

S. MURUGAPPAN

ADVOCATE, HIGH COURT

ASSISTED BY:

ANUGRAHAN.X, B.B.A., LL.B.

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PRIYADARSINI KTK, B.COM. (CA), LL.B.(HONS.)

CONSULTANTS:

CUSTOMS, GST,

FOREIGN TRADE LAWS,

FOREIGN EXCHANGE MANAGEMENT ACT.

OPINION

1. QUERIST:

M/s. Vaya Life Private Limited
Unit 704-706, 7th Floor, Delta Wing,
Raheja Towers,
No.177, Anna Salai,
Chennai - 600002

2. FACTS:

2.1 The querist has recently launched a range of kitchen utensils, including Triply Kadai and Saucepans, which are sourced from external vendors. In addition, they have procured Glass Lids that are compatible with these products. These Glass Lids are sold both independently and as part of a combo with the cookware items. The GST rates applicable on procurement are as follows:

- Triply Kadai and Saucepan (without lid): 12%
- Glass Lids (when sold separately): 18%

When sold as combo, comprising the cookware and the Glass Lid, the querist is applying an 18% GST rate to the entire combo, on the basis that it qualifies as a Mixed Supply under GST. However, they are now facing resistance from some of their distributors. They have pointed out that other players in the market are offering similar combo products at a 12% GST rate, even when they include a Glass Lid. This has made it challenging for them to convince their dealers and distributors to accept and sell the products. The HSN code from the supplier is 732393 for Cookware and 70102000 for Glass Lids.

3. QUERY:

3.1 In the above background, they seek guidance on the correct GST treatment in this case:

- Is their approach of classifying the combo as a Mixed Supply and charging 18% GST correct?
- Or, should the combo be treated as a Composite Supply with the cookware item as the principal supply, thereby attracting 12% GST?



4. **OPINION:**

4.1 As per the information provided by the Querist, Triply Kadai and Saucepan are made of alloy steel / stainless steel and accordingly their classification is under heading 73239390 under the 4-digit description "Table, kitchen or other household articles of iron or steel". Glass Lids which are provided with such Kadai/Saucepan are classifiable as articles of glass under heading 70102000. This heading specifically covers lids made of glass.

4.2 It is stated that the Kadai/Saucepan with lid is sold as a combo supply and also Glass Lids are sold separately. Sample invoices made available by the querist indicate that there is supply of such kitchenware without glass lids also. The industry/commercial practice appear to be, to sell Kadai/Saucepan separately or in combination with Glass Lids depending upon the option of buyer / recipient.

4.3 The expression 'Composite Supply' as defined under Section 2(30) of CGST Act, 2017 is mentioned below:

"composite supply" means a supply made 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;

4.4 On the other hand, 'Mixed Supply' is defined under Section 2(74) of CGST Act, 2017 in the following manner:

"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.

Illustration. - 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;



4.5 From the above definition, it can be inferred that when two or three items or services are bundled together 'naturally' and supplied in conjunction with each other in the ordinary course of business, then such supply will be 'Composite Supply'. On the other hand, when two different items or more than two different items or services are mixed and supplied at the 'option' of the recipient in the ordinary course of business, then such combination can be referred to as 'Mixed Supply'.

4.6 From the information provided and the documents made available, it appears that the Sauce Pan or Kadai is not naturally bundled with a Glass Lid and supplied as one unit in the ordinary course of business. It appears that the buyer has the option to obtain Kadai/Sauce Pan with suitable Glass Lid or without such Glass Lid.

4.7 The querist has not made available any contrary evidence to establish the industry practice is always to supply with Kadai/Sauce Pan Glass Lid also at one price. Therefore, on the basis of the facts provided, the supply can be treated as 'Mixed Supply' and consequently, the highest of the GST rate applicable to the products under reference needs to be applied to the 'Mixed Supply' and pay tax. If it is possible to supply Kadai and Glass Lid in separate packages with separate values, then this issue can be avoided. However, on account of the marketing reasons or branding, these two items appear to be supplied at a single price in a package. Therefore, for the above reasons, the supply will come under the category of 'Mixed Supply', attracting 18% GST.



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Disclaimer:- The above opinion is provided based on the information and documents made available to us by the querist and further based on the laws and rules prevalent as on date and the understanding of such provisions by the author and is meant for the private use of the person to whom it is provided without assuming any liability for any consequential action taken based on the views expressed here.