Name of the Course: Goods & Services Tax (GST)

UNIT – 2 : TAXABLE EVENTS

CMA SANDIP BASAK
Assistant Professor, Department of Commerce
Dwijendralal College
West Bengal, India
Email: sandipbasakcma@gmail.com
Mobile No.: 9748219332
IAA Membership No. – 681

September 2025

UNIT – 2 : TAXABLE EVENTS

LEARNING OUTCOMES:

- *Helps to understand the fundamental concept of Supply*
- *Helps to understand different forms of supply under GST*

2.1 CONCEPT OF SUPPLY

In the earlier indirect tax structure, the concept of 'Supply' did not exist. Different tax laws had varying points at which taxes were imposed. For example, 'Excise Duty' applied to goods as soon as they left the factory, while 'Service Tax' was calculated based on specific 'Point of Taxation' rules for services provided. 'VAT', on the other hand, was imposed on the sale value of goods or services. Now, all these taxes have been unified into a single taxable event under the GST regime. The term 'Supply' under GST encompasses actions such as sale, transfer, exchange, barter, licensing, rental, leasing, and disposal. If a person conducts any of these transactions in the course of or to advance their business, and it involves consideration, it is classified as Supply under GST.

Essentially, the idea of supply is the foundation upon which the GST framework is built. The definitions and scope of supply are outlined in Chapter III of the CGST Act, along with various Schedules referenced in the Act. This unit will cover the relevant Sections and Schedules in detail.

Section 7	Meaning and Scope of Supply
Section 8	Taxability of Composite and Mixed Supplies
Schedule I	Activities to be treated as supply even if made without consideration
Schedule II	Activities or transactions to be treated as supply of goods or as supply of services
Schedule III	Activities or transactions which shall be treated neither as supply of goods nor as supply of services.

2.2 SUPPLY – TAXABLE EVENT IN GST

Taxable event in a law refers to the event, happening of which results in imposition of tax. It means the incidence of tax arises only after the occurrence of the taxable event. In case of Income Tax Act, taxable event is earning of income. Earlier, before imposition of GST, there were different taxes like Excise Duty and Service Tax where in case of Excise Duty, taxable event was manufacturing of goods and in case of Service Tax, taxable event was provision of service. **But under GST, taxable event is supply of goods or services or both by a person.**

2.3 MEANING AND SCOPE OF SUPPLY

The provisions in relation to meaning and scope of supply are shown in the following table.

Scope of Supply (Section 7 of CGST Act)	Schedules of Supply (Three Schedules)
Section 7(1) – Inclusion in Supply	**I** – Treated as Supply, even if without consideration
Section 7(2) – Neither Supply of Goods nor Services	**II** – Classification of Supply into Goods/Services
Section 7(3) – Central Government may notify	**III** – Neither Supply of Goods nor Supply of Services

2.4 SUPPLY FOR CONSIDERATION IN COURSE OR FURTHERANCE OF BUSINESS [Sec. 7(1)(a)]

Section 7(1): 'Supply' includes –

(a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or vice versa, for cash, deferred payments or other valuable consideration.

(b) Import of services for a consideration whether or not in the course or furtherance of business; and

(c) The activities specified in Schedule I, made or agreed to be made without a consideration.

Section 7(IA) : Certain activities or transactions that qualify as a supply under the provisions of sub-section (1) will be classified as either a supply of goods or a supply of services, as outlined in Schedule II.

Parameters of Supply

According to **Sec. 7(1)(a),** following parameters can be adopted in order to characterize a transaction as supply:

- It should be supply of goods or services only.
- The supply should be made for a consideration.
- The supply should be made in the course or furtherance of business.
- It should be made by a taxable person.
- It should be a taxable supply.

2.5 FORMS OF SUPPLY

There are two forms of supply under GST, namely, goods and services.

A. Goods

According to **Section 2(52) of the CGST Act, 2017**, 'Goods' means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Key Points of Sec. 2(52):

1. Movable Property: Goods include every kind of property that can be moved.

2. Exclusions: Money and securities are excluded from the definition of goods.

3. Inclusions:

- **Actionable Claims:** Claims that can be enforced by legal action (e.g., lottery, betting, and gambling).

