TYPES OF SUPPLY

GST — Ready Reference

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GST FUNDAMENTALS SERIES

A concise reference for tax officers and small – scale industry / MSME taxpayers

WHY THIS MATTERS

Under GST, tax is levied on **“supply”** of goods or services — not on **“manufacture”** or **“sale”** as under the earlier tax regime. Whether a transaction is a supply, what kind of supply it is, and where it takes place decides whether GST applies at all, at what rate, and which tax (CGST/SGST or IGST) is charged. Getting this classification right is therefore the starting point of every GST assessment.

To make this a self-contained document, it has been divided into two Parts:

- **Part A:** Explanation of the subject matter, in simple language, with illustrations.
- **Part B:** Text of the legal provisions (section/rule) referred to in Part A, reproduced from the CGST Act, 2017 and the IGST Act, 2017 (as amended).

PART A — EXPLANATION OF THE SUBJECT MATTER

1. Summary of Legal Provisions Referred in This Document — At a Glance

(Note: The updated legal text of the provisions listed in Table I below is reproduced in Part B of this document.)

A summary of the legal provisions of the GST law used or referred to in this document is given in Table I below:

Table I — Summary of Legal Provisions Referred in This Document

Sr. No.	Section / Rule / Schedule	Subject in Brief
1.	**Legal provisions of the CGST Act, 2017**	
1.1	Section 2(30)	Definition of the term “composite supply.”
1.2	Section 2(32)	Definition of the term “continuous supply of goods.”
1.3	Section 2(33)	Definition of the term “continuous supply of services.”
1.4	Section 2(47)	Definition of the term “exempt supply.”

Sr. No.	Section / Rule / Schedule	Subject in Brief
1.5	Section 2(64)	Definition of the term “intra-State supply of goods.”
1.6	Section 2(65)	Definition of the term “intra-State supply of services.”
1.7	Section 2(67)	Definition of the term “inward supply.”
1.8	Section 2(74)	Definition of the term “mixed supply.”
1.9	Section 2(78)	Definition of the term “non-taxable supply.”
1.10	Section 2(83)	Definition of the term “outward supply.”
1.11	Section 2(90)	Definition of the term “principal supply.”
1.12	Section 2(108)	Definition of the term “taxable supply.”
1.13	Section 7 (CGST Act)	Scope of “supply.”
1.14	Schedule I	Specifies activities to be treated as supply even if made without consideration.
1.15	Schedule II	Specifies activities or transactions to be treated as supply of goods or supply of services.
1.16	Schedule III	Specifies activities or transactions which shall be treated as neither supply of goods nor supply of services.
1.17	Section 8 (CGST Act)	Tax liability on composite and mixed supplies.
2.	**Legal provisions of the IGST Act, 2017**	
2.1	Section 2(21)	Definition of the term “supply.”
2.2	Section 2(23)	Definition of the term “zero-rated supply.”
2.3	Section 2(24)	Provides that words and expressions used, but not defined, in the IGST Act, and defined in the CGST Act, the UTGST Act or the GST (Compensation to States) Act, shall have the same meaning as under those Acts.
2.4	Section 7	Inter-State supply.
2.5	Section 8	Intra-State supply.
2.6	Section 9	Supplies in territorial waters.
2.7	Section 16	Zero-rated supply.

2. What is “Supply”? — The Basic Idea

Section 7 of the Central Goods and Services Tax (CGST) Act, 2017 defines the scope of “supply.” In simple terms, a transaction is treated as a supply when it has all of the following ingredients:

- **Form:** sale, transfer, barter, exchange, licence, rental, lease or disposal of goods or services;
- **Made for a consideration** (price, payment or any monetary/non-monetary benefit) — with certain exceptions (see Section 4 below);

- **By a person** in the course or furtherance of business (personal, non-business transactions are generally outside GST); and
- **Import of services** for a consideration, even if not in the course of business, is also treated as supply.

In addition, Section 7(1)(c) brings within "supply" certain activities listed in Schedule I, even when made without any consideration (explained in Section 4 below), and Section 7(1A) read with Schedule II clarifies whether a particular activity is to be treated as a supply of goods or a supply of services (Section 6 below). The full text of Section 7 is reproduced at Part B, item 1.13.

