

Coaching Institute cannot deposit Goods & Services Tax (GST) on individual items basis for the supply of notebooks, t-shirts, bags, sweat shirts, etc. to students along with coaching service, Central Board of Indirect Taxes & Customs (CBIC) has clarified.

“These types of bundled services fall under the category of ‘Composite Supply’ and attract 18 per cent GST,” CBIC Chairman Vivek Johri said in a weekly communication to officers and staff of the indirect tax body.

A composite supply means a supply made by 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. Rate on principal supply will be rate for entire supply. Here, the coaching service is principal supply.

This observation has been made after the Alwar (Rajasthan) CGST Commissionerate detected a modus operandi relating to short payment of GST on composite supply of commercial training or coaching services along with goods such as school bag, notebooks, t-shirts, sweat shirts, umbrellas, etc. to their students.

While the students were charged a lump sum amount for these services/goods, the tax was deposited on individual supplies of bags, notebooks etc, Johri noted and made it clear that such a supply would be a composite supply. An amount of ₹3.6 crore was recovered in the case.

In the case of taxes paid on individual item basis, notebooks attract GST at the rate of 12 per cent, while t-shirts and sweat shirts attract levy at the rate of 5 per cent (in case maximum retail price is less than ₹1,000) and 12 per cent (in case maximum retail price is over ₹1,000). Rate for umbrella is 12 per cent.