

MAHARASHTRA AUTHORITY FOR ADVANCE RULING

(Constituted under section 96 of the Maharashtra Goods and Services Tax Act, 2017)

BEFORE THE BENCH OF

(1) Shri B. V. Borhade, Joint Commissioner of State Tax, (Member)

(2) Shri Pankaj Kumar, Joint Commissioner of Central Tax, (Member)

GSTIN Number, if any/ User-id		27AABCL3355R1ZZ
Legal Name of Applicant		Lindstrom Services India Private Limited
Registered Address/Address provided while obtaining user id		Plot No. A-323, Mahape, M.I.D.C, T.T.C Industrial area, Near Mahape Bus Depot, Navi Mumbai, Maharashtra 400710
Details of application		GST-ARA, Application No. 43 Dated 20.06.2018
Concerned officer		Asstt. Commr. Of CGST & Central Excise, Belapur - IV, Division.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Service Provision
B	Description (in brief)	<p>1. Lindstrom Services India Private Limited ('Lindstrom India' or 'Applicant Company') is an Indian company incorporated under Companies Act in the year 2007 in New Delhi, Lindstrom India is a subsidiary of "Lindstrom Oy", having head office at Helsinki, Finland which is engaged in renting of workwear, mat services, protective equipment, hygiene, restaurant textile and shop towel services in Europe and Asia, Notwithstanding the large scale of activities carried out by the parent entity (i.e. Lindstrom Oy), the Applicant Company (i.e. Lindstrom India) is engaged in limited range of business functions which are</p> <p>(i) renting of work wear (such as coats and suits used by doctors or uniform used by factory workers etc.) to its customers along with other support services such as washing, maintenance and repair of the workwear provided to the customers and</p> <p>(ii) Other optional services such as locker facility, modification and changes, sales of logos etc. for the workwear to its customers on need basis.</p>
Issue/s on which advance ruling required		<p>i. classification of goods and/or services or both</p> <p>vii. whether any particular thing done by the Applicant with respect to any goods and/or services or both amounts to or results in a supply of goods and/or services or both, within the meaning of that term</p>
Question(s) on which advance ruling is required		As reproduced in para 01 of the Proceedings below.

PROCEEDINGS

(Under section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

The present application has been filed under section 97 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017 [hereinafter referred to as "the CGST Act and MGST Act"] by Lindstrom Services India Private Limited, the applicant, seeking an advance ruling in respect of the following questions.

1. What is the classification of the activities transactions carried out by the Applicant Company as mentioned in the statement of facts (Annexure-I). In particular,

- Do these activities / transactions of renting of workwear qualify as "transfer of right to use" of goods (i.e. workwear) by the Applicant Company to its customers in terms of entry 5 (f) of Schedule II of Central Goods and Services Act, 2017 ('CGST Act')?
 - Alternatively, do these activities transactions qualify as "transfer of right in goods" in terms of entry 1 (b) of Schedule II of CGST Act?
2. What is the nature of the supply based on the facts and circumstances as mentioned in statement of facts (Annexure-I) i, e., renting of workwear along with other services such as transportation, weekly washing etc. for a single consideration? In particular,
- Does this supply qualify as "composite supply" as per section 2 (30) of CGST Act?
 - Alternatively, does this supply constitute a "mixed supply" under section 2 (74) of CGST Act?
3. In the event the answer to question (2) above is that the transaction undertaken by the Applicant Company qualifies as 'composite supply',
- (i) What will be the "principle supply" for the purpose of section 2 (90) of CGST Act?
 - (ii) What will the applicable rate of GST?
 - (iii) Whether the conclusion (i.e. the transaction is a 'composite supply') will remain the same if in addition to the services covered in question no. 2 above Applicant Company also provides additional service of renting of locker as part of the same consideration?

At the outset, we would like to make it clear that the provisions of both the CGST Act and the MGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provision under the MGST Act. Further to the earlier, henceforth for the purposes of this Advance Ruling, a reference to such a similar provision under the CGST Act/MGST Act would be mentioned as being under the "GST Act".



FACTS AND CONTENTION - AS PER THE APPLICANT

The submissions, as reproduced verbatim, could be seen thus-

STATEMENT OF FACTS

Background

3. Lindstrom Services India Private Limited ('Lindstrom India' or 'Applicant Company') is an Indian company incorporated under Companies Act in the year 2007 in New Delhi, Lindstrom India is a subsidiary of "Lindstrom Oy", having head office at Helsinki, Finland which is engaged in renting of workwear, mat services, protective equipment, hygiene, restaurant textile and shop towel services in Europe and Asia, Notwithstanding the large scale of activities carried out by the parent entity (i.e. Lindstrom Oy), the Applicant Company (i.e. Lindstrom India) is engaged in limited range of business functions which are (i) renting of work wear (such as coats and suits used by doctors or uniform used by factory workers etc.) to its customers along with other support services such as washing, maintenance and repair of the workwear provided to the customers and (ii) other optional services such as locker facility, modification and changes, sales of logos etc. for the workwear to its customers on need basis.
4. At present, the Applicant Company has operations in multiple locations in India i.e. Faridabad, Panchkula (Haryana), Mumbai, Pune (Maharashtra), Hyderabad (Telangana), Vishakhapatnam (Andhra Pradesh), Chennai (Tamil Nadu), Kolkata (West Bengal), Bangalore (Karnataka), Tinsukia (Assam) and Vadodara (Gujarat).

Towards carrying out the aforesaid activities, the Applicant Company enters into agreements with its customers for leasing / renting of workwear and services ancillary to the renting of workwear such as transportation, weekly cleaning and repairs etc. of the workwear and other optional services such as lockers, modification etc.

5. Broad types of activities carried out by the Applicant are as follows:

Sr. No.	Type of activities carried out by the Applicant	Remuneration structure
1	Renting of workwear	1. Weekly rental is charged for renting of work wear and ancillary services.
2	Services ancillary to renting of workwear such as transport of work wear, weekly cleaning, maintenance, repairs and finishing	2. Additional fees is charged
3	Additional services such as renting of locker(s), modification work, sales of logo(s) and badges etc.	For any additional services performed by Lindstrom India on the work wear.

