

Scope of supply

- [1]
 7. __Scope of supply.
- (1) For the purposes of this Act, the expression "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;
 - 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 aconsideration; [*]
 - [5] d. [*]__

[(1A)where certain activities or transactions constitute a supply inaccordance with the provisions of sub-section (1), they shall be treated either assupply 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.
- [1] Enforced with effect from 1.7.2017.
- [2] ___ Refer Not. Nos. 14/2017- CTR, dt. 28.6.2017 & 16/2018- CTR, dt. 26.7.2018; refer also Cir. No. 1/2017- GST, dt. 7.7.2017; Cir. No. 21/2017- GST, dt. 22.11.2017; also Cir. No. 57/2018- GST, dt. 4.9.2018; Cir. No. 73/2018- GST, dt. 5.11.2018 & Cir. No. 80/2018- GST, dt. 31.12.2018; Cir. No. 121/2019- GST, dt. 11.10.2019.
- [3] Retrospective amendment w.e.f 1st July 2017 inserted by CGST Amendment Act, 2018, vide CGST Not. No. 02/2019 dt. 29.01.2019..
- Phrase "and;
- (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II." Retrospective amendment w.e.f 1st July 2017 omitted by CGST Amendment Act, 2018 vide CGST Not. No. 02/2019 dt. 29.01.2019.
- [5] Retrospective amendment w.e.f 1st July 2017 omitted by CGST Amendment Act, 2018 vide CGST Not. No. 02/2019 dt. 29.01.2019.
- [6] Retrospective amendment w.e.f 1st July 2017 inserted by CGST Amendment Act, 2018 vide CGST Not. No. 02/2019 dt. 29.01.2019.
- [7] Retrospective amendment w.e.f 1.7.2017 substituted by CGST Amendment Act, 2018 vide CGST Not. No. 02/2019 dt. 29.01.2019.

Tax liability on composite and mixed supplies



Tax liability on composite and mixed supplies.

The tax liability on a composite or a mixed supply shall be determined in the followingmanner, 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.
- Enforced with effect from 1.7.2017.

Levy and collection

9. [1] Levy and collection__.

Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner not yet prescribed and shall be paid by the taxable person.

- 2. The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
- , specify categories of supply of 3. The Government may, on the recommendations of the Council, by notification goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
- 4. [The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.".]
- 5. The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services:

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:



Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

- Enforced with effect from 1.7.2017.
- [2] Refer Not. No. 5/2017-CT, dt. 19.6.17.
- [3] ___ Refer Not. No. 1/2017- CTR, dt. 28.6.2017; Not. No. 11/2017- CTR, dt. 28.6.2017; Not. No. 17/2017- CTR, dt. 28.6.2017; Not. No. 37/2017- CTR, dt. 13.10.2017; Not. No. 39/2017- CTR, dt. 18.10.2017; Not. No. 2/2019- CTR, dt. 7.3.2019 & Cir. No. 35/2018- GST, dt. 5.3.2018.
- [4] ___ Refer Not. No. 4/2017- CTR, dt. 28.6.2017 & Not. No. 13/2017- CTR, dt. 28.6.2017.
- [5] Refer Not. No. 9/2017- CTR, dt. 28.6.2017; Not. No. 10/2017- CTR, dt. 28.6.2017 & Not. No. 7/2017- CTR, dt. 29.3.2017.
- Substitute vide CGST Amendment Act, 2018 and is deemed to be inserted with effect from 01.02.2019 vide CGST Not. No. 02/2019 dt. 29.01.2019. Prior to its substitution, Sub section read as under:
- "(4) The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both."
- [7] ___ Refer Not. No. 17/2017- CTR, dt. 28.6.2017 & Not. No. 13/2017- CTR, dt. 28.6.2017.

Composition levy

10. [1] [2] Composition levy

Notwithstanding anything to the contrary contained in this Act but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may

[4] opt__ to pay, [in lieu of the tax payable by him, under sub-section (1) of section 9, an amount of tax calculated at such rate] [5]

as may be prescribed__, but not exceeding,—

- a. one per cent. of the turnover in State or turnover in Union territory in case of a manufacturer,
- b. two and a half per cent. of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and
 - c. half per cent. of the turnover in State or turnover in Union territory in case of other suppliers,

[7] [8] subject to such conditions and restrictions as may be __prescribed__:



[9] Provided that the Government may, by notification__, increase the said limit of fifty lakh rupees to such higher amount, not exceeding [one crore and fifty lakh rupees]___, as may be recommended by the Council.

[11] ___[Provided further that a person who opts to pay tax underclause (a) or clause (b) or clause (c) may supply services (other than thosereferred to in clause (b) of paragraph 6 of Schedule II), of value notexceeding ten per cent. of turnover in a State or Union territory in the preceding financial year or five lakh rupees, whichever is higher.] ____

["Explanation.— For the purposes of second proviso, the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.";]____

- 2. The registered person shall be eligible to opt under sub-section (1), if
 - a. [save as provided in sub-section (1), he is not engaged in the supplyof services;][14]
 - b. he is not engaged in making any supply of goods which are not leviable to tax under this Act;
 - c. he is not engaged in making any inter-State outward supplies of goods;
- d. he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect [15] tax at source under section 52; [*]
- e. he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the [Council; [16] and]
 - f. ["he is neither a casual taxable person nor a non-resident taxable person:"]____

Provided that where more than one registered persons are having the same Permanent Account Number (issued under the Income-tax Act, 1961), the registered person shall not be eligible to opt for the scheme under sub-section (1) unless all such registered persons opt to pay tax under that sub-section .

