

**GST UPDATE****Whether the business of printing of trade advertisement material as supply of goods or supply of service?**

GST was introduced with the motive of one nation one tax. Intention was to bring the clarity in indirect taxation regime and reduce the litigation in the taxation regime. But the recent judgements and advance ruling of various states shows that litigation process is never ending.

There was litigation on classification of a transaction as sale of goods or provision of service. Every scholar was of the view that with the introduction of CGST there will be no need of classification of goods and services as the tax will be imposed on both of them. But recent decision of AAR west Bengal in case of MACRO MEDIA DIGITAL IMAGING PVT LTD made a decision on the issue of classifying printing of trade advertisement material as supply of goods or supply of service. Hence, it has underlined that the classification dispute will continue in GST regime also.

The Applicant is stated to be engaged in the business of printing of trade advertisement material. It prints the content provided by the recipient on the base of polyvinyl chloride cloth, paper etc. The Applicant provides the printing ink and the base material. It seeks a ruling on whether such printing is a supply of goods or service. The Applicant further wants to know the classification of the trade advertisement material if its transaction is a supply of goods.

The Applicant admits that printed advertising material is a composite supply. It includes the supply of goods in the form of printed PVC material and supply of the service of printing the content provided by the recipient. The predominant nature in the supply would decide the taxability of the same.

The Applicant further argues that the element of printing is ancillary to the supply of goods in the form of trade advertisement. The Applicant merely loads the content in the digital image printer, which does not involve any special skill or artwork.

On the contrary the findings of AAR WEST BENGAL WAS held that In the GST Act, such indivisible composite contracts are termed composite supply. The predominant element of it constitutes the principal supply, and the entire contract is treated as that of the principal supply. It includes the supply of goods in the form of printed PVC material and of the service of printing the content provided by the recipient. The substance of the contract, the Applicant argues, is the supply of the printed PVC material. The service of printing is ancillary and merely enhances the value of the advertising material.

Circular No. 11/11/2017-GST dated 20/10/2017, in which the CBIC clarifies the treatment of various composite printing contracts. In all these contracts, the recipient provides the content for printing and the printer supplier the physical inputs. All the printed goods are classifiable under Chapters 48 and 49 of the Tariff Act. The difference, however, lies in the customer contemplating or not separate rights and use arising out of the supply of the goods. In the case of printing of books, pamphlets, annual reports, etc., the goods have no better utility than carrying the printed matter. On the other hand, envelopes, letter cards, napkins, wallpaper and the like have separate use as goods apart from carrying the design or logo printed thereon. The service of printing is, therefore, the predominant

element in the contracts for printing of books, pamphlets, annual reports etc., whereas, the supply of goods is the dominant nature of the latter category of printing contracts.

The Applicant prints billboards, building wraps, fleet graphics, window graphics, trade show graphics, office branding, in-store branding, banners, signage graphics etc., commonly known as trade advertising material, classified under heading 4911 of the Tariff Act. The recipient provides on a digital media the content in the form of image/text/trade monogram and retains usage right on such intangible inputs. The Applicant loads the content in a digital image printer, prints the image on the PVC material, and supplies the printed material. The goods so supplied have no utility other than displaying the printed content. Service of printing, therefore, is the predominant element of the composite supplies the Applicant is making.

The Applicant, being a printer of trade advertising material classifiable under heading 4911 of the Tariff Act, is making a composite supply, where the service of printing classifiable as above, is the principal supply. The goods supplied, having no use other than displaying the printed matter, is ancillary to the principal supply of printing.

Thus in above case also the dispute of composite supply does not seem to settle down as the though prima facie in this case it seems the predominant supply is goods but AAR has classified the same as supply of service.

But this has again given rise to dispute that everything has to be classified as goods and services. Furthermore, in case of composite supply of goods and services, the dispute of principal nature of supply will always surface and it has to be classified. In view of author, the dispute will not settle here and it will go further.

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