B. Nature of activities undertaken by the Applicant Company

4. The Applicant Company is primarily engaged in the business of renting of workwear to its customers. Lindstrom India along with providing the workwear on rent also provides other services which are ancillary to renting of workwear such as weekly washing, cleaning, maintenance and repair(s) and replacement of workwear due to normal wear and tear. Lindstrom India is charging a single consideration (i.e. weekly rental) for these activities.
5. Apart from the services mentioned above Lindstrom India is engaged in providing other additional services to its customer on request of the customer and includes services such as (i) renting of locker, sales of logo(s) and nametag(s) and modification to the workwear etc. as per customer(s) specification. Lindstrom India charges separate consideration for any additional service provided to the customer.
6. It is noteworthy that renting of workwear are usually long-term i.e. perpetual or for 12 months period and the same may be extended as per the mutual consent of the parties involved. It is also noteworthy that in the event of termination of the agreement between the customer and Lindstrom India, the customer will be liable to purchase all the garments that have been in use and the stock maintained for him.
7. In the below paragraphs we have discussed the business activities of the Applicant Company in detail.

B.1 Renting/leasing of workwear and other ancillary services provided for a single consideration

8. Renting of workwear is the main/primary business activity undertaken by Lindstrom India. Lindstrom India provides workwear on rent to its customer against weekly rental on per product (workwear) as per the price agreed between the parties.
9. The arrangement between Lindstrom India and its customer is based on the number of products to be acquired by the former for its customer. Therefore, in order to know the number of products required to be rented Lindstrom India before making first delivery of workwear arranges for the measurements and fittings of personnel of its customer (who are the eventual users such workwear) so as to determine the number of workwear required by the customer. Based on the requirement, Lindstrom India charges weekly rental on the basis of number of workwear rented.

10. Servicing, packing and transportation of the leased workwear:

- a. Servicing, packing and transportation of the rented workwear is provided to its customer with packing and transportation equipment's such as trolleys, transport bags etc. These equipment's are to be used by the customers for specified purpose of packing and transportation of the workwear. These equipment's are to be returned back to Lindstrom by the customer on termination of the agreement.
- b. Lindstrom India is also providing services of weekly servicing of the workwear to its customer. Servicing of workwear includes washing, inspection, finishing and minor repairs of the workwear. Lindstrom India and its customer agree to workwear to a collection point which is in agreement of both the parties at a schedule time on weekly basis. In case after servicing of the workwear they are found to be not of the quality standards of Lindstrom India, Lindstrom India replaces such workwear

Note No. 1: - For the activities mentioned above in para B.1 Lindstrom India charges a single consideration from its customer on weekly basis.

Note No. 2: - In some other agreements Lindstrom India may also provide additional service of renting of locker as part of the service for a single consideration. Renting of lockers has been discussed in detail in point no. 11(a) of para B.2 below.

B.2 Optional services provided by the Applicant Company for separate consideration

11. Lindstrom India also provides certain optional services to its customers apart from the services mentioned in para B.1 above. Lindstrom India is charging separate additional consideration for these optional services as per the price chart of Lindstrom India. The optional services provided by Lindstrom India are described as follows:

- a. Locker facility to the customer: Lindstrom India provides locker facility to its customer to keep the workwear safe in the lockers after their daily usage. Lockers are being deployed at the location of the customer by Lindstrom India. Lindstrom India charges a weekly additional price for providing locker facility to its customer.
- b. Sales of logo / badges: Lindstrom India provides services of stitching the logo of the customers on the workwear, Logos are purchased by Lindstrom India and are stitched to the workwear rented to the customer. For attaching the customer's logo on the workwear, the Applicant Company charges a fixed amount from the client.
- c. Replacement/exchange of the workwear: In case the workwear provided to the customer become unfit for use due to normal wear and tear or customer wants to replace the workwear originally rented to him against a new collection of workwear having new improved design, Lindstrom India on the request of the customer replaces/exchanges such workwear.

Lindstrom India charges redemption price from its customer for replacement of workwear. Price to be charged for such replacement keeping in mind the age of the workwear provided to the customer.

- d. Modification of workwear: Lindstrom India offers services of modifications of workwear to its customer such as adding extra pockets to the garments, shortening of sleeves, addition of extra push buttons on the garments etc. alteration and modifications are done as per the specific requirement of customer. Alteration/modification are chargeable additional price from the customer.

- e. Reimbursement of workwear: In certain circumstances, workwear rented to customers may become unfit to be leased/rented or lost by customers. In such cases, as per the reimbursement policy, customer is required to compensate to Lindstrom India as per reimbursement and redemption prices. Reimbursement principles of Lindstrom India is as follows:

"Reimbursement Principles:

If there is exceptional lot of wear and tear in the work wear and it cannot be leased forward or the work wear has been lost by the customer while at his disposal, the customer shall compensate for the work wear in accordance with the price list valid at a given time, and the age of the work wear shall be used as the compensation criteria. Decision of work wear reimbursement is made by Lindstrom. Reasons for reimbursement:

- Product is damaged or destroyed due to negligence.
- Product is taken out of use, for instance, due to permanent glue or paint stains or exceptionally quick wear.
- Product is lost while in the customer's possession.
- Product returned to the warehouse has undergone modifications requested by the customer, due to which it cannot be returned to its original form.
- Product returned to the warehouse cannot be rented further because of its condition"

- f. Changing number of garments: Customer may increase or decrease the number originally rented. The agreed number of workwear can be either be increased by placing additional order with the Applicant Company or decreased by returning the excess garments. In case, the service volume leased from the Applicant Company is reduced by more than 30% from the highest volume of the past 6 months, customer will be required to pay compensation to Lindstrom India in accordance with redemption policy.

