

PART -1

Composite Supply vs. Mixed Supply: Judicial Interpretation under GST

The Goods and Services Tax (GST) framework in India, established by the Constitution (101st Amendment) Act, 2016 and implemented through the Central Goods and Services Tax (CGST) Act, 2017, was designed to simplify indirect taxation by consolidating multiple levies into a unified system. A key aspect of this regime is the treatment of bundled supplies—transactions involving multiple goods or services sold together. The CGST Act introduced the concepts of composite supply (Section 2(30)) and mixed supply (Section 2(74)), with taxation governed by Section 8. These provisions ensure that tax liability reflects the economic reality of the transaction, rather than artificially dividing it into separate elements.

However, distinguishing between composite and mixed supplies has led to significant judicial debate. Composite supplies, defined by 'naturally bundled' elements with a principal supply, are taxed at the rate applicable to the principal supply—often lower. Mixed supplies, which lack such integration and consist of independent elements sold for a single price, attract the highest applicable tax rate among the components, increasing liability. Misclassification can substantially increase tax burdens, leading to costly disputes.

Definitions and Distinctions

- **Composite Supply (Section 2(30), CGST Act):** A supply consisting of two or more taxable supplies of goods or services or both, which are naturally bundled and supplied together in the ordinary course of business, with one being the principal supply. For example, a restaurant meal (food and service) is a composite supply, with restaurant service as the principal supply.
- **Mixed Supply (Section 2(74), CGST Act):** Two or more individual supplies of goods or services, or any combination thereof, made together for a single price, where such supply does not constitute a composite supply. For instance, a gift hamper

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401

Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

CJA-GST UPDATES

(chocolates, dry fruits, wine) sold at a single price is a mixed supply if not naturally bundled.

Section 8, CGST Act:

- A composite supply is treated as a supply of the principal supply.
- A mixed supply is treated as the supply attracting the highest rate of tax among its components.

Key Distinctions: Comparative Table

Parameter	Composite Supply	Mixed Supply
Core Elements	Principal and ancillary supplies; naturally bundled	Independent supplies; not naturally bundled; single price
Test for Bundling	Ordinary course of business; one dominates	Can exist separately; no dominance
Tax Rate	Principal's rate	Highest among components
ITC Eligibility	Full on inputs if output taxable; blocked if principal exempt	Apportioned per elements; scrutinized for cross-credits
Examples	Telecom services (SIM + data + calls); works contract (labour + materials)	Event tickets + food + transport package without integration
Judicial Emphasis	Focus on contractual essence and economic reality over form	Ensures correct tax treatment based on independence of supplies

Key Differentiating Features

Particulars	Composite Supply	Mixed Supply
Legal basis	Section 2(30) CGST Act	Section 2(74) CGST Act

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

CJA-GST UPDATES

Nature of bundle	Naturally bundled	Artificially bundled
Pricing	May or may not have a single price	Always a single price
Principal element	Determined (dominant supply)	Not applicable
Tax rate	Rate of principal supply applies	Highest individual tax rate applies
Example	Freight with goods, insurance	Gift hampers, combined retail packages

Interpretative Tests from Judicial Decisions

Indian judicial and advance rulings have drawn from European VAT jurisprudence, particularly Card Protection Plan Ltd. v. Commissioners of Customs & Excise (1999) C-349/96 (ECJ), which held that each supply should be analyzed independently unless they form a single economic transaction, and ancillary supplies should not be artificially separated from the principal service. This approach has influenced Indian GST interpretation, as noted in Taxmann commentary and AAR rulings.

Notable Indian Judicial and Advance Rulings

- **BC Examinations and English Services India Pvt. Ltd. (HAR/HAAR/2017-18/11):** Exam facilitation and support services were composite supplies, being naturally bundled toward a single educational outcome.
- **Five Star Shipping (MAH/AAAR/SS-RJ/11/2018-19):** Marine consultancy and intermediary services were composite, with consultancy as the principal supply.
- **Switching Avo Electric Power (2018-VIL-02-AAAR-WB):** Supply of UPS and batteries together for a single price but sold separately was a mixed supply, as the goods were not naturally bundled.

Published by: **CERTIFIED JUNIOR AUDITOR ACADEMY**

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

CJA-GST UPDATES

- **Sandvik Asia Pvt. Ltd. (AAR-Rajasthan):** Maintenance contracts involving both goods and services were partly composite (comprehensive maintenance) and partly mixed (supply of spare parts), depending on integration.
- **IL&FS Education & Technology Services Ltd. (2018-VIL-94-AAR; Modified in 2019-VIL-26-AAAR):** Initially held as a mixed supply, later recognized as a composite supply on appeal, driven by a single economic objective.
- **Kalyan Toll Infrastructure Ltd. (2019-VIL-428-AAR):** Civil and electrical works under one contract were not naturally bundled and thus not a composite supply.
- **Maharashtra AAAR (2025):** Reiterated that taxpayer intent, business practice, and consumer perception together decide “natural bundling.” Artificial combinations for tax avoidance are not composite supplies.