[(2A) Notwithstanding anything to the contrary contained in this Act, but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, not eligible to opt to pay tax under sub-section (1) and sub-section (2), whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate as may be prescribed, but not exceeding three per cent. of the turnover in State or turnover in Union territory, if he is not—

- a. engaged in making any supply of goods or services which are not leviable to tax under this Act;
- b. engaged in making any inter-State outward supplies of goods or services;
- c. engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source under section 52;
- d. a manufacturer of such goods or supplier of such services as may be notified by the Government on the recommendations of the Council; and
- e. a casual taxable person or a non-resident taxable person:

Provided that where more than one registered person are having the same Permanent Account Number issued under the



Income-tax Act, 1961(43 of 1961), the registered person shall not be eligible to opt for the scheme under this sub-section [19] unless all such registered persons opt to pay tax under this subsection.";]____

3. The option availed of by a registered person under sub-section (1) [or sub-section (2A), as the case may be,]____ shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under sub-section (1) [or sub-section (2A), as the case may be.]____

4. A taxable person to whom the provisions of sub-section (1) [or, as the case may be, sub-section (2A)] apply shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

5. [23]
If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) [or, as the case [24] may be, sub-section (2A)] despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 shall, mutatis [25] mutandis, apply for determination of tax and penalty.....

[Explanation 1.— For the purposes of computing aggregate turnover of a person for determining his eligibility to pay tax under this section, the expression "aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Explanation 2.— For the purposes of determining the tax payable by a person under this section, the expression "turnover in State or turnover in Union territory" shall not include the value of following supplies, namely:—

- i. supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
- ii. exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration [26] is represented by way of interest or discount.']____

[1]
___ Refer rule 3 to 7 and form no. GST CMP 1 to GST CMP 7 of the CGST Rule,2017.

- [2] ___ Refer Not. No. 8/2017-CT, dt. 27.6.2017; Not. No. 34/2019-CT, dt. 18.7.2019; Not. No. 35/2019-CT, dt. 29.7.2019; also Cir. No. 77/2018- GST, dt. 31.12.2018.
- Enforced with effect from 22.6.2017. Refer Not. No. 01/2018- CT, dt. 01.01.2018, Refer Not. No. 14/2019- CT, dt. 7.3.2019; Not. No. 46/2017-CT, dt. 13.10.2017.
- [4] Refer rule 3 of the CGST Rules, 2017.
- Substituted vide CGST Amendment Act, 2018 and is deemed to be substituted with effect from 01.02.2019 vide CGST Not. No. 02/2019 dt. 29.01.2019. Prior to its substitution, Sub section read as under: "in lieu of the tax payable by him, an amount calculated at such rate
- [6] ___ Refer Not. No. 21/2019- CT, dt. 23.4.2019; Cir. No. 97/2019- CT, dt. 5.4.2019.

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Refer rule 5 of the CGST Act Rules, 2017 for the condition prescribed. Refer Not. No. 14/2019- CT, dt. 7.3.2019. [9] Refer Not. No. 14/2019-CT, dt. 7-3-2019 for turnover and other conditions. Refer Not. No. 21/2019- CT, dt. 23.4.201 & Cir. No. 97/2019- CT, dt. 5.4.2019, Substituted for "one crore rupees" vide CGST Amendment Act, 2018 and is substituted with effect from 01.02.2019 vide CGST Not. No. 02/2019 dt. 29.01.2019. Refer Not. No. 46/2017-CT, dt. 13.10.2017; Not. No. 5/2019-CT, dt. 29.1.2019. Inserted vide CGST(Removal of difficulties) Amendment Act, 2018 and is deemed to be substituted with effect from 01.02.2019 vide CGST Not. No. 02/2019 dt. 02.01.2019. Inserted vide The Finance (No.2) Bill, 2019, with effect from the date yet to be notified. Substituted vide CGST Amendment Act, 2018 and is substituted with effect from 01.02.2019. Prior to substitution, the clause read as "(a) save as provided in sub-section (1), he is not engaged in the supply of services." Other than supplies referred to in clause(b) of paragraph 6 of schedule II. The Words "and" omitted vide The Finance (No.2) Bill, 2019, with effect from the date yet to be notified. Substituted the word "Council" vide The Finance (No.2) Bill, 2019 [17] Inserted vide The Finance (No.2) Bill, 2019 [18] Refer rule 3 of the CGST Rule, 2017. [19] Inserted vide The Finance (No.2) Bill, 2019 [20] Inserted vide The Finance (No.2) Bill, 2019 [21] Inserted vide The Finance (No.2) Bill, 2019 [22] Inserted vide The Finance (No.2) Bill, 2019 [23]

[24] Inserted vide The Finance (No.2) Bill, 2019

Refer Not. No. 1/2018, dt. 1.1.2018.

[25] Refer rule 6 of the CGST Rules, 2017.

Inserted vide The Finance (No.2) Bill, 2019

Power to grant exemption from tax

- 11. (1) Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification, exempt generally, either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification.
- (2) Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by special order in each case, under circumstances of

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an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable.

(3) The Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification issued under sub-section (1) or order issued under sub-section (2), insert an explanation in such notification or order, as the case may be, by notification at any time within one year of issue of the notification under sub-section (1) or order under sub-section (2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be.

Explanation.—For the purposes of this section, where an exemption in respect of any goods or services or both from the whole or part of the tax leviable thereon has been granted absolutely, the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate, on such supply of goods or services or both.