



For
CA/CS/CMA
Inter

MASTER BOOK ON GST

Edition – 2026-27

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About CA RAJ KUMAR

CA Raj Kumar is a dynamic & qualified Chartered Accountant. As a brilliant student and a position holder at Graduation & Post Graduation level, during his **19 years of glorious teaching experience** in the field of Indirect Taxation he has taught **over 2,05,000 students**.

He is a favorite amongst CA Students for the astute & insightful academic inputs provided by him and for his pleasing & endearing personality and **lucid art of teaching**.

He firmly believes in **blending studies with fun** and this is quite evident in his classes wherein he goes beyond theoretical reading of the subject, makes students **solve practical problems**, gives them practical **real life examples** and pushes them to achieve their goals with full precision.

In the subject Indirect Tax Laws, his students have continued to score **AIR #1 for 11 times** and **All India Highest Marks in IDT for 11 times till now**. He has also been entrusted by Government agencies to **show the ropes to IRS Officers** in training, which is a **testament to his caliber** as a subject matter expert.

He is famous for **concepts linkage** from the very beginning till the end which helps in understanding the topic, acing the exams and in post CA life as well. **His unique use of GST portal during the class** to link theory with Practical makes him stand apart from the crowd. His **classes are practical, conceptual and concise**. He is also the author of bestselling titles 'GST Compact Book'.

GIST OF GST

By - CA Rajkumar



Gate No. 1

Goods	Services	Neither Goods nor Services
EVERY KIND OF MOVABLE Properties [WHICH CAN BE MOVED AS SUCH without any dismantling from one place to another] eg.: Exercise Machine, Ceiling fan, small Storage tank etc.	ANYTHING OTHER THAN GOODS (i.e. AN ACTIVITY- either Active /Passive i.e. Do something or Not to do something. ie NEGATIVE ACTIVITIES)	<ul style="list-style-type: none"> • Money, • Securities.
Including: GROWING Crops & Grass, things attached to OR forming part OF THE Land (eg. Signage, Electricity Pole etc.)	Including: Transaction in money & Securities with Consideration.	Transaction in money & Securities Without Consideration.
ACTIONABLE CLAIM will Also be treated as Goods		

Box 9

Miscellaneous:

INVOICE: and E-way Bill

- TAX INVOICE issued BY TAXABLE PERSON
- Bill of Supply: By Person Availing Composition Scheme.

MANNER OF PAYMENT OF GST: -

- By using: E-CASH Ledger & E-Credit Ledger on GST Portal @ Specified Frequency by DUE DATE.

REGISTRATION:

- TIME LIMIT: 30 DAYS From: Crossing the limit of Rs. 20 Lakhs / 10 Lakh/40 Lakhs
- However the limit is Not Applicable - For INTER STATE supply of goods / Casual Taxable Person etc.

RETURN:

- Outward supply Return [GSTR 1]
- Annual return,
- Periodic Return, [GSTR 3B]
- etc.

INPUT TAX CREDIT:

- ITC Availment
- ITC Utilisation

RECORDS

REFUNDS

Box 8

Charge	Time of Supply of Services	Time of Supply of Goods
Normal Charge Mechanism (NCM)	Invoice date OR Payment Date [Whichever is Earlier]	Invoice date OR Payment Date- [Whichever is Earlier]
Reverse Charge Mechanism (RCM)	Payment Date OR 61st Day from Invoice Date [Whichever is Earlier]	Payment Date OR 31st Day from Invoice Date OR Goods Receiving Date [Whichever is Earliest]

Box 7

NCM/RCM

Generally: SUPPLIER Liab to PAY GST to Govt.

In case of Supply of Specified Services / Goods : RCM will be applicable ie Recipient liab to PAY GST eg :

- Goods Transport Agency Service,
- Legal Services by advocate or firm of advocate,
- Sponsorship service,
- Govt. services
- Director's services,
- Insurance Agent's service,
- Etc.

Box 6

Computation of GST

Regular Scheme	Composition Scheme
Transaction Value = Assessable Value With Adjustments--	Alternate method to pay taxes for small Taxpayers.
I- [Include] Incidental Expenses eg Packing EXPENSES.	
D- [Exclude]: Cash/Bulk/year END DISCOUNT etc.	
I- [Include] interest, Penalty etc	
O- [Include] Obligation of Supplier paid by Recipient	
T- [Include] Taxes other than GST and Compensation Cess eg Excise Duty etc	
S- [Exclude] Government Subsidy	

Gate No. 2

PART #1 ; Meaning of Supply

All form of supply of Goods/SERVICE such as:

- Sale
- Exchange
- Transfer
- Barter
- License
- Renting
- Lease
- Disposal

Made or to be made IN THE COURSE or furtherance of Business for a consideration

Transactions between club and members with Consideration

Importation of services with Consideration (business/Personnel).

4 specified Activities will be treated as SUPPLY even if it is WITHOUT CONSIDERATION

For Example: Transactions in between Related party ie Transaction between family members etc.

For Example : Transaction in between principal and Agent.

PART #2 ; Some Clarification: Supply of GOODS v/s Supply of SERVICE

Movable Property (Goods)		Supply of Goods
Sale of Goods		Supply of Goods
Hire Purchase TRANSACTIONS of Goods		Supply of SERVICE
Transfer of RIGHT / RIGHT to use Goods		Supply of Goods
Permanent transfer of Business Assets (Goods)		Supply of Goods
Immovable Property		Supply of Service
Renting / Leasing of Immovable Property		Supply of Service
Sale of Under Construction Property		Supply of Service
Sale of Complete / Constructed Property		No Supply

PAR T #3 NO SUPPLY: [NEW MAGIC OF W/G LIQUOR WALE]

- (i) Non Taxable Territory to Non Taxable Territory
- (ii) Activity by employee to employer
- (iii) services by Court, Tribunals
- (iv) services by Govt. officials like president, prime minister, chief minister, minister, MP, MLC, MLA,
- (v) Mortuary services
- (vi) Actionable claims, other than lottery, betting, gambling.
- (vii) Liquor license
- (viii) Sale of Land. Completed Building

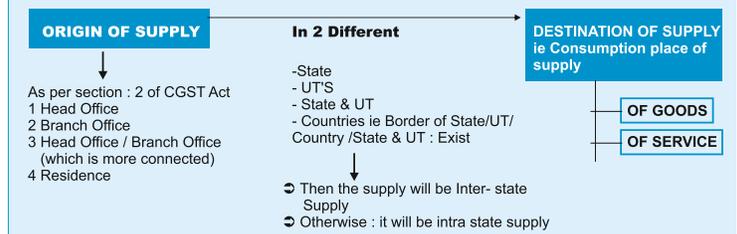
PART #4 Bundled Supply

[A] Composite supply (NATURAL BUNDLE): shall be treated as a supply of PRINCIPAL SUPPLY;

[B] Mixed supply (Artificial bundled) – shall be treated as supply of that particular supply which attract HIGHEST tax rates.

Gate No. 3

NATURE OF SUPPLY: INTRA OR INTER



Gate No. 4

BY TAXABLE PERSON: Any person, who is Registered or required to be Registered ie the Person liab to pay GST.

Step 1: No Registration

- # AN Agriculturist exclusively engaged in Agriculture (However corporate agriculturist are Taxable Person)
- # Person making EXCLUSIVE EXEMPTED SUPPLY.
- # Other Person as may be notified eg Supplier in case of RCM.

Step 2: Mandatory Registration

- # Inter- state supply of GOODS
- # Casual Taxable Person
- # Non Resident taxable person.

Step #3 Registration After Limit

#Aggregate Turnover Exceed the Applicable Limit of Rs 10/20/40 Lakh

Gate No. 5

Gate No. 5100% EXEMPTIONS

Exempted Services: Total 100 + Services are exempted

#Daan, Dharm, Shiksha, Swasthya, Khel, Sarkaar, Kisaan, Manoranjan,
#Goods Transportation, Passenger Transportation, Renting of Immovable Property, Social Activity [G.P.R.S.]

Goods: Total 150 Entries- [NOT IN SYLLABUS]: National flag, Plastic Bangles, Live fish, fresh milk, potato, Grapes, Live bovine animals, Live sheep and goats etc.

Chapter : i - Introduction

What is Tax?:

A **compulsory extortion of money**, which is made under an Act or Law, to support the nation, is called as Tax.

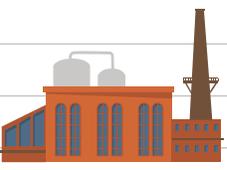
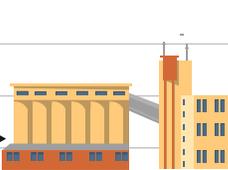
Type of Tax:

Tax can be divided into **two parts**- First one is **Direct Tax** and another one is **Indirect Tax**. Where **incidence of tax borne by the person on whom it is levied**, is called as Direct Tax e.g. Income Tax, & Where the **incidence of tax borne by another person** i.e. End user, then it will be called as Indirect Tax, e.g. GST.

Destination Principle:

According to this principle, **tax will be levied and collected by that State or Country, where goods or services are consumed.**

Concept of Credit:

Manufacturer #1	Manufacturer #2	Manufacturer #3	Manufacturer #4
			
Iron-----Wire	Wire---Compressor	Compressor--AC	AC--Car
Value=100	Value=1,000	Value=10,000	Value=50,000
+ Tax= 18	+ Tax= 180	+ Tax=1,800	+ Tax= 9,000
<u>118</u>	<u>1,180</u>	<u>11,800</u>	<u>59,000</u>
↓	↓	↓	↓
Output tax= 18	Output tax= 180	Output tax= 1,800	Output tax= 9,000
- ITC= Nil	- ITC =18	- ITC=180	- ITC=1,800
<u>Tax to Govt = 18</u>	<u>Tax to Govt=162</u>	<u>Tax to Govt= 1,620</u>	<u>Tax to Govt=88,200</u>
Total Tax To Govt. = 9,000			
Tax Borne By End User = 9,000			

Concept of GST Based On:

- (1) Value Added Tax
- (2) Continuous Chain of Credit
- (3) No Cascading (Tax on Tax)
- (4) Burden of Tax Borne by End User

Features of Indirect Taxes:

(I) Important Source of Revenue: Indirect Taxes contributes more than 50% of total tax revenue.

(II) Tax on Goods and Services.

(III) Shifting of Burden: Tax paid by supplier is recovered from the recipient and ultimately total tax burden borne by the end user.

