

# Concept of Supply under GST: Section 7 Explained with Examples

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Category: GST Basics | 30 Days GST Challenge – Day 3

## Introduction

The taxable event under GST is the “Supply” of goods or services or both. This marks a major shift from the earlier indirect tax regime where events like sale, manufacture, or provision of service triggered taxation. Under GST, the concept of supply is broad, inclusive, and well-defined in Section 7 of the CGST Act, 2017.

Let's break it down in simple terms using legal references, practical examples, and visual concepts.

## Section 7 of CGST Act, 2017

Section 7 defines supply and includes:

- All forms of supply for consideration in the course or furtherance of business
- Import of services for consideration (even if not for business)
- Certain activities specified in Schedule I even if made without consideration

Effective from 01.07.2017 via Notification No. 09/2017-CT dated 28.06.2017

## What is Included in "Supply"?

- ♦ 1. Normal Supply – Section 7(1)(a)

Includes:

- Sale, Transfer, Barter, Exchange
- License, Lease, Rental, Disposal

Conditions:

- For consideration
- By a person
- In the course or furtherance of business

Example:

- Sale of mobile phones to customers
- Renting office space

#### ♦ 2. Future Supplies Also Covered

GST applies to agreed-to-be-made supplies too.  
Advance received for a future supply = Taxable

Example:

Advance ₹10,000 for service to be delivered next month → GST payable on receipt.

#### ♦ 3. Consideration Must Be Present (Sec 2(31))

Can be:

- Monetary: Cash, UPI, Card
- Non-monetary: Exchange of goods/services
- Past, Present, or Future promises

Example:

- Barter of laptops for printers
- Promise to deliver goods in exchange for services

#### ♦ 4. Supply by a Person – Section 2(84)

“Person” includes:

- Individual
- HUF
- Company
- Partnership
- Trusts, Govt. bodies, etc.

Example:

Supply made by a registered LLP to another business unit

#### ♦ 5. Self-Supply is Taxable

Distinct persons under GST = Separate GSTINs

Transfer between branches in different states = Supply

Example:

Stock transferred from Delhi Head Office to Bangalore branch → GST applicable

◆ 6. Club/Association to Members – Section 7(1)(aa)

Inserted via Finance Act, 2021 (retrospective effect from 01.07.2017)

- Supplies by clubs, associations, trusts to members are taxable
- Mutuality principle doesn't apply

Example:

Gym membership fees collected by an association → Supply

◆ 7. Import of Services – Section 7(1)(b)

- Import for consideration is supply
- Even if used for personal or non-business purpose

Example:

Netflix US subscription for personal entertainment = Supply

◆ 8. Deemed Supply Without Consideration – Section 7(1)(c)

As per Schedule I, following are deemed as supply even without consideration:

Examples:

- Permanent transfer of business assets
- Gift > ₹50,000 to employees
- Supply between related/distinct persons (e.g., inter-state branch transfer)

## Classification Based on Schedule

Schedule	Nature	Example
Schedule I	Supply without consideration	Branch transfer, Gift to employee > ₹50,000
Schedule II	Deemed service even if goods used	Renting immovable property, Works contract
Schedule III	Not a supply	Employee service to employer, Sale of land/building

## Intra-State vs Inter-State Supply

Supply Type	Law Applicable	Tax Components
Intra-State	CGST + SGST Acts	CGST + SGST
Inter-State	IGST Act	IGST
Territorial	Sec 9, IGST Act	IGST on marine/water-based

Reference:

- Sec 7 & 8, IGST Act for classification
- Sec 9, IGST Act for territorial supplies

## Section-Wise Summary Table

Section	Type of Supply	Consideration Needed	Example
7(1)(a)	Normal supply	✓ Yes	Sale of goods
7(1)(aa)	Club/Association to member	✓ Yes	GYM membership
7(1)(b)	Import of services	✓ Yes	Netflix subscription
7(1)(c)	Deemed supplies (Sch I)	✗ No	Gift > ₹50,000 to employee

### Key Takeaways

1. GST is a destination-based consumption tax.
2. Supply is the triggering event under GST.
3. Future supplies, self-supplies, and imports for personal use are all covered.
4. Some activities are taxable even without consideration (Schedule I).
5. Others are not treated as supply at all (Schedule III).

### FAQs

Q. Is barter considered supply?

Yes, barter is included under Section 7(1)(a).

Q. Are gifts taxable?

Yes, if gifts > ₹50,000 are given by employer to employee (Schedule I).

Q. Are inter-branch transfers taxable?

Yes, if branches are in different states.