

T. NO-39/2019-20

**333KARNATAKA APPELLATE AUTHORITY FOR ADVANCE RULING
6TH FLOOR, VANIJYA THERIGE KARYALAYA, KALIDASA ROAD,
GANDHINAGAR, BANGALORE – 560009**

**(Constituted under section 99 of the Karnataka Goods and Services Tax Act, 2017 vide
Government of Karnataka Order No FD 47 CSL 2017, Bangalore, Dated:25-04-2018)**

BEFORE THE BENCH OF

SHRI. D.P.NAGENDRA KUMAR, MEMBER

SHRI. M.S.SRIKAR, MEMBER

ORDER NO.KAR/AAAR-14-C/2019-20

DATE:09-02-2020

Sl. No	Name and address of the appellant	M/sCartus India Private Ltd, No 201, Prestige Sigma, 03 VittalMallaya Road, Bengaluru, -560001
1	GSTIN or User ID	29AAECC2213N1ZM
2	Advance Ruling Order against which appeal is filed	KAR/ADRG 92/2019 Dated: 27th Sept 2019
3	Date of filing appeal	11-11-2019
4	Represented by	Shri. Harish Bindumadhavan, Advocate
5	Jurisdictional Authority- Centre	Commissioner of Central Tax, Bangalore North Commissionerate.
6	Jurisdictional Authority- State	LGSTO 020, Bangalore
7	Whether payment of fees for filing appeal is discharged. If yes, the amount and challan details	Yes. CPIN No 19112900025119 dated 05.11.2019 for Rs 20,000/-

PROCEEDINGS

(Under Section 101 of the CGST Act, 2017 and the KGST Act, 2017)

1. At the outset we would like to make it clear that the provisions of CGST, Act 2017 and SGST, Act 2017 are in *parimateria* and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.

2. The present appeal has been filed under section 100 of the Central Goods and Service Tax Act 2017 and Karnataka Goods and Service Tax Act 2017 (herein after referred to as CGST Act, 2017 and SGST Act, 2017) by M/sCartus India Private Ltd, No 201, Prestige Sigma, 03 VittalMallaya Road, Bengaluru, 560001 (herein after referred to as Appellant) against the advance Ruling No. KAR/ADRG 92/2019 dated: 27th Sept 2019.

Brief Facts of the case:

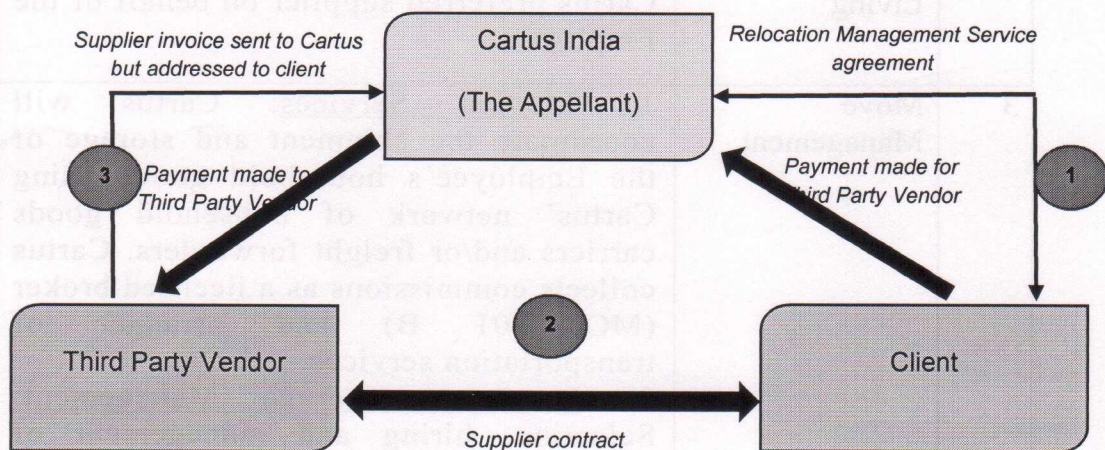
3. Cartus India Private Limited (hereinafter referred to as 'CIPL' / 'the Appellant'), is a private limited company, engaged in supply of 'Relocation Management Service' to its clients located in India, which primarily involves facilitation/ administration/ management of relocation of client's employees from one location to another.

4. The essence of the Relocation Management Service agreement (hereinafter referred as 'RSA') entered between the Appellant and the Client is as follows:

- The relationship established by the Relocation Management Service agreement is that of independent contractors, i.e. the agreement doesn't create any principal-agent relationship;
- The Appellant has been engaged to provide the Relocation Management Services on non-exclusive basis which means that Appellant is entitled to employ another service provider in India;
- The Appellant has no authority to sign documents on behalf of its client, i.e. the agreement doesn't permit intermediary activity of bringing client and Third-Party Vendors together in binding contract;
- The Service fee for the Relocation Management Services will be as per the fee schedule under the RSA. The client will also reimburse Appellant, the fee paid to global service providers.