- **Growing Crops and Grass:** Crops and grass that are still growing but are agreed to be severed before supply.
- **Things Attached to Land:** Things attached to or forming part of the land that are agreed to be severed under a contract of supply.

B. Service

According to **Section 2(102) of the CGST Act, 2017,** 'Services' means anything other than goods, money, and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency, or denomination to another form, currency, or denomination for which a separate consideration is charged.

Key Points of Sec. 2(102):

1. Exclusion of Goods: Services are defined as anything other than goods.

2. Exclusion of Money and Securities: Money and securities are not included in the definition of services.

3. Inclusion of Certain Financial Activities:

Activities involving the use of money or its conversion (e.g., currency exchange services) are considered services if there is a separate consideration charged.

2.6 TYPES OF SUPPLY

The 'Supply' may be classified as follows:

(a) On the basis of 'Continuity'

- One time Supply
- Continuous Supply

(b) On the basis of 'Taxability'

- Taxable Supply
- Non-Taxable Supply
- Exempt Supply
- Zero-rated Supply

(c) On the basis of 'Movement/Flow'

- Inward Supply

- Outward Supply

(d) On the basis of 'Geographical Location'

- Intra-State Supply
- Inter-State Supply
- Supplies in territorial waters

(e) On the basis of 'Goods supplied in conjunction'

- Composite Supply
- Mixed Supply

The explanation in relation to each type of supply is given below:

1. **One-time Supply –** A Standalone Supply, alternatively One-time Supply refers to the supply of goods or services that is provided, or agreed to be provided, on a one-time basis, rather than on a recurring or continuous basis. This type of supply occurs independently and is not part of a regular, ongoing arrangement.
2. **Continuous Supply –** According to **Sec. 2(32) of CGST Act 2017**, Continuous Supply of Goods means a supply of goods which is provided, or agreed to be provided, continuously or on a recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline, or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis. Put it in a different way, Continuous supply refers to goods supplied on an ongoing or recurrent basis.
3. **Taxable Supply –** According to **Sec. 2(108) of CGST Act 2017,** Taxable Supply means a Supply of goods or services or both which is chargeable to tax under CGST Act.
4. **Non-Taxable Supply -** According to **Sec. 2(78) of CGST Act 2017**, Non-Taxable Supply means a supply of goods or services or both which is not chargeable to tax under CGST Act or under the IGST Act.
5. **Exempt Supply – Sec. 2(47) of CGST Act 2017** defines an Exempt Supply as a Supply of any goods or services or both which attracts Nil rate of tax which may be wholly exempt from tax under Sec. 11, or under Sec. 6 of IGST Act and includes non-taxable supply.
6. **Zero-Rated Supply –** According to **Sec. 16(1) of the IGST Act, 2017**, Zero-Rated Supply means any of the following supplies of goods or services or both, namely -
   (a) Export of goods or services or both; or
   (b) Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

Under zero-rated supplies, taxpayers can claim a refund of the input tax credit (ITC) on inputs used in making these supplies. This incentivizes exporters and suppliers to SEZs, allowing them to operate without the burden of GST on their inputs.

7. **Inward Supply** – It means receipt of goods or services or both, whether by purchase, acquisition or any other means with or without consideration.
8. **Outward Supply** – It refers to supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.
9. **Intra-State Supply - Section 8(1) of the Integrated Goods and Services Tax (IGST) Act, 2017,** defines what constitutes an intra-state supply of goods, which is subject to the Central GST (CGST) and State GST (SGST) instead of IGST. Section 8 is essentially the counterpart to Section 7, which deals with inter-state supplies. Under **Section 8(1) of the IGST Act:**

   Supply of Goods Within a State or Union Territory:

   - A supply of goods is considered an **Intra-State Supply** when the supplier and the place of supply are both located in the same state or Union Territory.
   - Intra-state supplies are subject to CGST and SGST (or CGST and UTGST, if within a Union Territory without a legislature) rather than IGST.

