



## Chapter 2

# Charge of Tax & Concept of Supply

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1	Study Mat	Q. 01.04/ 01.05/ 02.06/ 03.13/ 03.13.01/ 03.15/ 04.17/04.19/ 05.21/ 06.23/ 06.24/ 07.25.01/ 07.26/ 07.27/ 08.28	15
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## 01. Definition of Goods, Services, Exempt Supply & Works Contract & Related Questions:-

**MCQ 02.01.01.00** Goods as per section 2(52) of the CGST Act, 2017 includes:

- (i) Actionable claims
  - (ii) Growing crops attached to the land agreed to be severed before supply.
  - (iii) Money
  - (iv) Securities [RTP May 21] [Study Mat]
- (a) (i) and (iii)                      (b) (iii) and (iv)  
(c) (i) and (ii)                      (d) (ii) and (iii)

(Hint: Refer Sec 2(52))

**MCQ 02.01.02.00** Which of the following is not considered as 'goods' under the CGST Act, 2017? [Study Mat] [CA Inter MTP 19]

- (i) Ten-paisa coin having sale value of ₹ 100.
  - (ii) Shares of unlisted company
  - (iii) Lottery tickets
- (a) (i)                      (b) (ii)  
(c) (ii) and (iii)                      (d) (i), (ii) and (iii)

[Hint:- Refer Sec 2(52)]

**MCQ 02.01.03.00** Which of the following activities will be considered as a supply of service ?

- a) Mr A borrows an amount of ₹ 1, 50,000 from one of his relative Mr Q and agrees to repay the entire amount with interest after a year.
- b) M/s Raj enterprises applied for loan from SBI Bank against which a processing fees and interest is charged by the bank
- c) Mr H exchanged INR against purchase of US \$

- for which a commission was charged
- d) All of the above.

(Hint: Refer Sec 2(102))

**MCQ 02.01.04.00**

An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
- (ii) Non-taxable supply
- (iii) 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 [Study Mat]

- (a) (i)                      (b) (i) and (ii)  
(c) (ii) and (iii)                      (d) (i), (ii) and (iii)

(Hints: Refer Sec 2(47))

**MCQ 02.01.05.00**

Which of the following is treated as exempt supply under the CGST Act, 2017? [Study Mat]

- (i) Sale of liquor
- (ii) Supply of health care services by a hospital
- (iii) Transmission of electricity by an electricity transmission utility

- (a) (i)                      (b) (ii)  
(c) (ii) and (iii)                      (d) (i), (ii) and (iii)

(Hints: Refer Sec 2(47))

## 02. Section 7(1)(a):- Supply for consideration in the course or furtherance of business

**MCQ 02.02.06.00** After using a car for personal purpose for a year, an individual sells it to a car dealer. Is this supply under GST Act? [Study Mat]

- a) Yes, as supply includes sales
- b) No, as transaction is not in course or furtherance of business
- c) Yes, in some cases as per proper officer
- d) None of the above

(Hint: Refer Sec 7(1) (a))

**MCQ 02.02.07.00** Mr. A is a well-known singer. He receives a life-time achievement award which consist of a memento and a cheque of ₹ 10,00,000. It is:

- a) Supply and chargeable to GST
- b) Supply but not chargeable to GST
- c) Not supply and hence not chargeable to GST
- d) None of the above.

(Hint: This money is not to be treated as Consideration for any specific activity. Hence not a supply).

**MCQ 02.02.08.00** Mr. Amar, being a managing director of Alpha Project Pvt. Ltd. made gifts to his employees worth of INR 60,000 each for assisting in the architectural work of his house. Does the same be considered as supply?

- a) Yes, since the value of gift exceeds the provided limit of INR 50,000
- b) No, since the gift is not made in course or furtherance of business
- c) As per the option of appropriate authority
- d) Either b or c above

(Hint: Refer sec 7(1), not a supply as it is not in the course of business.)

### 03. Section 7(1)(c) read with Schedule I:- Activities to be treated as supply even if made without consideration

Para 1 of Schedule I:- Permanent Transfer of Business Assets

**MCQ 02.03.09.00** A Ltd. Holding entity made certain transfer of fixed asset on permanent basis to its subsidiary X Ltd. without any consideration on which ITC is claimed (holding entity). Does the same classify as a supply under GST?

