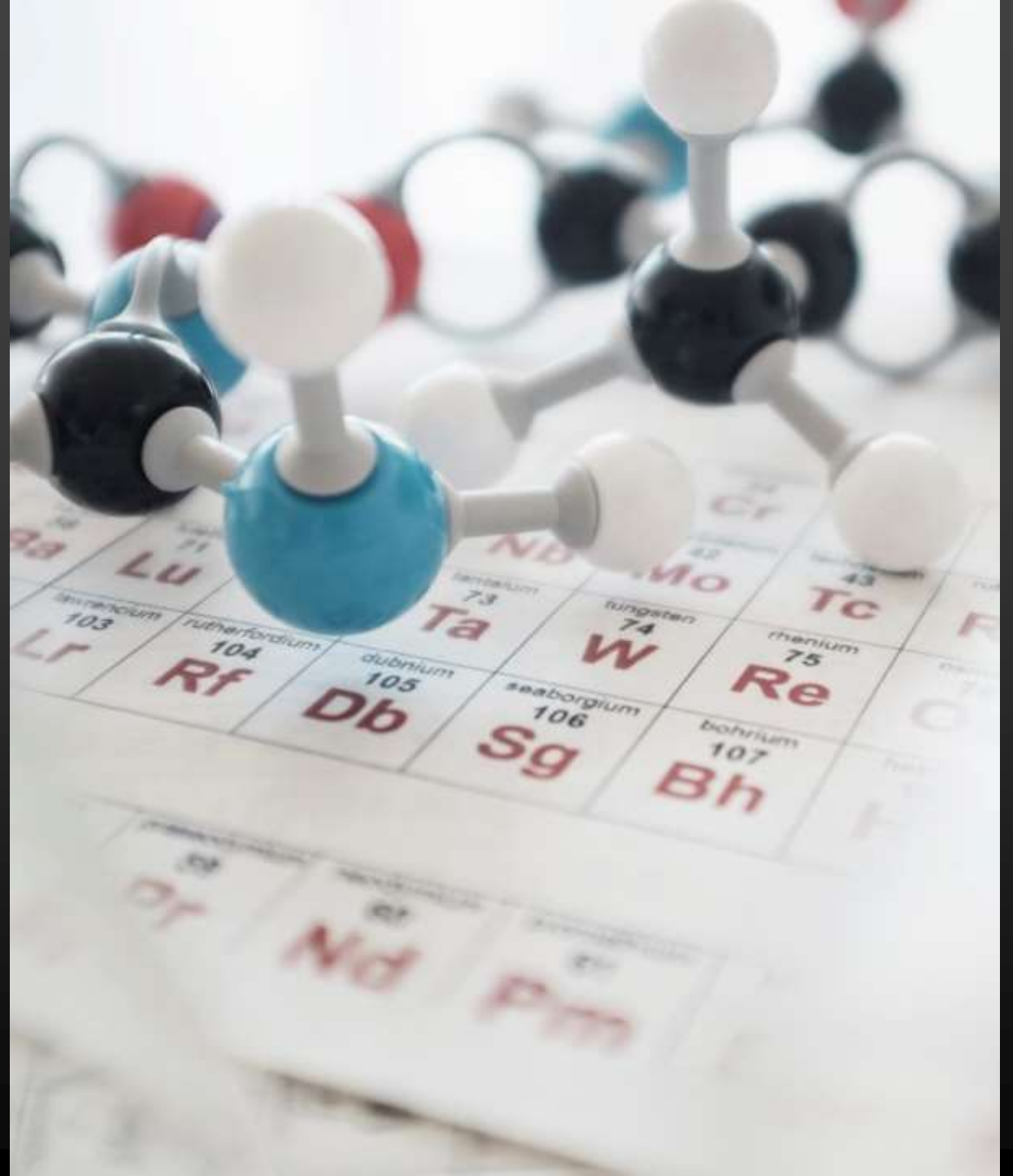


# SUPPLY

Part -3

(Central Goods and Service Tax Act,2017)





# SCHEDULE III

## NON-SUPPLIES UNDER GST

Schedule III specifies transactions/ activities which shall be neither treated as supply of goods nor as supply of services. Thus, the activities/transactions specified under this schedule can be termed as **Non-Supplies** under the GST regime. It is a “Negative list” for the purposes of taxation in GST.

Apart from these, some activities have been notified by the Government vide different notifications/circulars.