- g. In the above para we have explained/covered different types of business activities entered by the Applicant Company for your reference and/or understanding of the business of the Applicant Company. It is specifically omitted that the explanation of the activities above is for the purpose of giving to this Hon'ble Authority a holistic view of the business of the Applicant Company. However the Applicant Company is only seeking advance ruling for the following two scenarios i.e. (a). The services covered under B.1 above and (b). Additionally in the case



where locker facility as covered in Para 13 (a) above is provided to customers as part of the ancillary services covered in Para B.1 for a single consideration.

Statement containing the applicant's interpretation of law and/or facts, as the case may be, in respect of the aforesaid question(s) (i.e. applicant's view point and submissions on issues on which the advance ruling is sought).

Applicant Company's interpretation of law

1. The Applicant Company submits the following amongst such other grounds that may be urged at the time of hearing of this application before this Hon'ble Authority. The Applicant Company craves leave to add, alter or amend all or any of the submissions mentioned above and to lead such oral and/or documentary evidence as may be considered necessary.

Eligibility to file application for Advance ruling

2. In the present case, since the advance ruling is sought by the Applicant Company for the question covered by Section 97 and Section 98 of the CGST Act and MGST Act and also the said question is not pending or deiced elsewhere in the case of Applicant Company, it is submitted that the Applicant Company is eligible to file advance ruling and the instant application is admissible.

Transaction carried out by the Applicant Company in relation to renting of workwear amounts to "transfer of right to use" of goods

3. The expression "transfer of right to use" has been employed in Article 366(29A) of the Constitution of India and also under the erstwhile Value Added Tax legislations and under the provisions of the Finance Act, 1994 (in so far as they are relevant for 'Service Tax' purposes). Thus the expression "transfer of right to use" goods is well understood in law and has attained a specific meaning as evident from the judicial opinions referred in the subsequent paragraphs below.
4. As per the principles laid down by Honorable Supreme Court in the case of Bharat Sanchar Nigam Limited vs Union of India [2006 (2) STR 161 SC], State of Andhra Pradesh vs. Rashtriya Ispat Nigam Ltd. [Judgement date 6/2/2002 in Civil Appeal no. 31 of 1991] and M/s G S Lamba & Sons vs. State of Andhra Pradesh (Judgment date 28/01/2011), 'transfer of right to use' of goods involves transfer of possession and effective control over such goods. Here, renting of workwear amounts to 'transfer of right to use' on account of transfer of right to possession and effective control in the workwear by the Applicant Company to the customers, as evidenced by the clauses of the agreement.



7. Based on above legal provisions, the Applicant Company respectfully submits that the services of renting of workwear provided by it amounts to 'transfer of right to use of the workwear to respective customers, which activity / transaction is covered under entry 5 (f) of the schedule II of the CGST Act. This submission of the Applicant Company is based inter alia on following factual aspects:

- (a) Ownership of the workwear remains with the Applicant Company throughout the contract but effective control and possession is transferred to respective customers,
 - (b) The Applicant Company has exclusive right to wash and maintain the workwear and maintaining inventory of workwear because the subject workwear are industrial products prepared based on specifications prescribed by each customer and needs to be washed and serviced industrially,
 - (c) Each workwear is designed and prepared specifically for a customer based on the desired specifications and size and in case of any cancellation or alteration that particular workwear cannot be sold to another customer.
 - (d) During the possession of the workwear, the customer have exclusive rights to enjoy and use the workwear as per their requirements and desire and the Applicant Company has no right to prescribe any restrictions or limitations on enjoyment of the workwear by customers. The Applicant Company does not have rights to prescribe any manner, method or modalities of use of the workwear to the customers. Throughout the agreement tenure, the title of workwear remains with Lindstrom India.
8. Furthermore, the Applicant Company submits that the below table illustrating whether the activities of Lindstrom India satisfies the conditions set forth by the Hon'ble Supreme court in the BSNL case (supra) as a test to determine 'transfer of right to use':

Sr No.	Conditions to be satisfied	Conformity by Applicant
1	Goods should be available for delivery	Yes. The workwear is available for delivery to customers
2	There must be consensus ad idem as to the identity of the goods	Yes. The customer and the Applicant Company are aware of goods (being workwear), which are separately identifiable
3	The transferee should have a legal right to use goods	Yes. The customers have sole legal right to use the goods
4	For the period for which the transferee has legal right, it has the to be the exclusion of transferor	Yes. During the period such work wear are supplied by Applicant Company to the customers, such work wear can be exclusively used by the customers and the Applicant Company has no legal right over the workwear.
5	Owner cannot again transfer the same right to others	Yes. During the term of the agreement the workwear cannot be transferred by Applicant Company to any other person as such workwear are stitched as per fitting of respective employees and therefore cannot be transferred by Applicant Company to any other person.

9. We have elaborated "transfer of right to use" goods in the foregoing paragraphs to submit that the Applicant Company is fulfilling the conditions which were set as a precedent in the judgments to qualify its activities as transfer of right to use goods. This is imperative in view of the fact that the effective control and possession of the workwear is exercised by the customer even though the ownership of the workwear until termination remains with the Lindstrom India.
10. In light of the above, the Applicant Company interprets that leasing/renting of workwear by Lindstrom India fulfills the conditions as laid down by the Hon'ble Supreme court to determine 'transfer of right to use'. Therefore, renting of workwear qualifies as 'transfer of right to use' of goods.

Without prejudice to the aforesaid, the transaction in relation to workwear amounts qualifies as "supply of services" under GST laws



11. Schedule II of the CGST Act lays down the activities to be treated as supply of goods or supply of services. Entry 1 (b) and Entry 5 (f) of Schedule II of CGST Act deals with transfer of right in goods without transfer of title and transfer of right to use of goods for any purpose for a consideration respectively. In both cases, the transaction shall qualify as supply of services. Relevant portion has been reproduced below:

"Schedule II- Activities to be treated as supply of goods or supply of service

1. Transfer

(b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of service

5. Supply of services

(f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration."

