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### **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.
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. 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;

(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.]

*[Explanation 1.]* — For the purposes of paragraph 2, the term “court” includes District Court, High Court and Supreme Court.

*[Explanation 2.]* — For the purposes of this paragraph, the expression “warehoused goods” shall have the same meaning as assigned to it in the Customs Act, 1962 (52 of 1962).]

### Case Study – I

- ▶ Mr. Double Role is a highly qualified engineer who is employed by A Ltd. since 2014. In 2020, A Ltd. enters into a 50-50 Joint Venture with B Ltd. to carry out certain complex, long-term infrastructure project.
- ▶ From 2020, Mr. Double Role’s employment contract is amended to give equal control to B Ltd. The contract also provides that Mr. Double Role is equally answerable to his superiors at both A Ltd. and B Ltd. and that his performance appraisal, etc. will be done after consulting his superiors at B Ltd., also. The contract in this case will be entered as a tripartite arrangement by both A Ltd., and B Ltd., with Mr. Double Role.
- ▶ The salary and other benefits such as PF, etc. continue to be administered by A Ltd. like earlier. However, 50% of the same is reimbursed by B Ltd. to A Ltd. on a monthly basis.
- ✓ Is GST payable on the amount reimbursed by B Ltd. to A Ltd.?

- ▶ Mr. Double Role is deeply unhappy in reporting to multiple superiors across the two organisations. He does not mind continuing to work, however, he has requested that the reporting structure be simplified to get rid of the insidious effects of internal politics within the organization.
  - ▶ A Ltd. and B Ltd. accede to his request and amend the employment contract to provide that Mr. Double Role will be exclusively answerable to the COO of A Ltd.
  - ▶ If any other personnel of either of the two companies have any issue with his work, they will be required to take it up with the COO of A Ltd., who alone will take any decision with regard to Mr. Double Role. The salary structure and payment thereof continues as before.
- ▼ What will be the GST implication in this scenario?

### Case Study – 2

- Ø Strategy Games Ltd. runs an online portal, where participants can play two kinds of games.
- Ø GAME 1: Participate in online chess games by registering with Strategy Games Ltd.
- Ø How it Works: A real world chess game is scheduled to be played between Magnus Carlsen and Vishwanathan Anand. A day before the commencement of the real world chess game, the participants need to deposit money with Strategy Games Ltd towards one possible outcome, out of the three viz. (1) victory secured by Magnus Carlsen, (2) victory secured by Vishwanathan Anand, (3) draw between the players.
- Ø The online portal maintained by Strategy Games Ltd. provides data analytics relating to past performance of each chess players, which the participants make use of towards decision making. For example: in the present case, one can have access to Fide Ratings of both the players; their results playing against each other;

Anand's advantage over Carlsen playing white pieces and vice-versa; advantage each player had in the past, when the game is played with specific openings such as Queens gambit, Sicilian defence etc.

- Ø At the end of each game, the total deposits collected is distributed among the winners.
- Ø Out of the amount deposited towards the game, a nominal 'portal usage fee' at 10% of the deposit is deducted by Strategy Games Ltd. GST invoice in this regard is issued to the participants towards the 'portal usage fee' charging GST at the rate of 18%.
- Ø However, the GST Department is of the view that the GST is to be discharged on the entire amount deposited by the participants.
- Ø GAME 2: Participate in the online game of Ludo where 4 participants deposit Rs.100 each with Strategy Games Ltd. The prize money will be distributed among the participants as follows - winner will receive Rs.200/-; first runner up – Rs.80; second runner up – Rs.40 and the third runner up Nil.
- Ø Strategy Games Ltd. deducts a nominal 'portal usage fee' of Rs.20/- from each of the participants.
- Ø In light of Entry 6 in Schedule III of the CGST Act, 2017 and Rule 31A (3) of the CGST Rules, advise Strategy Games Ltd. on the following:
  - What is the nature of the game in each case?
  - What will be the value of supply in each of the above games?
  - What will be the GST implication on the deposits made by players?

### Case study 3

- Ø A Ltd., is engaged in the manufacture of motor cycles on a leasehold land demised in its favour by MIDC for a period of 95 years vide a lease deed 01.01.1970. As per the terms of the lease, A Ltd. *inter-alia* had the right to use the plot of land and construct factory building on the same. On such leasehold land, A Ltd., at its own cost constructed a factory building and started engineering activities of manufacturing and assembly of bicycles.
- Ø A Ltd., now intends to transfer/assign the leasehold right in plot of land together with ownership of all structure and building thereon to B Ltd. The transfer will be with the consent of MIDC and Deed of assignment will be registered. B Ltd., will pay a consideration of Rs.50 crores towards building as well as premium for transfer of lease. Further, B Ltd., will also pay a monthly rental of Rs. 1 Lakh to A Ltd towards the lease hold land.
- Ø In terms of the clauses of the lease deed, representation is made before MIDC for grant of consent for transfer and assignment of its interest in the lease hold land in favour of B Ltd. By an order dated 1st November 2020, MIDC has granted its consent for such transfer and assignment.
- ✓ What will be the GST implication on this transaction?

#### Case Study 4

- Ø A Ltd., located in Mumbai is engaged in the business of trading in chemicals. A Ltd., receives order from the customer located at Singapore for supply of chemicals. A Ltd., places an order for purchase of said chemicals from a vendor located at Vietnam and instructs the vendor to directly ship the goods to Singapore.
- Ø The Vendor located at Vietnam would issue an invoice on A Ltd., against which payment would be made in foreign currency. In turn A Ltd., would raise an invoice on customer located at Singapore and would receive consideration in foreign currency. The above transactions are recorded in the books of account of A Ltd.
- ✓ What is the GST implication in the above transaction ?
- ✓ Is A Ltd., entitled to take input tax credit on input services relating to the said transaction. Eg: input tax credit on LC opening services provided by banks etc.
- ✓ Assuming A Ltd., does only 2 kinds of transactions during a year (a) imports chemicals into India and thereafter, physically exports the same to countries outside India (with no domestic supplies) and (b) procures goods from a place outside India and supplies the same directly to a place outside India, how does the refund of unutilized input tax credit on input services be computed and availed by A Ltd.

### Case Study - 5

- Ø A Ltd., is engaged in the manufacture of steel and steel products at its factory at Thane. It obtained a license for its factory as a private warehouse under Section 58 of the Customs Act, 1962 and also an approval from the Commissioner of Customs to undertake manufacturing at the said private warehouse under Section 65.
  
- Ø A Ltd., imports the inputs and capital goods required in the manufacture at JNPT port by filing a bill of entry for warehousing and thereafter, on receipt of the same at its factory undertakes manufacturing. It also procures other raw materials locally on payment of CGST/SGST. After the goods are manufactured, the same is exported and also cleared domestically. On some occasions, A Ltd., clears the warehoused goods to B Ltd., at Chennai, which also has a private warehousing license under Section 58 of the Customs Act, 1962
  
- Ø What is the customs/GST implication –
  - on supply of goods manufactured for export and for domestic market ?
  - What will be customs/GST implication on supply of warehoused goods and semi-finished goods to B Ltd., at Chennai.