> **ILLUSTRATION**
>
> A small auto-parts manufacturer in Pune sells machined components to a dealer in Nashik for Rs. 2,00,000. This is a supply of goods — made for consideration, in the course of business, by a taxable person. Therefore, GST applies.

3. Supply — The "Taxable Event" under GST

Every legal system needs a clearly defined "taxable event" — the trigger point at which tax liability arises. Under the earlier regime, this trigger differed for each law (manufacture for Central Excise, sale for VAT, provision of service for Service Tax). GST unifies all of this: the single taxable event is "supply." The table below shows how classifying a transaction correctly under each type of supply changes the GST outcome.

Table II — Why Correct Classification of Supply Matters

Question to ask	Why it matters
Is it a supply at all?	If not covered by Section 7 / Schedule I, and not deemed a supply, no GST arises (e.g., Schedule III activities).
Is it a supply of goods or of services?	Determines applicable rate, place of supply rules and return-filing treatment (Schedule II).
Is it a single, composite or mixed supply?	Decides which tax rate applies when multiple items/services are billed together.
Is it taxable, exempt, nil-rated, zero-rated or non-GST?	Decides whether tax is charged, and whether input tax credit (ITC) can be claimed.
Is it inter-State or intra-State?	Decides whether IGST applies, or CGST + SGST/UTGST applies.

4. Supply With Consideration vs. Deemed Supply Without Consideration

4.1 The general rule

Ordinarily, GST applies only where there is a "consideration" — something received in return for the goods or services, in money or otherwise.

4.2 The exception — Schedule I ("Deemed Supply")

To prevent tax leakage, the law treats certain specified activities as supply even when made without any consideration. These are listed in Schedule I to the CGST Act (reproduced at Part B, item 1.14) and are commonly called "deemed supplies":

- Permanent transfer or disposal of business assets on which input tax credit (ITC) has been availed (e.g., writing off and gifting old factory machinery on which ITC was claimed).
- Supply of goods or services between related persons, or between distinct persons (e.g., between two GST registrations of the same PAN in different States), when made in the course or furtherance of business — gifts by an employer to an employee up to Rs. 50,000 in a financial year are excluded.
- Supply of goods by a principal to an agent (where the agent undertakes to supply such goods on the principal's behalf), or by an agent to a principal (where the agent undertakes to receive such goods on the principal's behalf).
- Import of services by a taxable person from a related person, or from any of his establishments outside India, in the course or furtherance of business.

> **WHY AN SSI UNIT SHOULD CARE**
>
> A small manufacturer transferring stock from its Gujarat factory (Registration A) to its Maharashtra depot (Registration B) is making a "supply" between distinct persons under Schedule I — even though no invoice value is "received." GST must still be charged on such stock transfers.

5. What is NOT a Supply — Schedule III

Schedule III (reproduced at Part B, item 1.16) lists activities or transactions that are treated as neither a supply of goods nor a supply of services — i.e., they are entirely outside the scope of GST. The most common ones are:

- Services by an employee to the employer in the course of, or in relation to, employment (salary).
- Services by any court or tribunal.
- Functions performed by MPs, MLAs, and holders of constitutional posts; duties performed by a person as a Chairperson/Member/Director of a body established by government, not deemed as employee.
- Services of funeral, burial, crematorium or mortuary, including transportation of the deceased.
- Sale of land, and sale of building (except where consideration is received before issuance of completion certificate — which remains a supply of service under Schedule II).
- Actionable claims, other than lottery, betting and gambling.
- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering India; certain high-seas sales; and supply of warehoused goods before clearance for home consumption.