12. Without prejudice to the aforesaid submissions, it is submitted that even if it is assumed for the sake of argument that the transaction undertaken by the Applicant Company falls short of amounting to 'transfer of right to use' of goods, still in the respectful submission of the Applicant Company no legal consequences follow and same tax implications arise under GST legislations as the transaction would nonetheless qualify as "transfer of right in goods".
13. It is submitted that it cannot be denied that the Applicant Company is indeed transferring some rights in goods (i.e. Workwear) to its customers. It is only on account of this transfer of right, which inter alia relate to use and enjoyment of the workwear, that the customer is in a position to exercise possession and control over the workwear. Further, the Applicant Company is transferring the legal right to use the goods to its customer and during the period of agreement the same goods cannot be transferred to some other person.
14. It is submitted that the Applicant Company, on the request of its customer, specifically marks the goods with their respective logos / badges. Therefore, the goods are separately identifiable.

15. Therefore, conferment by Applicant Company of rights to the customers to possess, control, use and in other identified ways enjoy workwear will qualify as 'transfer of right to use' of goods under Entry 5 (f) of Schedule II of CGST Act. Thus, in terms of Entry 5 (f), this transaction will also be considered as supply of service under GST laws. Even if the transaction do not qualify as 'transfer of right to use' of goods it shall qualify as transfer of right in goods without transfer of title, which is also treated as supply of service under GST laws.

"Composite supply" V. "Mixed Supply" under GST laws

16. The taxable event under GST law is the supply of goods and services. Classification of a supply is essential to charge the applicable rate of GST on a particular supply. On a few occasions, certain transactions require supply of a combination of services or combination of goods or combination of both goods and services that maybe taxed at different GST rates.
17. In view of the above, GST laws require that such supplies should be classified as either a 'composite supply' or a 'mixed supply'.

Composite Supply

18. As per Section 2 (30) of CGST Act, "Composite supply" has been defined as follows:

"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;"

19. In order to qualify as a composite supply following conditions are to be met:

- The supplies are naturally bundled;
- Supplied in conjunction with each other; and
- Supplied in the ordinary course of business.

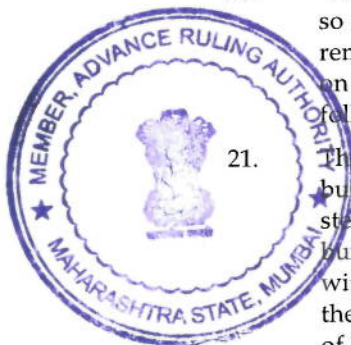
20. Thus, to qualify as a composite supply, it needs to be analyzed whether the supply of services are so naturally bundled that the supply of said goods and services cannot be made separately or removal of any one or more supplies would render the entire supply ineffective. The discussion on service which gives the bundle its essential character and whether services cannot be separated follows.

21. The concept of composite supply as envisaged under GST laws is identical to the concept of bundled services existing under the erstwhile service tax regime. The term naturally bundled stems from the erstwhile service tax regime. As per service tax laws, a bundled service means a bundle of provision of various services wherein an element of provision of one service is combined with an element or elements of provision of any other service or services. In order to understand the concept and the principles to determine bundled services, reliance has been placed on Taxation of Services, an Education Guide 2012, dated 20 June 2012 issued by the Central Board of Excise & Customs ('Education Guide'). As per the Education guide, an illustrative list of indicators, not determinative but indicative of bundling of services in the ordinary course of business, are:

- Whether there is a single price or the customer pays the same amount, no matter how much of the package they actually receive or use;
- The elements are normally advertised as a package;
- The different elements are not available separately;
- The different elements are integral to one overall supply - if one or more is removed, the nature of the supply would be affected.

22. Services bundled in the ordinary course of business would depend upon the normal or frequent practices followed in the area of business to which services relate. Illustrative indicators of bundled in the ordinary course of business are as follows:

- a. The perception of the consumer or the service receiver. If large number of service receivers of such bundle of services reasonably expect such services to be provided as a package then such a package could be treated as naturally bundled in the ordinary course of business. In case of the Applicant Company workwear are mainly used from industrial purpose and customer (s) expect that ancillary services provided by the Applicant Company are expected to be provided as a package since such workwear are industrial products and are required to be industrially washed, maintained etc. Lindstrom India is having the required machinery and techniques to carry out such industrial washing etc.



- b. Majority of service providers in a particular area of business provide similar bundle of services. For example, bundle of catering on board and transport by air is a bundle offered by a majority of airlines. Lindstrom India is the market leader in providing such services and these services are provided by Lindstrom as a package to its customers therefore this condition will automatically get fulfilled.
- c. The nature of the various services in a bundle of services will also help in determining whether the services are bundled in the ordinary course of business. If the nature of services is such that one of the services is the main service and the other services combined with such service are in the nature of incidentally or ancillary services which help in better enjoyment of a main service. For example service of stay in a hotel is often combined with a service or laundering of 3-4 items of clothing free of cost per day. Such service is an ancillary service to the provision of hotel accommodation and the resultant package would be treated as services naturally bundled in the ordinary course of business, Lindstrom India is providing renting of workwear along with the weekly washing. We understand that renting of workwear along with weekly washing and maintenance is service which is bundled in the ordinary course of business.
- d. Though there is no guidance provided by tax authorities on composite supply under GST laws (in the manner provided under erstwhile service tax laws), guidance under service tax regime may be considered for reference purpose to understand the intention of the lawmakers.

Further, in addition to above various judgments under European Union VAT laws have also clarified that a transaction comprising two supplies should be considered as supply of two or more distinct and independent supply or a single supply of service. In the case of Card Protection Plan Ltd. ("CCP") v/s Commissioner of Customs and Excise Dated 25 February 1999 [case C-349/96] CCP along with services related to its credit card operations was providing services of insurance coverage of damage resulting from loss of credit card. In the above case European court of justice ("ECJ") held that in order to determine whether the taxable person is supplying the customer with several distinct principle services or with a single service the essential features of the transaction must to ascertain. According to ECJ a supply would be considered as single supply of service where one of the element of the supply is considered as principle service and one or more element is regarded as ancillary to such principal service. A service must be regarded as ancillary to the principal service of it does not constitute for customer an aim in itself, but a means of better enjoyment of the principal service. In the case of Applicant Company also renting of workwear is the principal service provided to its customer as it the core activity of the Applicant Company for which it is approached by its customer and other ancillary services such as washing, maintenance are for the better enjoyment of principal supply of renting of workwear form an aim in itself for customer to take workwear on rent.

