

### **18% GST applicable on the supply of Printed Leaflet on own paper and materials**

The AAR, Tamil Nadu in the matter of *M/s. the Coronation Arts Crafts [Order No.19/ARA/2022 dated May 31, 2022]* has held that the supply of printed leaflets on paper and materials of the Supplier of the content provided by the Recipient is a composite supply as defined under Section 2(30) of the Central Goods and Services Tax Act, 2017 (“**the CGST Act**”) with 'Supply of service of printing' as the principal supply with the 18% applicable GST rate.

#### **Facts:**

M/s. the Coronation Arts Crafts (“**the Applicant**” /”**the Supplier**”) is the manufacturer and supplier of printed leaflet product to M/s. Hindustan latex Ltd (“**the Recipient**”), a Government of India enterprise, by using their paper and ink, who in turn supplies the leaflet product along with their own manufactured product. The leaflet product is supplied by the Applicant to the Recipient charging 12% of the Integrated Goods and Services Tax (“**the IGST**”) classifying the supply under SAC Heading 9989. It was informed that some other suppliers are supplying such printed leaflet product charging 5% IGST classifying the same as supply of goods under Chapter Heading 4901 of the Customs Tariff Act, 1975 (“**the Customs Tariff Act**”).

The Applicant contented that, the supply of printed leaflet constitutes as a mixed supply. Further, relied on the *Circular No. 11/11/2017-GST dated October 20, 2017* (“**the Circular**”) issued w.r.t. the clarifications on taxability of printing contracts.

#### **Issues:**

- Whether manufacturing and supply of printed leaflet product on the physical input owned by the Applicant and the printing content supplied by the Recipient is classifiable as supply of goods or supply of services under the CGST Act?
- What is the applicable GST rate on supply of such printed leaflet products by the Applicant?

**Held:**

The AAR, Tamil Nadu in ***Order No.19/ARA/2022 dated May 31, 2022*** held as under:

- Noted that, the Applicant undertakes the printing of the leaflets using its own paper and ink and supplies the printed leaflets wherein, the Recipient gives the content for printing. Thus, the supply is a composite supply consisting of printing service along with the supply of Paper in the form of printed leaflets. as per the definition at Section 2(30) of the CGST Act.
- Opined that, the nature of the physical inputs is transformed with the printing activities and without the printing, the final product cannot be used as a leaflets. Thus, the predominant activity is printing the contents in the required tangible inputs sourced by the Applicant as per the requirement of the Recipient. Hence, the principal supply in the considered transaction is 'Supply of Service'.
- Observed that, parameters for the supply of printed articles has been clarified in the Circular wherein, the classification of supply of printed articles the predominance element play an important role in the determination of classification as supply of goods or as supply of service.
- Stated that, as per the clarification in the Circular, printed leaflet predominance is to convey the message in the leaflet which is supplied by the Recipient. Therefore, the supply of printed leaflet product is rightly classifiable as supply of service under SAC heading 9989 attracting 18% GST.

- Held that, the printing of content provided by the Recipient on the paper and materials of the Applicant and supply of such printed leaflets to the Recipient is a composite supply as defined under Section 2(30) of the CGST Act with 'Supply of service of printing' as the principal supply.
- Further held that, the activity of printing on the Applicant's own material is classifiable under SAC 9989 (i.e. 'Other Manufacturing Services; Publishing, Printing and reproduction Services; materials recovery services') with 18% applicable GST rate as per Sl. No. 27 of the **Notification No. 11/2017-Central Tax (Rate) dated June 28, 2017** ("the Services Rate Notification").

**Relevant Provisions:**

**Section 2(30) of the CGST Act:**

*“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.”*

**Section 2(90) of the CGST Act:**

*“Principal supply” means the supply of goods or services which constitutes the predominant element of a composite supply.”*

**Sl. No. 27 of the Services Rate Notification:**

<b>“Sl. No.</b>	<b>Chapter, Section or Heading</b>	<b>Description of Service</b>	<b>Rate (per cent.)</b>	<b>Condition</b>
27	<b>Heading 9989</b>	Other manufacturing services; publishing, printing and reproduction services; material recovery services	9	-“

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