



DEEPAWALI – “A MIXED SUPPLY”

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Goods and Service tax (GST) was introduced in the country w.e.f 01.07.2017. GST brought many new concepts and definitions in Indirect Taxation and has changed over all scenarios of Indirect taxes. Some of the new concepts or definitions are as under:

- Aggregate turnover
- Capital goods
- Composite supply
- Council- GST council
- Electronic cash ledger
- Electronic credit ledger
- Goods and Services Tax (Compensation to States) Act
- Integrated Goods and Services Tax Act
- Mixed supply
- Proper officer
- Usual place of residence
- Works contract and many more

Each one has deep impact on businesses and need critical analysis to implement. Any wrong interpretation of the provisions of law may lead to heavy fines, penalties and litigation.

‘Mixed Supply’ and ‘Composite Supplies’ created lot of confusion among stake holders and people could not make out clear cut demarcation between these two clauses of the GST Act.

Mixed Supply is defined under Section 2 (74) of CGST Act, 2017 and it says “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 clarification is also given in the law which is as under:

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.

Whereas ‘Composite supply’ as per Section 2(30) of CGST Act, “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.

On the occasion of Deepawali and other festivals, we buy gifts for our friends and relatives or staff/employees where in we give them mixture of these items. It is very common on Deepawali that we buy a baskets consisting of items like chocolates, biscuits, juices and dry fruits. All these items otherwise can also be purchased/sold and has no relevance of buying in a single package. But on Deepawali we do so. As per provisions of GST Act, it comes under the definition of ‘mixed supply’. ‘Buy one get one’ offers are best example of mixed supplies.

Similarly, we buy or sell items in Cookware/Kitchenware range, crockery, glass items, show pieces etc. in single package or for single price.

We also buy or sell Candles, Earthen Pots, Earthen divine, Earthen decorative pieces etc. in single package or for single price.

In Electronics items we buy or sell Television, Home Theater, Refrigerator, Washing machine in one of the schemes where in sound systems, oven, iron and digital camera are supplied either as free gift or for single price. This is also a case of mixed supply because these items can otherwise be sold or purchased. But on the occasion of festivals these are being sold in single price or package which constitutes a ‘mixed supply’ under GST.

In case of Mobile phones segments, we buy or sell Mobile phones, ear phones, head phones, battery backup etc. in single price which also constitute ‘mixed supply’ under GST.

So there are various reasons when we buy or sell such items in combination of two or more. It is important to know their taxes and status under GST, so that whenever we do such transactions we should pay actual tax and be tax compliant.

'Mixed Supply' is taxable supply under GST Act. As per section 8(b) of CGST Act, 2017, 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**.

Means if you are buying two or more items in single price or package then the items which attracts highest rate of tax, that rate of tax shall be charged for all the items.

Let us understand it with examples:

In above said examples, let us take an example of a basket consisting of items like chocolates, biscuits, juices, soft drinks and dry fruits that we buy on the occasion of Deepawali for one of our friend.

In said basket the rate of GST as applicable on individual items is as under:

Items	Qty	Amount	GST Rate
Chocolates	100 gms	200/-	18%
Biscuits	300 gms	100/-	18%
Juices	250 ml	50/-	12%
Soft drinks	200 ml	15/-	28%
Dry fruits	300 gms	300/-	5%
Total		665/-	

(* Rates are subject to latest notifications)

In above said example highest rate of GST is applicable on Soft drinks though has minimum monetary value in total pack of Rs. 665/-. So as per the provisions of GST Act, the whole basket shall be charged with GST @ 28%.

Similarly, in case we buy or sell Candles with Earthen Pots, Divine etc. in one pack for single price, GST on Candle is @ 12% shall be charged for whole supply though Earthen Pots are either exempted or subject to GST at nil rate of tax.

Items	Qty	Amount	GST Rate
Candles	01 dozen	36/-	12%
Earthen Pots/Clay Lamps	01 dozen	14/-	0%
Earthen Divine	01 no	80/-	0%
Total		130/-	

In this mixed supply, tax rate of Candles that is 12% shall be applicable on total value of Rs. 130/-.

While buying or selling the following items as 'mixed supply' one must consider their tax rates and should avoid the said transaction as 'mixed supply' otherwise it shall be charged at higher rate of tax.

There are some more such items, as listed below, which can be supplied under mixed supply having different rates of taxes under GST.

Television	18%
Refrigerator	18%
Washing machine	18%
Dish Washer	28%
Music systems	18%
Home theater	18%
Oven	18%
Iron	18%
Digital camera	28%

Similarly, in case of **Mobile phones segments:**

Mobile phone for cellular network	12% (Chapter Heading 8517)
Telephone sets	18% (Chapter Heading 8517)
Ear Phones/Head Phones	18% (Chapter Heading 8518)

Kitchenware Segment

Tableware and Kitchenware of wood	12% (Chapter Heading 4419)
Tableware, Kitchenware others	18% (Chapter Heading 3924)
Other articles of wood	12% (Chapter Heading 4421)
Wood paving blocks etc.	18% (Chapter Heading 4421)

In our day to day business transactions also, we may enter into such transactions where we tries to negotiate the rates for better margins but at the same time failed to understand their tax structure. 'Buy one get one' offers are cases of 'mixed supply' and be enter into carefully. Meaning there by, we may land into higher tax rate structure and pay more taxes than the savings that we done through such buying or bulk buying/mixed buying.

As I narrated in the beginning that GST has brought many new concepts, so through this article, I have tried to make stakeholder to understand the concept of 'Mixed Supply' and enter the transactions accordingly otherwise you may face serious consequences at later stage.

Be aware of "Buy one get one" offers!