- e. In light of above discussions, it can be concluded that services provided by Applicant Company such as renting of workwear and other ancillary services covered in para B.1 of statement of facts above are naturally bundled services as Applicant Company is providing such services in conjunction with each other in ordinary course of business as a package and is charging a single consideration for the same. Thus, in case of services provided by the Applicant Company to customers, it appears that the core service is renting of workwear gives the bundle its essential character. Intent of the arrangement between Lindstrom India and customers is renting of workwear for industrial purpose. Supplying the various heads of services that are ancillary to the renting of workwear by Lindstrom India is with the fundamental purpose of supplying the core service of providing workwear to its customers and maintain the same as per terms of the agreement.
- f. The main/core services provided by Lindstrom India to customers appears to be of renting and maintaining of industrial workwear to customers. In other words, the aim of customers is to receive agreed number of workwear from Lindstrom India stitched and maintained as per agreed terms to be used by workers of the customers. Therefore, the renting of workwear provided by Lindstrom India appears to be bundle of services, where other additional services such as weekly washing, washing, locker facility, transportation etc. are provided in conjunction with the core service of renting of workwear to workers of the customers in useable condition. Thus, renting of workwear to customers appears to be the core service which give essential character to the bundled services.



- g. From a commercial perspective it would be more viable for customers to obtain the additional services from Lindstrom India which is inclusive of like weekly cleaning, sale of logo/badges, transportation, locker facility, maintenance and repair etc. Therefore it would be a fallacy to say that the above mentioned services are standalone services and not dependent on each other. At present, renting of workwear and additional services are supplied as a package for a single price consideration. The said single price consideration is not separated for the purpose of allocation of cost towards individual supplies made by Lindstrom India.
- h. The additional services i.e.. Weekly cleaning, sale of logo/badges, transportation, locker facility, maintenance and repair etc. are services naturally bundled with the principle supply of renting of workwear. The said services can be construed as ancillary services provided in conjunction with the principle service to render the main/ core service. However, the ancillary services are integral to one overall supply i.e. renting of workwear and cannot be separated from the main service. Therefore, the services qualify to be naturally bundled services provided in conjunction of each other they will be covered under as composite supply under Section 2 (30) of the CGST Act.

Mixed Supply

23. As per section 2(74) of the CGST "Mixed supply" has been defined as follows:

"Mixed Supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply."

A bare reading of the above definition suggests that to qualify as a mixed supply, the supplies shall be individual supplies of goods or services and not naturally bundled in the ordinary course of business. It is further essential that the said supplies shall not qualify as a composite supply.

24. The only difference between the composite supply and the mixed supply is that in case of composite supply the supplies are naturally bundled whereas in the case of mixed supply they are not naturally bundled. Therefore, if the above supplies by the Applicant Company do not form a natural bundle and are not considered as composite supply, they must be considered as mixed supply of services such as renting of workwear and other ancillary services by the Applicant Company as it involves two or more supplies of goods and services which are made in conjunction of each other and Lindstrom India is charging a single consideration for the same.

25. Taxability of transactions of Applicant Company

25. The concept of taxability of bundled service were also covered in erstwhile regime under Section 66F (3) of the Finance Act 1994 (Service Tax Act). Relevant portion is reproduced below:

The taxability of a bundled service shall be determined in the following manner:

1. *if various elements of such service are naturally bundled in the ordinary course of business, it shall be treated as provision of the single service which gives such bundle its essential character;*
2. *if various elements of such service are not naturally bundled in the ordinary course of business, it shall be treated as provision of the single service which results in highest liability of service tax*

26. Furthermore, taxability of composite supply is covered under section 8 of CGST Act. Relevant provision is reproduced below:

"Section 8 of CGST: - composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply and the whole consideration shall be leviable to GST at the rate applicable on the principal supply."

Section 2 (90) CGST: Principle supply means the supply of goods and services which constitute the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary"

27. Under GST the rate of tax applicable on transfer of right to use of goods and transfer of right in goods is covered under "Heading 9973- Leasing or rental services, with or without operator)". As per said heading in the case transfer of right to use of goods and transfer of right in goods the same the rate of tax shall be applicable as on the goods which are involved in such transfer. Lindstrom India is providing workwear on rent to its customers and it has been explained/clarified in the



para II above that renting of workwear by Lindstrom India amounts to transfer of right to use of goods being workwear/ apparel and will be a supply of service under GST. Therefore, the rate of tax applicable on the above services provided by Applicant Company would be that of goods involved in such services and in the case of the Applicant Company goods involved are clothes or apparel.

28. Further, it must be noted that rate of tax applicable on apparel/clothes is also dependent on the sales value or sales price of the goods in question which is elaborated as follows:

Goods	GST Rate
Articles of apparel and clothing accessories, knitted or crocheted, of sale value not exceeding INR 1000 per piece	5%
If exceeding INR 1000 per piece	12%
Articles of apparel and clothing accessories, not knitted or crocheted, of sale value not exceeding INR 1000 per piece	5%
If exceeding INR 1000 per piece	12%

29. Keeping in mind the above section in the present case, since the primary activity of the Lindstrom India is renting of workwear which is predominant element of the services provided by Lindstrom India to its customers and other services provided along with renting of workwear for a weekly consideration (rental) are ancillary supplies. Therefore, the principal supply of the composite supply in the case of Applicant Company should be renting of workwear and the rate as applicable on renting of workwear shall apply on the services provided by the Applicant Company which has been clarified in above points i.e. the service of renting of workwear by the Applicant Company is a transfer of right to use of goods i.e. Workwear by the Applicant Company and the rate applicable on such services will be same as applicable on such workwear/apparel keeping in mind the sales value which is less than INR 1000 in the case of Applicant Company. Therefore, the rate of tax applicable on services provided by Applicant Company should be 5% not 12%.