# INDEX

SECTION	PARTICULARS
Section 7	Meaning and Scope of Supply
Schedule I	Activities to be treated as supply even if made without consideration (Deemed Supply)
Schedule II	Activities or transactions to be treated as supply of goods or supply of services
Schedule III	Activities or transactions which shall be treated neither as supply of goods nor as supply of services



# SECTION 7 : MEANING AND SCOPE OF SUPPLY

Sub Section	Clause	Particulars
	Supply includes	
I	(a)	<p>All forms of supply of goods or services or both such as</p> <ul style="list-style-type: none"><li>• Sale</li><li>• Transfer</li><li>• Barter, Exchange</li><li>• Licence, rental, lease or</li><li>• Disposal</li></ul> <p>Made or agreed to be made for a consideration by a person in the course or furtherance of business.</p>
	(aa)	<p>The activities or transactions by a person, other than an individual, to its members or constituent or vice versa for cash, deferred payment/other valuable consideration.</p>



Sub Section	Clause	Particulars
1	(b)	Importation of services for a consideration whether or not in the course or furtherance of business.
	(c)	The activities specified in Schedule I made or agreed to be made without a consideration.
1A		Where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated as supply of goods or supply of services as referred to in Schedule II
2		Notwithstanding anything contained in sub section (1).
	(a)	Activities or transactions specified in Schedule III; or
	(b)	Such activities or transactions undertaken by the Central Government, State Government or any local authority in which they are engaged as public authorities as may be notified by the Government on the recommendations of the council.
		Shall be treated neither as supply of goods nor a supply of services.
3		Subject to sub-section (1), (1A) & (2), the Government may on the recommendations of the council specify by notification, the transactions that are to be treated as -
	(a)	A Supply of goods and not as a supply of services; or
	(b)	A Supply of services and not as a supply of goods.



# Analysis of Section 7(2)

## PARA 1

- Services by an employee to the employer in the course of or in relation to his employment.
  - Services provided by casual worker to employer who gives wages on daily basis to the worker are services provided by the worker in the course of employment.
  - Mr. A, an independent director in XYZ Ltd., receives a sitting fee of Rs. 150,000. Since as per the Companies Act, 2013, independent director should not have been an employee of the company, services provided by Mr. A to XYZ Ltd. are not in course of employment.

## PARA 2

- Services by any **Court/Tribunal** established under any law for the time being in force.
  - **Tribunal** means the one established under any law, an Arbitral tribunal is a private tribunal constituted by parties for settlement of any dispute between themselves, services of Arbitral tribunal are services and subject to GST.
  - **Court** includes : District court, high court and supreme court.
    - Fee paid by litigants while registering complaints to said Commissions are not leviable to GST. Any penalty in cash imposed by or amount paid to these Commissions will also not attract GST.





# PARA 3

Services by Government officials;

**(a) Functions performed by the**

- Members of Parliament, Members of State Legislature,
- Members of Panchayats, Members of Municipalities and Members of other local authorities;

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

**Example:** President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, Comptroller and Auditor General of India, Attorney General of India, in that capacity.

**(c) Duties performed by**

- any person as a Chairperson or a Member or a Director
- in a body established by the CG/SG/LA and who is not deemed as an employee before the commencement of this clause.

**Example:** Chairman of Telecom regulatory authority of India (TRAI), Members and directors of finance commission who are not employees.



# Analysis of Section 7(2)

## PARA 4

- Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

## PARA 6

- Actionable Claims, other than **specified actionable claims**. Actionable claims are specifically included in the definition of goods under section 2(52). However, Schedule III specifically excludes actionable claims, other than **specified actionable claims** from the ambit of definition of supply.

- **Specified Actionable claims are :**

- Betting
- Casinos
- Gambling
- Lottery
- Online Money Gaming
- Horse Racing



# PARA 5

	<b>Supply of Goods or Services</b>	<b>GST Liability</b>
Sale of Land	Neither supply of goods nor service – Schedule III	No Supply – No GST
Sale of building – Entire consideration received after issuance of completion certificate or first occupancy (whichever is earlier)	Neither supply of goods nor service – Schedule III	No Supply – No GST
Sale of building – where part or full consideration received before issuance of completion certificate/first occupancy (whichever is earlier)	Supply of service (schedule II- Para 5(b))	Liable to GST – Supply of service



# Analysis of Section 7(2)

## PARA 7

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India. (**Merchant Trading**)
  - Mr. A purchased goods from USA and sold it to George in Canada without bringing the goods in India. This transaction is neither supply of goods nor supply of services.