6. Supply of Goods vs. Supply of Services — Schedule II

Some transactions do not neatly fit the everyday understanding of a "good" or a "service." Schedule II (reproduced at Part B, item 1.15) settles the classification for such borderline cases. Selected examples relevant to industry:

Table III — Supply of Goods vs. Supply of Services (Selected Examples under Schedule II)

Activity	Treated as
Transfer of title in goods	Supply of Goods
Transfer of right to use goods, without transfer of title (e.g., renting out machinery)	Supply of Services
Lease, tenancy, licence to occupy land; lease/letting out of a building	Supply of Services
Job work — any treatment or process applied to another person's goods	Supply of Services
Renting of immovable property	Supply of Services
Transfer of business assets with title (e.g., closing-down sale of factory stock)	Supply of Goods
Temporary transfer or permitting use of intellectual property (IP) right	Supply of Services
Development, design, programming, customisation of IT software	Supply of Services
Works contract (e.g., construction with materials + labour)	Supply of Services (Composite Supply)
Supply of food/drink for consumption (restaurant, catering)	Supply of Services (Composite Supply)

7. Composite Supply vs. Mixed Supply

These two concepts frequently confuse taxpayers because both involve two or more goods/services billed together. The distinguishing test is whether the items are “naturally bundled.” The definitions are reproduced at Part B, items 1.1 and 1.8, and the tax-rate rule (Section 8) at Part B, item 1.17.

Table IV — Composite Supply vs. Mixed Supply

	Composite Supply [Sec. 2(30)]	Mixed Supply [Sec. 2(74)]
Nature of bundling	Naturally bundled — supplied together in the ordinary course of business; one cannot reasonably be sold without the other.	Not naturally bundled — items are independent of each other and could each be sold separately.
Principal element	One supply is the “principal supply” that gives the bundle its essential character.	No principal supply — all items are of equal standing in the bundle.
Tax rate applied [Sec. 8]	Rate applicable to the principal supply applies to the entire bundle.	Rate of that item in the bundle which attracts the highest rate of tax applies to the entire bundle.
Simple example	A manufacturer supplies goods along with packing and freight/insurance under one contract — taxed at the rate of the goods (the principal supply).	A festive gift-hamper containing namkeen (5%), chocolates (18%) and an aerated drink (40%) sold for one all-inclusive price — the entire hamper is taxed at 40%, the highest rate among the items (illustrative rates as of 2026).

PRACTICAL TIP FOR OFFICERS

Ask: “**Can the recipient reasonably buy one item without the other, in the ordinary course of business?**” If no — it is likely composite. If yes, and they are merely priced together — it is likely mixed.

8. Taxable, Exempt, Nil-Rated, Zero-Rated and Non-GST Supply

These five terms are often used loosely, but each has a distinct legal meaning and a different effect on Input Tax Credit (ITC). This distinction matters greatly for a small business deciding whether to register, and for an officer verifying ITC reversal.

Table V — Taxable, Exempt, Nil-Rated, Zero-Rated and Non-GST Supply

Type	Meaning	GST charged?	ITC on inputs?
Taxable supply [Sec. 2(108)]	Supply of goods/services on which GST is leviable at the rate notified (5%, 18%, 40%, etc.)	Yes, at applicable rate	Available
Nil-rated supply	Goods/services covered by GST law but specifically notified at a 0% rate in the rate schedule (e.g., salt, fresh milk, unbranded cereals)	Yes, but at 0%	Not available
Exempt supply [Sec. 2(47)]	Supply that is wholly exempt from tax under Sec. 11 (CGST) / Sec. 6 (IGST), or is a non-taxable supply; includes nil-rated supply within its wider meaning	No	Not available (proportionate reversal required for common inputs)
Zero-rated supply [Sec. 16, IGST Act]	Exports of goods/services, and supplies to SEZ units/developers	No tax on outward supply, but treated as taxable for ITC purposes	Fully available, with refund of unutilised credit
Non-GST supply [Sec. 2(78)]	Supply that is outside the purview of GST altogether (e.g., alcoholic liquor for human consumption, petroleum crude, petrol, diesel, ATF, natural gas — until brought under GST)	No (taxed, if at all, under other State/Central laws)	Not available

KEY DISTINCTION TO REMEMBER

"Exempt" and "nil-rated" supplies are within the GST net but carry no tax and block ITC. "Zero-rated" supplies are also outside a tax charge but — unlike exempt/nil-rated — they protect and even refund ITC, because the policy intent is to keep exports tax-free at every stage. "Non-GST" supplies are not governed by GST law at all.