In case the above supplies by the Applicant company are not mixed supply of services, the taxability of the of such mixed supply of services is covered under section 8 of CGST Act and the relevant portion is reproduced as follows:

a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax"

Therefore, in case the transaction of (a). Renting of workwear along with other ancillary services mentioned in Para B.1 or (b) Renting of workwear along with ancillary services and locker facility to its customer by the Applicant company for a single consideration is considered as mixed supply of services under GST, entire bundle of services shall be deemed to be against supply of service which attracts the highest rate of tax and accordingly the whole consideration shall become chargeable to GST at such highest rate.

PRAYER

In view of the foregoing, it is prayed that this Hon'ble Authority be pleased to hold, adjudge and declare its ruling on the matters covered as follows:

1. That the transfer of the workwear to its customer by the Applicant Company amounts to transfer of right to use goods;
2. That the services provided by the Applicant Company is composite supply under GST Laws;
3. That the principle supply of above mentioned composite supply is renting of workwear;
4. That in case locker facility is provided along with renting of workwear and other ancillary services for a single consideration it will be composite supply under GST;
5. Grant of personal hearing to the Applicant Company (either with or through an authorized representative).
6. Permit the Applicant Company to file further / additional submissions in these proceedings; and
7. Pass such other order this Hon'ble Authority may feel appropriate in the factual circumstances in these proceedings,

03. CONTENTION - AS PER THE CONCERNED OFFICER

The submission, as reproduced verbatim, could be seen thus-



M/s. Lindstorm Services India Pvt Ltd, Plot no. A-323, Mahape. TTC Industrial Area, MIDC, Koparkhairne, Navi Mumbai have sought an Advance Ruling on the issue of classification of their activities/transaction.

3. This office has perused the documents provided by M/s Lindstorm Services India Pvt Ltd as well as the previous records available on this issue. The reply to the questions raised by M/s Lindstorm Services India Pvt Ltd is as follows:

Question 1:

1. What is the classification of the activities/transactions carried out by the applicant company as mentioned in the statement of facts (Annexure-I). In particular,

- i) Do these activities/transactions of renting of work wear qualify as "transfer of right to use" of goods by applicant company to its customers in terms of entry 5(f) of Schedule II of CGST Act, ii) Alternatively do these activities/transactions qualify as "transfer of right in goods" in terms of Entry 1(b) of Schedule II of CGST, Act?

Entry 1(b) of Schedule II of CGST Act, 2017 states that:

Transfer

(b) an transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of service.

Entry 5(f) of Schedule II of CGST Act, 2017 states that

(f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

M/s Lindstorm Services India Pvt Ltd provide workwear on rent to their customers. These work wear are tailor-made to the requirements of their customers. They also provide services of Washing, Maintenance & Repair of these workwear on a weekly basis. The period of contract is 12 months and can extend for perpetuity. Besides, the rental is paid on a weekly basis. Then ownership of workwear rests solely with M/s. Lindstorm Services India Pvt Ltd. and they can take stock of the workwear at their customer's premises anytime. The workwear are identified by individual codes. In case of wear and tear, replacement is carried out at an additional fee and at the end of the contract, the workwear can be owned by the customers on payment of redemption charge.

From the above, it is clear that for the period of the contract, the ownership of the workwear rests with M/s Lind storm Services India Pvt Ltd. Only the right to use the workwear is passed on their customers with a condition that the workwear should only be used for the purpose for which they were designed in the first place. The customers cannot sublet the workwear or use it for any other needs. Thus, this is not an absolute or un-conditional transfer of rights. Hence, this activity is more aptly categorized under Entry 5(f) of \$chedule II of CGST Act, 2017 as this is transfer of the right to use the goods(workwear) for the said purpose (in this case) for a specified period (12 months or perpetuity) for a pre-determined consideration (weekly rent).

Question 2:

ii) What is the nature of the supply based on the facts and circumstances as mentioned in the statement of facts i.e. renting of work wear along with other services such as transportation, weekly washing etc. for a single consideration?

- Does this supply qualify as "composite supply" as per Section 2(30) of CGST Act?
- Alternatively does this supply constitute a "mixed supply" under Section 2(74) of CGST Act?

Section 2(30) of the CGST Act., 2017 defines a Composite Supply as:

"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." Illustration. - Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

Section 2(74) of the CGST, Act, 2017 defines a Mixed Supply as : "Mixed supply means two or more individual supplied of goods or services or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply."

Illustration. - A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately;

The services provided by M/s Lindstorm Services India Pvt Ltd. are as listed below:

- i. Renting of workwear
- ii. Wash, maintenance & repair
- iii. Transport of workwear including trolleys and transport of bags
- iv. Lockers for storage of workwear
- v. Modification of workwear as per specifications
- vi. Sale of logo/badges/nametags Replacement or reimbursement of old workwear against a redemption charge.

From our records, it has also been observed that M/s Lindstorm Services India Pvt Ltd provide services of Supply of Manpower (if need be) for the Management of lockers & workwear at the customer's premises.

For a supply to be considered as a Composite Supply, as per the Taxation of Services, an Education Guide, /2012 dated 20.06.2012, issued by Central Bureau of Excise and Customs, an illustrative list of indicators could be :

- Whether there is a single price or the customer pays the same amount , no matter how much of the package they actually receive or use;
- The elements are normally advertised as a package
- The different elements are not available separately
- The different elements are integral to one overall supply- if one or more is removed, the nature of the supply would be affected.

Two important conditions are that the " different elements are not available separately" and "the different elements are integral to one overall supply - if one or more is removed, the nature of the supply would be affected."