(IV) No Perception of Direct Pinch: Under Indirect Taxes, most of the time the tax payer paying the same without actually knowing that he is paying tax to Government.

(V) Inflationary: Indirect Taxes rate variations directly affect the prices of goods or services.

(VI) Wider Tax Base: It affects larger number of peoples as compared to Direct Taxes.

(VII) Regressive in Nature: The Indirect Taxes rates are same for rich and poor people.

(VIII) Promotes Social Welfare: Under Indirect Taxes, High tax rates imposed on demerit items like Tobacco, etc. to demotivate these products.

Difference between Direct and Indirect Taxes:

BASIS	Indirect Taxes (e.g. GST)	Direct Taxes (e.g. Income Tax)
Burden of Tax	Borne by End User	Borne by the person on whom it is levied
Nature	Regressive	Progressive
Tax Base	Wider	Narrow
Annual Collection	More than 20 lakh crores	More than 18 lakh crores
EFFECT ON INFLATION	Directly affects inflation	Does not affect Inflation
EFFECT ON PERSON	It affects End User indirectly	It affects taxpayer directly.

Introduction of GST

Why GST?:

- (1) In old taxation system, there are **multiple taxes leading to multiple acts, multiple compliances and multiple tax events**. So, to overcome with these problems, GST has been introduced.
- (2) In old taxation system, there was the problem of **cascading (Tax on Tax) and double taxation** (where one thing liable to taxes twice first by treating it as goods and second by treating it as a service). So, to overcome with these problems, Govt. introduced GST.
- (3) In old taxation system, Taxpayer was treated as Manufacturer / Trader / Service provider. But under GST, Taxpayer is treated as **Supplier** and Buyer is treated as **Recipient**.

What is GST?:

- (1) GST is a tax **on Goods or Services**.
- (2) It is levied on "**Supply**" of Goods or Services.
- (3) Supply may be **Intra-State or Inter-State**.

Intra-State Supply:

Where origin and destination of supply fall **within the same state/UT**, then it will be called as Intra-State.

Chapter i : Introduction

On Intra-State Supplies, **CGST + SGST/ UTGST** will be charged and payable to Central Government, and State Government in CGST Fund + SGST Fund/ UTGST Fund.

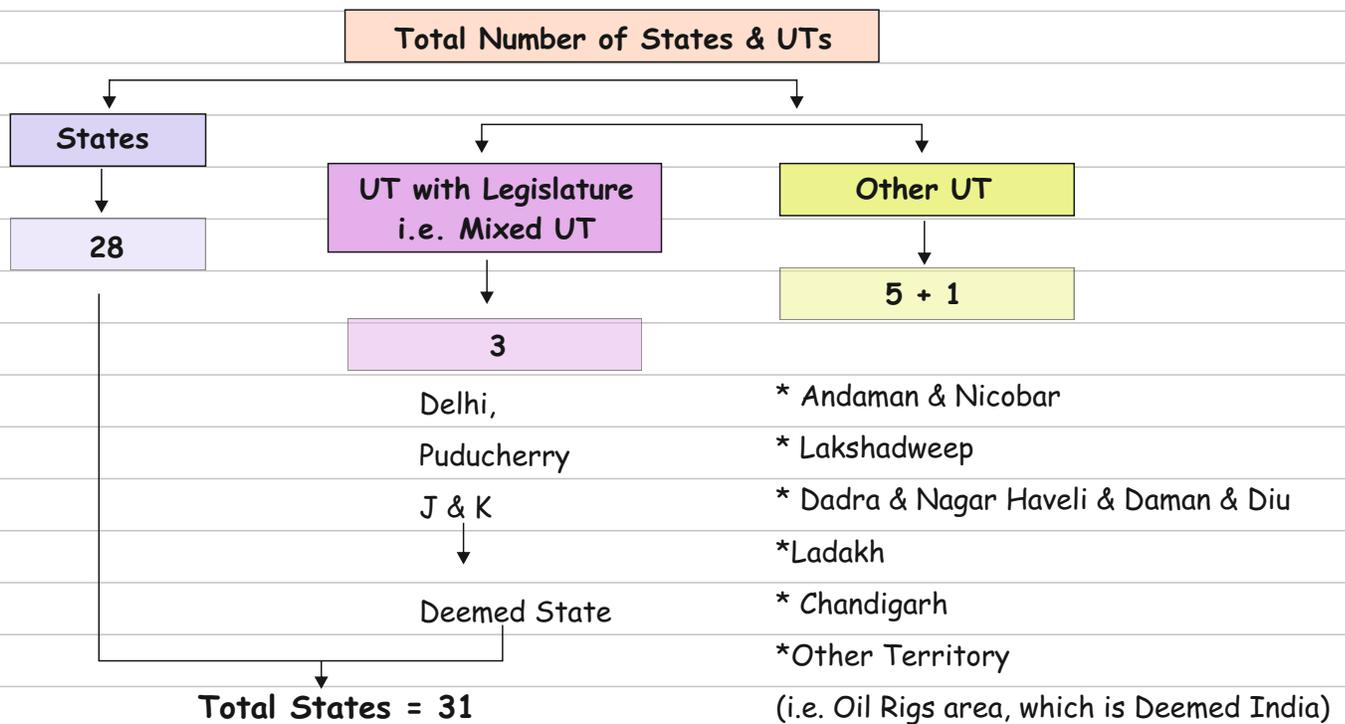
Inter-State Supply:

Where origin and destination of supply falls in **2 different States/UTs/Countries, one in State and another in UT (i.e. a border exist in between)**, than the supply will be Inter-State Supply.

On inter-State supplies, "**IGST**" will be charged, which is a sum total of CGST + SGST / UTGST and payable to Central Government.

After that Central Government will **transfer 50% to CGST Fund and balance 50% to Destination SGST/ UTGST Fund.**

Total Number of States & UTs:



Utilisation of ITC:

ITC shall be utilised in the following sequence:

- (1) Credit of **IGST** will be utilised for:
 - (a) IGST
 - (b) CGST/S GST (Any Ratio/Any Sequence)
- (2) Credit of **CGST** will be utilised for:
 - (a) CGST
 - (b) IGST
- (3) Credit of **SGST** will be utilised for:
 - (a) SGST
 - (b) IGST
- (4) Credit of **UTGST** will be utilised for:
 - (a) UTGST
 - (b) IGST

Which Taxes Subsumed Or Not To Be Subsumed In GST:

<u>Taxes Subsumed in GST</u>	<u>Taxes Not Subsumed in GST</u>
17 types of taxes have been subsumed in GST, which are as follows:	Taxes which have not been subsumed in GST are as follows:
<ul style="list-style-type: none"> • Central Excise Duty • VAT • Central Sales Tax • Entry Tax / Octroi • Service Tax • Tax on Betting, Gambling, Lottery • Etc. 	<ul style="list-style-type: none"> • Import Duty (Customs Duty) • Export Duty (Customs Duty) • Electricity Duty • Road Tax & Passenger Tax • Toll Tax • Etc.

Old Taxes & New Taxes Applicability:

* Alcoholic Liquor for Human Consumption:	[State Excise Duty & State VAT]
* 5 Petroleum Products:	[Central Excise Duty & State VAT]
* Tobacco:	[Central Excise Duty & GST]
* Rest of the Goods and Services:	[GST]

Benefits of GST:

- (1) No multiple taxes, no multiple taxable events & No multiple compliances.
- (2) No Cascading.
- (3) No Double Taxation.
- (4) Uniformity and alignment in provisions of law.
- (5) Increment in Government Revenue.
- (6) Boost to "Make in India" initiative.
- (7) Beneficial for all, viz. Government, Industry & End User.

Goods and Service Tax Network (GSTN):

- ⇒ GSTN is a Company, registered under Sec. 8 of the Companies Act, 2013, i.e. **not for profit company**.
- ⇒ Both the **Governments provide fund** to GSTN.
- ⇒ GSTN provides **GST Portal** for Government and Taxpayer.
- ⇒ Following facilities are offered by GSTN, viz registration, filing of returns, payment of GST.
- ⇒ Distribution of IGST, etc.

Concept of GSP/ASP:

GSP= GST Suidha Provider

ASP= Application Service Provider

- ⇒ Basically, there are some softwares, which helps **to communicate with GST portal** to the small taxpayers, to fulfil various legal compliances, like return filing etc.
- ⇒ It works on **pull and push mode**, that means raw data is pulled from computer system of taxpayer, and after organising that data, it push organised data to GST Portal.

Chapter ii- Constitution of India:

There are 4 Articles, which are relevant here:

- ◆ Article No 246A
- ◆ Article No 269A
- ◆ Article No 366
- ◆ Article No 279A

Article No 246A: Power to make laws:

- ⇒ For Intra-State Supplies: **Central Government and every State Government** have the simultaneous/ shared power to make laws.
- ⇒ For Inter-State Supplies: **Central Government** has exclusive power to make laws, namely IGST Act 2017.
- ⇒ 5 Petroleum Products: Petroleum Crude., Diesel, Petrol, Natural Gas, Aviation Turbine Fuel(ATF) will be covered under the ambit of GST **from the date as recommended by the GST Council.**

Article No 269A: Distribution of IGST:

- ⇒ IGST will be shared in the ratio of **50-50 between Central Government and State Government.** (In case of UT, at destination balance 50% shall be transferred to UTGST fund rather than SGST fund).
- ⇒ All **international transactions** will be called as **Inter-State** transactions.

Article No 366: Definitions:

- ⇒ GST Means: Tax on goods or services **excluding Alcoholic Liquor for home consumption.**
- ⇒ Goods: Any kind of **movable** property.
- ⇒ Services: Anything **other than Goods.**

Article No 279A: GST Council:

- ⇒ Any kind of **changes/amendments** in GST is possible on the recommendation of GST Council.
- ⇒ GST Council consists of-
 - ◆ Union Finance Minister-
 - ◆ Union Minister of State In charge
 - ◆ Finance Minister / Deputy CM/ Other Ministers of the State,
Which decide present and future of GST.
- ⇒ Process of Decision Making:
 - ◆ Representation of any changes before GST Council, in Industry / Department.
 - ◆ Voting in GST Council
 - ◆ On **75% or more (weighted) favourable voting,** GST Council sent the recommendation to Parliament.-
 - ◆ Parliament will issue an official notification for the same.
 - ◆ Now, the changes will be effective.
 - ◆ This change will be effective from the date as mentioned in the notification, and if no such date mentioned, effective date will be date of issue of notification.