## PARA 8

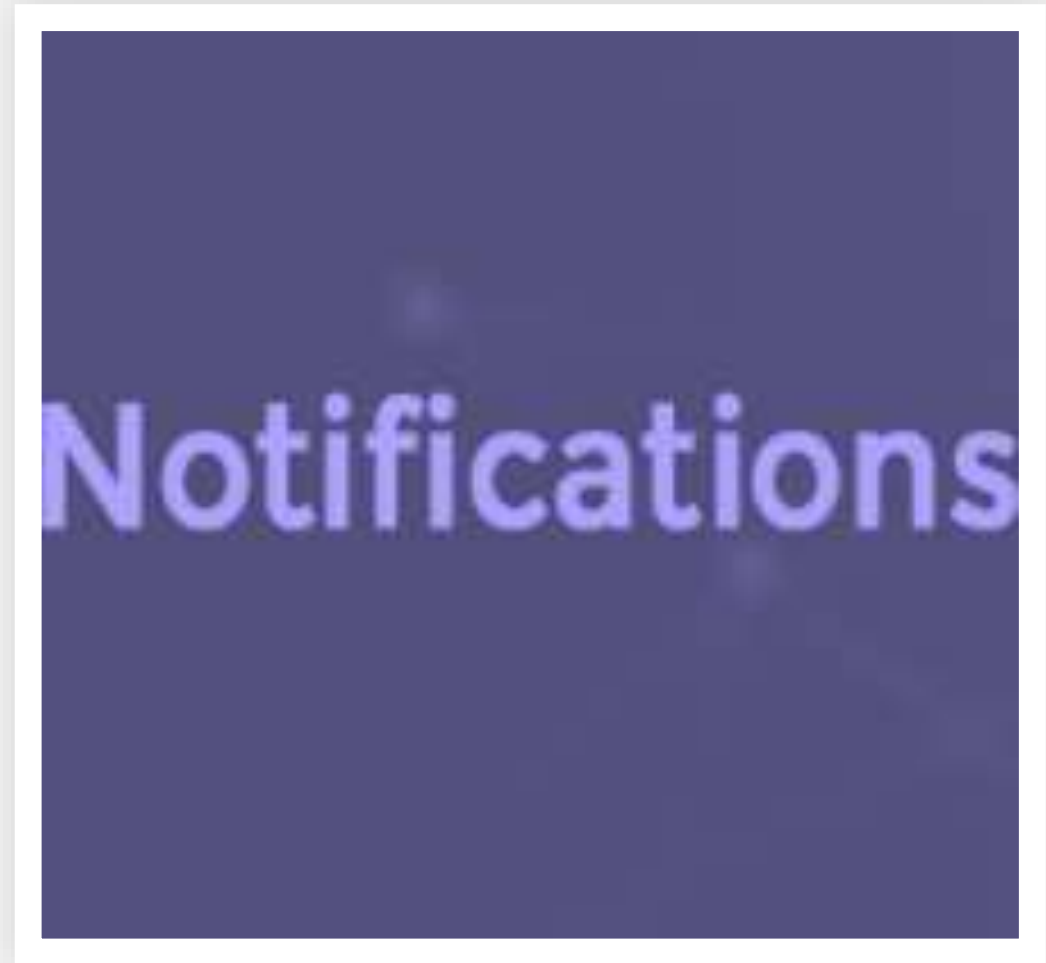
- Supply of warehoused goods to any person before clearance for home consumption.
  - Mr. R imported some goods in India but kept the goods in without clearing it for home consumption. In the meantime, Mr. R sold these goods to Mr. S while they were in warehouse. This transaction between Mr. R and Mr. S is neither supply of goods nor supply of services.
- Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.
  - Mr. P of India imported some goods from Japan. While the goods were in high seas, Mr. P sold the goods to Mr. Q in India by way of endorsement of documents of title of goods. This transaction between Mr. P and Mr. Q is neither supply of goods nor supply of services.



# NON-SUPPLIES NOTIFIED VIDE NOTIFICATION

Government is empowered to notify the activities/ transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities as the activities/transactions which shall be treated neither as supply of goods nor as supply of services. Till now, following two activities/transactions have been notified under said clause:

- Activity in relation to a function entrusted to a Panchayat
- Grant of Alcoholic liquor licence



# NON-SUPPLIES CLARIFIED BY WAY OF CIRCULAR

CBIC has clarified that following activities/transactions are non-supplies:

- Inter-State movement of various modes of conveyance
- Inter-State movement of rigs, tools and spares, and all goods on wheels [like cranes]



# Clarification on perquisite provided by the employer to its employees in terms of contractual agreement

## **Issue:**

Whether various perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer and the employee are liable for GST?

## **Clarification:**

Any perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer & the employee are in lieu of the services provided by employee to the employer in relation to his employment & will not be subjected to GST.