   Exclusions:

   Certain supplies, even if they are within the same state, are excluded from intra-state classification under **Section 8(1)**. These include:

   - Supplies to or from a Special Economic Zone (SEZ).
   - Goods imported into India (these are treated as inter-state supplies regardless of location).
   - Supplies where the law explicitly considers them inter-state, even if they occur within the same state.
10. **Inter-State Supply -** Under **Section 7(1) of the IGST Act,** Inter-State Supply includes:
    - **Supply of Goods or Services in Different States or Union Territories:** When goods or services are supplied from one state to another, or from one Union Territory (UT) to another, it is considered inter-state supply.

- **Supply of Goods or Services from India to Another Country (Exports):** If goods or services are supplied from India to any place outside India, it is categorized as inter-state supply. Export transactions are zero-rated under GST.
- **Supply of Goods or Services to India from Another Country (Imports):** Goods or services imported into India are treated as inter-state supplies. This includes both goods and services that are imported.
- **Supply to or by SEZ (Special Economic Zone):** Supplies to or from Special Economic Zones (SEZs) are considered inter-state supplies, regardless of the physical location within a state.
- **Deemed Inter-state Supplies:** Certain supplies, by legal interpretation, are deemed to be inter-state even if they take place within the same state, such as supplies to SEZs.

11. **Supplies in Territorial Waters - Section 9 of the IGST Act 2017**, specifies situations involving the supply of goods or services in the taxable territory that are not covered under general provisions for intra-state or inter-state supplies. It deals with special cases involving transportation, intermediary services, and electronic services. **Section 9** provides that:

    Supply of Goods in Transit (Transportation Services):

    - It addresses supplies of goods or services in transit, particularly transportation of goods.
    - If goods are transported across multiple states or Union Territories, and the origin and destination locations are in different states/UTs, it is treated as an inter-state supply.
    - It includes provisions for transportation by various modes, such as rail, air, or sea, when goods are transported across state boundaries.

    Supply of Services by an Intermediary or to an Intermediary:

    - Intermediary services refer to services where the intermediary (e.g., agent or broker) facilitates or arranges the supply of goods or services between two parties.
    - These transactions are treated as inter-state supplies, and the intermediary is responsible for IGST on such services, even if they are in the same state as the service recipient.

Online Information and Database Access or Retrieval (OIDAR) Services:

- This section also applies to online services delivered from outside India to consumers within India, where the service is provided over the internet (like online streaming, software downloads, etc.).
- Non-resident suppliers providing OIDAR services are subject to IGST, and they may be required to register for GST if they supply to unregistered persons in India.

12. **Composite Supply -** According to **Section 2(30) of the CGST Act**, a Composite Supply refers to:
    - A supply that consists of two or more taxable supplies of goods or services, or both, that are naturally bundled and supplied in conjunction with each other.
    - These supplies are treated as a single supply, where one of the items is a principal supply, and the other(s) are ancillary.

    In simpler terms, if two or more items are typically sold together as a package (such as goods and related services or multiple related services), it is treated as one composite supply under GST.

    Example : Pritha purchases a refrigerator and also gets warranty and a maintenance contract with the refrigerator. This supply is a Composite Supply where Refrigerator is the Principal Supply and warranty/maintenance services are ancillary.

13. **Mixed Supply —** As per **Sec. 2(74) of the CGST Act 2017**, Mixed Supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. Thus, the basic constituents of 'Mixed Supply' are:
    - A combination of two or more individual supplies of goods or services, or any combination thereof, made together for a single price.
    - These items are not naturally bundled and can each be supplied independently.

    Example : A Gift Pack comprising of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices supplied for a single price. This is a case of Mixed Supply as all these goods can be sold independently/separately.

Tax Liability on Composite and Mixed Supply:

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely: —

(a) 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 (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

2.7 IMPORTATION OF SERVICES FOR CONSIDERATION [Sec. 7(1)(b)]

Under **Section 7(1)(b) of the CGST Act**, 'Supply' includes the import of services for a consideration, whether or not in the course or furtherance of business.