⇒ Calculation of 75% voting (Weighted):

Suppose, on a proposal, Central Government is agree and 25 States out of 31 States are also agree then:

⇒ Weightage of Central Government : $1/3$

⇒ Weightage of State Government : $2/3$

⇒ Quorum (Attendance Requirement) for meeting = 50% of total members

Chapter : iii - Definitions [Section 2]

(1) **Actionable Claims:**

- Actionable claim is basically a **contingent asset**.
- Meaning thereby **any kind of Assets** may or may not be received.

Examples: - * Specified Actionable Claims-

- Betting, Gambling, Lottery
- Online Money Gaming
- Casino, Horse Racing
- * Unsecured Debts
- * Pending Litigations in court.
- * Etc.

Comment:

Actionable claims are **Goods** and only specified actionable claims are **liable** to GST. Otherwise actionable claims are **not liable** to GST.

(2) **Agent:**

- Means a person, who **works on behalf of another** person.
- Agent can be called with any name like- factor, broker, commission agent, arhatia, Del-Credere Agent or any other agent.

(3) **Principal:**

- A person, **on whose behalf agent works**.

(4) **Aggregate Turnover:**

It means-

• **All outward supplies:**

- All outward supply will be the part of Aggregate Turnover. Either it is Intra State or Inter State, Export, fall under NCM or RCM, either exempted, non-taxable or taxable.
- It means if anything which is not an outward supply, will not be the part of aggregate turnover. Anything which is not a supply, say transfer to job worker: not includible.

• **No Inward Supplies:**

Inward supplies (either NCM or RCM) will not be the part of aggregate turnover.

• **Taxes:**

- GST and Compensation Cess: Not Includible in value.
- Old taxes like Excise duty, VAT, CST: Includible.

- **Clubbing:** In calculation of Aggregate Turnover, all premises turnover under the same PAN in All over India will be clubbed.

(5) **Exempt Supply:**

Exempt Supply consists of **3 types** of supplies-

- **100% Exempted Supply** i.e. Exempt by way of Exemption Notification
- **Nil rated supply**
- **Non- Taxable Supplies** eg. 5 petroleum products and alcoholic liquor for human consumption.

Comment: (1) No corresponding ITC is allowed, in case of **Exempted supplies**.

Comment: (2) Zero Rated Supplies (Export) is not an exempted supplies and corresponding ITC is allowed in case of Zero Rated Supplies.

(6) **Agriculturist:**

Means an **Individual or HUF** who-

- Actively engaged in cultivation of land **by own labour or by the labour of family**.
- Passively engaged in cultivation of land **by servant on wages or by hired labour** under the personal supervision of himself or of any family member.

(7) **Family:**

- **Unconditional: Spouse and Childrens** always be the part of the family.
- **Conditional: Parents, Grand Parents, Brother and sisters** be the part of family, if they are **wholly or mainly dependent** on the said person.

(8) **Authorised Bank:**

Means the bank or branch of the bank, **authorised by Government**, to collect tax or any other amount under the act.

(9) **Board:**

Means- Central Board of Excise and Customs (**CBIC**).

(10) **Business:**

(11) **Capital Goods:**

- Means the **Goods** which are used or intended to be used in the **business or furtherance** of Business,
- And the **value of which is capitalised in the book of recipient**.

Chapter iii : Definitions [Section 2]

(11A) Inputs:

- Means the **Goods**, which are used or intended to be used in the **business or furtherance** of business,
- And which is **not covered under the definition of capital goods** i.e. revenue expenditure.

(11B) Input Services:

- Means any **service** which are used or intended to be used in the **business or furtherance** of the business.

Comment: GST paid on capital goods, input and input service is **available as ITC to the recipient**.

(12) Casual Taxable Person:

- Any person who **occasionally undertakes transactions** of supply of goods or services,
- In the **course or furtherance of business**.
- In a **State or UT, where he has no fixed place of business**.

Comment:

- Registration: 5 Days in Advance
- Estimated Net GST Payment: 5 Days in Advance
- Life of registration certificate: 90+90 Days

(13) Non-Resident Taxable Person (NRTP):

- Any person, who occasionally undertakes transactions of supply of goods or services in the **course or furtherance of business** in India
- and he has **no fixed place of business or residence** in India.

Comment:

- Registration: 5 Days in Advance
- Estimated Net GST Payment: 5 Days in Advance
- Life of registration certificate: 90+90 Days

(14) Consideration:

- **Something in return** either in monetary or non-monetary form.
- For supply of Goods or Services (Active/Passive).
- Will be called as Consideration.
- **Government subsidy** will **not** be the part of consideration, and
- **Security Deposit** will also **not** be the part of consideration. However, when security amount will be **adjusted against rent** etc., then it will become the part of consideration.

(15) Recipient:

- In case of paid supplies: The person who is **liable to pay consideration**, will be the Recipient.
- In case of Free Supplies: The person **to whom delivery of goods made or to whom service is rendered** will be the recipient.
- Recipient also **includes its agent**.

(16) Debit Note/ Supplementary Invoice:

- Debit Note is a **document**, which is required to be issued in case where there is **under invoicing due to charging lower value of supplies or lower rate of tax** etc.
- Debit Note **enhance the value of main invoice**.
- It also **enhances the liability of supplier in E-liability register**, when supplier submit the debit note in upcoming GSTR-1.
- Debit Note **enhance the credit of recipient** on showing credit value in GSTR-2B.

(16A) Credit Note:

- Credit note is a **document**, which is required to be issued in case where there is **over invoicing, due to charging higher value of supplies or higher rate of tax or under supply of goods or services or in case of sales return** of Goods or services.
- Credit note **fill that gap**.

Comment:

- Debit/Credit note **issued by supplier is only relevant in GST**, if it is **issued by recipient, then treatment will be there in GST**.
- Credit note **decreases the value of main invoice**.
- It also **decreases the liability of supplier in E- liability register**, where **supplier submit the credit note** in upcoming GSTR-1.
- Credit Note **decreases the credit of recipient** on showing credit value in GSTR-2B.

(17) E-Liability Register / E-Credit Ledger / E-Cash Ledger:

- Where a person get registration on GST Portal, 3 online ledgers are opened by portal for the registered person.
- E- liability register **shows the GST and other liability** of registered person which is updated on submission of GSTR-1.
- E-Cash Ledger shows the **ITC available to the registered person** and it is updated on deposit of cash amount by registered person.

(18) India:

India Means-

- **Land Mass** of India
- **Territorial Water of India** (which is 12 nautical miles from the base line) including bottom and airspace.
- **Oil rigs** situated in Exclusive Economic Zone or Continental Shelf will be called as Deemed India.

Comment:

Deemed India area (Oil rigs) will be **covered under Other Territory**, which means Union Territory.

(19) Inward Supply:

- Any kind of Supply either free or paid,
- Which is **taken by the recipient**,

Chapter iii : Definitions [Section 2]

- By way of **purchases / acquisition** etc.
- Will be called as Inward Supply.

(20) Input Tax:

- **GST charged or payable on any inward supply.**
- Either under forward charge or reverse charge
- Will be called as Input Tax.
- Moreover, **IGST charged on Import of Goods** by Customs Department, will also be the Input Tax.
- However, **tax paid by composite dealer @ 1%, 5%, 6% will not be the Input Tax.**

(21) Input Tax Credit:

- **Credit of Input Tax** will be the Input Tax credit.

(22) Outward Supply:

- Supply of Goods or Services provided **by supplier,**
- By way of sale, transfer, barter, etc.
- Either with consideration or without consideration,
- Made during the course of business or furtherance of business.

(23) Output Tax:

Tax Chargeable on outward supplies under this Act, will be called as Output Tax.

Comment:

Tax payable by recipient on inward supplies under Reverse Charge, will be called as Input Tax for Recipient.

(24) Job Work:

Any treatment or process undertaken by any person (Job worker), on goods belonging to others will be called as Job work.

Comment:

- (a) Transfer of goods to job worker will not be a supply. Moreover, when goods will be returned from job worker premises, it will also not be a supply.
- (b) Goods supplied by owner of goods from the place of job worker, after job work, will be a supply in the hands of owner.
- (c) Activities performed by job worker will be treated on supply of service, and liable to GST, in the hands of job worker [Except agriculture related].

(24A) Local authority" means:

(a) a "Panchayat"

(b) a "Municipality"

(c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal fund or local fund;

Explanation.--For the purposes of this sub-clause—

(a) Local fund" means any fund under the control or management of an authority of a local self-

Chapter iii : Definitions [Section 2]

government established for discharging civic functions in relation to a Panchayat area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;

(b) Municipal fund" means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Metropolitan area or Municipal area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called.

(d) a Cantonment Board

(e) a Regional Council or a District Council constituted.

(f) a Development Board constituted or

(g) a Regional Council

(25) **Money:**

The Indian Legal Tender or foreign currency, cheque, promissory note, bill of exchange, draft, pay order, traveller cheque, money order etc, i.e. Market Value and face value is equal.

Comment:

Outdated currency is not a money.

(26) **Taxable Supply:**

The supply, which fulfil the following 3 conditions-

- There must be Goods/ Services,
- There Must be a Supply, and
- It is leviable to GST.

(27) **Non-Taxable Supply:**

The supply, which fulfil the following 3 conditions-

- There must be Goods/ Services,
- There Must be a Supply, and
- It is not leviable to GST.

(28) **Taxable Territory:**

Means the territory, to which provisions of this act apply.

For example: For CGST Act = Whole India will be Taxable territory.

(29) **Non-Taxable Territory:**

Means the territory, which is outside the taxable territory.

For example: For CGST Act = Any place other than India, will be Non-taxable territory.

(30) **State:**

Already discussed in Introduction chapter.

(31) **Union Territory:**

Already discussed in Introduction chapter.

(32) **Other Territory:**

Means a place, which is not covered in the definition of State/UT.

For example: Oil rigs in Exclusive Economic Zone (EEZ).

Chapter iii : Definitions [Section 2]

(33) Person:

Person includes, the Individual, HUF. Company, Firm, LLP (Limited Liability Partnership), AOP or BOI (whether incorporated or not in India or outside India), Corporation (eg. Life Insurance Corporation), any Body Corporate incorporated outside India, Government Departments, Society, Trust, any other artificial person.

(34) Principal Business Place:

The place, which is specified in registration certificate as "Principal Business Place" (Eg. Head Office, Corporate Office).

