

IMPORTANT GST UPDATES



Issued in case of Resonance Edventures Limited by AAAR Rajasthan
RAJ/AAAR/03/2023-24 | Date: 23-11-2023

Ruling

Coaching Service with Goods is Composite Supply and not Mixed Supply.

Observations & Findings

Resonance Edventures Limited (REL), a company specializing in coaching students for engineering and medical entrance exams, sought an advance ruling to clarify the tax classification of its services. The company delivered coaching services through a network of partners, bundling study materials, uniforms, and bags into a lump-sum fee. The pivotal question was whether this constituted a mixed supply or a composite supply under the Goods and Services Tax laws.

The Rajasthan Authority for Advance Ruling (AAR), in its order dated 28-12-2021, determined that REL's services were a mixed supply subject to the GST rate of 18%. The AAR concluded that the provided goods (printed material, uniforms, bags, etc.) could be supplied separately and were not interdependent, meeting the criteria for a mixed supply.

Disagreeing with this ruling, REL filed an appeal before the Appellate Authority for Advance Ruling (AAAR) in Rajasthan. The contention was that the supply should be treated as a composite supply rather than a mixed supply. REL argued that the coaching services and the provided goods were inherently bundled, forming a composite supply. To support their claim, they referenced a previous ruling by the AAR Rajasthan in a similar case (Symmetric Infrastructure Private Limited) that favoured their interpretation.

After a thorough examination of the facts and legal provisions, the AAAR Rajasthan overturned the AAR's decision. The AAAR held the following:

- **Nature of Supply:** The AAAR clarified that the supply of coaching services by REL, along with goods like printed material, uniforms, bags, etc., constitutes a composite supply. The coaching services were deemed the principal supply, and the other goods were considered ancillary and integral for the effective provision of coaching.
- **Business Practices:** The AAAR took into account prevalent business practices in the coaching industry, highlighting that it is customary to offer coaching services along with a student kit, including study materials and related items. This industry norm supported the contention that the supply was a naturally bundled composite supply.
- **Inconsistency in AAR Decisions:** The AAAR noted the inconsistency in the AAR's decisions on similar cases and emphasized the need for a consistent interpretation of the law and business practices in the relevant industry to avoid confusion among taxpayers.