Lindstrom Services India Private Limited

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-43/2018-19/B-115, Mumbai, dated 15.09.2018 (date partly h… Dated **15.09.2018**

Q Questions Before the Authority

- What is the classification of the activities/transactions carried out by the Applicant Company as mentioned in the statement of facts? In particular, do the activities of renting workwear qualify as 'transfer of right to use' goods under entry 5(f) of Schedule II of the CGST Act, or alternatively as 'transfer of right in goods' under entry 1(b) of Schedule II?
- What is the nature of the supply of renting workwear along with other services such as transportation and weekly washing for a single consideration? In particular, does it qualify as a 'composite supply' under section 2(30), or alternatively as a 'mixed supply' under section 2(74) of the CGST Act?
- If the transaction is a composite supply, what is the principal supply under section 2(90), what is the applicable GST rate, and does the conclusion hold if renting of a locker is also provided for the same consideration?

F Facts

The Applicant is an Indian subsidiary of Lindstrom Oy, Finland, that rents industrial workwear to customers on a weekly rental under contracts of 12 months or longer. For the same consideration, it provides ancillary services such as transport of workwear, weekly washing, maintenance, repair and finishing, and charges separately for optional services such as lockers, logo stitching, modification and replacement. Ownership of the workwear remains with the Applicant throughout the contract, and the customer uses it under the contract terms.

H Ruling

Q1: Classification of renting of workwear (transfer of right to use under entry 5(f) or transfer of right in goods under entry 1(b), Schedule II, CGST Act)	****Transfer of right to use** goods under entry 5(f) of Schedule II; treated as a supply of services**	The Authority relied on the contract terms (Applicant retains ownership and exclusive right to wash and service; customer has exclusive use for the contract period) and on the G.S. Lamba & Sons (AP High Court) decision. The alternative entry 1(b) was not separately decided.
Q2: Nature of the bundled supply of workwear rental with transport, weekly washing and other ancillary services for a single consideration (composite or mixed supply)	****Mixed supply** under section 2(74); not a composite supply under section 2(30)**	Ancillary services such as washing, maintenance and transport are standalone and normally available separately from other providers. Washing services were earlier supplied to a customer separately. Single invoice and single price satisfy the mixed-supply test.
Q3: Principal supply, applicable GST rate, and effect of an additional locker rental, if the supply were composite	**Not answered**	The Authority stated that the question was not required to be answered in view of the answers to questions 1 and 2. In its observations it said that the highest rate among the constituent supplies would apply to a mixed supply, but no rate was specified.

The Authority held that renting of workwear is a transfer of the right to use goods and so a supply of services

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

under entry 5(f) of Schedule II. It held that the renting together with ancillary services for a single consideration is not a composite supply, because the ancillary services are standalone and not naturally bundled in the ordinary course of business. It therefore classified the bundle as a mixed supply under section 2(74). The Authority did not answer question 3, since it was rendered unnecessary by the answers to questions 1 and 2.

R Reasoning

The Authority treated the ownership-retained, exclusive-use structure of the workwear contracts as a transfer of the right to use goods, which placed the rental within entry 5(f). On composite supply, it applied the section 2(30) test of natural bundling in the ordinary course of business, drawing on the CBEC Education Guide 2012 indicators. It found that the ancillary services were independent standalone services that many providers offer, and that the customer was effectively compelled to take them under the agreement, so the bundle failed the test. Having ruled out composite supply, it classified the single-price bundle as a mixed supply under section 2(74).

P Provisions Relied On

- Section 2(30) of the CGST Act, 2017 (composite supply)
- Section 2(74) of the CGST Act, 2017 (mixed supply)
- Section 2(90) of the CGST Act, 2017 (principal supply), referred to in the questions only
- Section 8 of the CGST Act, 2017 (referred to in the submissions; not relied on in the Authority's reasoning)
- Entry 5(f) of Schedule II to the CGST Act, 2017 (transfer of right to use goods)
- Entry 1(b) of Schedule II to the CGST Act, 2017 (transfer of right in goods), considered as an alternative
- Sections 97 and 98 of the CGST Act and MGST Act, 2017 (advance ruling)
- CBEC Education Guide on Taxation of Services, 2012 (indicators of naturally bundled services)
- G.S. Lamba & Sons v. State of Andhra Pradesh, 43 VST 323 (AP) (relied on for transfer of right to use)

! For the Practitioner

The order is useful for workwear and uniform rental businesses because it confirms that rental with retained ownership and exclusive use is a transfer of the right to use under entry 5(f), and that rental bundled with independently available services for one price is a mixed supply, not a composite supply. It does not decide the GST rate, the principal supply, or the effect of locker rental, since question 3 was not answered. Its mixed-supply reasoning rests on the facts that the ancillary services were standalone and invoiced together, so a practitioner should check whether a similar contract structure is in place before relying on it.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> maha-gst-ara-43-b-115_dt._15.09.18_lsipl.pdf

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