(35) Principal Supply:

The supply which has "predominant element" in a Composite Supply, will be called as Principal Supply.

Comment:

Classification of composite supply goes to Principal Supply.

(36) Quarter:

A period of consecutive months, which is as follows will be called as a Quarter-

- January + February + March
- April + May + June
- July + August + September
- October + November + December.

(37) Registered Person:

- A person, who is registered under GST will be called as Registered person.
- However, a person who has "UIN" (Unique Identification Number) for claiming refund from Department on inward supplies, eg. Embassy, will not be called as Registered person.

(38) Removal:

Dispatch of goods by supplier or collection of goods by recipient, will be called as removal.

(39) Return:

Periodic return (eg. GSTR-3B), Annual return (GSTR-9, 9A), Final return (GSTR-10).

(40) Reverse Charge Mechanism (RCM):

Where recipient of goods or service liable to pay tax to Government directly, instead of supplier, will be called as RCM.

(40A) Supplier:

- The person, who is supplying goods or services will be called as Supplier, and
- An agent, who acts on behalf of supplier will also be called as Supplier.
- Moreover, organiser of specified actionable claim will be called as Supplier.

(41) Tax Period:

A period for which return is required to be filed, will be called as a Tax Period.

(42) Turnover in a State:

Chapter iii : Definitions [Section 2]

Turnover in the state, will be calculated in the same manner as of "Aggregate Turnover".

However, Origin Geographical Area will be a State.

For Example: Mr. A has a business place in UP & MP.

Sale from UP premise: UP to UP = 5 Lakhs

UP to HR = 6 Lakhs

Sale from MP premise: MP to MP = 7 Lakhs

MP to RJ = 8 Lakhs

(43) Valid Return:

Means a return (say GSTR- 3B) filed along with full payment of tax as Self assessed by him.

(44) Online Gaming:

- Online Money Gaming, and
- Any other kind of game on Internet.

Comment:

Online Money Gaming is an Actionable Claim, and hence will be classified as "Goods". However, any other kinds of game on internet will be covered under "Services".

(45) Online Money Gaming:

An Online Game, where players pay or deposit money or Money's worth (eg. Crypto currency), in the expectation of winning, whether it is legal or not, will be called as Online Money Gaming.

(46) Specified Actionable Claims:

- Betting, Gambling, Lottery,
- Online Money Gaming,
- Casino, Horse Racing,

will be the Specified Actionable Claims.

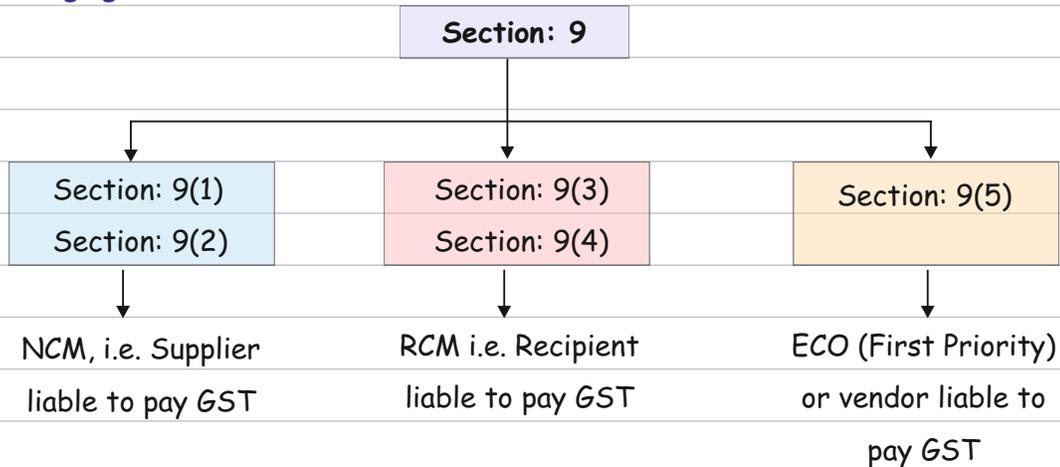
(47) "Unique identification marking" means the unique identification marking referred to in section 148A(2)(b) and **includes a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable.**

Chapter: 1 Chargiability of GST & Goods / Services

Section:1 Short Title, Extent, Commencement

- **Name:** CGST Act, 2017
- **Applicable:** to whole of India
- **Effective:** from 1st July 2017.

Section:9 Charging Section



Section 9(1)(2):

There shall be levied a tax, namely CGST-

- On Intra State
- Supply of
- Goods/ Services (Other than Alcoholic liquor for human consumption **and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption.**)
- On the Assessable value
- At the rate of @20% maximum, and
- Shall be collected on the basis of time of supply
- From the supplier (taxable person).

Note: 5 Petroleum products will be the part of GST from the date notified by GST Council.

Section 9(3):

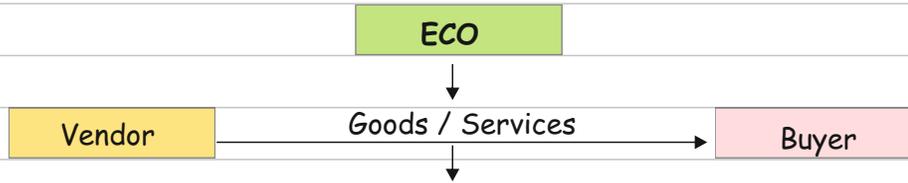
- On Notified goods/services (as notified in N/N 13/2017),
- Government has the power to collect GST,
- From recipient.

Section 9(4):

- Where unregistered person engaged in supply of Goods/services to a Registered person,
- And the supply is related to "Construction Sector", eg. Cement Concrete Mixer, Cement, Iron rod, Architect Service, etc.
- Then, Government has the power to collect tax from recipient under RCM.

Section 9(5): On following notified services, GST shall be collected from E-Commerce Operator, which is

located in India. If not located in India, then he needs to setup a business place in India or to appoint an agent in India.



Particulars	5 Specified Services				
	(H)	(M)	(T1) Radio Taxi etc	(T2) Omnibus	(R)
First Choice: Tax paid by	ECO	ECO	ECO	ECO	ECO
(OR)					
Second Choice: Tax paid by	Vendor, if T/O in PFY exceeds the Threshold Limit	Vendor, if T/O in PFY exceeds the Threshold Limit	ECO	Vendor, if Vendor is a Company	Vendor, if restaurant is a part of Hotel + Hotel is big i.e. Room rent exceeds Rs. 7,500

Newly Added: In case of Services by way of local delivery ECO is liable to pay GST **except where the person supplying such services through ECO is liable for registration under section 22(1) of the CGST Act, 2017.**

Comment:

Rest of the services and any goods transacted through E-Commerce operator will be controlled by TCS Mechanism (will be discussed in detail in the chapter of TDS/TCS).

Some Definitions:

Radio Taxi: Having 2way radio communication, and enabled for tracking using GPS/GPRS.

Motor Cab: Maximum seat 7 (Including driver).

Omni Bus: Maximum seat 7 (Including driver).

Maxi Cab: Maximum seat 8 to 13 (Including driver).

Motor Cycle: 2 Wheeler (With or without side car).

Charging Section:5 of IGST Act

Provisions under this section are same as given under the charging section of CGST Act, subject to

Basis	Section 9 of CGST Act	Section 5 of IGST Act
Nature of Supply	Intra State	Inter State
Maximum Rate of GST	14%, 20%	28%, 40%

<p>Special provision for import of goods</p>		<p>IGST on Import of Goods-The IGST on goods imported into India shall be-</p> <ul style="list-style-type: none"> Levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975, On the value as determined under the said act, At the point, when Basic Customs Duty levied on the said goods. <p>However, in case of supply of online money gaming as the goods from outside India to India, IGST shall be levied and collected under section 5 of IGST Act, 2017 i.e. levied and collected by GST Department</p>
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following differences-

GATE: # 1

Goods and Services

Definition of Goods/Services is very important as GST is levied on Goods and/or services-

Goods:

- Every kind of moveable property will be called as Goods.
- Moreover, things attached to earth or any immovable structure will also be treated as goods e.g. Signage, Growing crops, trees, etc.
- Lastly, Actionable claims, i.e. contingent Assets like lottery/betting/gambling, unsecured debtors will also be treated as Goods.

Services:

- Anything other than Goods will be treated as Services.
- Service can be of two types- one is active (do something) and another is passive i.e. (not to do something e.g. non-competence contract).

Neither Goods nor Services:

- Money & Securities will neither be treated as Goods nor Services.
- However, Activities related to money or securities for a Consideration, will be treated as service e.g. Forex charges, Demand draft commission, Brokerage, etc.

Chapter: 2 SUPPLY

There are two sections in this chapter read with schedules. Supply is the taxable event to levy GST i.e. It is the backbone for levying GST.

Section 7: Defines:

