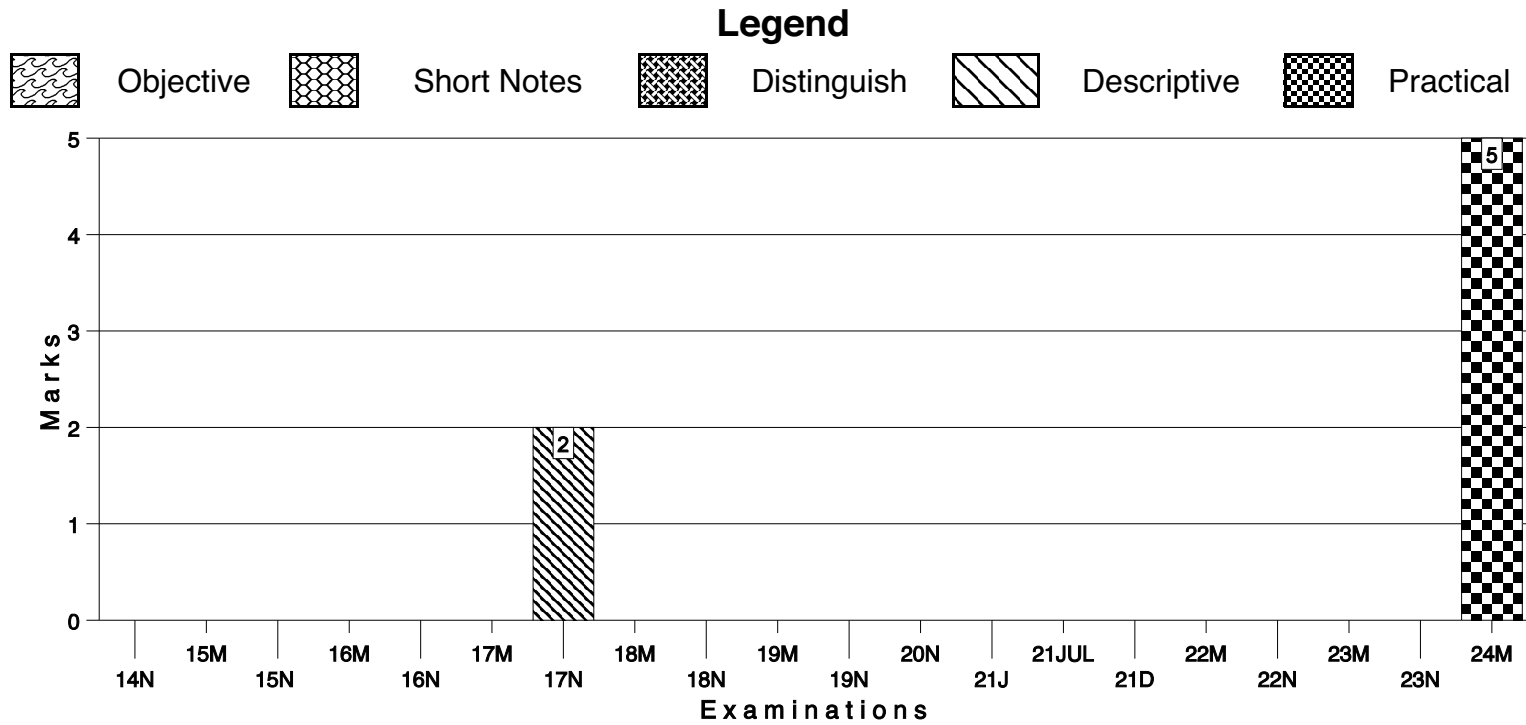


### Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions



CHAPTER	<h1>Supply under GST</h1>
<h1>1</h1>	
<b>THIS CHAPTER COMPRISES OF</b>	

- |                         |                                 |
|-------------------------|---------------------------------|
| 1. Introduction         | 3. Concept of supply            |
| 2. Relevant definitions | 4. Composite and mixed supplies |

### DESCRIPTIVE QUESTIONS

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**2017 - Nov [1] {C}** (b) (i) How the tax liability on composite and mixed supplies is determined under GST law? Answer in single sentence each.  
(2 marks)

**Answer:**

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as a supply of such **principal supply** vide Section 8(a) of CGST Act, 2017.

A mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts **highest rate of tax** in terms of Section 8(b) of CGST Act, 2017.

### PRACTICAL QUESTIONS

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**2024 - May [3]** (b) Mr. Sharma, Director of VEE Ltd. provides personal guarantee on 31.10.2023 to a nationalized bank for sanctioning the cash credit facility of ₹100 lakhs sanctioned in favour of VEE Ltd. Mr. Sharma was not paid any consideration for the same by VEE Ltd.

Whether the said activity provided by Mr. Sharma will be considered as supply ? If yes, what will be the value of such services ? Explain in brief the relevant provisions of GST Act.  
(5 marks)

**TOPIC NOT YET ASKED BUT EQUALLY IMPORTANT FOR EXAMINATION****DESCRIPTIVE QUESTIONS**

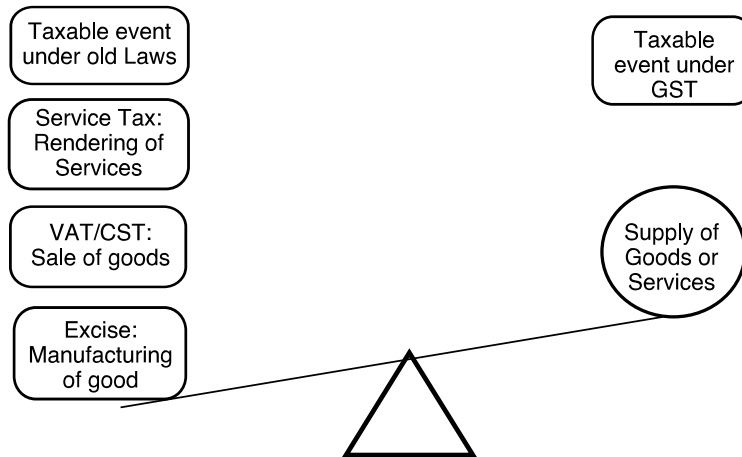
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**Q. 1.** What is the taxable event under GST?

**Answer:**

- (a) The incidence of the tax is the foundation stone of any taxation system. It determines the point at which tax would be levied, i.e. the taxable event. The erstwhile framework of taxable event in various statutes was prone to catena of interpretations resulting in litigation since decades.
- (b) Broadly, the controversies related to issues like whether a particular process amounts to manufacture or not, whether the sale is pre-determined sale, whether a particular transaction is a sale of goods or rendering of services etc. The GST laws seek to resolve these issues by laying down one comprehensive taxable event i.e.: “supply”.
- (c) GST Law, by levying tax on the “supply” of goods and/or services, will depart from the historically understood concepts of “taxable event” under the State VAT Laws, Excise Laws and Service Tax Laws i.e. sale, manufacture and services respectively.
- (d) In the GST regime, the entire value of supply of goods and / or services will be taxed in an integrated manner, unlike the existing indirect taxes, which are charged independently either on the manufacture or sale of goods, or on the provisions of service.



**Q. 2.** Define the relevant terms under CGST Act-2017?

**Answer:**

Terms	Definitions
<b>Goods</b> [Sec. 2(52)]	<ul style="list-style-type: none"> <li>• means every kind of movable property</li> <li>• other than money and securities</li> <li>• but includes actionable claim, 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;</li> </ul>
<b>Electronic commerce operator</b> [Sec. 2(45)]	<ul style="list-style-type: none"> <li>• means any person who owns, operates or manages digital or electronic facility or platform</li> <li>• for electronic commerce.</li> </ul>
<b>Exempt Supply</b> [Sec. 2(47)]	<ul style="list-style-type: none"> <li>• means supply of any goods or services or both</li> <li>• which attracts nil rate of tax or which may be wholly exempt from tax under Section 11, or under Section 6 of the Integrated Goods and Services Tax Act, and</li> <li>• includes non-taxable supply.</li> </ul>

