

Two or more individual supplies, supplied in conjunction with each other, for a single price is mixed supply– Telangana AAAR

2 August 2022



Summary

The Telangana Appellate Authority of Advance Ruling (AAAR) held that a price break up does not necessarily imply that the items are being supplied separately for separate prices. Though the supplies are capable of being made individually, the essential concomitant of the present agreement is that they should be supplied in conjunction with each other to function as one complete rake set. The AAAR opined that the supply cannot be termed as a 'composite supply' since the supplies involved are not naturally bundled and only one of the supplies cannot be determined as a principal supply. Hence, in this case, there are two or more individual supplies, supplied in conjunction with each other by a taxable person for a single price, which does not constitute a composite supply. Thereby, the supply satisfies all the pre-requisites to be termed as a 'mixed supply'.

Facts of the case

- The applicant¹ is a manufacturer of electronics equipments for locomotives and coaches for Indian Railways and Metro Railways. Integrated coach factory (ICF) Chennai issued purchase orders to the applicant for supply of multiple items. Some of these items are manufactured by the applicant and some of them are procured for supply to the coach factory.
- As per the applicant, a majority of the items are taxable at the rate of 18%. The applicant had approached the authority of advance ruling (AAR)² to ascertain whether supplies for the above purchase order made amounts to composite supply or mixed supply.
- The applicant also entered into a contract for design, manufacturing, supply, installation, operation and maintenance and GIS-based automation, etc. The applicant sought clarity from the AAR as to whether the

scope of work can be treated as supply of goods or works contract services.

- The AAR had held the supplies against the purchase order of ICF as mixed supply. The aggrieved applicant filed the present appeal before the AAAR.
- The applicant contended that its supplies are neither a composite supply nor mixed supply but separate individual/segregated supplies with applicable HSN code and GST rate to each item individually.

Telangana AAAR observations and ruling³

- **Supply of goods made in conjunction:** The AAAR stated that a price break up doesn't necessarily imply that the items are being supplied separately for separate prices. In the present case, though the supplies are capable of being made individually, the essential concomitant of the present agreement is that they should be supplied in conjunction with each other

¹ Medha Servo Drives Private Limited

² TSAAR Order No.17/2021 A.R.Com/50/2018 dated 4 September 2021

³ AAAR.COM/04/2021, Order-in-Appeal No. AAAR/02/2022 dated 21 June 2022

to function as one complete rake set. The schedule of delivery mentions that the entire set is to be delivered at once but not the individual items separately. According to payment terms, it is done for the entire set and not individual items, implying the supply is being made for single price per unit.

- **Supply does not constitute a composite supply:** The supplies involved are not naturally bundled and only one of the supplies cannot be determined as a principal supply. In this case, there are two or more individual supplies, supplied in conjunction with each other by a taxable person for a single price, which does not constitute a composite supply. The supply satisfies all the pre-requisites to be termed as a 'mixed supply'.

Our comments

The AAAR in the present ruling has emphasised that though the supplies can be made individually, but if it is essential to make supplies in conjunction with each other to function as one complete set, then such supply shall be considered as mixed supply.

The decision of Rajasthan advance ruling authority in case of Sandvik Asia Private Limited may act as guideline for distinguishing composite supply and mixed supply and determining the applicable GST rate for similar situations.

Even though the advance rulings are applicable only to the applicant, an inference can be drawn in similar cases.

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