- a) Yes, it is treated as supply
- b) No, it is not treated as supply
- c) On prior Permission of Government
- d) Both a & c above

(Hint: Refer Para 1 of Sch I under Sec 7 (1) (c))

Para 2 of Schedule I:- Supply between Related Person/ Deemed Distinct Person  
Explanation to Sec 15:- Related Persons  
Sec 2(49):- Definition of Family  
Section 25(4)/(5):- Deemed Distinct Person

**MCQ 02.03.10.00** Which of the following statements is true under GST law? [Study Mat] [MTP Old Oct 21]

- (a) Grand-parents are never considered as related persons to their grand-son/grand-daughter
- (b) Grand-parents are always considered as related persons to their grand-son/grand-daughter
- (c) Grand-parents are considered as related persons to their grandson/grand-daughter only if they are wholly dependent on their grand-son/grand-daughter

(d) Grand-parents are considered as related persons to their grandson/grand-daughter only if they are not dependent on their grand-son/grand-daughter

(Hint: Refer Sec 2(49))

**MCQ 02.03.11.00** ABC Pvt. Ltd. makes certain supplies to Mr. X and Mr. Z. Both of them hold 51% of the voting rights in the company and exercise major stake in the decision making. Does the same supply stands as related party transaction?

- a) Yes, it is related party transaction
- b) No, it is not related party transaction
- c) As per the opinion of the appropriate authority
- d) None of the above

(Hint: Refer Para 2 of Sch I and clause (vii) of explanation to Sec 15)

Para 3 of Schedule I:- Supply between Principal & Agent

**MCQ 02.03.12.00** A Ltd. (GST registered in Delhi) appointed Mr C (UP), to act as his agent and supply goods on his behalf to buyers in UP. A Ltd. dispatched first lot of 10,000 units to Mr C (UP) for sales to buyers in UP paying IGST on such dispatched supply. These GST paid goods were subsequently sold by Mr C (UP) the agent. He issued his invoice to the buyer too. Such subsequent sale to buyer -

- a. shall not attract GST as GST has already been paid on such goods
- b. shall attract GST as further supply

c. shall attract GST as further supply - such further GST payable by Principal (A Ltd.)

d. shall attract GST as further supply - such further GST payable by Agent (Mr C)

[Hint :- Refer para 3(a) of schedule I & Circular No. 57/31/2018 dt. 04/09/2018 - here, invoice is issued by agent in his own name]

Para 4 of Schedule I:- Import of services between related person / own establishment Read with:- Sec 7(1)(b):- Import of service for consideration  
Explanation to Sec 15:- Related Persons  
Sec 2(49):- Definition of Family

**MCQ 02.03.13.00** Ramaiyaa has received the architect services for his house from an architect located in New York at an agreed consideration of \$5,000. Whether the import of service is treated as supply under GST? [Study Mat]

- a) Yes, as service is imported for a consideration
- b) No, as import is not in course or furtherance of business
- c) Yes, at the option of proper officer
- d) None of the above

(Hint: Refer Sec 7 (1) (b) and Para 4 of Schedule I)

**MCQ 02.03.13.01** Mr. Venkat hired a professional firm based in UK to receive the legal consultancy services for his family dispute. The services received by Mr. Venkat..... in case such services are received by Mr. Venkat (i) free of cost or (ii) for a consideration of US\$ 1,000. [Study Mat]

- (a) (i) amount to supply, (ii) amount to supply.  
 (b) (i) do not amount to supply, (ii) amount to supply.  
 (c) (i) amount to supply, (ii) do not amount to supply.  
 (d) (i) do not amount to supply, (ii) do not amount to supply.

(Hint:- Refer Section 7(1)(a) & (b) & Para 4 of Schedule I)

**MCQ 02.03.14.00** Mr. A has received technical consultancy services from IT Star Consultants, USA. The import of technical consultancy will not be liable to GST if-

- (i) Mr. A pays some consideration for the services received  
 (ii) Mr. A pays some consideration for the services received and if Mr. A uses the said service for business purposes  
 (iii) Mr. A uses the said service for business purposes even though he does not pay any consideration for the same  
 (iv) Mr. A uses the said service for personal purposes and does not pay any consideration for the same and is also a partner in IT Star Consultants  
 (v) Mr. A uses the said service for business purposes and does not pay any consideration for the same and is also a partner in IT Star Consultants
- a) (i), (ii), (v)      b) (ii), (iii) and (v)  
 c) (iii), (iv)      d) (iii), (iv) and (v)