<p><b>Business</b> <b>[Sec. 2(17)]</b></p>	<p>includes</p> <ul style="list-style-type: none"> <li>(a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;</li> <li>(b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);</li> <li>(c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;</li> <li>(d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;</li> <li>(e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;</li> <li>(f) admission, for a consideration, of persons to any premises;</li> <li>(g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;</li> <li>(h) activities of a race club including by way of <b>totalisator</b> or a licence to book maker or activities of a licenced book maker in such club.</li> <li>(i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.</li> </ul> <p><b>Note:</b> “Totalisator” is an electronic device that pools the bets of various punters and also divides the total wagers/ bets amount, which is distributed to the winning punters.</p>
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<p><b>Consideration</b> [Sec. 2(31)]</p>	<ul style="list-style-type: none"> <li>• in relation to the supply of goods or services or both includes:                             <ul style="list-style-type: none"> <li>(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;</li> <li>(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.</li> </ul> </li> </ul> <p>However a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.</p>	
<p><b>Person</b> [Sec. 2(84)]</p>	<p><b>Includes:</b></p>	
	<p>(a) an individual;</p>	<p>(b) a Hindu Undivided Family;</p>
	<p>(c) a company;</p>	<p>(d) a firm;</p>
	<p>(e) a Limited Liability Partnership;</p>	<p>(f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;</p>

	(g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in Section 2(45) of the Companies Act, 2013;	(h) any body corporate incorporated by or under the laws of a country outside India;
	(i) a co-operative society registered under any law relating to co-operative societies;	(j) a local authority;
	(k) Central Government or a State Government;	(l) society as defined under the Societies Registration Act, 1860;
	(m) trust; and	(n) every artificial juridical person, not falling within any of the above;
<b>Principal Supply [Sec. 2(90)]</b>	<ul style="list-style-type: none"> <li>• means the supply of goods or services</li> <li>• which constitutes the predominant element of a composite supply and</li> <li>• to which any other supply forming part of that composite supply is ancillary.</li> </ul>	
<b>India [Sec. 2(56)]</b>	<ul style="list-style-type: none"> <li>• means the territory of India as referred to in article 1 of the Constitution,</li> <li>• its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime</li> </ul>	

	<p>zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and</p> <ul style="list-style-type: none"> <li>• the air space above its territory and territorial waters.</li> </ul>
<b>Aggregate Turnover</b> [Sec. 2(6)]	<ul style="list-style-type: none"> <li>• means the aggregate value of all taxable supplies</li> <li>• (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number,</li> <li>• to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.</li> </ul>
<b>Services</b> [Sec. 2 (102)]	<ul style="list-style-type: none"> <li>• means anything other than goods, money and securities</li> <li>• but</li> <li>• 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.</li> </ul>

**Explanation:**

For the removal of doubts, it is hereby clarified that the expression “services” includes tax on services supplied by stock-brokers and stock exchanges for facilitating or arranging transactions in securities.

**Q. 3.** Write a note on concept of supply under CGST Act.

**Answer:**

- (i) **Concept of supply:** The Concept of ‘supply’ is the key stone of the GST architecture. The provisions relating to meaning and scope of supply are contained in Chapter III of the CGST Act read with various Schedules given under the said Act.



(II) **Scope of supply (taxable Event under GST) [Sec.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 payment or other valuable consideration.

**Explanation:** For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any Court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions *inter se* shall be deemed to take place from one such person to another;

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

(c) the activities specified in **Schedule I**, made or agreed to be made without a consideration; and

(d) (1A) where certain activities or transactions constitute a supply in accordance with the Provisions of Section 7(1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),— (a) activities or transactions specified in Schedule III; or (b) such activities or transactions undertaken by the Central Government, 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.

(3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as:

- (a) a supply of goods and not as a supply of services; or
- (b) a supply of services and not as a supply of goods.

(III) **Analysis of Supply:**

- (a) **Inclusive definitions:** Section 7 of the CGST Act defines the scope of supply in an inclusive manner.

The modes of supply mentioned in Section 7(1) are only in the forms of examples and the list is not exhaustive. This is substantiated by the use of words 'such as' in the definition.

- (b) **Broad categories of supply:** Discussion with regard to scope of supply has been categorised into following broad headings:
- (i) Supply for consideration in course of furtherance of business;
  - (ii) Importation of services for consideration whether or not in course or furtherance or business;
  - (iii) Supply without consideration
  - (iv) Activities to be treated as supply of goods or supply of services
  - (v) Negative list of services.

**Q. 4.** Enumerate the activities or transactions which shall be treated neither as supply of goods nor a supply of services.

**Answer:**

**Section 7(2) list down activities or transactions which shall be treated neither as supply of goods nor a supply of services (Negative list under GST regime):**

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.

