

## **Concept of Mixed Supply & Composite Supply under GST**

This is a new concept introduced in GST which will cover supplies made together whether the supplies are related or not. Supplies of two or more goods or services can be either 'composite supply' or 'mixed supply'. The concept of composite supply in GST regime is similar to the concept of naturally bundled services under Service Tax Law. However, the concept of mixed supply is entirely new.

### **What is a supply under GST?**

The expression “**supply**” simply means all forms of supply of goods/services. It is made for a consideration during the course of business and includes the following:

- Sale
- Transfer
- Barter
- Exchange
- License
- Rental
- Lease
- Disposal
- Import of services for a consideration (if even it is not in the course or furtherance of business)

Certain activities specified in **Schedule I of GST Act** will also be treated as supply.

### **1. Mixed Supply**

Under GST, a 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;

#### **For example-**

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. All are also sold separately. Since aerated drinks have the highest GST rate of 28%, aerated drinks will be treated as principal supply and 28% will apply on the entire gift box.

### **Time of supply in case of mixed supplies**

The mixed supply, if involves supply of a service liable to tax at higher rates than any other constituent supplies, such mixed supply would qualify as supply of services and accordingly the provisions relating to time of supply of services would be applicable. Alternatively, the mixed supply, if involves supply of goods liable to tax at higher rates than any other constituent supplies, such mixed supply would qualify as supply of goods and accordingly the provisions relating to time of supply of services would be applicable.

## **2. Composite Supply**

Under GST, a composite supply would mean 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**;

### **For Example:**

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.

### **Time of supply in case of Composite supply**

If the composite supply involves supply of services as principal supply, such composite supply would qualify as supply of services and accordingly the provisions relating to time of supply of services would be applicable. Alternatively, if composite supply involves supply of goods as principal supply, such composite supply would qualify as supply of goods and accordingly, the provisions relating to time of supply of goods would be applicable.

### **How to determine if it is a mixed supply or a composite supply?**

You have to rule out that the supply is a composite supply. A supply can be a mixed supply only if it is not a composite supply.

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.

### **For example:**

If a person buys canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices separately and not as a Diwali gift box, then it is not considered a mixed supply. All items will be taxed separately.

### **Differences between mixed and composite supplies**

<b>Particulars</b>	<b>Composite Supply</b>	<b>Mixed Supply</b>
Main Items	Principal Item	Item with Highest Rate
Tax Rate Applicable	Tax rate of principal item	Highest tax rate of all the items

### **Conclusions**

Given the renewed categorisation of supplies as mixed supply and composite supply under GST , businesses will need to re-look all their potential bundled goods and services. It is important for businesses to clearly understand composite supply vs. mixed supply, their tax implications and accordingly operate to fulfil the desired objective of bundling goods and services.