

Topic: LEVY AND COLLECTION OF GST Part-3

Class: B.Com (Hons) Semester VI

Subject: Goods and Services Tax (GST)

Unit: 2

Paper: CC-13

Tax Liability on Composite and Mixed Supplies

Composite Supply: Supplies of two or more goods or services can be either composite supply or mixed supply.

As per section 230, A composite supply means two or more taxable supplies of Goods or services 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.

Thus there are two parameters to test the composite supply:-

1. Supply of goods or services should be bundled owing to natural connection.
2. The composite supply of goods/ service depends upon principal supply.

Items are generally sold as a combination and this concept was mainly found in service tax where a bundled service meant a combination of two or more services. Tax liability will be the tax on the principal supply i.e. GST rate of the entire supply.

As for example for organising a conference, need of conference hall, hotel, accommodations, resource person, auditorium, food and all electronic accessories.

Mixed Supply

Mixed supply means a combination of two or more goods or services made together for a single price, each of these items can be supplied separately and is not dependent on any other.

As per section 2(74) “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. Thus the supply of goods or services will only be mixed supply when goods or services are not naturally bundled together and they can be sold separately under GST a mixed supply will have the tax rate of the item with the highest rate of tax.

Example: A supply of a package consisting of pant, shirt, T-shirt, Tie, belt and socks when supplied for a single price is a mixed supply. Assuming the different product carry tax rate from 0 to 28%, the package will be taxable at the highest rate 28%.

Illustration 1

X, a registered dealer offers a desktop computer (for ₹50,000 before tax) and a wooden table (for ₹5000 before tax).for a consolidated price of ₹52500 plus tax. The rates of GST applicable on desktop computer and wooden table are 28% and 18% respectively.

1. Determine whether the supply is a mixed supply or composite supply.
2. Is it beneficial for the customer to avail the offer or buy them separately?

Solution

1. “Computer and table” is not dependent on each other. Both can be supplied separately. Therefore the offer of “computer and table” at consolidated price is not naturally bundled. Thus we can say that it is a mixed supply.
2. The approval of customer for buying both the items together or separately can be calculated as follows:-

Consolidated Purchase

The tax liability shall be determined on the basis of that particular supply which attracts highest rate of tax i.e 28% in the given case.

Purchase Price	₹ 52,500
Add 28% GST	<u>₹ 14,700</u>
consolidated purchase	₹ <u>67,200</u>

Separate Purchase

The GST rate 18% and 28% are to be applied separately on the offer price of desktop and table respectively.

GST@28% on desktop of ₹ 50,000	= ₹ 14,000
GST@18% on table of ₹ 5000	= ₹ 900
Total	₹ 14,900
Purchase price ₹ 50,000 + ₹ 5000	= ₹ 55,000
Add GST charges	₹ 14,900
Separate Purchase Price	₹ 69,900

Least payable price ₹67200. Hence it is beneficial for the customer to avail the offer of buying both the items together.

Illustration 2

Mr. A, a registered person under GST located in Tamil Nadu, sold goods worth ₹10,000 after being manufactured to Mr. C in Chennai. Subsequent Mr. C sold these good to Mr. H of Hyderabad for ₹17,500. Mr H being a trader finally sold these goods to customer Mr. S of Secunderabad for ₹ 30,000.

Applicable rates of CGST = 9% SGST = 9% and IGST =18%

Find the net tax liability of each supplier of goods and revenue to the government (ICWAI –Inter RTP June 2018(adapted))

Solution

Since Mr. A supplied goods to Mr. C in Tamil Nadu itself, it is an intra – state sale and both CGST@9% and SGST@9% will apply.

Statement showing Net Tax liability of Mr. A and Revenue to Government.

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
Mr A to Mr C	10,000	900	900	NIL	Value Addition RS 10000
	NIL	NIL	NIL	NIL	
Less: ITC		900	900	NIL	
		Revenue	Revenue to		

Net Liability of Mr. A		to centre	Tamil Nadu		
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Mr. C of Chennai supplied goods to Mr. H of Hyderabad. Since it is an inter - state sale IGST @ 18% will apply.

Statement showing net tax liability of Mr. C and revenue to the government.

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
Mr. C to Mr. H	17,500	NIL	NIL	3150	1 st -CGST
Less:-ITC		(900)	(900)	(1800)	2 nd -SGST -----
Net liability of Mr C		NIL	NIL	1350	Value added ₹7500 of 18%

Since Mr. C, a dealer has used SGST of Tamil Nadu to the extent of ₹900 in payment of IGST; Tamil Nadu state (i.e. exporting state) has to transfer ₹900 to the credit of the centre.

Tamil Nadu (exporting state) revenue = NIL (₹900 – ₹900), total revenue to the centre ₹3150 (i.e. ₹ 1350 + ₹ 900 received from Tamil Nadu plus ₹900 CGST already collected from Mr. A in first intra – state supply.

Statement showing net tax liability of Mr. H and revenue to the government.

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
Mr. H to	30,000	2700	2700	NIL	IGST credited

Mr. S Less: ITC		(2700)	(450)	(3150)	first adjusted against IGST and next CGST and next SGST
Net liability of Mr. H		NIL	2250	NIL	

Since Mr. H, a dealer has used IGST of ₹ 450 to pay the SGST of Telangana state, the centre has to transfer ₹450 to the Telangana state (i.e. importing state)

Net Revenue to Telangana state ₹2700 (i.e. ₹ 2250+ ₹450)

Net Revenue to the centre ₹2700 (₹3150-₹450)

Total Revenue to the Government ₹5400 (₹30000*18%)

This is called as one Nation One Tax

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