**Explanation:** For the purposes of paragraph 2, the term "court" includes District Court, High Court and Supreme Court.

3. (a) the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
- (b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

- (c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
  5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
  6. Actionable claims, other than lottery, betting and gambling.
  7. **Merchanting Trade Transactions:** 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. (a) **Supply of warehoused goods to any person before clearance for home consumption;** (The expression “warehoused goods” shall have the same meaning as assigned to it in the Customs Act, 1962.)  
 (b) **High Sea Sales:** 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.

**Q. 5.** Define the terms “Composite” and “mixed supplies” and also explain the statutory provisions with respect to tax liability on composite and mixed supplies.

**Answer:**

<b>Section 2(30)</b>	<p><b>“Composite supply”</b> means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;  <b>Illustration:</b> Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.</p>
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<b>Section 2(74)</b>	<p>“<b>mixed supply</b>” 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.</p> <p><b>Illustration:</b> A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately;</p>
<b>Section 8</b>	<p>Tax liability on composite and mixed supplies</p> <p>The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:-</p> <p>(a) A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as supply of such principal supply;</p> <p><b>Eg:</b> S.M. enterprises entered into a contract with XYZ Ltd. for supply for readymade shirts packed in designer boxes at XYZ Ltd.’s outlet. Further S.M. would also get them insured during transit. In this case, supply of goods, packing materials, transport and insurance is a composite supply where in supply of goods is principal supply.</p> <p>(b) A mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax.</p>

**Q. 6.** What is the scope of the term ‘supply’ as defined in CGST Act, 2017?

**Answer:**

**As per Section 7(1), Supply includes:**

1. (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, 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 payment or other valuable consideration.
- Explanation:** For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any Court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions *inter se* shall be deemed to take place from one such person to another;
- (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,
- where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.
2. Notwithstanding anything contained in sub-section (1),
- (a) activities or transactions specified in Schedule III; or
- (b) such activities or transactions undertaken by the Central Government, 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.
3. Subject to the provisions of Section 7(1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as-
- (a) a supply of goods and not as a supply of services; or
- (b) a supply of services and not as a supply of goods.

**Q. 7.** Is it required to distinguish whether a particular supply involves supply of goods or services or both?

**Answer:**

Yes. The CGST Act, 2017 specifies certain provisions separately for supply of goods and supply of services viz., Section 12 and Section 13 provides for ascertaining time of supply of goods and time of supply of services respectively; similarly separate provisions have been specified for ascertaining place of supply of goods and place of supply of services. Further, the rate of tax applicable to supply of goods and supply of services may be different. Accordingly, it is important to distinguish whether a particular transaction involves supply of goods or supply of services.

**Q. 8.** How to distinguish whether a particular supply involves supply of goods or services or both?

**Answer:**

The Schedule II appended to CGST Act, 2017 enlists the activities which are to be treated as supply of goods or supply of services. One may refer Schedule II with reference to Section 7 to classify whether the transaction involves supply of goods or supply of services.

**Q. 9.** Whether supply of goods or services without consideration is liable to tax?

**Answer:**

The activities enumerated in Schedule I will qualify as supply even if made without consideration. Accordingly, such supplies in the absence of consideration are liable to tax. To illustrate, following are the activities which will qualify as supply in the absence of consideration and eventually would be liable to tax:

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business:  
Provided that gifts not exceeding ₹50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
3. Supply of goods:

- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
  - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

**Q. 10.** Whether transfer of goods to another branch located outside the State is taxable?

**Answer:**

In terms of Section 25(4) of the CGST Act, 2017, every person is required to obtain separate registration for every branch located in different state or union territory and shall be treated as distinct persons. Accordingly, the supply of goods (stock transfers) to a branch located outside the State would qualify as supply liable to tax in terms of clause 2 to Schedule I of the CGST Act, 2017. Further, it is important to note that, supply of goods to a branch/unit located within the same State having separate registration would also be liable to tax since both such units (supplying unit and recipient unit) would qualify as distinct person in terms of Section 25(4).

**Q. 11.** Whether gifts given by employer to employee will also qualify as supply?

**Answer:**

In terms of Explanation appended to Section 15 it is clarified that employer and employee will be deemed to be related persons. Accordingly, in terms of proviso to clause 2 of Schedule I, gift by an employer to employee will be a supply and will be liable to tax. However, any gifts for a value not exceeding ₹50,000 in a financial year will not qualify as supply and as such will not be liable to tax.