9. Inter-State Supply vs. Intra-State Supply

Once it is established that a transaction is a "supply," the next question is where it takes place, because this decides which tax is charged. This is governed by the IGST Act, 2017 (Sections 7, 8 and 9, reproduced at Part B, items 2.4–2.6), based on the location of the supplier and the "place of supply."

Table VI — Inter-State Supply vs. Intra-State Supply

	Intra-State Supply [Sec. 8, IGST Act]	Inter-State Supply [Sec. 7, IGST Act]
When it arises	Location of supplier and place of supply are in the same State/Union Territory.	Location of supplier and place of supply are in different States/Union Territories (also covers imports, exports, and supply to/by SEZ).
Tax charged	CGST + SGST (or CGST + UTGST), split roughly equally.	IGST, a single integrated levy collected by the Centre and apportioned to the destination State.

Example	A Coimbatore-based pump manufacturer supplies pumps to a dealer in Chennai (both Tamil Nadu).	The same manufacturer supplies pumps to a dealer in Bengaluru, Karnataka.

10. Quick-Reference Summary

A transaction can be examined against these questions, broadly in this order, to arrive at its correct GST treatment:

- **Step 1 — Is it a supply?** Check Section 7 and Schedule III (excluded activities).
- **Step 2 — Consideration or deemed supply?** Check Schedule I if made without consideration.
- **Step 3 — Goods or services?** Check Schedule II for borderline transactions.
- **Step 4 — Single, composite or mixed?** Identify the principal supply, if any, or the highest-rated item.
- **Step 5 — Taxable, exempt, nil-rated, zero-rated or non-GST?** Decide the tax rate and ITC eligibility.
- **Step 6 — Inter-State or intra-State?** Apply IGST, or CGST + SGST/UTGST, accordingly.

FOR SMALL-SCALE INDUSTRY TAXPAYERS

Correct classification of your outward supplies directly affects the rate you must charge, whether you may claim ITC on inputs, and whether you must register at all (e.g., persons making only exempt supplies, or only supplies covered by Schedule III, do not require GST registration on that account). When in doubt, examine the transaction against Sections 7 and 8 and Schedules I, II and III before applying a tax rate, and consult a tax professional or your jurisdictional officer for complex or high-value transactions.

PART B — TEXT OF LEGAL PROVISIONS INCORPORATED IN TABLE I (OF PART A)

This Part reproduces the operative text of the legal provisions listed in Table I of Part A, as they stand under the CGST Act, 2017 and the IGST Act, 2017 (each as amended, per the text compiled and updated by the GSTIndiaPathway.com team as on 1 August 2026). The Sr. No. against each provision below corresponds to its Sr. No. in Table I, so that a provision referred to in Part A can be located here directly.

A NOTE ON HOW THIS TEXT HAS BEEN REPRODUCED

Footnote markers used in the source compilation to track individual amendments (which Finance Act/notification inserted or substituted a given word or clause, and its effective date) have been omitted below to keep the text readable; only the current, operative wording is reproduced. Where a sub-section, proviso or Explanation has been left out for brevity, this is stated explicitly. For the full text, including amendment history, refer to the bare Act.

11. Part B.1 — Legal Provisions of the CGST Act, 2017

11.1 Section 2(30) — "Composite Supply"

"Composite supply" 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.

Illustration.— 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.

11.2 Section 2(32) — "Continuous Supply of Goods"

"Continuous supply of goods" means a supply of goods which is provided, or agreed to be provided, continuously or on 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 and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify.

11.3 Section 2(33) — "Continuous Supply of Services"

"Continuous supply of services" means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify.

11.4 Section 2(47) — "Exempt Supply"

"Exempt supply" means supply of any goods or services or both 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 includes non-taxable supply.

11.5 Section 2(64) — "Intra-State Supply of Goods"

"Intra-State supply of goods" shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act (reproduced at Part B, item 2.5).

