

## COMPOSITE AND MIXED SUPPLIES

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This is a new concept 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.

SUPPLY 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 of a consideration  
(if even it is not in the course or furtherance of business)
- Certain activities specified in Schedule 1 of GST Act will also be treated as supply.

② Why is the concept of mixed supply and composite supply important?

Specific rates for goods & services have been defined by the GST Council. GST Rate for each type goods and services have been defined in the GST law. So if you are supplying a particular goods or service rates are easy to identify. However, sometimes supply of a good and service may be connected or may be done together even though not connect. Say e.g. an AC is supplied and AC installation services are also supplied along with it. The GST Act defines how such supply must be rated. Therefore, the concept of composite supply and mixed supply becomes important. It helps to determine the correct GST rate and provides uniform tax treatment under GST for such supplies.

Before the understanding with the mixed & composite supply, we know the some important words which are very important.

### BUNDLED SUPPLY

A bundled supply is a combination of goods and/or services. This concept was mainly found in service tax where a bundled service meant a combination of two or more services.

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How to determine if it is naturally bundled, i.e. it cannot be separated. The question of bundled supply in the ordinary course of business depends on normal practices followed in the industry. Here are some ways to identify them.

1. If buyers mostly expect such services to be provided as a package, then the package will be treated as naturally bundled.  
• For example, most business conventions book for combination of hotel accommodation, auditorium and food.
2. If most of the service providers in the industry provide a package of service then it can be considered as naturally bundled. For example, air transport and food on board is a bundle offered by most airlines.
3. The nature of the various services in a bundle of service will also help to identify whether the services are bundled.

For example, 5 Star hotels often provide free laundry service on staying at a hotel. Renting the room is the principal (Primary) service the laundry is ancillary. A person can opt for laundry services only if he is staying at the hotel.

Here, two words are written above para are so important for understanding before study of composite & mixed supply.

Sec 2(90) of CGST Act

"Principal supply means the supply of goods or services which constitutes the predominant element of composite supply and to which any other supply forming part of that composite supply is ancillary."

Other indicators of bandling of services in the ordinary course of business.

- There is a single price for the package even if the customers opt for less
  - The components are normally advertised as a package
  - The different components are not available separately.
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### COMPOSITE SUPPLY (Sec 2(30))

Means a supply is comprising two or more goods/services, which are naturally bundled and supplied in with each other, in the ordinary course of business, one of which is principal supply.

1. It means.
  - that the items are generally sold as a combination
  - 2. → The items cannot be supplied separately.
  - 3. → One each dependant on each other.

### Mixed SUPPLY [Sec 2(74)]

Mixed supply under GST mean a combination of two or more goods or service made to gether for a single price.

Each of these item can be supplied separately and is not dependant on any other.

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

For example.

A diwali gift box consisting of canned food, 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 drink will be treated as principal supply and 28% will apply on the entire gift box.

\* How to determine if it is a mixed supply or a composite supply.

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

If the items can be sold separately, i.e., the supplies not naturally bundled with the normal course of business, then it would be a mixed supply.