

B.Com. S.Y. III Sem.

Mixed Supply vis-à-vis
Composite Supply under GST

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What is Supply under GST?

The taxable event in GST is supply of goods or services or both. Various taxable events like manufacture, sale, rendering of service, purchase, entry into a territory of State etc. have been done away with in favour of just one event i.e. supply.

The term, “supply” has been inclusively defined in the Act. The meaning and scope of supply under GST can be understood in terms of following six parameters, which can be adopted to characterize a transaction as supply:

1. Supply of goods or services. Supply of anything other than goods or services does not attract GST.
2. Supply should be made for a consideration
3. Supply should be made in the course or furtherance of business
4. Supply should be made by a taxable person
5. Supply should be a taxable supply

The securities are excluded from the definition of goods as well as that of services. Money is also excluded from the definition of goods as well as services, however, activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged are included in services.

Taxable Supply

For a supply to attract GST the supply must be taxable. Taxable supply has been broadly defined and means any supply of goods or services or both which is leviable to tax under the Act. Exemptions may be provided to the specified goods or services or to a specified category of persons / entities making supply.

U/s 2 (108), taxable supply means a supply of goods or services or both which is leviable to tax under this Act which may be a Standard Rate Supply, Special Rate Supply or Zero Rated Supply

Composite Supply

U/s 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;

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. The remaining components can be seen as incidental, integral or tie-in arrangement.

Principal Supply

U/s 2 (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;

Mixed Supply

U/s 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.

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.

Taxability of Composite Supply

Composite Supply comprising two or more supplies one of which is a principal supply, shall be treated as supply of such principal supply and the rate applicable to the same will be applicable for the composite supply.

Taxability of Mixed Supply

Mixed Supply comprising two or more supplies, shall be treated as supply of that particular supply which attracts the highest rate of tax and the mixed supply will be taxed accordingly.

E.g. A house is given on rent, one floor of which is to be used as residence and the other for housing a printing press. Such renting for two different purposes is not naturally bundled, in the ordinary course of business. Therefore, if a single rent deed is executed, it will be treated as a mixed supply and taxed at the rate applicable for the highest liability service.

In this case, renting for use as residence is an exempted service, subject to conditions, while renting for non-residence use is chargeable to tax. Since the latter category attracts highest liability, the entire bundle would be treated as renting of commercial property and taxed accordingly.

Indicators of Composite Supply

These indicators are not exhaustive or conclusive proof of a composite supply, but if the transaction has more of these indicators, it is likely to be considered as a composite supply :

a) The components are sold as a package at a single price. (Tooth brush sold freely with a toothpaste, a plate sold freely with a packet of rice etc.)

b) The components are advertised as a package.

c) The different components are not or cannot be available separately. (A supplier charges a single price for the supply of rice and its delivery (transport) from the warehouse

d) Goods are physically packaged together (e.g. A plastic toy enclosed in a beverage packet)

e) It would not normally make sense to supply part of the package independently (e.g. A new refrigerator and its stand and cover)

f) Although components are separately priced, the value of each component is arbitrarily assigned

g) The customer perceives what they receive as a single supply, not independent components.

h) The different components are aspects of the quality or grade of the overall supply.

i) The different components are integral to one main supply. If one or more of the components is removed, the nature of the main supply would be affected. (an agent supplies a tourism package consisting of air-ticket

Hotel room, transport, tourist guide and tour to various sites and he charges a single price. The supply is a composite supply where the principal supply is the tour and the other components are seen as integral or incidental to the principal supply.)

E.g. : A hotel provides a 4-Day/3-Night package with the facility of breakfast. This is a natural bundling of services in the ordinary course of business. The service of hotel accommodation gives the bundle the essential character and would, therefore, be treated as service of providing hotel accommodation.

E.g. : A 5-star hotel is booked for a conference of 100 delegates on a lumpsum package with the accommodation for the delegates, breakfast for the delegates, tea and coffee during conference, access to fitness room for the delegates, availability of conference room etc.

As is evident a bouquet of services is being provided, many of them chargeable to different effective rates of tax. None of the individual constituents are able to provide the essential character of the service. However, if it is treated as convention service, entire essence of the package is captured, and taxed accordingly.

j) Some components are clearly incidental or ancillary to an identifiable principal supply. (Air India flight ticket with in-flight catering, as against Indigo flight ticket excluding in-flight catering).

k) The separation of components, on an invoice or otherwise, is artificial.

Continuous Supply of goods

U/s 2(32) continuous supply of goods” means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the

supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify. (e.g. supply of pipeline gas, water supply, optic fibre services, etc)

Continuous Supply of Services

U/s 2(33) continuous supply of services means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify;

Thank you