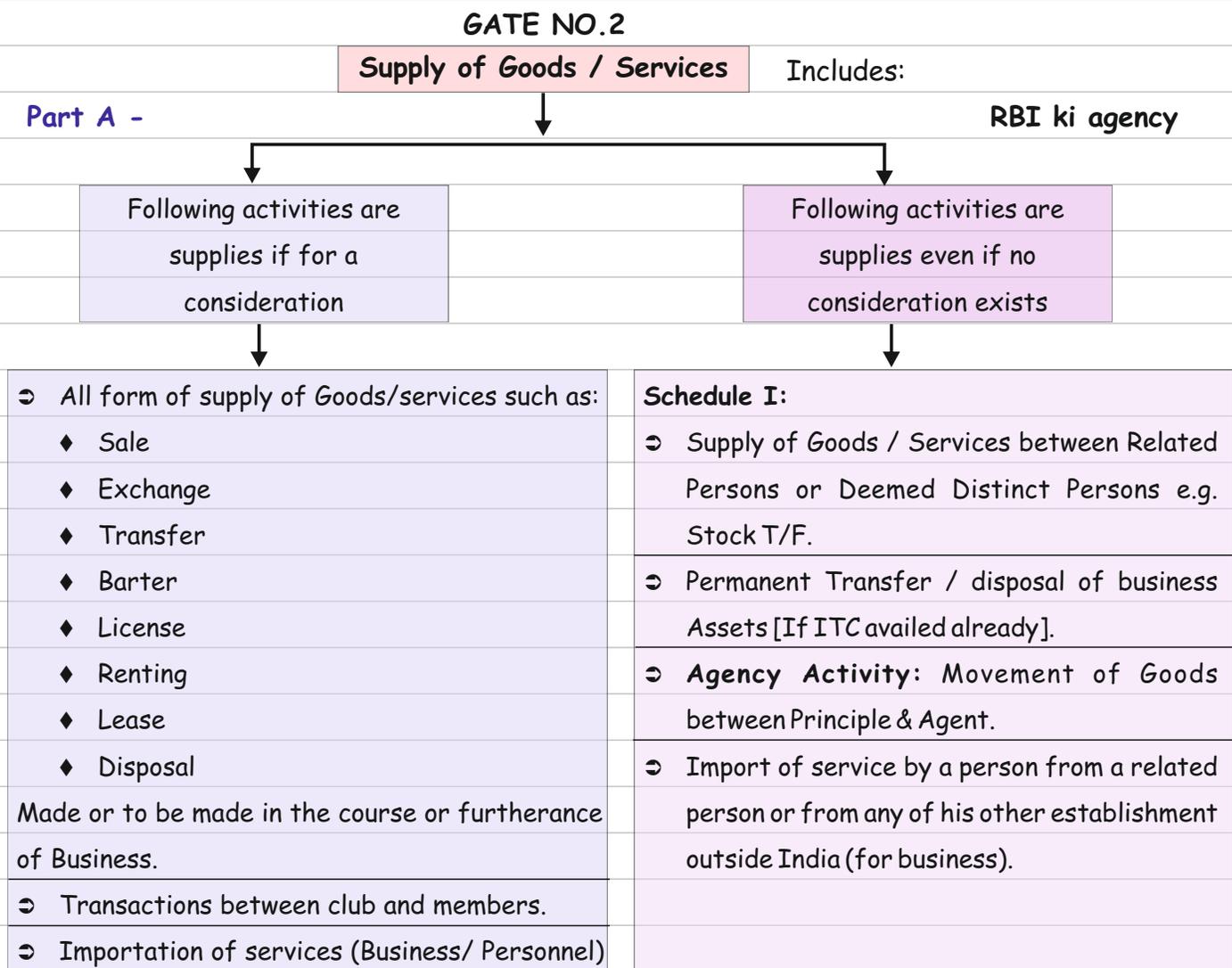
Part A- Meaning of Supply [Read with Schedule I]

Part B- After being Supply- It will be supply of goods or supply of services. Such distinguishment will be discussed as per schedule-II.

Part C- Some of the Activities/Transactions will never be treated as supply and consequently not liable to GST as per Schedule III.

Section 8:

Part D- It describes treatment of composite and mix supply treatment.



Part: B - Some Clarifications: Supply of Goods v/s Supply of Services: Schedule II

Movable Property (Goods)	Sale i.e. Ownership T/F or HP Transaction	Supply of Goods
	T/F of Right / Right to use goods	Supply of Services
	Permanent Transfer of Business Assets (Goods)	Supply of Goods
	Closure of business (Business Assets)	Supply of Goods
Immovable Property	Renting / Leasing of Immovable Property	Supply of Services
	Sale of Under Construction Property	Supply of Services
	Sale of Complete / Constructed Property	No Supply
	Temporary Transfer	Supply of Services
	Permanent Transfer	Supply of Goods
	Customised	Supply of Services
	Readymade @ Temporary Transfer	Supply of Services
	Readymade @ Permanent Transfer	Supply of Goods
Works Contract (Goods + Services), Catering (Goods + Services), Not to do something, Job work		Supply of service

Part C: Schedule III

No Supply: [NEW MAGIC OF W/G Liquor Wale]-

(i) Activity by employee to employer, (ii) Services by Court, Tribunals, (iii) Services by Govt. Officials like president, prime minister, chief minister, minister, MP, MLC, MLA, Part time director of Govt. Body etc., (iv) Mortuary Services, (iv) Non Actionable Claims (vi) Sale of land, completed building, (vii) NTT to NTT, (viii) sale of custom warehoused goods, (ix) Liquor license, (x) Article 243 G/W related.

Part D:

Section 8:

Composite Supply (Natural Bundle): shall be treated as a supply of Principal Supply;

Mixed Supply (Not a Natural Bundle): shall be treated as a supply of that particular supply, which attract Highest tax rates.

Chapter 2 : Supply

Section 7(1): Part-A

- ⇒ For being supply any transaction needs to satisfy A/B/C test i.e. there must be an Activity (e.g. Sale, Barter, Exchange, Renting, Leasing, disposal, licensing, transfer etc.) during the Business or Related to Business for a Consideration which can be in monetary or non-monetary Form.
- ⇒ The activities or transactions, by a person, other than an individual, [w.e.f.01/07/2017]-
 - To its members or vice-versa,
 - For a consideration
 - Shall be treated as a supply.

Explanation: -

- The person and its members
 - Shall be deemed to be two separate persons and
 - The supply of activities shall be deemed
 - To take place from one such person to another.
- **Import of Service** If it is for consideration and used for business purpose will also be called as supply. Moreover, if such import of service is used for personal purpose even then it will be called as supply however later on it will be exempted by N/N: 9/2017.

Schedule I:

Four specified Activity will also be treated as supply even if these are without consideration i.e. FREE OF COST (F.O.C.)-

- (i) **Permanent Transfer** of Business Assets only where ITC has been availed in respect thereof, meaning thereby where ITC has not been availed with respect to that Asset then there will be no supply.
- (ii) **Transaction between Related persons** (e.g. Brother, Sister, Spouse, Employees etc. & in between Deemed distinct persons i.e. Multiple Registration under same PAN, Head office and branch office relationship, branch to branch relationship): Related party transactions will be called as supply even if it is free of COST.
However, gift to employee upto ₹ 50,000 in a financial year shall not be treated as supply.
- (iii) **Supply between principal & Agent** i.e. PRINCIPAL to AGENT or Agent to Principal will be called as supply even there is no consideration. [Note: Here invoicing must be in between principal and agent however invoice is made directly to Customer then that situation will not be covered here.]
- (iv) **Import of Service** from outside India, from a related person, by a PERSON in India for Business purpose will be treated as supply even it is without consideration.

NOW Need to discuss - Whether the given supply is a "Supply of Goods" or Supply of Service:

SCHEDULE II:

1) Goods Related :

Where upon a transaction "Ownership of Goods" is transferred [e.g. Sale] or ownership will be transferred

Chapter 2 : Supply

at future date [e.g. Hire Purchase Transaction] then it will be called as supply of goods.

2) Land & Building:

Renting/Leasing etc. of Land & Building i.e. immovable property will be called as supply of service. However, sale of Land & constructed Building will not be treated as supply.

Moreover, sale of under construction property will be treated as supply of service.

3) Job Work:

Any Treatment or process done by Job worker by using Goods & service will be called on service i.e. job work service.

4) Transfer of Business Assets:

(I) Permanent Transfer of Business Assets, it shall be treated as supply of goods.

(ii) Temporary transfer of Business Assets for non-business purpose then it will be called as supply of service.

(iii) Sale or Succession of Running Business is a supply of service however it is exempted from GST.

(iv) On closure of Business then the Business assets shall be deemed to be supplied as goods to himself.

5- Following shall be treated as supply of services:

- Temporary transfer of Intellectual property right.
- Customised software.
- Negative activities/any kind of Deal cancellation.
- Leasing of assets.

6- Composite supply as works contract shall be called as service i.e. works contract service.

7- Supply of food/drink (Soft Drink) for human consumption shall be treated as supply of service.

No Supply: Section 7(2): [NEW MAGIC of W/G Liquor wale]

(a) (i) Activities undertaken by CG/SG/LA as specified under Article number 243 G/W of constitution of India (e.g. Land Consolidation, Sanitary, Public Health etc.) shall not be treated as supply hence no GST shall be levied.

(ii) Service By SG By way of Granting Alcoholic Liquor license shall not be treated as supply.

(b) Activities/transaction as specified in Schedule - III which are as follows-

(i) Supply of Goods from NTT [Non-Taxable Territory] to another NTT without entering into India shall not be called as supply.

(ii) Service by employee (including whole time Director) to employer in the course of Employment shall not be called as supply.

(iii) Supply of "Custom Bonded Warehoused" goods to any person before clearance for home consumption from custom Department, Moreover, supply of goods by way of transferring of "ownership Documents" of Goods after the goods have been dispatched from origin port [outside

India] But Before clearance for Home Consumption.

(iiia) Supply of goods warehoused in a SEZ (Special Economic Zone) or in a FTZ (Free Trade Warehousing Zone) to any person before clearance for exports or to the DTA (Domestic Tariff Area)

(iv) Mortuary services including transportation of deceased person shall not be called as supply.

(v) Actionable claim other than **specified actionable claims** shall not be treated as supply.

(vi) Government People:

⇒ Functions performed by MP/MLA/MLC member of municipalities, shall not be called as supply.

⇒ Duties performed by the person having constitutional post (e.g. Prime Minister, Chief Minister etc.) shall not be treated as supply.

⇒ Duties performed by the Part time director of a Government body (e.g. Human Right Commission) shall not be called as supply.

(vii) Sale of Land, constructed property will not be treated as supply.

(viii) Services by ANY court, Tribunal ESTABLISHED Under any law shall not be treated as supply.

(ix)

a) Activity of apportionment of co-insurance premium

⇒ by the **lead insurer to the co-insurer** for the insurance services jointly supplied by the lead insurer and the co-insurer

⇒ to the insured in co-insurance agreements,

⇒ subject to the condition that **the lead insurer pays the GST on the entire amount** of premium paid by the insured.

b) Services by insurer to the reinsurer

⇒ for which ceding commission or the reinsurance commission is deducted

⇒ from reinsurance premium paid by the insurer to the reinsurer,

⇒ subject to the condition that **the GST is paid by the reinsurer on the gross reinsurance** premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

Section 8: Classification of Composite & Mixed Supplies-

a) **Under composite supplies:** classification will be based as principal supply i.e. whole bundle will be called/classified by the name of principle supply and according GST Rate of principle supply will be applicable.

b) **Under Mixed supplies:** In mixed bundle, principal supply is not identifiable. Hence classification will be based on the supply which has highest Rate of GST i.e. the whole bundle will be called/classified with the name of such supply.

Various Clarification

Question 1: Whether supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc., printed with design, logo, name, address or other contents supplied by the recipient of such supplies, would constitute supply of goods or supply of services?