**Q. 12.** Whether supply of goods by principal to his agent or by agent to his principal is taxable in the absence of consideration?

**Answer:**

In terms of Section 7 read with Schedule I, following would qualify as supply:

1. Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or

2. Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

**Q. 13.** Whether import of services will be liable to tax under GST regime?

**Answer:**

**The following import of service will qualify as supply under CGST Act, 2017:**

1. import of service for a consideration whether or not in the course or furtherance of business is a supply;
2. import of service by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

**Q. 14.** What is composite supply?

**Answer:**

In terms of Section 2(30) of CGST Act, 2017 composite supply means supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. The illustration of composite supply appended to Section 2(30) is as follows:

Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a composite supply.

**Q. 15.** How would the tax liability be determined in case of Composite supply?

**Answer:**

In terms of Section 8 of the CGST Act, 2017 tax liability in case of composite supply should be determined with reference to the principal supply forming part of such composite supply.

**Q. 16.** What is Mixed Supply?

**Answer:**

In terms of Section 2(74), 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. The illustration of mixed supply appended to Section 2(74) is as follows:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

**Q. 17.** How would the tax liability be determined in case of Mixed supply?

**Answer:**

In terms of Section 8, the tax liability in case of a mixed supply shall be ascertained with reference to that particular supply which attracts highest rate of tax.

**Q. 18.** What is the taxable event under GST?

**Answer:**

Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter- State supplies.

**Q. 19.** What is the tax treatment of composite supply and mixed supply under GST?

**Answer:**

Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

**Q. 20.** Supply of all goods and/or services is taxable under GST. Discuss the validity of the statement.

**Answer:**

The statement is incorrect. Supplies of all goods and services are taxable except alcoholic liquor for human consumption. Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be taxable with effect from a future date. This date

would be notified by the Government on the recommendations of the GST Council.

**Q. 21.** Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

**Answer:**

Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**Q. 22.** Examine whether the following activities would amount to supply under Section 7 of the CGST Act:

- (a) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.
- (b) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
- (c) Raman is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
- (d) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

**Answer:**

- (a) Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and toys to children living in slum area would not amount to supply under Section 7 of the CGST Act.

- (b) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in Section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act]. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under Section 7 of the CGST Act.
- (c) Schedule I of CGST Act, inter alia, stipulates that import of services by a person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. In the given case, Raman has received legal services from his brother free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Raman's brother to him would not be treated as supply under section 7 of the CGST Act.
- (d) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would be treated as supply under Section 7 of the CGST Act as the same are provided in course or furtherance of business though received from a related person.

**Q. 23.** State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

- (a) Renting of immovable property
- (b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business, whether or not for consideration.

- (c) Transfer of right in goods without transfer of title in goods.
- (d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

**Answer:**

- (a) Supply of services
- (b) Supply of goods
- (c) Supply of services
- (d) Supply of goods

**Q. 24.** Determine whether the following supplies amount to composite supplies:

- (a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.
- (b) A toothpaste company has offered the scheme of free toothbrush alongwith the toothpaste.

**Answer:**

Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act]. In view of the same,

- (a) since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
- (b) since supply of toothbrush alongwith the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

**Q. 25.** Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason.

**Answer:**

Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

<b>MULTIPLE CHOICE QUESTION</b>
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1. Which of the following is not a supply as per Section 7 of the CGST Act?
  - (a) Management consultancy services not in course or furtherance of business
  - (b) Import of service for consideration not in course or furtherance of business
  - (c) Both (a) and (b)
  - (d) None of the above.
2. \_\_\_\_\_ specifies the activities to be treated as supply even if made without consideration.
  - (a) Schedule I of CGST Act
  - (b) Schedule II of CGST Act
  - (c) Schedule III of CGST Act
  - (d) All of the above
3. Which of the following activity is outside the scope of supply and not taxable under GST?
  - (a) Services by an employee to the employer in the course of or in relation to his employment
  - (b) Services of funeral
  - (c) Actionable claims, other than lottery, betting and gambling.
  - (d) All of the above
4. Which of the following supplies are naturally bundled?
  - (a) Rent deed executed for renting of two different floors of a building- one for residential and another for commercial purpose to same person
  - (b) Pack of watch, tie and belt
  - (c) Package of canned food such as burger, chocolates, sweets, cake etc.
  - (d) None of the above
5. A \_\_\_\_\_ supply comprising of two or more supplies shall be treated as the supply of that particular supply that attracts highest rate of tax.
  - (a) Composite
  - (b) Mixed
  - (c) Both (a) and (b)
  - (d) None of the above

