

Dear Taxpayer:

### **Important Concepts and definitions**

In this series, we will deal with important concepts and definitions given in Model GST Law (MGST Law). MGST Law is the first official publication of Government on GST.

#### **Goods - Section 2(48):**

- i. Goods means every kind of movable property
- ii. Includes:  
Securities, growing crops, grass and thing attached to or forming part of land which are agreed to be severed before supply
- iii. Excludes: Actionable claims, money, intangible property

Thus definition of goods by and large corresponds to general understanding of goods.

#### **Service- Section 2(88):**

Service means anything other than goods.

Includes: Actionable claim and intangible property

Excludes: Money

Generally service means an activity done by a person to serve another person

It seems anything other than money is sought to be covered as goods or service.

Trader will now have to determine whether a particular transaction is goods or service or both. This is necessary to determine taxability, place of taxability, time of taxability; rate etc (will discuss this later).

#### **Classification of Goods and Services:**

Classification is expected in respect of exempt, zero rated, taxable and non-taxable goods and services. There will be schedules of exempt goods and rate wise schedules.

Human beings by nature, demand exemption or lower rate. But longer list of exempt or lower rate affects revenue and thereby taxable goods will have to bear higher rate because ultimately required revenue has to be collected.

So lesser exemption leads to lower tax rates, seamless tax credit, lower prices and tax buoyancy.

Moreover, in case of totally exempt goods, no set off is available in respect of input credit.

### **Supply- Meaning and Scope:**

Supply inter alia includes:

- a) All forms of supply of goods and/or services 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;
- b) Importation of service, whether or not for a consideration and whether or not in the course of furtherance of business;
- c) A supply specified in Schedule I, made or agreed to be made without a consideration;
- d) Supply of any branded service by an aggregator under a brand name or trade name shall be deemed to be supply and subject to tax.

### **Following emerge from above meaning of "Supply":**

#### **i. Paradigm Shift:**

Currently VAT is levied on sale i.e. on transfer of title in goods. Under GST law, tax will apply on supply itself even if there is no transfer of title. Thus supply to branch or commission agents outside state, will attract tax.

#### **ii. Barter & exchange will attract tax**

#### **iii. Supply to attract tax, should be for consideration and in the course of business**

#### **iv. But following supply, although without consideration, will be treated as supply and attract tax (Schedule I):**

1. Permanent transfer/disposal of business assets.

2. Temporary application of business assets to a private or non-business use.
3. Services put to a private or non-business use.
4. Assets retained after deregistration.
5. Supply of goods and / or services by a taxable person to another taxable or non-taxable person in the course or furtherance of business.

But the supply of goods by a registered taxable person to a job-worker in terms of section 43A shall not be treated as supply of goods.

**Conclusion:**

We note that now various transactions (which do not attract tax under current regime) will be in GST net, impacting cost, cash outflow, pricing, and logistics, warehousing, every aspect of business. Thus, every business transaction will have to be reviewed to examine its taxability and related matters like time of supply and place of supply (we will discuss these two concepts later).

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