Answer: In the case of printing of books, pamphlets, brochures, annual reports, and the like, where only content is supplied by the copyright owner while the paper used for printing belongs to the printer, **supply of printing is the principal supply** and therefore such supplies would constitute supply of service.

In case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, etc. printed with design, logo etc. supplied by the recipient but made using paper, Box, Card belonging to the printer, here principal supply will be supply of goods, therefore such supplies would constitute supply of goods.

Question 2: What will be status of GST on inter-state movement of various modes of conveyance, carrying goods or passengers or for repairs and maintenance, between distinct persons?

Answer: Removal of motor vehicle is as a stock transfer [Balance sheet to balance sheet Transfer] then it shall be treated as a supply of goods.

Where removal /movement of motor vehicle is just because of any other reason [where there is no balance sheet to balance sheet transfer] e.g. as a conveyance etc. then it shall never be called as supply.

Question 3: LAB (Linear Alkyl Benzene) manufacturers have stated that they receive superior Kerosene oil (SKO) from, a refinery, say, Indian Oil Corporation (IOC). They extract n-Paraffin (C9-C13 hydrocarbons) from SKO and return back the remaining of SKO to the refinery. In this context, the issue has arisen as to whether in this transaction GST would be levied on SKO sent by IOC for extracting n-paraffin or only on the n-paraffin quantity extracted by the LAB manufactures. Further, doubt have also been raised as to whether the return of remaining Kerosene by LAB manufactures would separately attract GST in such transaction.

Answer: LAB manufacturers generally receive superior kerosene oil [SKO] from a refinery through a dedicated pipeline; on an average about 15 to 17% of the total quantity of SKO received from refinery is retained and balance quantity ranging from 83%-85% is returned back to refinery. The retained SKO is towards extraction of Normal Paraffin, which is used in the manufacturing of LAB. In this transaction consideration is paid by LAB manufactures only on the quantity of retained SKO (n-paraffin).

In this transaction GST will be payable by the refinery on the value of net quantity of superior kerosene oil (SKO) retained for the manufacture of Linear Alkyl Benzene (LAB).

Accordingly, it is here by clarified that, in aforesaid case, GST will be payable by the refinery only on the net quantity of superior kerosene oil (SKO) retained for the manufacture of Linear Alkyl Benzene (LAB).

Though, refinery would be liable to pay GST on such returned quantity of SKO, when the same is supplied by it to any other person.

Chapter 2 : Supply

Question 4: Whether retreading of tyres is a supply of goods or services?

Answer: In retreading of tyres, which is a composite supply [rubber and Retreading], the principal supply is the process of retreading which is a supply of service. Supply of re-treaded tyres, where the old tyres belong to the supplier of re-treaded tyres, is a supply of goods.

Question 5: Is GST leviable on the fee/amount charged in the following situations/cases:

- (1) A customer pays fees while registering complaints to Consumer Disputes Redressal Commission office and its subordinate offices. These fees are credited into State Customer Welfare Fund's bank account.
- (2) Consumer Disputes Redressal Commission office and its subordinate offices charge penalty in cash when it is required.

Answer: Services by any court or Tribunal established under any law for the time being in force is neither a supply of goods nor services.

Consumer Disputes Redressal Commissions (National/State/District) may not be tribunals literally. However, they are clothed with the characteristics of a tribunal on account of many reasons. Hence not a supply.

Question 6: What will be the status of GST on the service of display of name or placing of name plates of the donor in the premises of charitable organisation receiving donation or gifts from individual donors.

Answer: Some examples of cases where there would be no taxable supply are as follows:

- (a) "Good wishes from Mr. Rajesh" printed underneath a digital blackboard donated by Mr. Rajesh to a charitable Yoga institution.
- (b) "Donated by Smt. Malati Devi in the memory of her father" written on the door or floor of a room or any part of a temple complex which was constructed from such donation.

In each of these examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised (i.e. it does not lead any commercial gain) hence no GST will be there.

Question 7: Whether the activity of holding shares by a holding company of the subsidiary company will be treated as a supply of service or not and whether the same will attract GST or not.

Answer: Purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply. It cannot be said that a service is being provided by the holding company to the subsidiary company

Question 8: Whether supply of food or beverages in cinema hall is taxable as restaurant service or classified with Exhibition of cinematography service?

Answer: Supply of food or beverages in a cinema hall is taxable as 'restaurant service' where it is supplied independent of the cinema exhibition service.

However, where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema.

Question 9 : 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?

Answer. [Schedule III](#) to the [CGST Act](#) provides that "services by employee to the employer in the course of or in relation to his employment" will not be considered as supply of goods or services and hence GST is not applicable on services rendered by employee to employer provided they are in the course of or in relation to employment.

Any perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer and the employee are in lieu of the services provided by employee to the employer in relation to his employment.

It follows therefrom that perquisites provided by the employer to the employee in terms of contractual agreement entered into between the employer and the employee, **will not be subjected to GST** when the same are provided in terms of the contract between the employer and employee.

Question 10 Whether sale of land after levelling, laying down of drainage lines etc., is taxable under GST

Answer. As per [Schedule III](#) 'sale of land' is neither a supply of goods nor a supply of services, therefore, sale of land does not attract GST.

Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. It is clarified that sale of such developed land is also sale of land and is covered by [Schedule III](#) and accordingly does not attract GST.

However, it may be noted that any service provided for development of land, like levelling, laying of drainage lines (as may be received by developers) shall attract GST at applicable rate for such services.

Question 11 : GST applicability on liquidated damages, compensation and penalty arising out of breach of contract or other provisions of law? [Circular No. 178/10/2022:]

1. In certain cases/instances, questions have been raised regarding taxability of an activity or transaction as the supply of service of agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act.

Applicability of GST on payments in the nature of liquidated damage, compensation, penalty, cancellation charges, late payment surcharge etc. arising out of breach of contract or otherwise and

scope of the entry at [para 5\(e\) of Schedule II of Central Goods and Services Tax Act, 2017](#), in this context has been examined in the following paragraphs.

2. "Agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act" has been specifically declared to be a supply of service in [para 5\(e\) of Schedule II of CGST Act](#) if the same constitutes a "supply" within the meaning of the Act. The said expression has following three limbs:—

(a) Agreeing to the obligation to refrain from an act-

Example of activities that would be covered by this part of the expression would include non-compete agreements, where one party agrees not to compete with the other party in a product, service or geographical area against a consideration paid by the other party.

Another example of such activities would be a builder refraining from constructing more than a certain number of floors, even though permitted to do so by the municipal authorities, against a compensation paid neighbouring housing project, which wants to protect its sunlight, or an industrial unit refraining from manufacturing activity during certain hours against an agreed compensation paid by a neighbouring school, which wants to avoid noise during those hours.

(b) Agreeing to the obligation to tolerate an act or a situation-

This would include activities such a shopkeeper allowing a hawker to operate from the common pavement in front of his shop against a monthly payment by the hawker, or an RWA tolerating the use of loud speakers for early morning prayers by a school located in the colony subject to the school paying an agreed sum to the RWA as compensation.

(c) Agreeing to the obligation to do an act-

This would include the case where an industrial unit agrees to install equipment for zero emission/discharge at the behest of the RWA of a neighbouring residential complex against a consideration paid by such RWA, even though the emission/discharge from the industrial unit was within permissible limits and there was no legal obligation upon the individual unit to do so.

3. The description "agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act" was intended to cover services such as described above. However, over the years doubts have persisted regarding various transactions being classified under the said description.

Following will not be treated as Negative Activities :

- (I) Liquidated damages paid for **breach of contract**;
- (ii) **Compensation given to previous allottees** of coal blocks for cancellation of their licenses pursuant to Supreme Court Order;
- (iii) Cheque dishonour fine/penalty charged by a power distribution company from the customers;
- (iv) Penalty paid by a mining company to State Government for unaccounted stock of river bed material;

- (v) **Bond amount recovered** from an employee leaving the employment before the agreed period;
- (vi) Late payment charges collected by any **service provider for late payment of bills**;
- (vii) Fixed charges collected by a power generating company from State Electricity Boards (SEBs) or by SEBs/ DISCOMs from individual customer for supply of electricity;
- (viii) **Cancellation charges recovered by railways for cancellation of tickets, etc.**

Circular No. 213/07/2024: Clarification on the taxability of ESOP [Employee Stock Option] / ESPP [Employee Stock Purchase Plan] / RSU [Restricted Stock Unit] provided by a company to its employees [to motivate them to perform better and to retain the employees] through its overseas holding company

Issue: Some of the Indian companies provide the option to their employees for allotment of securities/shares of their foreign holding company as part of the compensation package as per terms of contract of employment.

In such cases, on exercising the option by the employees of Indian subsidiary company, the securities/shares of foreign holding company are allotted directly by the holding company to the concerned employees of Indian subsidiary company, and the cost of such securities/shares is generally reimbursed by the subsidiary company to the holding company.

ESPPs and ESOPs are typically presented as 'options' granted to employees, whereas RSUs take the form of awards or rewards contingent upon the employee meeting specific performance standards. Regardless of the terminology used, the fundamental essence of the transaction remains the same i.e. the allocation of securities or shares from the employer to employee as part of compensation package with the aim of motivating enhanced performance.

Now, Whether such transfer of shares/ securities by the foreign holding company directly to the employees of the Indian subsidiary company and subsequent re-imburement of the cost of such shares/ securities by the Indian subsidiary company to the foreign holding company can be considered as import of financial services by the Indian subsidiary company from the foreign holding company and whether the same can be considered as liable to GST in the hands of Indian subsidiary company on reverse charge basis.

Clarification: Purchase or sale of securities/shares, in itself, is neither a supply of goods nor a supply of services. Therefore, GST is not leviable on said transaction of sale/purchase/transfer of securities/shares.

The ESOP/ESPP/RSU is a part of remuneration of the employee by the employer as per terms of employment and will be treated as a part of Salary hence Not a supply and NO GST accordingly.

The foreign holding company directly transfers the shares/securities to the employees of the domestic subsidiary company on the request of the said domestic subsidiary company. Reimbursement of such securities/ shares is generally done by domestic subsidiary company to foreign holding company **on cost-**

to-cost basis i.e. equal to the market value of securities without any element of additional fee, markup or commission.

Since the said reimbursement is for transfer of securities/shares, which is not a supply hence not import of Services and Accordingly No GST.

