

Composite and Mixed Supplies:

- The taxable event under GST is supply of goods or services or both.
- GST is payable on every supply of goods or services or both unless otherwise exempted.
- The rates at which GST is payable for individual goods or services or both is also separately notified.
- The application of rates is not a problem if the supply is of individual goods or services which is clearly identifiable and the goods or services are subject to a particular rate of tax.
- However, some of the supplies are a combination of goods or combination of services or combination of goods and services both.
- Each individual component in a given supply may attract different rate of tax.
- The rate of tax to be levied on such supplies may pose a problem in respect of classification of such supplies.
- Due to this reason, the GST Law identifies **composite supplies** and **mixed supplies** and provides certainty in respect of tax treatment under GST for such supplies.

Composite Supply:

- A supply comprising of two or more goods/services, which are necessarily supplied in conjunction with each other as per frequent business practices followed in that area.
- There is a **principal** supply and a **secondary** supply in the whole transaction.
- In such cases, the tax rate on principal supply will apply on the entire supply.
- The concept of composite supply under GST is identical to the concept of **naturally bundled services** prevailing in the existing service tax regime.
- No straight jacket formula can be laid down to determine whether a service is naturally bundled in the ordinary course of business.

- Each case has to be individually examined in the backdrop of several factors.
- Whether services are bundled in the ordinary course of business would depend upon the normal or frequent practices followed in the area of business to which services relate.
- E.g. Buying a Dry Fruit Gift Box for Diwali. It includes dry fruits, a box and a wrapper. Box and wrapper cannot be sold individually without the **principal supply** which is dry fruit.
- 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

Mixed Supply:

- A supply comprising of two or more goods/services, wherein the supplies are independent of each other and are not necessarily required to be sold together is called a mixed supply.
- The first condition to be met for mixed supply is that 'it should not be a composite supply'.
- In such cases, the tax rate that is higher of the two supplies will be applicable to the entire supply.
- E.g. Buying a Christmas package consisting of cakes, aerated drinks, chocolates, Santa caps and other gift items. Each of these items can be sold separately and are not dependent on each other.

Determination of tax liability of Composite and Mixed Supplies:

- ✚ a composite supply shall be treated as a supply of principal supply and GST rate will be applicable accordingly; and
- ✚ a mixed supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and GST rate will be applicable accordingly.

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.

Time of supply in case of mixed supplies

- ✚ If the mixed supply 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,

- ✚ If the mixed supply 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.