(Hint: Refer Sec 7 (1) (b) and Para 4 of Schedule I)

**MCQ 02.03.15.00** Which of the following services received, in the course or furtherance of business, without consideration amount to supply? [Study Mat](CA Inter MTP 19)

- (i) Import of services by a person in India from his son well-settled in USA  
 (ii) Import of services by a person in India from his brother well settled in Germany  
 (iii) Import of services by a person in India from his brother (wholly dependent on such person in India) in France  
 (iv) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia

- (a) i, iii and iv      (b) ii, iii and iv  
 (c) ii and iii      (d) i and ii

(Hint: Refer Sec 7(1) (b) & Para 4 of Schedule I)

**Combined Questions on Schedule I read with Explanation to sec 15, Sec 2(49), Sec 25(4)/(5) :-**

**MCQ 02.03.16.00** Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?

- (i) AB & Associates (Registered under GST) transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.  
 (ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.

(iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000. [RTP Nov 21] (CA Inter MTP Mar 23)

- (a) (i)      (b) (ii)  
 (c) (iii)      (d) Both (i) and (ii)

(Hint: Refer Schedule I)

**04. Section 7(1A) read with Schedule II:- Activities to be treated as supply of goods or supply of services (Classification as 'supply of goods' or 'supply of services')**

**MCQ 02.04.17.00** Which of the following activities is a supply of services? [Study Mat]

- (i) Transfer of right in goods/ undivided share in goods without transfer of title in goods  
 (ii) Transfer of title in goods  
 (iii) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed.

- (a) (i)  
 (b) (iii)  
 (c) (i) and (iii)  
 (d) (i), (ii) and (iii)

(Hint: Refer Para I of Schedule II)

**MCQ 02.04.18.00** Supply of food or drink items in a restaurant as per CGST Act is -----

- a) Supply of goods      b) Supply of service



c) not a supply under GST d) none of the above

(Hint: Refer Para 6(b) of Schedule II)

**MCQ 02.04.19.00** Which of the following activities / transactions qualify as supply of goods? [Study Mat]

- (a) Dhruvtara Electronics supplies washing machines to its customers.
- (b) Bigbang Steels Ltd. supplies a machinery on rent to Jigayasa Manufacturers.
- (c) Larsen Technicians retreads the tyre given by Deendayal Automobiles on job work basis.
- (d) Vigyaan Technologies develops a customised software for a business school.

[Hint: Refer Schedule II]

**05. Section 7(2)(a) read with Schedule III:- Activities treated neither as supply of goods nor supply of services**

**MCQ 02.05.20.00** Ram has received a sum of ₹ 5,00,000 from his employer on premature termination of his contract of employment. The GST implication will be:

- a) It is not a supply, hence not chargeable to GST.
- b) It is a supply without consideration, hence not chargeable to GST.
- c) It is a supply, hence chargeable to GST.
- d) It is supply, but exemption is there.

(Hint: Refer Para I of Sch III)

**MCQ 02.05.21.00** Which of the following activity is outside the scope of supply and not taxable under GST? [Study Mat]

- 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 specified actionable claims.
- d) All of the above

(Hint: Refer Para 1, 4 & 6 of Schedule III)

**MCQ 02.05.22.00** Which of the following is not covered under Schedule III of CGST Act, 2017? (CA Inter RTP May 2020)

- (a) Director's monthly salary under employment agreement
- (b) Sitting fees to independent directors for attending AGMs
- (c) Payment to employee for providing broking services to the employer for purchase of commercial property. Such services do not form part of the employment contract entered into by the employer with the employee.
- (d) Both (b) and (c)

(Hint: Refer Sch III)

**06. Combined Questions on Section 7 read with Schedule I, II and III:-**

**MCQ 02.06.23.00** Assuming that all the activities given below are undertaken for a consideration, state which of the following is not a supply of service [Study Mat] (CA Inter MTP 19)

- (a) Renting of commercial office complex
- (b) An employee agreeing to not work for the competitor organization after leaving the current employment
- (c) Repairing of mobile phone
- (d) Permanent transfer of business assets on which ITC is availed OR Provision of services by an employee to the employer in the course of employment

(Hint: Refer Para I of Sch I & Para I of Sch III)

**MCQ 02.06.24.00** Which of the following activity shall be treated neither as a supply of goods nor a supply of services? [Study Mat]