However, if the foreign holding company charges any additional fee, markup, or commission from the domestic subsidiary company for issuing ESOP/ESPP/RSU to the employees of the domestic subsidiary company, then the same shall be considered to be in nature of consideration for the supply of services of facilitating/ arranging the transaction in securities/ shares by the foreign holding company to the domestic subsidiary company. In this case, GST will be leviable on such amount of the additional fee, markup, or commission, charged by the foreign holding company from the domestic subsidiary for issuance of its securities/shares to the employees of the latter. The GST shall be payable by the domestic holding company on reverse charge basis on such import of services from the foreign holding company.

CBIC-20001/4/2024: Clarification on taxability of salvage/ wreck value earmarked in the claim assessment of the damage caused to the motor vehicle

Issue: Whether the insurance company is liable to pay GST on the salvage/ wreckage value earmarked in the claim assessment of the damage caused to the motor vehicle?

Clarification: In cases where due to the conditions mentioned in the contract itself, general insurance companies are deducting the value of salvage as deductibles from the claim amount, the salvage remains the property of insured and insurance companies are not liable to discharge GST liability on the same. However, in cases, where the insurance claim is settled on full claim amount, without deduction of value of salvage/ wreckage (as per the terms of the contract), the salvage becomes the property of the insurance company and the insurance company will be obligated to discharge GST on supply of salvage to the salvage buyer.

Circular No. 234/28/2024: Clarifications regarding applicability of GST on certain services

Issue: Whether incidental/ ancillary services such as loading/ unloading, packing, unpacking, transshipment, temporary warehousing etc., provided in relation to transportation of goods by road is to be treated as part of Goods Transport Agency service, being composite supply, or these services are to be treated as separate independent supplies:

Clarification: it is hereby clarified that ancillary or incidental services provided by GTA in the course of transportation of goods by road, such as loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. will be treated as composite supply of transport of goods.

The method of invoicing used by GTAs will not generally alter the nature of the composite supply of service.

However, if such services are not provided in the course of transportation of goods and are invoiced separately, then these services will not be treated as composite supply of transport of goods.

Issue: Applicability of GST on Preferential Location Charges (PLC) collected along with consideration for sale/ transfer of residential / commercial properties:

Clarification: It is hereby clarified that location charges or Preferential Location Charges (PLC) paid along with the consideration for the construction services of residential /commercial/industrial complex forms part of composite supply where supply of construction services is the main service and PLC is naturally bundled with it and are eligible for same tax treatment as the main supply of construction service.

Circular No. 218/12/2024: Clarification regarding taxability of the transaction of providing loan by an overseas affiliate to its Indian affiliate or by a person to a related person

Issue: Whether the activity of providing loans by an overseas affiliate to its Indian affiliate or by a person to a related person, where there is no consideration in the nature of processing fee/ administrative charges/ loan granting charges etc., and the consideration is represented only by way of interest or discount, will be treated as a taxable supply of service and value shall be determined under Rule 28 ??

Clarification: Granting Loans: As per section 7 of the CGST Act, read with Schedule I of CGST Act, Supply of goods or services or both between related persons, when made in the course or furtherance of business, shall be treated as supply, even if made without consideration. Therefore, it is evident that the service of granting loan/ credit/ advances by an entity to its related entity is a supply under GST.

Interest: The supply of services of granting loans/ credit/ advances, in so far as the consideration is represented by way of interest or discount, is fully exempt under GST.

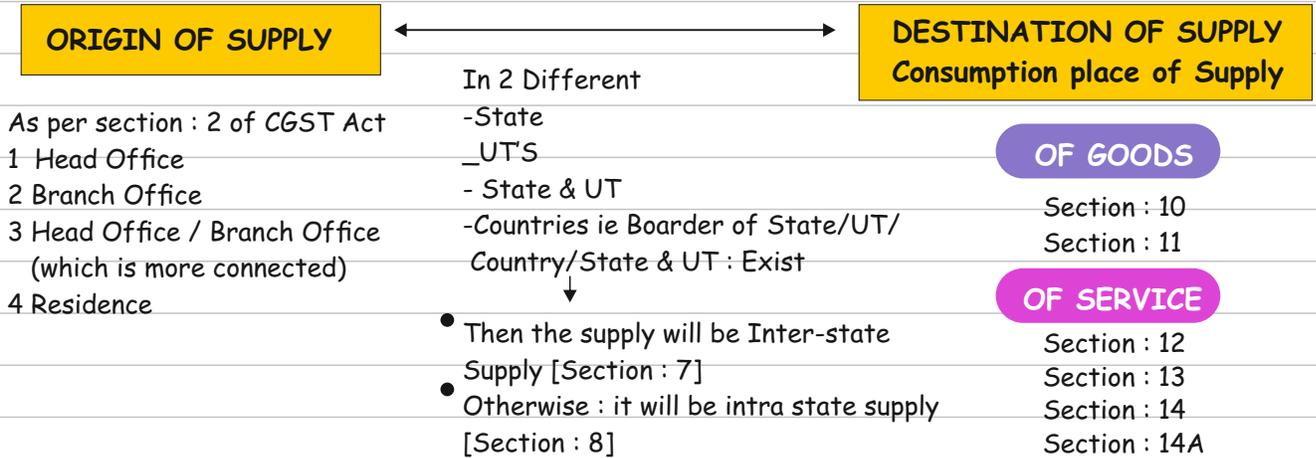
Without Processing Fee etc,: It is mentioned that overseas affiliates or domestic related persons are generally charging no consideration in the form of processing fee/ service fee, other than the consideration by way of interest or discount on the loan amount.

Accordingly, in the cases, where no consideration is charged by the person from the related person, or by an overseas affiliate from its Indian party, for extending loan or credit, other than by way of interest or discount, it cannot be said that any supply of service is being provided between the said related persons in the form of processing/ facilitating/ administering the loan, by deeming the same as supply of services as per section 7 of the CGST Act, read with Schedule I of CGST Act.

Accordingly, there is no question of levy of GST on the same by resorting to open market value for valuation of the same as per Rule 28.

Chapter: 3 PLACE OF SUPPLY

NATURE OF SUPPLY: INTRA OR INTER



* **SPECIAL:** where UNIT/Developer of SEZ involved in a transaction then the transaction will always be Inter- state supply

* **SPECIAL:** If goods sold to a tourist - who will claim refund at Indian airport shall be treated as Inter State Supply

→ TWI'S Origin/Destination shall be Interpreted as per Nearest Coastal State /UT [Section : 9]

Section: 10(1): Domestic Transaction @ Goods	Section: 11: Import /Export @ Goods
a) Where Movement of Goods Involved : Destination will be consumption place/ Delivery Place.	(A) In case of Import of Goods : - Destination will be the location of importer. (B) In Case of Export of Goods: - Destination will be outside India.
b) Bill to Ship to Model : POS will be the Location of buyer/ the person who place order.	
c) Where No Movement of Goods Involved: POS will be location of goods. [eg. Sale and Lease Back cases]	
ca) where the supply of goods is made to an un-registered person, the place of supply shall, notwithstanding anything contrary contained in clause (a),(c) be the:	
• Location as per the address of the said person recorded in the invoice issued in	

respect of the said supply and

- where the address of the said person is not recorded in the invoice then place of supply be the location of the supplier

Explanation: For the purposes of this clause,

- Recording of the name of the State of the said person in the invoice
- shall be deemed to be the recording of the address of the said person.

Circular No. 209/3/2024: Clarification on the provisions of Section 10(1)(ca) of IGST Act.

Issue: Place of supply of goods (particularly being supplied through e-commerce platform) to unregistered persons [B to C] where billing address is different from the address of delivery of goods.

For Example: Mr. A (unregistered person) located in X State places an order on an e-commerce platform for supply of a mobile phone, which is to be delivered at an address located in Y State. Mr. A, while placing the order on the e-commerce platform, provides the billing address located in X state. In such a scenario, what would be the place of supply of the said supply of mobile phone, whether the State pertaining to the billing address i.e. State X or the State pertaining to the delivery address i.e. State Y?

Clarification: The place of supply of goods in accordance with the provisions of section 10(1)(ca) of IGST Act, shall be the Address of delivery of goods recorded on the invoice i.e. State Y in the present case where the delivery address is located.

Also, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods.

(d) **In Case of Assembly/Installation:** POS of goods will be the Assembly or Installation place.

(e) **On Board supply of Goods :** POS will be the place where goods are taken on board.

Place of Supply @ Services	
Basis	Section 12
Applicability	(1) When both the parties located in India (State to State ie Tax to UP or HR) (here need to decide in between states)
Residuary provision Eg PCA	(2) POS = Location of Recipient (if known ie either registered person or address on record exist) Otherwise it will be location of supplier.
Immovable property linked services	(3) POS = where immovable property (boat/ vessel) located or intended to be located. If it is outside India then POS will be at recipient's Location. Note: If immovable property is more than one state the POS proportionately.
Performance based service	(4) Individual Related services; Restaurant and catering Personal Grooming, beauty treatment, Cosmetic and plastic surgery Fitness, health care POS= Actual place of performance (5) Services IRT Training and Performance appraisal: (eg GST Training Classes) B to B = Location of Recipient. B to C = Actual place of performance
Event linked services	(6) Event admission services: POS = location of Event (7) Event Linked Services: POS B to B = Location of Recipient. B to C = Location of event (but if event is located outside India then POS will be location of Recipient) Note: If it is held in more than one state the POS proportionately.
Multiple Location internationally	