Case Law Trend and Judicial Divergence

Classification of transactions as composite or mixed supplies under GST has led to significant judicial debate, with courts and authorities applying varying tests such as natural bundling, dominant intention, and consumer perception, resulting in divergent outcomes.

- **Torrent Power Ltd. (Gujarat High Court):** Distribution of electricity with associated services was a composite supply, with electricity as the principal supply.
- **Kundan Mishthan Bhandar (AAAR, 2018):** Sale of sweets and namkeen with restaurant service was composite when consumed on-premises, but not when sold as takeaway.
- **Abbott Healthcare Pvt. Ltd. (Kerala High Court, 2020):** The court disagreed with AAR/AAAR classification as composite supply, noting the presence of different suppliers and remanding for reconsideration.
- **Sandvik Asia Pvt. Ltd. (AAR-Rajasthan) vs. Switching Avo Electric Power (2018-VIL-02-AAAR-WB):** Contrasting rulings on similar arrangements highlight jurisdictional inconsistencies.
- **Union of India v. Mohit Minerals Pvt. Ltd. (2022) 61 GSTL 257 (SC):** The Supreme Court held that the entire CIF import transaction constituted a composite supply, and separate IGST on ocean freight was not permissible.

Published by: **CERTIFIED JUNIOR AUDITOR ACADEMY**

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401

Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

Doctrinal and Judicial Principles

Courts apply the following tests to determine supply classification:

- **Natural Bundling Test:** Are supplies usually offered together in the ordinary course of business?
- **Consumer Perception Test:** Do consumers view the supplies as a single package?
- **Dominant Intention Test:** What is the primary objective or principal supply?
- **Functional Integration Test:** Are the supplies interdependent so that one's absence changes the nature of the transaction?

Critiques, Challenges, and Prescriptions

Judicial interpretation of composite and mixed supplies under GST has been inconsistent, leading to conceptual ambiguities, procedural challenges, and policy gaps. Courts have applied divergent tests, resulting in litigation and uncertainty.

Key Challenges:

- Misclassification of supplies
- Identifying principal supply
- Industry-specific complexity
- Lack of uniform tests
- Revenue bias

Recommendations:

- Statutory clarification of guiding principles by CBIC
- Uniform judicial standards by Supreme Court or GSTAT
- Consistency in advance rulings
- Regular compliance audits and documentation by taxpayers
- Policy transparency through industry-wise examples

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

CJA-GST UPDATES

Circulars and Notifications

Key CBIC circulars and notifications clarify the identification and tax treatment of composite and mixed supplies, including Circulars 32/06/2018, 92/11/2019, 172/04/2022, and 234/28/2024, as well as Notifications 1/2017-CTR and 20/2017-CTR.

Summary Table

Type	Reference	Date	Key Clarification
Circular	32/06/2018	12 Feb 2018	Tests for identifying naturally bundled supplies
Circular	92/11/2019	7 Mar 2019	Composite vs. mixed in service combinations
Circular	172/04/2022	6 Jul 2022	Bundled supply classification principles
Circular	234/28/2024	14 Aug 2024	Real estate sector – composite vs. mixed supply
Notification	1/2017-CTR	28 Jun 2017	General tax rate determination for bundled supplies
Notification	20/2017-CTR	22 Aug 2017	Works contract as composite supply

Conclusion

Judicial interpretation of composite and mixed supply depends on the facts and economic intent, rather than formal bundling. While Section 8 provides the computational rule, practical application relies on recipient perception, industry practice, and the interdependence of supplies. Taxpayers should document natural bundling and principal supply justification to avoid litigation.

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

PART -II

General Understanding

1. **What is the meaning of Composite Supply under GST?**

A composite supply refers to two or more goods or services that are *naturally bundled* and supplied together in the ordinary course of business, where one is the *principal supply*.

2. **What is a Mixed Supply under GST?**

A mixed supply is a combination of two or more *independent supplies* offered together for a *single price* that are *not naturally bundled*.

3. **Which section of the CGST Act defines Composite and Mixed Supply?**

Composite Supply – Section 2(30); Mixed Supply – Section 2(74).

