M/s. Aditya Birla Nuvo Limited (Grasim Industries Limited), Halol, ABI, Panchmahal, Gujarat. GSTIN 24170000052AR9

Authority for Advance Ruling — Gujarat

ADVANCE RULING NO. GUJ/GAAR/R/2018/05 (In Application No. Advan… Dated **04.03.2019**

Q Questions Before the Authority

- Whether the ex-works price plus freight and insurance is to be treated as a composite supply.
- Whether showing and charging the freight and insurance portion separately in the invoice would attract GST.
- If no GST is chargeable on the separately shown freight and insurance, whether the applicant can follow two different tax treatments, paying GST on freight for some customers and not for others (the Power Grid contract).
- Whether the inclusion of incidental expenses in section 15(2) encompasses freight and insurance reimbursed by the buyer on a pre-contracted fixed per-unit freight basis rather than actual cost.

F Facts

The applicant supplies goods (insulators) on an ex-works basis under a contract with Power Grid Corporation of India Ltd. The contract price includes local transportation and insurance, which the applicant arranges and which the buyer reimburses at a pre-contracted fixed freight rate per unit, not at actual cost. The buyer has refused to pay GST on the freight and insurance element, while other state electricity boards have agreed to pay it.

H Ruling

Q1: Ex-works plus freight and insurance treated as a composite supply?	**Yes. Supply of principal goods along with freight and insurance is a composite supply under section 2(30) of the CGST Act, 2017.**	Based on the illustration to section 2(30) and CBEC Flyer No. 4, the ex-works goods are the principal supply.
Q2: Showing and charging freight and insurance separately in the invoice attracts GST?	**GST is chargeable.**	There cannot be different tax treatments for supplies of goods or services that are naturally bundled together.
Q3: Whether two different tax treatments are possible if no GST is chargeable on the separately shown freight.	**Not applicable, because GST is chargeable.**	The question was conditional on the answer to Q2, so the authority did not decide it.

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

Q4: Does the section 15(2) incidental expenses inclusion cover freight and insurance reimbursed on a pre-contracted fixed per-unit basis?	**Where the pre-contracted fixed freight differs from actual cost, the higher of the two values is included in the value of the composite supply.**	The order reasons that GST is applied on supply, so where there are two values the higher one is taxed.

The authority held that the supply of the principal goods together with freight and insurance is a **composite supply** under section 2(30) of the CGST Act, 2017, so the freight and insurance follow the tax treatment of the principal supply. Showing the freight and insurance separately in the invoice does not change this, and GST is chargeable on that element. Where the pre-contracted fixed freight differs from the actual freight cost, the **higher of the two values** is to be included in the value of the composite supply.

R Reasoning

The authority read the illustration to section 2(30) of the CGST Act, which treats goods packed and transported with insurance as a composite supply with the goods as principal supply. It relied on CBEC Flyer No. 4 dated 01.01.2018 for the test that ancillary services which help in the enjoyment of the main supply form a naturally bundled package, and for the rule that a composite supply is treated as the principal supply. It then applied section 15(2)(a) to (c), which include charges by the supplier for incidental expenses and anything done before delivery, to hold that the freight and insurance form part of the taxable value. The higher-of-two-values reasoning appears to be the authority's own view on the fixed-freight versus actual-cost gap, and it is not tied to a specific provision in the order.

P Provisions Relied On

- Section 2(30) of the CGST Act, 2017 (definition of composite supply, with illustration)
- Section 15(2)(a), (b), (c) of the CGST Act, 2017 (inclusions in value of supply)
- CBEC Flyer No. 4 dated 01.01.2018 (indicators of composite supply; determination of tax liability of composite supplies)
- Section 97(2)(g) of the CGST/GGST Act, 2017 (question admitted for ruling)
- Gujarat Goods and Services Tax Act, 2017 (referred to in para 6.5, not separately analysed)

! For the Practitioner

This order helps a supplier who sells goods on an ex-works basis and arranges and invoices freight and insurance, as it supports charging GST on the whole bundle as a composite supply with the goods as principal. It does not decide whether freight could instead be treated as a pure agent reimbursement, which the applicant had raised, and it does not address reverse charge liability. The ruling binds only the applicant, and the higher-of-two-values answer on Q4 rests on the authority's own reasoning rather than a cited provision, so it should be checked against the full order before reliance.

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 -> guj_aar_05-2019_grasim_aditya_04.03.2019_0.pdf

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