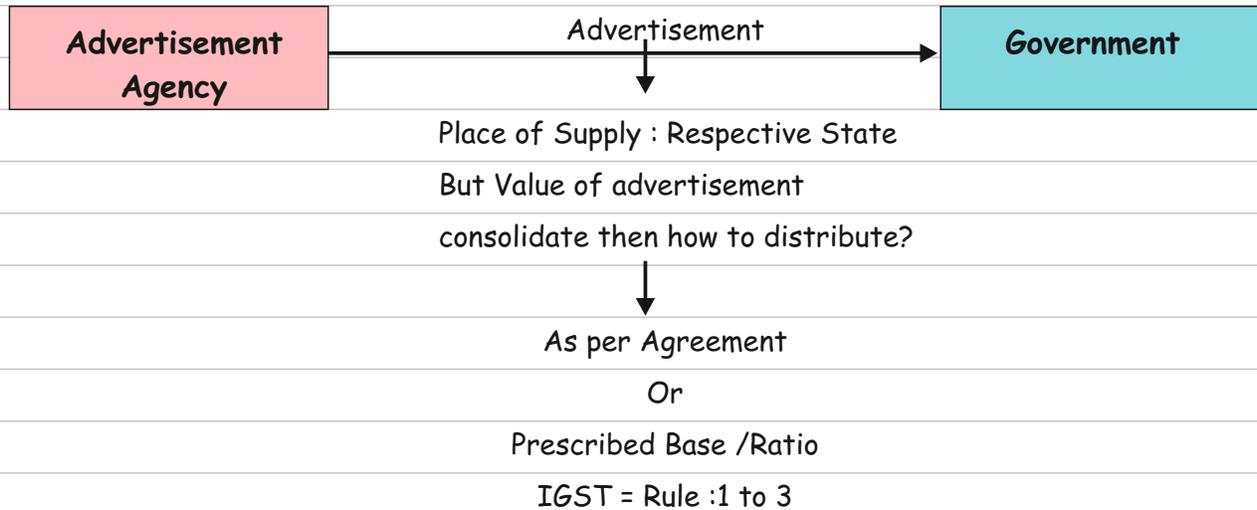
Multiple Location domestically	If service is held in more than one state/UT the POS proportionately.
Transportation of Goods	(8) B to B = Location of Recipient. B to C = Loading Place Note: Where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods.
Transportation of Passenger	(9) B to B = Location of Recipient. B to C = Boarding Place (if not identified because of journey at future date then Residuary provision shall apply)
On- Board Services	(10) POS = First Departure point of conveyance
Telecommunication Services	(11) POS: Location of Fixed device, Billing address, address of selling agent / Recharge Place, in case of online recharge location of Recipient.
Specified Services	(12) Services of Banking company Other Financial Services Stock Broker Services POS: Location of recipient (if known) Otherwise - Location of supplier.
Insurance service	(13) B to B = Location of Recipient. B to C = location of recipient
Advertisement service to Govt.	(14) POS: Proportionate in respective state and UT. [but in which Ratio - see table below]
OIDAR	Nothing special is given in section 12 for OIDAR Services so Provisions of Section 12 (2) shall apply.

IGST Rules, 2017

RULE : 1 IGST Rule, 2017

RULE : 2 Applicable : with respect to Section : 12(14)

RULE : 3 FOR SECTION: 12(14)



ADVERTISEMENT IN ...	ALLOCATION ON THE BASIS OF ...
NEWSPAPER	NUMBER OF READERS
PAMPHLETS	NUMBER OF PAMPHLET DISTRIBUTED
HOARDINGS	NUMBER OF HOARDING PLACED
TRAIN	TRACK LENGTH
RAILWAY TICKETS	NUMBER OF RAILWAY STATIONS
GAS BILL	NUMBER OF CONSUMERS
RADIO	NUMBER OF LISTENERS
TELEVISION	NUMBER OF VIEWERS
INTERNET	NUMBER OF SUBSCRIBER IN THE CASE OF ADVERTISEMENTS OVER INTERNET THE SERVICE SHALL BE DEEMED TO HAVE BEEN PROVIDED ALL OVER INDIA AND, THE AMOUNT ATTRIBUTABLE TO THE VALUE OF ADVERTISEMENT SERVICE DISSEMINATED IN A STATE OR UNION TERRITORY SHALL BE CALCULATED ON THE BASIS OF THE INTERNET SUBSCRIBERS IN SUCH STATE OR UNION TERRITORY.
CINEMA HALL	NUMBER OF SCREENS

Clarifications

Place of Supply in case of Advertisement Service

In case of sale of space or sale of Right to use space: It is an immovable property related Services hence place of supply will be the location of Immovable property under section 12(3) of IGST Act.

In case of sub contract of Advertisement Services:

Place of supply shall be determined under section 12(2) of IGST Act i.e. Location of Recipient [if known] or Location of Supplier.

Place of Supply in case of Co- Location Services / Data Centre Services:

In case of packaged service [infra + I.T. + Hosting + Data Security + Upkeep of Server + Etc]:

Place of supply shall be determined under section 12(2) i.e. Location of Recipient [if Known] or Location of Supplier.

In case of service of JUST giving Space of Server Room with Basic Infra e.g.

Light etc without Component: place of supply shall be determined under section 12(3) i.e. location of Property.

Chapter: 4 TAXABLE PERSON

Background:

Where supply of Goods/Service made by a Taxable person whether Intra or Inter Shall be leviable to GST i.e. where such supply made by "Non-Taxable Person" then no GST will be levied.

Now the question is this who is Taxable Person. Taxable Person has been defined U/s= 2 as the person

- "Who is Registered (i.e. who has taken voluntarily Registration) or
- Required to be registered as per Law.

Now question is this when a person required to get registered himself. The solution is given under section 22,23,24 as to when a person Require Registration & when he does not need to get Register himself.

SECTION 23: NO REGISTRATION

Following persons are not required to get Registration i.e. such person will be called as Non-Taxable persons-

- (1) AN agriculturist (Individual/HUF),
- (2) Person Engaged only in Exempted supplies
(Exempted supply = NIL Rated, 100% Exempted, Non-Taxable).
- (3) The Government may, by notification, specify the category of persons, who will be exempted from obtaining registration under this Act. (e.g. where a supplier supplies only RCM supplies then such supplier need not to get any Registration Under GST).

SECTION 24: MANDATORY REGISTRATION

S. No.	Mandatory Registration	Limit Based Registration
1	Person engaged in Inter- state Taxable supplies of goods shall require mandatory registration.	However, following will Require Limit based Registration- <ul style="list-style-type: none"> • Inter-State suppliers of handicraft goods • Inter-state supplier of services
2	Casual taxable person shall require mandatory registration @ 5 days in advance.	However, inter State supply of Handicraft by Casual taxable person shall require Limit based Registration
3	Non-Resident Taxable Person shall require mandatory registration @ 5 days in advance.	-
4	The recipient who is required to pay GST under RCM require mandatory registration.	-
5	Government Departments shall require mandatory registration as TDS Deductor.	-
6	E- Commerce Operator on whom TCS requirement is applicable shall require mandatory registration.	-

Chapter 4 : Taxable Person

7	Supplier of online money gaming from outside India to India shall require mandatory registration.	-
8	Agent as specified in Schedule I shall require mandatory Registration	-
9 E-Commerce Model:		
Four specified services through E-commerce Operator		
Hotel Accommodation	At first priority tax paid by ECO and ECO shall require mandatory registration.	Where Vendor has turnover in PFY more than threshold Limit then vendor liable to pay GST and shall require Limit based Registration.
Misc. Utilities	At first priority tax paid by ECO and ECO shall require mandatory registration.	Where Vendor has turnover in PFY more than threshold Limit then vendor liable to pay GST and shall require Limit based Registration.
Transportation of Passenger by Radio taxi etc.	At first priority tax paid by ECO and ECO shall require mandatory registration.	-
Transportation of Passenger by Omni bus	At first priority tax paid by ECO and ECO shall require mandatory registration.	Where vendor is a company then the vendor liable to pay GST and shall require Limit based Registration.
Restaurant service	At first priority tax paid by ECO and ECO shall require mandatory registration.	Where Restaurant is the part of Hotel and Room rent of such hotel is more than 7,500 then the vendor liable to pay GST and shall require Limit based Registration.
Other Services through E-commerce Operator		
	ECO shall require mandatory registration.	vendor liable to pay GST and the Vendor shall require Limit based Registration.
Supply of Goods through E-Commerce Operator		
	ECO shall require mandatory registration.	In General: Vendor liable to pay GST and the Vendor shall require Mandatory Registration. But A relaxation is available to Micro Level Goods Vendors.

			# Micro level businessmen means: Turnover of the person in PFY and CFY is limited to threshold limit.
			Relaxation:
			# He is required limit-based registration and only after that liable to pay GST but for the time being he is required to obtain Enrollment number on the basis of PAN etc. And make supply only after getting enrollment number and such enrollment number shall expire on getting Registration.
			# Such enrolled person shall not make inter-state supply and can continue business only in one state and from one location.
	10	Other notified persons shall require mandatory registration.	-

SECTION: 22 Limit Based Registration

Where the person having aggregate turnover only up to threshold limit or below the limit then the Person not required to get registration.

But when the person crosses the threshold limit of 10 Lakh/20 Lakh/40 Lakh then he is required to get registration "In All Those States" From where he is making "Taxable Supplies".

What is the APPLICABLE LIMIT:

- 1) Where the person making "Taxable Supplies" from "ANY" of the 4 Specified states then the applicable limit of the person will be ₹ 10 LAKH for all states.
[4 specified States = MANIPUR, MIZORAM, NAGALAND, TRIPURA].
- 2) Where the person making supplies from any of the 6 specified states then the applicable limit will be ₹ 20 Lakh for all the states.
[6 specified States = Arunachal Pradesh, Uttarakhand, Meghalaya, Sikkim, Telangana, Puducherry].
- 3) Where the person making supplies from other states /Union territories, and
 - Exclusively Engaged in supply of goods then the limit will be ₹ 40 Lakh for all the states.
 - However, limit of ₹ 40 lakh will not be applicable—
 - Where the supplier is making supplies of TIP [Tobacco, Ice-Cream, Pan masala, Bricks, blocks, earthen or roofing tiles (not wall tiles), then the limit will be ₹20 lakh.
 - Where the Person exclusively engaged in Supplies of Service then the applicable limit will be ₹ 20 Lakhs.

- Where the person engaged in Supplies of Goods as well as services then the applicable limit will be ₹ 20 Lakhs.

Moreover, if the person supplies goods and earned Interest (Exempted supply of Service) then such Exempted supply of service shall be ignored and the applicable limit will be ₹ 40 Lakhs.

Some Other Notes:

(A) Where a going concern transferred or succeeded or change in PAN due to any Reason, then such transferee or successor or new entity shall be liable to be registered with effect from the date of such transfer/Succession.

(B) Where there is transfer of business due to amalgamation or demerger of 2 or more persons, then the transferee shall be liable to be registered with effect from the date of Incorporation of New Entity.

(C) In case of Transfer of goods from principal to agent the turnover shall be clubbed in the hands of Agent.

(D) Effective date of Registration:

In case of Limit based registration and Mandatory registration: Effective date of Registration will be the date on which the person crossed the threshold limit or require mandatory registration as the case may be.

In case of voluntarily registration: Effective date of registration will be the date on which Registration certificate has been granted.

(E) In case of Job Work: after completion of Job work goods are supplied by principal in open market then such supply shall be taken in computing aggregate turnover of Principal.