Examining the two examples cited by the appellant in the context of the above conditions:
(i) The bundling of catering on board and transport by air: Catering on board can be availed only if the air transport is availed. Without the latter, the former ceases to exist. Besides, due to lack of other options on board, the two services are naturally bundled.

(ii) Stay in a hotel combined with a service of laundering: Without the former the latter ceases to exist. The latter is not a standalone service and adds to enhance the quality of the former. Hence, the two services are naturally bundled.

Applying the same ratio decided to the case of M/s Lindstorm Services India Pvt Ltd, it is evident that Washing, Maintenance and Repair of workwear is a standalone service and it is independent of the service of renting of workwear. There are many industries which offer only the services of Washing, Maintenance and Repair of clothes. As perused from our records, M/s Lindstorm Services India Pvt Ltd has also provided only "Washing



Services in the past to one of their customers (namely Glaxo Smith Kline). Hence, it is evident that this bundling of services fails to meet the above two criteria to be classified as a Composite Supply as the services are not naturally bundled.

On the other hand, since the supply are bundled services done under a single invoice, it qualifies as a Mixed Supply as defined under Section 2(74) of the CGST Act, 2017.

Question 3:

In the event the answer to question (2) above is that the transaction undertaken by the Applicant Company qualifies as "composite supply."

(i) What will be the "principal supply" for the purpose of Section 2 (90) of CGST Act? (ii) What will the applicable rate of GST?

(iii) Whether the conclusion (i.e the transaction is a "composite supply") will remain the same if in addition to the services covered in question no.2 above Applicant Company also provides additional service of renting of locker as part of the same consideration?

Since the activities qualify as a "Mixed Supply" under the CGST Act, 2017 highest rate of tax among the supply's constituents will be applicable.

04. HEARING

The case was taken up for Preliminary hearing on DT. 18.07.2018 when Sh. Ankit Shah, applicant along with Ms. Mausumi Sarkia and Ms. Anjana Varma appeared and requested for admission of application as per contentions in their ARA. Jurisdictional Officer, Ms. Arpita, Asstt. Commissioner of CGST & CE, Belapur- IV, Division appeared and stated that she does not have any objection with respect to admission and made written submissions.

The application was admitted and called for final hearing on 23.08.2018, Sh. Tarun Jain, Advocate along with Sh. Ankit Shah, applicant Ms. Anjana Varma and Sh. Saurabh Chhadwa appeared and made oral and written submissions. Jurisdictional Officer, Sh. Sadanand Patnaik Asstt. Commissioner, Belapur_IV, Division appeared and stated that they have already made written submissions.



05. OBSERVATIONS

We find that the applicant has raised questions as mentioned above on which advance ruling is sought. We now deal with the questions raised, as under:-

Question 1. What is the classification of the activities/transactions carried out by the Applicant Company as mentioned in the statement of facts (Annexure-I). In particular;

- Do these activities/ transactions of renting of workwear qualify as "transfer of right to use" of goods (i.e. workwear) by the Applicant Company to its customers in terms of entry 5 (f) of Schedule II of Central Goods and Services Act, 2017 ('CGST Act')?
- Alternatively, do these activities/transactions qualify as "transfer of right in goods" in terms of entry 1 (b) of Schedule II of CGST Act?

In order to decide this question we refer to agreement made between applicant and one of the customer M/s. Neutromode, Thane dated 14/05/2018. As per object of the agreement Neutromode shall rent from applicant the workwear and the applicant engages in delivering,

washing and servicing the workwear and taking care of the required replacement of the workwear in accordance with their purpose of use. The agreement further states that applicant owns the rented products and shall have the exclusive right to wash and service them. We also find from the terms of the agreement that workwear is designed as per the fittings of every individual and further at the request of customer applicant fixes on the workwear with logos/badges making the goods identifiable. The agreement also mentions that in the event either applicant or the customer withdraw from the agreement, the workwear remains the Applicant's property. The facts of the present case are similar to the facts in the judgment of Hon. High Court of AP in case of M/s. G.S. Lamba & Sons Vs. State of Andhra Pradesh reported as 43 VST 323 (AP) wherein petitioners agreed to provide five dedicated fleet of transit mixers and these dedicated vehicles were to be painted in a particular style and colour. The court held that during the period of contract for any third party, the goods as visible in use would create an immediate impression that they belong to lessee and thus finally held that the petitioner has transferred the right to use goods to Grasim (the lessee).

From the above terms of the contract, it is clear that for the contractual period, the ownership of the workwear rests with the applicant and only the right to use the workwear is intended to be passed on to the customer for the period of contract. In view of above we agree with the contention of the applicant and jurisdictional officer that the activity of renting workwear qualifies as 'transfer of the right to use' any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration and thus would be categorized as supply of services within the meaning of entry 5(f) of Schedule II of the GST Act.

Question 2: What is the nature of the supply based on the facts and circumstances as mentioned in the statement of facts i.e. renting of work wear along with other services such as transportation, weekly washing etc. for a single consideration?

- Does this supply qualify as "composite supply" as per Section 2(30) of CGST Act?
- Alternatively does this supply constitute a "mixed supply" under Section 2(74) of CGST Act?

This question is about the nature of supply. From the terms of the contract as mentioned in earlier part, we find that the activities carried out by the applicant is renting of workwear, which we have declared as supply of services. Besides renting of workwear and as per the terms of the contract, ancillary activities such as transport of workwear, weekly cleaning, maintenance, repairs and finishing of workwear is carried out by the applicant. It is thus obvious that impugned transaction as envisaged by the contract consists of more than two taxable supplies of services. In view of this the applicant concludes that services provided by them such as renting of workwear and other ancillary services constitute composite supply as defined in section 2(30), which we reproduce as under:

Section 2(30) of the CGST Act., 2017 defines a Composite Supply as:

"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.*" *Illustration. - Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;*

In the present case as averted above, impugned transaction consists of more than two taxable supplies. It will be necessary for us to examine the other aspect of the said definition also, so as to ascertain whether impugned supply is naturally bundled in the ordinary course of business and what constitute principal supply in such composite supply.