11.6 Section 2(65) — "Intra-State Supply of Services"

"Intra-State supply of services" shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act (reproduced at Part B, item 2.5).

11.7 Section 2(67) — "Inward Supply"

"Inward supply" in relation to a person, shall mean receipt of goods or services or both, whether by purchase, acquisition or any other means, with or without consideration.

11.8 Section 2(74) — "Mixed Supply"

"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.

ILLUSTRATION. —

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.

11.9 Section 2(78) — "Non-Taxable Supply"

"Non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

11.10 Section 2(83) — "Outward Supply"

"Outward supply" in relation to a taxable person, means 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.

11.11 Section 2(90) — "Principal Supply"

"Principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

11.12 Section 2(108) — "Taxable Supply"

"Taxable supply" means a supply of goods or services or both which is leviable to tax under this Act.

11.13 Section 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) 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 [deeming the person and its members/constituents to be two separate persons for this purpose];

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

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

(1A) 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 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.

11.14 Schedule I [See Section 7] — Activities to be Treated as Supply Even if Made Without Consideration

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 fifty thousand rupees 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 person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

11.15 Schedule II [See Section 7] — Activities or Transactions to be Treated as Supply of Goods or Supply of Services

1. **Transfer** — (a) any transfer of the title in goods is a supply of goods; (b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services; (c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.

2. **Land and Building** — (a) any lease, tenancy, easement, licence to occupy land is a supply of services; (b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.
3. **Treatment or process** — Any treatment or process which is applied to another person's goods is a supply of services.
4. **Transfer of business assets** — (a) where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, such transfer or disposal is a supply of goods by the person; (b) where goods held or used for the purposes of the business are put to any private use, or made available for any purpose other than a purpose of the business, such usage is a supply of services; (c) where any person ceases to be a taxable person, goods forming part of the assets of any business carried on by him are deemed to be supplied by him immediately before he ceases to be a taxable person, unless the business is transferred as a going concern, or is carried on by a personal representative deemed to be a taxable person.
5. **Supply of services** — the following shall be treated as supply of services: (a) renting of immovable property; (b) construction of a complex, building or civil structure intended for sale to a buyer, except where the entire consideration is received after issuance of the completion certificate (or after first occupation), whichever is earlier; (c) temporary transfer or permitting the use or enjoyment of any intellectual property right; (d) development, design, programming, customisation, adaptation, upgradation, enhancement or implementation of information technology software; (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act; and (f) transfer of the right to use any goods for any purpose, for cash, deferred payment or other valuable consideration.
6. **Composite supply** — the following composite supplies shall be treated as a supply of services: (a) works contract as defined in clause (119) of section 2; and (b) supply, by way of or as part of any service or in any other manner, of goods being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), for cash, deferred payment or other valuable consideration.

(Paragraph 7 of Schedule II, which formerly deemed supply of goods by an unincorporated association or body of persons to a member as a supply of goods, has been omitted with retrospective effect from 1 July 2017.)

11.16 Schedule III [See Section 7] — Activities or Transactions Which Shall be Treated Neither as a Supply of Goods nor a Supply of Services

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. [“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, Member or Director in a body established by the Central Government, a State Government or a 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 specified actionable claims (i.e., other than lottery, betting, gambling, and certain online money gaming actionable claims specified under the Act).
7. 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; (aa) supply of goods warehoused in a Special Economic Zone or a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area; (b) 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.
9. Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for insurance services jointly supplied in co-insurance agreements, subject to the lead insurer paying central tax, State tax, Union territory tax and integrated tax on the entire premium paid by the insured.
10. Services by an insurer to the reinsurer for which ceding/reinsurance commission is deducted from the reinsurance premium, subject to the reinsurer paying central tax, State tax, Union territory tax and integrated tax on the gross reinsurance premium payable, inclusive of such commission.

11.17 Section 8 — Tax Liability on Composite and Mixed Supplies

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.

12. Part B.2 — Legal Provisions of the IGST Act, 2017

12.1 Section 2(21) — "Supply"

"Supply" shall have the same meaning as assigned to it in section 7 of the Central Goods and Services Tax Act (reproduced at Part B, item 1.13).