Breakdown of Section 7(1)(b)

1. **Import of Services** - This refers to the receipt of services from a supplier located outside India by a recipient in India.
2. **For Consideration** - Import of services is considered a supply only if there is consideration (i.e., payment or compensation) involved. Free-of-charge imports are not covered under this clause.
3. **Irrespective of the Purpose** - The provision applies whether or not the imported service is for business purposes. Even personal imports of services are considered a "supply" if there is consideration involved, and are subject to GST.

Example : For instance, if an individual or a business in India purchases consultancy services from a foreign consultant and pays for the service, it falls under the definition of "supply" as per Section 7(1)(b) and is subject to GST under the reverse charge mechanism (RCM).

2.8 SUPPLY WITHOUT CONSIDERATION [Sec. 7(1)(c)]

The **Sec. 7(1)(c)** includes some activities as supply which are made or agreed to be made even if the same is without consideration. These are specifically mentioned in Schedule I appended to the CGST Act, 2017.

2.9 NEITHER SUPPLY OF GOODS NOR SERVICES [Sec. 7(2)]

As per **Sec. 7(2),** "Notwithstanding anything contained in Sec.7(1),

(a) activities or transactions specified in Schedule III; or

(b) such activities or transactions undertaken by the Central Government, a 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 a supply of goods nor a supply of services."

Section 7(2) consists of two subclauses, which state the following:

1. **Section 7(2)(a)**:
   - This subclause states that certain activities or transactions specified in Schedule III of the CGST Act are not treated as "supply" of goods or services.
   - These activities and transactions are not subject to GST, as they fall outside the definition of "Supply."
2. **Section 7(2)(b)**:
   - This subclause empowers the Central Government to notify certain activities or transactions that are neither treated as supply of goods nor supply of services.
   - Such notifications must be issued on the recommendations of the GST Council.

2.10 GOVERNMENT'S POWER OF CLASSIFICATION [Sec. 7(3)]

According to **Section 7(3) of the CGST Act**, the Government has the authority, based on recommendations from the GST Council, to issue notifications that classify specific transactions as either:

(a) a supply of goods rather than a supply of services, or

(b) a supply of services rather than a supply of goods.

This section allows the Government to determine and clarify, through amendments to Schedule II, whether certain supplies should be treated as goods or services. However, any such classifications must be based on recommendations from the GST Council, ensuring alignment with the council's guidelines.

2.11 SCHEDULE I – SUPPLY WITHOUT CONSIDERATION

According to **Schedule I**, in the following four cases, the supplies made even without consideration will be treated as supply under **Sec. 7 of the CGST Act**:

1. Permanent Transfer/Disposal of Business Assets
2. Supply between related person or distinct persons
3. Supply of goods by a Principal to his Agent
4. Importation of Services

2.12 SCHEDULE – II [ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES]

Following activities/transactions are treated as supply of goods or services and are chargeable to GST.

Schedule II	Main Heading	Description of different activities	Nature of Activities
1(a)	Transfer	Transfer of the title in goods	Supply of Goods
1(b)	Transfer	Transfer of right in goods or of undivided share in goods without transfer of title in goods	Supply of Services
1(c)	Transfer	Transfer of title under a forward contract	Supply of Goods
2(a)	Land & Building	Lease, Tenancy, Easement, Licence to occupy land	Supply of Services
2(b)	Land & Building	Lease or letting out of building	Supply of Services
3	Treatment or process	Job Work	Supply of Services
4(a)	Transfer of Business Assets	Transfer or disposal of goods forming part of the assets of a business	Supply of Goods
4(b)	Transfer of Business Assets	Business goods are put to non-business use	Supply of Services
4(c)	Transfer of Business Assets	Treatment of business goods when a person ceases to be a taxable person	Supply of Goods
5(a)	Immovable Property, Intellectual Property Rights, etc.	Renting of immovable property	Supply of Services
5(b)	Immovable Property, Intellectual Property Rights, etc.	Construction of a complex	Supply of Services
5(c)	Immovable Property, Intellectual Property Rights, etc.	Temporary transfer or permitting the use or enjoyment of any intellectual property right	Supply of Services
5(d)	Immovable Property, Intellectual Property Rights, etc.	Development, Design, Programming, Customisation, Adaptation, Upgradation, Enhancement, Implementation of information technology software	Supply of Services
5(e)	Immovable Property, Intellectual Property Rights, etc.	Agreeing to the obligation to refrain from an act or to tolerate an act or a situation or to do an act	Supply of Services
5(f)	Immovable Property, Intellectual Property Rights, etc.	Transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration	Supply of Services