6. Which of the following activities is a supply of services?
  - (a) Transfer of right in goods/ undivided share in goods without transfer of title in goods
  - (b) Transfer of title in goods
  - (c) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.
  - (d) All of the above
7. An exempt supply includes-
  - (a) Supply of goods or services or both which attracts Nil rate of tax
  - (b) Non-taxable supply,
  - (c) Supply of goods or services or both which are wholly exempt from tax under Section 11 of the CGST Act or under Section 6 of IGST Act,
  - (d) All of the above
8. X Ltd., gives Diwali Gifts to each employee worth ₹ 70,000. Is it supply?
  - (a) yes
  - (b) No
  - (c) Partially taxable
  - (d) Yes. It is a taxable supply in India and hence CGST will be levied.
9. Salary paid to partners by partnership firm is liable to GST?
  - (a) No. It is not supply. It is merely an appropriation of profit.
  - (b) Yes
  - (c) Either (a) or (b)
  - (d) Partially Supply
10. X Ltd. has 3 branches P, Q & R in different states. Whether stock transfer between Branch P & Q is supply?
  - (a) Yes
  - (b) No
  - (c) Either a or b
  - (d) Partially Supply
11. X Ltd. supplied spare parts freely to replace during warranty period. Is it supply and chargeable to GST?
  - (a) Yes,
  - (b) No,
  - (c) Patial supply
  - (d) All

12. Mr. X got design made from Architect located in USA for his house in India. Is it supply. If so who is liable to pay GST.
- (a) Yes, it is supply, but exempt from GST. Since, it is not OIDAR service,  
 (b) No,  
 (c) Either a or b  
 (d) Yes, it is supply and taxable under GST,
13. Mr. R, a practicing CA provided services to X LTD., a dealer of laptops, who gave one laptop to Mr. R for his services. What is the treatment of the same transaction under GST.
- (a) Supply of service made by Mr. R,  
 (b) Supply of goods made by X Ltd.,  
 (c) Both (a) & (b)  
 (d) None of the above
14. X Ltd., which trades in cements, have purchased one AC for business purpose and availed Input tax credit but after 2 years, it has been transferred to director without consideration. Will the transaction be a supply in terms of GST?
- (a) Yes, it is supply, M/s X Ltd. is liable to pay GST, if company availed input tax credit on such AC.  
 (b) No,  
 (c) none of the above  
 (d) Yes, it is supply, but exempt from GST
15. Jolly Electronics (P) Ltd., an authorized dealer of GG Micro Ltd., is located and registered under GST in Lucknow, Uttar Pradesh. It has sold following items to Mr. Rakesh (a consumer):

Product	Amount (₹)
Refrigerator (500 litres) taxable @ 18%	40,000
Stabilizer for refrigerator taxable @ 12%	5,000
LED television (42 inches) taxable @ 12%	30,000
Split air conditioner (2 Tons) taxable @ 28%	35,000
Stabilizer for air conditioner taxable @ 12%.	5,000
Total value	1,15,000

Jolly Electronics (P) Ltd. has given a single invoice indicating price of each item separately to Mr. Rakesh. Mr. Rakesh has given a single cheque of ₹ 1,00,000 for all the items as a composite discounted price. State the type of supply and the tax rate applicable on the same.

- (a) Composite supply; highest tax rate applicable to split air conditioner, i.e. 28%
- (b) Mixed supply; highest tax rate applicable to split air conditioner, i.e. 28%
- (c) Supply other than composite and mixed supply; highest tax rate applicable to split air conditioner, i.e., 28%
- (d) Supply other than composite and mixed supply; respective tax rate applicable to each item

<b>Answer</b>
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1.	(a)	2.	(a)	3.	(d)	4.	(d)	5.	(b)
6.	(a)	7.	(d)	8.	(a)	9.	(a)	10.	(a)
11.	(b)	12.	(a)	13.	(c)	14.	(a)	15.	(d)