In order to justify their case, the applicant has strongly relied upon the 'Education Guide' issued by CBEC in the year 2012, wherein the concept of 'composite supply' has been explained. We have already reproduced the same in the para 'Applicant's interpretation of law'. From the perusal of entire transaction as evidenced by the contract we find that the provision of renting of workwear is combined with provision of ancillary services such as transportation, weekly cleaning, maintenance, repairs and finishing of the said workwear. Thus applicant satisfies one of the conditions that is essential character of 'Bundled Service' of the composite supply. Applicant having satisfied one of the essential character of composite supply as mentioned above, we now examine whether these services are bundled in the ordinary course of business which is one of the essential character of supply. To answer this Question we have to refer to 'Object of the Agreement' at para 2 of the agreement made between M/s Nutromode and M/s. Lindstorm Services India Pvt Ltd.

2. 'Object of the Agreement'

We find that M/s. Drums Food International Pvt. Ltd. shall rent from M/s. Lindstorm Services India Pvt. Ltd. the workwear and Lindstorm engages in delivering, washing and servicing the workwear and taking care of the required replacement of the workwear in accordance with their purpose of use. Lindstorm owns the rented products and shall have the exclusive right to wash and service them.

In order to understand the concept whether services are naturally bundled in the ordinary course of business we also refer to the Education Guide 2012 issued by the Board and as per the Education Guide indicators as given in respect of bundling of services in the ordinary course of business are -



- There is a single price or the customer pays the same amount, no matter how much of the package they actually receive or use.
- The elements are normally advertised as a package.
- The different elements are not available separately
- The different elements are integral to one overall supply - if one or more is removed, the nature of supply would be affected.

The above principle can be adopted to the facts of the present case to determine whether impugned supply is a bundled services in the ordinary course of business.

From the perusal of object of agreement we find that services other than renting of workwear are being supplied not in the ordinary course of business but under the compulsion imposed by the applicant on the customer. Further we find that services such as washing, maintenance and transportation etc. are standalone services and are normally available separately. We agree with the jurisdictional officer that all so called ancillary services are independent of the service of renting of workwear and that there are many service providers who offer specific service such as washing, maintenance and repair of cloths. Applicant has also provided 'Washing Services' in the past to one of their customer namely Glaxo Smith line which clearly supports the conclusion which we have arrived at above.

In view of the above we find that the contention of the applicant that impugned transaction of supply constitute composite supply as defined u/s 2(30) of the GST Act does not sustain.

As a corollary of above conclusion we now find whether the transaction of supply under reference is a Mixed Supply as defined under section 2(74) of the GST Act.

We find that :-

"Mixed supply means two or more individual supplies of goods or services or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply."

Illustration. – A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately;

Thus, in order to identify, if the particular supply is a mixed supply, the first requisite is to rule out that the supply is a composite supply. A supply can be a mixed supply only if it is not a composite supply. As a corollary it can be said that if the transaction consists of supplies

not naturally bundled in the ordinary course of business then it would be mixed supply. Further we find that customer pays single price under single invoice for the package of services. We have already ruled out the possibility of the present transaction being a composite supply, and the fall out is that the transaction qualifies as a mixed supply as defined in section 2(74) of the GST Act.

06. In view of the deliberations as held hereinabove, we pass an order as under:

ORDER

(Under section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

NO.GST-ARA- 43/2018-19/B-

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Mumbai, dt. 15/09/2018

For reasons as discussed in the body of the order, the questions are answered thus -

Question 1. What is the classification of the activities transactions carried out by the Applicant Company as mentioned in the statement of facts (Annexure-I). In particular,

- Do these activities / transactions of renting of workwear qualify as "transfer of right to use" of goods (i.e. workwear) by the Applicant Company to its customers in terms of entry 5 (f) of Schedule II of Central Goods and Services Act, 2017 ('CGST Act')?
- Alternatively, do these activities transactions qualify as "transfer of right in goods" in terms of entry 1 (b) of Schedule II of CGST Act?

Answer: - Answered is in affirmative. The activities/transactions of renting of workwear qualify as "transfer of right to use" of goods in terms of entry 5 (f) of Schedule II of Central Goods and Services Act, 2017 ('CGST Act')

Question 2. What is the nature of the supply based on the facts and circumstances as mentioned in statement of facts (Annexure-I) i.e., renting of workwear along with other services such as transportation, weekly washing etc. for a single consideration? In particular,

- Does this supply qualify as "composite supply" as per section 2 (30) of CGST Act?
- Alternatively, does this supply constitute a "mixed supply" under section 2 (74) of CGST Act?

Answer: - The supply of renting of workwear along with other services such as transportation, weekly washing etc. for a single consideration is a mixed supply under section 2 (74) of CGST Act.



Question 3. In the event the answer to question (2) above is that the transaction undertaken by the Applicant Company qualifies as 'composite supply',

(i) What will be the "principle supply" for the purpose of section 2 (90) of CGST Act?

(ii) What will the applicable rate of GST?

(iii) Whether the conclusion (i.e. the transaction is a 'composite supply') will remain the same if in addition to the services covered in question no. 2 above Applicant Company also provides additional service of renting of locker as part of the same consideration?

Answer: -This question is not required to be answered in view of the answers to question (1) and (2) above.



—sd—
B. V. BORHADE
(MEMBER)

—sd—
PANKAJ KUMAR
(MEMBER)

Copy to:-

1. The applicant
2. The concerned Central / State officer
3. The Commissioner of State Tax, Maharashtra State, Mumbai
4. The Chief Commissioner of Central Tax
5. Joint commissioner of State tax, Mahavikas for Website.

CERTIFIED TRUE COPY


MEMBER
ADVANCE RULING AUTHORITY
MAHARASHTRA STATE, MUMBAI

Note :- An Appeal against this advance ruling order shall be made before The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15th floor, Air India building, Nariman Point, Mumbai - 400021