12.2 Section 2(23) — "Zero-Rated Supply"

"Zero-rated supply" shall have the meaning assigned to it in section 16 (reproduced at Part B, item 2.7).

12.3 Section 2(24) — Words Not Defined in the IGST Act

Words and expressions used and not defined in this Act, but defined in the Central Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, shall have the same meaning as assigned to them in those Acts.

12.4 Section 7 — Inter-State Supply

(1) Subject to the provisions of section 10, supply of goods, where the location of the supplier and the place of supply are in (a) two different States; (b) two different Union territories; or (c) a State and a Union territory, shall be treated as a supply of goods in the course of inter-State trade or commerce.

(2) Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State trade or commerce.

(3) Subject to the provisions of section 12, supply of services, where the location of the supplier and the place of supply are in two different States/Union territories, or a State and a Union territory, shall be treated as a supply of services in the course of inter-State trade or commerce.

(4) Supply of services imported into the territory of India shall be treated to be a supply of services in the course of inter-State trade or commerce.

(5) Supply of goods or services or both — (a) when the supplier is located in India and the place of supply is outside India; (b) to or by a Special Economic Zone developer or a Special Economic Zone unit; or (c) in the taxable territory, not being an intra-State supply and not covered elsewhere in this section — shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce.

12.5 Section 8 — Intra-State Supply

(1) Subject to the provisions of section 10, supply of goods where the location of the supplier and the place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply: Provided that the following shall not be treated as intra-State supply — (i) supply of goods to or by a Special Economic Zone developer or a Special Economic Zone unit; (ii) goods imported into the territory of India till they cross the customs frontiers of India; or (iii) supplies made to a tourist referred to in section 15.

(2) Subject to the provisions of section 12, supply of services where the location of the supplier and the place of supply of services are in the same State or same Union territory shall be treated as intra-State supply: Provided that intra-State supply of services shall not include supply of services to or by a Special Economic Zone developer or a Special Economic Zone unit.

EXPLANATION 1. *— Where a person has (i) an establishment in India and any other establishment outside India; (ii) an establishment in a State or Union territory and any other establishment outside that State or Union territory; or (iii) an establishment in a State or Union territory and any other establishment registered within that State or Union territory, such establishments shall be treated as establishments of distinct persons.*

EXPLANATION 2. *— A person carrying on a business through a branch, an agency or a representational office in any territory shall be treated as having an establishment in that territory.*

12.6 Section 9 — Supplies in Territorial Waters

Notwithstanding anything contained in this Act — (a) where the location of the supplier is in the territorial waters, the location of such supplier; or (b) where the place of supply is in the territorial waters, the place of supply — shall, for the purposes of this Act, be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.

12.7 Section 16 — Zero-Rated Supply

(1) "Zero rated supply" means any of the following supplies of goods or services or both, for authorised operations, 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.

(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

(3) A registered person making zero-rated supply shall be eligible to claim refund of unutilised input tax credit on supply of goods or services or both, without payment of integrated tax, under bond or Letter of Undertaking, in accordance with section 54 of the Central Goods and Services Tax Act or the rules made thereunder, subject to prescribed conditions and safeguards: Provided that a registered person making zero-rated supply of goods shall, in case of non-realisation of sale proceeds, be liable to deposit the refund so received, along with applicable interest under section 50 of the Central Goods and Services Tax Act, within thirty days after expiry of the time limit prescribed under the Foreign Exchange Management Act, 1999 for receipt of foreign exchange remittances.

(4) The Government may, on the recommendation of the Council and subject to prescribed conditions, safeguards and procedures, by notification, specify a class of persons, or a class of goods or services, who/which may make zero-rated supply on payment of integrated tax and claim refund of the tax so paid.

(Sub-sections (5) to (7), inserted by the Finance Act, 2021 to restrict the categories of supply eligible for zero-rating without payment of integrated tax, are not reproduced here for brevity, as they had not been brought into force as on the date of the source compilation. Refer to the bare Act for the complete, current text.)

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