- (i) Permanent transfer of business assets where input tax credit has been availed on such assets
- (ii) Temporary transfer of intellectual property right
- (iii) Transportation of deceased
- (iv) Services by an employee to the employer in the course of employment

- (a) (i) & (iii)
- (b) (ii) & (iv)
- (c) (i) & (ii)
- (d) (iii) & (iv)

(Hint: Refer Schedule III)

**07. Section 2(30):- Composite Supply, 2(74):- Mixed Supply & Section 8 :- their classification**

**MCQ 02.07.25.00** There is a difference in taxability of goods forming part of composite supply and mixed supply. Here are few examples from which you need to identify which is correct example of composite supply and mixed supply.

i) Mr. A buys a car and purchases warranty and maintenance of the car by paying nominal amount. Car, warranty and maintenance here are a mixed supply.

ii) Mr. A buys a car and purchases warranty and maintenance of the car by paying nominal amount. Car, warranty and maintenance here are a composite supply.

iii) Mrs. A buys a microwave oven and some utensils for use in microwave oven. Both microwave oven and utensils are sold at a single price. Microwave oven and its utensils here are a mixed supply.

iv) Mrs. A buys chocolates, juices and biscuits from a shop. All items have different prices. Chocolates, juices and biscuits are a mixed supply.

The correct examples of composite and mixed supply are: -

a) i, iv

b) ii, iii

c) ii, iii, iv

d) None of the above

(Hint: Refer Sec 2(30) & Sec 2(74))

**MCQ 02.05.25.01** Jaskaran supplies gift packages at ₹ 30 each to its customers. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Rates of GST applicable on chocolates, fruit juice bottles and toy balloons are 18%, Nil and 5% respectively. Jaskaran is liable to pay GST @ ..... [Study Mat]

(a) 18%, Nil and 5% separately on value of supply of chocolates, fruit juice bottles and toy balloons respectively.

(b) 18% on the price charged for the gift package.

(c) Nil - on the price charged for the gift package.

(d) 5% on the price charged for the gift package.

[Hint: Being a mixed supply, highest tax rate applies to whole supply]

**MCQ 02.07.26.00** Choose the correct option for tax treatment of composite supply and mixed supply under GST? [Study Mat]

a) Composite supply = supply of the principal supply

b) Mixed supply = supply of goods or services attracting highest rate of tax.

c) Both a & b are correct

d) Only a is correct

(Hint: Refer Sec 8)

### 08. Important Clarifications:-

**MCQ 02.08.27.00** Which of the following activities are considered neither as supply of goods nor supply of services? [Study Mat]

(a) Inter-State movement of trucks between distinct persons for repairs and maintenance.

(b) Grant of mining rights by the Governments to businesses.

(c) Services provided by an employer to the employee.

(d) Lottery

(Hint: Refer Circular no. 01/01/2017)

**MCQ 02.08.28.00** Mr. Handsome, del-credere agent (DCA) of Charm Limited, agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited. In order to realize the payments from customers on time, he extends short-term transaction-based loans to them and charges interest for the same. For the month of March, sale of goods by Mr. Handsome in his DCA capacity is ₹ 2,80,000 and interest earned from the said customers for short term credit facility provided for timely payment of dues is ₹ 20,000. Further, commission charged from Charm Limited in respect of DCA services provided is ₹ 30,000. The value of supply of goods to customers is and value of supply of agency services to Charm Limited is ..... [Study Mat]

(a) ₹ 2,80,000, ₹ 30,000

(b) ₹ 20,000, Nil

(c) ₹ 3,00,000, ₹ 30,000

(d) ₹ 20,000, ₹ 30,000

[Hint: Refer Circular no. 73/47/2018]

**Answer:-**

02.01.00	c	02.15.00	a
02.02.00	b	02.16.00	a
02.03.00	d	02.17.00	a
02.04.00	d	02.18.00	b
02.05.00	d	02.19.00	a
02.06.00	b	02.20.00	a
02.07.00	c	02.21.00	d
02.08.00	b	02.22.00	d
02.09.00	a	02.23.00	d
02.10.00	c	02.24.00	d
02.11.00	a	02.25.00	b
02.12.00	d	02.25.01	b
02.13.00	a	02.26.00	c
02.13.01	b	02.27.00	a
02.14.00	c	02.28.00	c