# Clarification on levy of GST on fees charged by Consumer Disputes Redressal Commission.

## Issue:

Whether GST is leviable on fees/penalty/any other amount charged by Consumer Disputes Redressal Commissions (CDRCs)?

## Clarification:

CDRCs (National/ State/ District) may not be tribunals literally as they may not have been set up directly under Article 323B of the Constitution. However, they are clothed with the characteristics of a Tribunal. Consequently, fee paid by litigants while registering complaints to said Commissions are not leviable to GST. Any penalty in cash imposed by or amount paid to these Commissions will also not attract GST.



# COMPOSITE AND MIXED SUPPLIES [SECTION 8]

## SECTION 8A

- *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*

## SECTION 8B

- *a **mixed supply** comprising of two or more supplies shall be treated as supply of that particular **supply that attracts highest rate of tax.***



# COMPOSITE SUPPLIES

**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.
- which are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
- one of which is a principal supply [Section 2(30)].

This means that in a composite supply, goods or services or both are bundled owing to natural necessities. The elements in a composite supply are dependent on the '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. [Section 2(90)]



# How to determine the tax liability on composite supply?

A Composite Supply Comprising of two or more supplies, one of which is a principal supply, shall be treated as a **supply of such principal supply**.

Accordingly, the entire value of composite supply [i.e. main supply + ancillary supply(ies)] shall be classified under the category of main supply and shall be taxed at the GST rate applicable to the main supply.

- Rati Computers supplies laptop (worth Rs. 52,000) alongwith laptop bag (worth Rs. 3,000) to a customer for Rs. 55,000. Being naturally bundled, supply of laptop bag along with the laptop is composite supply which is treated as the supply of the principal supply [viz. laptop]. Assuming that the rate of tax applicable on laptop is 18% and on laptop bag is 28%, in the given case, rate of principal supply, i.e. laptop @ 18% will be charged on the entire value of Rs 55,000.

# MIXED SUPPLIES

## **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 [Section 2(74)].

The individual supplies are independent of each other and are not naturally bundled.

- A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink 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 or separate prices are charged.

# How to determine the tax liability on mixed supply?

A Mixed Supply comprising of two or more supplies shall be treated as supply of that particular **supply that attracts highest rate of tax..**

Accordingly, the entire value of composite supply [i.e. main supply + ancillary supply(ies)] shall be classified under the category of main supply and shall be taxed at the GST rate applicable to the main supply.

- Sringer Enterprises supplies 10,000 kits (at Rs. 50 each) amounting to Rs. 5,00,000 to Raghav General Store. Each kit consists of 2 face cream, 2 face tissue packet and 2 nail paint. It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate. Assuming that the rate of tax applicable on face cream is 18%, on face tissue packet is 28% and on nail paint is 12%, in the given case, highest tax rate [viz. face tissue packet] @ 28% will be charged on the entire value of Rs. 5,00,000.



# Thank You

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# MCQs

I. Which of the following activities is **not treated as supply of goods or services** under Schedule III of the CGST Act?

- A) Sale of land
- B) Renting of immovable property
- C) Sale of building before issuance of completion certificate
- D) Temporary transfer of IPR

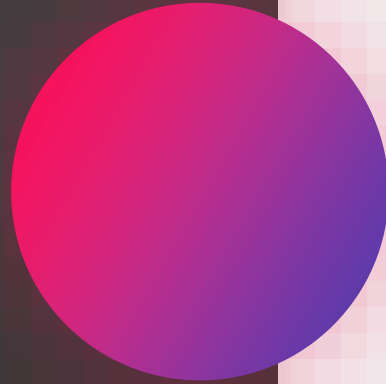


2. Services by an employee to the employer in the course of employment are—

- A) Supply of goods
- B) Supply of services
- C) Neither supply of goods nor services
- D) Exempt supply

MCQs

# MCQs



**3.** Which of the following is included in Schedule III?

- A) Services of funeral, burial, crematorium
- B) Renting of residential dwelling
- C) Transportation of passengers
- D) Works contract services

# MCQs


4. Actionable claims, other than those for \_\_\_\_\_, are neither goods nor services under Schedule III.

- A) Lottery, betting, and gambling
- B) Insurance, betting, and gambling
- C) Speculative trading, insurance, and betting
- D) Lotteries and horse racing

# MCQs

5. Which of the following is covered under Schedule III of the CGST Act?
- A) Import of services by a taxable person
  - B) Services by any Court or Tribunal
  - C) Sale of building before completion certificate
  - D) Transfer of development rights

# MCQs

- 
6. Composite supply means—
- A) Supply of two or more goods or services made together and naturally bundled
  - B) Supply of unrelated goods and services
  - C) Supply of goods only
  - D) Supply of services only