6(a)	Composite Supplies	Works Contract	Supply of Services
6(b)	Composite Supplies	Restaurant Service for cash/deferred payment/other valuable consideration	Supply of Services

2.13 SCHEDULE III [ACTIVITIES TREATED AS NEITHER SUPPLY OF GOODS NOR SUPPLY OF SERVICES]

The activities listed down in the following table are neither treated as supply of goods nor treated as supply of services.

No.	Description	Nature of Activities
1	Employment	Services by an employee to the employer in relation to his employment
2	Court	Services by any court or tribunal
3	MPs	Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other Local Authorities
4	Funeral	Services of funeral, burial, crematorium or mortuary including transportation of the deceased
5	Sale of Land	Sale of land and sale of building
6	Actionable Claims	Actionable Claims, other than lottery, betting and gambling
7	Supply from non-taxable territory to a non-taxable territory	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
8	Supply of Warehoused goods	Supply of Warehoused goods to any person before clearance for home consumption
9	Supply by endorsement of documents	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.
10	Liquor Licence	Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee / application fee

2.14 TEST YOUR KNOWLEDGE

1) Explain the concept of Supply under the CGST Act?

2) What do you mean by taxable event in GST?

3) Discuss the activities which are treated as supply of goods and/or services under Schedule II.

4) When actionable claim is subject to GST?

5) What is Mixed Supply? Give an example.

6) What is Composite Supply? Give an example.

7) How GST liability is determined in composite supply and mixed supply?

8) Write down the parameters of supply?

9) What are the different forms of supply?

10) What is exempt supply? Is it different from zero rated supply?

2.15 CASE STUDY

1) Sima Manufacturers entered into a contract with Anwar Ltd. for supply of readymade shirts packed in designer boxes at Anwar Ltd.'s outlet. Further, Sima Manufacturers would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.

2) Pracheta Computers supplies laptop (worth 42,000) along with laptop example bag (worth 3,000) to a customer for 45,000 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 ₹ 45,000.

3) Pritam imported some goods in India example but kept the goods in custom bonded warehouse without clearing it for home consumption. In the meantime, Pritam sold these goods to Ghontu while they were in warehouse. This transaction between Pritam and Ghontu is neither supply of goods nor supply of services.

4) A doctor received a haircut from a barber and, in return, offered the barber a medical consultation. In this exchange, the doctor's payment for the haircut was the medical advice he provided, and the barber’s payment for the consultation was the haircut he gave. This transaction is considered a "barter" for both parties, as they each provided a service in exchange for another service rather than money.

6) Sushil Private Ltd. operates in the distribution of construction materials and offers an incentive of ₹75,000 to employees who meet certain sales targets. This incentive is treated as part of the employees' salary, with applicable income tax deductions at source according to tax laws. Sushil Private Ltd. believes that GST does not apply to these incentive payments. Is the company's interpretation correct?

Yes, Sushil Private Ltd.'s view is correct. In terms of section 7(2) read with Schedule III, services by an employee to employer in the course of or in relation to his employment shall not be treated as supply under GST. Further, the amount paid as incentive by Sushil Private Ltd. is not in the nature of gift, and thus, is not covered under Schedule I. In fact, in the given case, the incentive is part of the salary and is directly linked to the sales target. Therefore, the services provided in course or in relation to employment by the employees for which incentives are given to them shall not be treated as a "supply". In the light of above discussion, GST is not leviable on the incentive paid by Sushil Private Ltd. to employees.