4. **How is tax liability determined for Composite and Mixed Supplies?**

Under Section 8 of the CGST Act:

- Composite Supply → Tax rate of the *principal supply*.
- Mixed Supply → *Highest* tax rate among components.

5. **Why is the distinction between Composite and Mixed Supply important?**

Misclassification can significantly alter tax liability—sometimes by 5–18%—and lead to costly litigation.

Interpretation and Judicial Aspects

6. **What does “naturally bundled” mean in GST context?**

It means goods or services that are normally sold together in business practice, showing functional interdependence or consumer expectation of a single package.

7. **What are the key tests used by courts to differentiate Composite and Mixed Supplies?**

- Natural Bundling Test
- Dominant Intention Test
- Consumer Perception Test
- Functional Integration Test

8. What role does contractual intent play in determining the supply type?

Courts consider the commercial or contractual intent, but it must align with *ordinary business practice* and consumer perception.

9. Which landmark Supreme Court case clarified the concept of Composite Supply?

Union of India v. Mohit Minerals Pvt. Ltd. (2022) – held that CIF import transactions constituted a composite supply.

10. How did the Kerala High Court in Abbott Healthcare Pvt. Ltd. influence GST interpretation?

It questioned if supplies by *different legal entities* can form a composite supply and emphasized *functional interdependence* over convenience.

Case Law and Rulings

11. What was held in the BC Examinations case (HAR/HAAR/2017-18/11)?

Exam facilitation and support services were treated as a *composite supply* because they were directed toward one educational outcome.

12. Why was Switching Avo Electric Power (2018) ruled as a Mixed Supply?

UPS and batteries, though sold together, could function independently—hence not naturally bundled.

13. What did the Sandvik Asia Pvt. Ltd. case conclude?

Maintenance contracts were partly composite and partly mixed, depending on whether goods and services were integrated.

14. How did the Resonance Edventures case (2023) impact education sector rulings?

It clarified that coaching with study materials and uniforms was a *composite supply* because these were integral to the main service.

15. What is the “Functional Integration Test” applied by courts?

It asks whether removing one component changes the economic nature of the overall supply.

Circulars and Notifications

16. What did Circular No. 32/06/2018-GST clarify?

It explained tests for identifying naturally bundled supplies and gave examples like restaurant and airline services.

17. What was the focus of Circular No. 92/11/2019-GST?

It clarified tax treatment for combinations of goods and services such as printing, transportation, and maintenance contracts.

18. What guidance did Circular No. 172/04/2022-GST provide?

It stated that bundled outward supplies qualify as composite or mixed only if forming a single *economic transaction*.

19. How does Circular No. 234/28/2024-GST apply to real estate?

It treats charges like parking, PLC, and clubhouse fees as part of a composite supply when bundled with construction services.

20. Which notification defines Works Contracts as Composite Supply?

Notification No. 20/2017–Central Tax (Rate) dated 22 August 2017.

Practical and Policy Insights

21. What are the major challenges in determining Composite vs. Mixed Supply?

- Ambiguity in “natural bundling”
- Identifying principal supply
- Industry-specific variations
- Inconsistent judicial standards

22. What criticism have courts made regarding GST law’s clarity?

Courts like Kerala and Gujarat High Courts criticized the lack of *legislative guidelines* for identifying naturally bundled supplies.

23. How has EU VAT jurisprudence influenced Indian GST interpretation?

Indian courts often rely on *Card Protection Plan Ltd. v. Customs & Excise (ECJ, 1999)* for defining ancillary vs. principal supplies.

24. What reforms have been suggested to reduce litigation?

- CBIC circulars defining objective tests
- Uniform judicial standards
- Inter-State AAR consistency
- Documenting business intent by taxpayers

25. What key takeaway does the document conclude with?

Classification depends on *economic reality, business intent, and consumer perception*—not just formal contract wording.

CJA-GST UPDATES

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

PART III

Important Circulars & Notifications

Notification No. 11/2017-Central Tax (Rate) dated 28 June 2017

One of the foundational rate notifications for services under CGST.

- It **lays down the basic GST rates for services**, making it a key reference for determining the tax rate for most service classifications.
- When deciding the tax rate for a **composite supply**, the rate is based on the **principal supply**, and this notification is used to identify the correct service rate.
- For a **mixed supply**, the rate applicable is the **highest rate among the individual items**, and again, the rates in this notification help determine that.