# MCQs

7. In a composite supply, the tax rate is determined based on—
- A) Highest rate among the supplies
  - B) Average of all rates
  - C) Principal supply
  - D) Lowest rate among the supplies

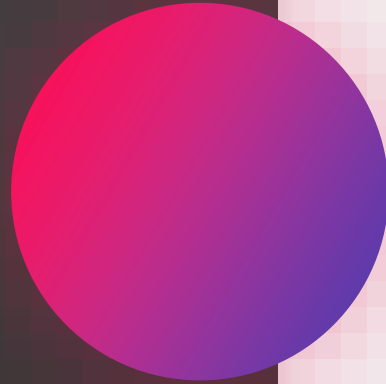
# MCQs

8. A merchant in Dubai sells goods to a customer in the USA, and the goods never enter India. Under GST, this transaction is—
- A) Export of goods
  - B) Import of goods
  - C) Neither supply of goods nor services
  - D) Inter-State supply

# MCQs

9. A “mixed supply” means—
- A) Supplies made together but not naturally bundled
  - B) Supplies made separately
  - C) Supplies made for export
  - D) Supply of only exempt goods

# MCQs



- 10.** In a mixed supply, the tax rate applicable is—
- A) Highest rate applicable to any of the individual supplies
  - B) Lowest rate applicable
  - C) Average of rates
  - D) Rate of principal supply

# MCQs



11. Identify the *principal supply* in the following: supply of mobile phone along with warranty and charger.

- A) Charger
- B) Warranty
- C) Mobile phone
- D) All are equally principal

# MCQs

12. Which of the following is an example of a mixed supply?

A) Supply of car with compulsory insurance

B) Combo pack of chocolates, dry fruits, and sweets sold at Diwali discount price

C) Supply of machinery with installation services

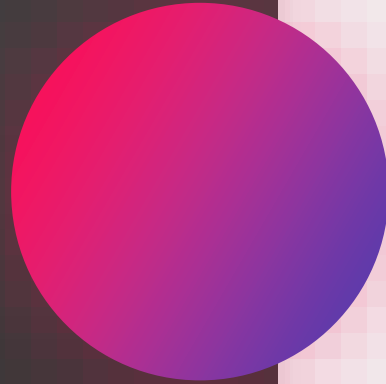
D) Supply of works contract services

# MCQs



13. Which of the following is **not** necessary for an activity to qualify as “supply”?
- A) It should be for consideration
  - B) It should be in the course or furtherance of business
  - C) It should involve goods or services
  - D) It must be a taxable supply

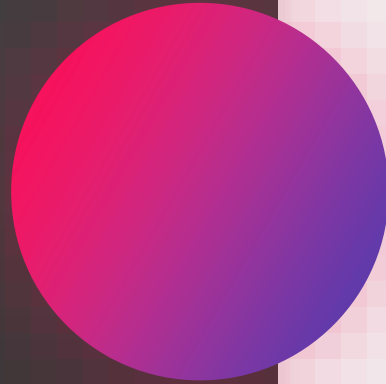
# MCQs



**14.** Which Schedule of the CGST Act lists activities treated as *supply of goods or services*?

- A) Schedule I
- B) Schedule II
- C) Schedule III
- D) Schedule IV

# MCQs



**15.** Import of services for consideration, whether or not in the course or furtherance of business, is—

- A) Not a supply
- B) Supply of goods
- C) Supply of services
- D) Exempt supply

# MCQs



**16.** Supplies made without consideration are taxable if covered under—

- A) Section 7(I)(a)
- B) Section 7(I)(b)
- C) Schedule I
- D) Schedule II



# MCQs

**17.** Branch transfers between different States by the same legal entity under the same PAN are—

- A) Not a supply
- B) Supply between distinct persons
- C) Supply only if consideration exists
- D) Exempt

# MCQs


18. Supply of goods by an unincorporated association to its members is—

- A) Not a supply
- B) Supply of goods
- C) Supply of services
- D) Exempt

# MCQs

19. Temporary transfer or permitting use of intellectual property (IPR) is—
- A) Supply of goods
  - B) Supply of services
  - C) Neither supply of goods nor services
  - D) Exempt supply

# MCQs



**20.** Mr.A (registered in Delhi) transfers business assets (for which ITC was availed) to his branch in Mumbai (same PAN, separate GSTIN).The transfer is made *without any consideration*.

This transaction is—

- A) Not a supply as there is no consideration
- B) Supply under Schedule I
- C) Exempt supply
- D) Supply only if made for a consideration