



## Section 8 of CGST Act



8(a)

Composite supply shall be treated as supply of principal supply

8(b)

*Mixed supply will be treated as supply of item having the highest tax rate*



## Section - 8

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.



## **Definition of Composite and Mixed 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;

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.

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 Composite and Mixed supply:

EX. 1- M/s Chocomoto is preparing the Diwali celebration bundles. Their two bestsellers includes the following items.

1. Premium Gift pack- It contains 5 Coke bottles, two Fruit and nuts and five Choco pie. The entire pack is available for Rs. 750.
2. Pick your gift- You can select from 5 Choclates @50 each. Any of the drinks @Rs. 80 Each and Haldiram Namkeens @Rs. 150 each.

EX. 2-

Defallo limited sell rice with plastic bags. Rice is exempted as they are not using any brand name but Bags are taxable. What will be the tax implication in this case.



## Circular 11/2017 dated 20th October 2017-

1.	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]	Printing is the principal supply and therefore such supplies would constitute supply of service falling under heading 9989 of the scheme of classification of services.
2.	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



## Circular 34/2018 dated 1st March 2018

1.	Whether activity of bus body building, is a supply of goods or services?	To be determined on the basis of facts and circumstances of each case.
2.	Whether retreading of tyres is a supply of goods or services?	Supply of retreaded tyres, where the old tyres belong to the supplier of retreaded tyres, is a supply of goods (retreaded tyres under heading 4012 of the Customs Tariff attracting GST @ 28%)
3.	Whether Priority Sector Lending Certificates (PSLCs) are outside the purview of GST and therefore not taxable?	PSLCs are taxable as goods at standard rate of 18% under the residuary S. No. 453 of Schedule III of notification No. 1/2017-Central Tax(Rate). GST payable on the certificates would be available as ITC to the bank buying the certificates



## Circular 34/ 2018 dated 1st March 2018

4.	Whether the activities carried by DISCOMS against recovery of charges from consumers under State Electricity Act are exempt from GST?	Other activities are taxable( laterone withdrawan by CBIC once they lost the case in high court)
5.	Whether the guarantee provided by State Government to state owned companies against guarantee commission, is taxable under GST?	The service provided by Central Government/State Government to any business entity including PSUs by way of guaranteeing the loans taken by them from financial institutions against consideration in any form including Guarantee Commission is taxable.



## *Composite and Mixed supply: Imp Pronouncements:*

- Torrent Power Ltd. (Gujrat High Court): Validity of Circular No. 34/8/2018. Ancillary activities like renting of metre are part of composite supply of electricity distribution. Principal supply is exempt so all these activities will also be exempt.
- Kundan Mishthan Bhandar: Advance ruling: Supply of food items from sweet shop in a restaurant will be taxable @5%.
- Kundan mishthan bhandar AAR reversed by AAAR: The order of AR was reversed.
- M/s Kerala forest development corporation ltd.: Tour operator can charge on individual items on various components.





- The first test for registered person is to identify the true and substantial nature of what is being supplied to the recipient from the perspective of recipient 1. This has to be determined objectively from the recipient's perspective. It is the actual supply made to the recipient that must be considered and not how the supply is invoiced or charged to the recipient. Even the proportion of cost of each element is not a determinative factor. However, the difficulty lies in ascertaining the question of where, in the eyes of the consumer, the value and benefit lies. What is in the mind of the customer when they make their purchase is highly subjective.
- In the second test, two or more distinct elements have been held to constitute a single supply where one element is the principal element and the other is ancillary whose role is only to enhance the enjoyment of the principal service by its customer. Since the ancillary element is not regarded as an aim by itself, but is only functional to the principal one, it will share the treatment of the principal service 3. To illustrate, where an airline supplied zero rated flights for a single price including the provision of in-flight catering, the Court of Appeal decided that catering was provided for the comfort and convenience of passengers and is ancillary to the main supply of the flight and therefore the court found a single composite supply.



## Advance Rulings:

- Arihant Enterprises Application No. :126 Authority: AAR (Maharashtra)
- M/s TATA MARCOPOLO MOTORS LTD. Order No.: KAR ADRG 12 / 2019 Dated: 25-06-2019