Notification No. 20/2017-Central Tax (Rate) dated 22 August 2017

1. **Notification 20/2017-CTR** specifically refers to “**composite supply of works contract**” as defined in Section 2(119) of the CGST Act.
2. It **does not redefine** works contract; it only **uses the existing legal definition** where goods + services bundled for immovable property are treated as a **supply of services**.
3. The notification mainly **amends GST rates** for certain types of works contract services.
4. It provides *revised* GST rates, including concessional 12% for certain specified government, infrastructure, and housing projects, while other works contract services continue to attract higher rates (such as 18%).
5. Its purpose is to **modify and clarify applicable GST rates** for works contracts, not to change the composite supply concept itself.

Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017

1. **Exempts many services from GST**, meaning they are taxed at **0%**.
2. Covers key sectors such as **education, healthcare, and charitable activities**.
3. **Pure services** provided to Government/Local Authorities for **public functions** (e.g., sanitation, water supply, garbage collection) are exempt.
4. Several **public transportation services** (non-AC, local transport, inland waterways) receive full GST exemption.
5. Also exempts certain **Government services**, cultural activities, and services by unregistered persons in specified cases.

Published by: **CERTIFIED JUNIOR AUDITOR ACADEMY**

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

Circular No. 92/11/2019-GST(dated 7-3-2019)

Circular 92/11/2019-GST (dated 7-3-2019) deals specifically with sales-promotion schemes, such as:

- Free samples
- Free gifts
- Buy-one-get-one offers
- Discounts (pre- and post-supply)
- Volume-based rebates

It clarifies **GST taxability and ITC eligibility** for these promotional schemes.

- It explains **when such promotions are taxable** and when they are **not considered “supply”**, especially when given without consideration.
- It also clarifies **input tax credit (ITC) eligibility** for these schemes (ITC not allowed on free samples; allowed on promotional supplies like BOGO).

Circular No. 172/04/2022-GST dated 6 July 2022

Covers multiple issues: interpretation of section 17(5), prerequisites, refund of deemed exports, etc.

“Although the circular does not address composite or mixed supplies directly, certain clarifications (such as those on employer-employee prerequisites or supply classification) may indirectly help in understanding bundled supply concepts and related ITC implications.

Notification No. 08/2024-Central Tax (Rate) dated 08 October 2024

Major amendment: exempts certain ancillary services incidental to electricity transmission/distribution (e.g., metering equipment on rent, testing of meters, releasing connection, shifting lines, duplicate bills) when provided by utilities as part of that supply.

Highly relevant: illustrates application of composite supply (ancillary services bundled with principal supply) and recent legislative action.

Notification No. 07/2024-Central Tax (Rate) dated 08 October 2024

Reduced GST rate (5%) on “transport of passengers by helicopter on seat-share basis”.

While not directly composite/mixed supply, it's an example of how taxonomy/levy distinctions and supply classification impact tax treatment—useful comparative context.

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavada street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401
Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>

CJA-GST UPDATES

Circular No. 234/28/2024-GST dated 11 October 2024

- 1. Clarifies composite supply:** PLC with construction services, where construction is the principal supply.
GTA services with ancillary loading/unloading/insurance/documentation services are composite supplies.
- 2. Explains mixed supply boundaries:** Provides examples to distinguish between composite and mixed supplies.
Helps taxpayers understand proper classification under GST.
- 3. Allows regularization of past liabilities:** Past GST liabilities can be settled on an “as is where is” basis due to earlier ambiguity.
Covers cases like electricity ancillary services and similar supplies.
- 4. Helps in proper classification and GST compliance:** Ensures consistent GST classification and application of rates.
- 5. Provides practical guidance to avoid misclassification and future disputes.**

Thanks and Regards

VIJAI ASSOCIATES

Adv Mr. VJ VIJAY VARADHA RAJ M.Com., M.B.A., BGL., LL.M.,

Adv Mr. K.A KRISHNAMURTHY M.Com., LL.B.,

Adv Mr. M. SIVABHARATHI B.Com., LL.B.,

Disclaimer:

This publication contains information for general guidance only. It is not intended to address the circumstances of any particular individual or entity. Although the best of endeavour has been made to provide **the provisions of the GST Act** in a simpler and accurate form, there is no substitute to detailed research with regard to the specific situation of a particular individual or entity. We do not accept any responsibility for loss incurred by any person for acting or refraining to act as a result of any matter in this publication.

Published by: CERTIFIED JUNIOR AUDITOR ACADEMY

No: 29 Othavadai street, 2nd cross Street (Benjamin Layout) Muthukadai, Ranipet 632401

Contact us: 90254 99172 Email: cjaa.info@gmail.com

Visit: www.juniorauditoracademy.com, www.cjaa.org.com

CJA TAX LAW TAMIL PODCAST: CLICK ↓ TO JOIN WITH US

<https://whatsapp.com/channel/0029Vb6HRVs9cDDVfoNGVA0d>