

# **Composite Supply v/s Mixed Supply**

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# Supplies

Supplies of Goods and Services are clearly defined under GST,

Similarly Rates and Place of Supply rules for each and every goods/services is finalised.

But in business practices, all supplies **will be not be such simple and clearly identifiable supplies**. Some of the supplies will be a combination of goods or combination of services or combination of goods and services both,

Therefore, the GST Law identifies **composite supplies and mixed supplies** and provides certainty in respect of tax treatment under GST for such supplies.

# Composite supply

## Section-2 (30)

“**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*;

90) “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

**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

## Some more examples of Composite Supplies

- a. Goods are packed/repacked, loaded/unloaded, staked/re-staked and transported/ transshipped with insurance
- b. Booking a Rajdhani train ticket which includes meal and insurance also,
- c. **A works contract:** It is a classic example of composite supply.

*But to avoid the confusion under earlier tax law, GST Act clearly clarifies works contract as a supply of **service** with specific tax rates*

- d. **Restaurant business provides a bundled supply of preparation of food and serving the same**

# Mixed supply

## Section 2(74)

“**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.***

# Examples of Mixed Supply

- a. A Diwali gift box consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices supplied for a single price is a mixed supply,
- b. a free bucket with detergent powder
- c. Portable water with Food in restaurants

# Why important?

A bundled supply is normal business practices,

- i. *For example*, most business conventions look for combination of hotel accommodation, auditorium, multi media, printing of flex, flouriest, Desk Travel and food etc.,
- ii. air transport and food on board

*Composite supply means a supply is comprising two or more goods/services, which are naturally Bundled and tax of Principal supply is applicable.*

# Why important?

Mixed supply under GST means a combination of two or more goods or services made together for a single price.

Each of these items can be supplied separately and is not dependent on any other

**Under GST, a mixed supply will have the tax rate of the item which has the highest rate of tax**



## How to determine Mixed Supply or Composite supply

- a. Rule out that the supply is a composite supply.
- b. A supply can be a mixed supply only if it is **not a composite supply**.
- c. If the items **can be sold separately**, i.e., the supplies **not naturally bundled** in the ordinary course of business, then it would be a mixed supply.
- d. Once the amenability of the transaction as a composite supply is ruled out, it would be a mixed supply, classified in terms of a supply of goods or services attracting **highest rate of tax**

## Circular no.11/11/2017-GST dated 20.10.2017

“It is clarified that supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. printed with *logo, design, name, address or other contents supplied by the recipient of such printed goods*, are composite supplies and the question, **whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply\***

Circular no.11/11/2017-GST dated 20.10.2017

In the case of printing of books, pamphlets, brochures, annual reports, and the like, *where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs*, while the physical inputs including paper used for printing belong to the printer\*, **supply of printing** [of the content supplied by the recipient of supply] is the principal supply and **therefore such supplies would constitute supply of service falling under heading 9989** of the scheme of classification of services and is taxable @12% (\* 5%- 9989)

## Circular no.11/11/2017-GST dated 20.10.2017

In case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc. falling under Chapter 48 or 49, printed with design, logo etc. supplied by the recipient of goods but made using physical inputs including paper belonging to the printer, **predominant supply is that of goods and the supply of printing of the content** [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore such supplies would constitute **supply of goods falling under respective headings of Chapter 48 or 49** of the Customs Tariff

**Supply of UPS with battery is a mixed supply under GST Act: AAR**

**Case Name : In re Switching Avo Electro Power Ltd (AAR Kolkata)**

**Appeal Number : Case Number 04 of 2018**

**Date of Judgement/Order : 21/03/2018**

**Related Assessment Year :**

**Courts : [AAR Kolkata](#) (9) [Advance Rulings](#) (216)**

- a. UPS is classified under Tariff Head 8504,
- b. batteries are classified under Tariff Heads 8506 and 8507,
- c. The UPS serves no purpose if the battery is not supplied,
- d. The UPS being the principal supply, the relevant tariff head for the composite supply will be 8504 under serial no. 375 of Schedule III in terms of **Notification No. 01/2017-Central Tax (Rate) dated 28/06/2017** (1125-FT dated 28/06/2017 of the State tax,
- e. A person can purchase a standalone UPS and a battery from different vendors.

# Ruling/Order

**The supply of UPS and Battery is to be considered as Mixed Supply within the meaning of Section 2(74) of the GST Act, as they are supplied under a single contract at a combined single price.**

***This ruling is valid subject to the provisions under Section 103(2) until and unless declared void under Section 104(1) of the GST Act***

*Thank you*