Sample of RSA dated 14th November, 2011 entered into between the Appellant and a client denoting the rendition of Relocation Management Service by the Appellant was furnished.

5. The following diagrammatic representation of the RSA agreement indicates the overall chain of transactions between the parties involved.



6. The Statement of Work (SOW) dated 28th December, 2009 entered between the Appellant and a client 2, in reference to the Master Service Agreement was also furnished.

7. A brief description of the typical services/ activities supplied by the Appellant to its clients under the SOW is listed below:

S. No.	Activities	Role of the Appellant
1	Policy Counselling and Expense Administration	Documentation, coordination and administration of client processes, policies and procedures, explanation to Employee of relocation benefits according to client's relocation policy, discussion and resolution of exception requests. Hiring, management and authorization of Third-Party Vendors for services including in this Agreement. Expense administration will include the audit, tracking and/or payment of Employee expenses incurred through the Employee's arrival in the destination location (excluding tax payments). Cartus

S. No.	Activities	Role of the Appellant
		will pay Third Party Vendor invoices for services detailed in this Agreement, or such other Third Party Vendor invoices as agreed by Cartus.
2	Temporary Living	Coordination of temporary living with a Cartus preferred supplier on behalf of the Employee.
3	Move Management	<p>1) <u>Moving Services</u>: Cartus will coordinate the shipment and storage of the Employee's household goods using Cartus' network of household goods carriers and/or freight forwarders. Cartus collects commissions as a licensed broker (MC398301 B) and arranger of transportation services.</p> <p>2) <u>Permanent Storage Management</u>: Selection, hiring and management of household goods in permanent storage (long term storage) and payment of permanent storage invoices. Goods are placed in long term storage at the origin or destination location and remain in storage for the duration of the assignment or subsequent assignments.</p>
4	<p>International Host Country Services</p> <p>customer will use Cartus and/or Cartus selected suppliers to provide International Host Country Services as detailed below</p>	<p><u>A. Home Finding Programs</u></p> <p>1) Accompanied Home Finding (By Cartus preferred Local Destination Service Provider ("DSP")). Employee is accompanied by DSP providing direct personal support throughout all home search activities. DSP coordinates home search activities, negotiates leases, and manage all real estate brokers.</p> <p><u>B. Leasehold Assistance</u></p> <p>1) <u>Lease Coordination and Negotiation</u>. (For Employees who have already found a property). Lease review (if legal review is required the cost will be charged as a Direct Expense), negotiation of lease terms, coordination of all signatures required, property walkthrough and completion of a property condition form.</p> <p>2) <u>Leasehold Improvements</u>. Assistance with negotiated improvements prior to</p>

S. No.	Activities	Role of the Appellant
		<p>move-in to property. Coordination of improvements and repairs to the property as required by the Employee and approved by the landlord.</p> <p>3) <u>Lease Coordination and Renewal</u>. (For Employees who are extending lease at current location). Lease review (if legal review is required cost will be charged as a Direct Expense), and coordination of all signatures required.</p> <p>4) <u>Lease Novation</u>. Negotiation of change of name (landlord or tenant) and coordination of all signatures required.</p> <p><u>C. Settling-In Services</u></p> <p>1) <u>Settling-In Complete</u>. Provides welcome kit review, neighborhood familiarization, commuting advice and planning, shopping, dining, exercise facilities, entertainment options, medical facilities, domestic help assistance in hiring, currency exchange information, groups and activities discussion, assistance with utility hookup, bank account set up, local registration, six month information line available during business hours, and assistance with the completion of driver's license forms and scheduling of driving lessons and exams.*</p> <p>*Available as part of setting-in services in some countries</p> <p>2) <u>Settling-In Assisted</u>. Provides welcome kit review, commuting advice, and information on: shopping, dining, exercise, entertainment, medical facilities, currency exchange, group activities, local registration, bank and utility set up.</p> <p><u>D. School Finding Assistance</u></p> <p>1) <u>Education Complete</u>. Provides information and schooling options, scheduling of visits to potential schools,</p>

S. No.	Activities	Role of the Appellant
		<p>assistance with enrollment process including completion of forms and translation, tracking of enrollment, and assistance with retrieving deposit upon departure.</p> <p>2) <u>Education Assisted.</u> Provides information and schooling options, and scheduling of visits to potential schools.</p> <p><u>E. Departure Programs</u></p> <p><u>F. Driver's License Assistance</u></p> <p><u>G. Pre-Decision Orientation</u></p> <p><u>H. Post Settling-in Support</u></p> <p><u>I. Post Property Support</u></p>

7.1 The arrangement between the Appellant and its client is based on the fundamental principle that such Relocation Management Service is primarily for facilitation of smooth transition of the client's employees and/ or his family to another location. To ensure the smooth transition of employees, the client chooses the services that are offered by the Appellant. Further, the number of services to be procured by the client from the Appellant, is determined basis the requirement of client's employees and various other factors viz. employee title, family makeup, to/from location etc.

8. The primary objective of the Appellant rendering Relocation Management Service can be substantiated by referring to the Objective and Scope clause of the SOW, that is reproduced below:

*"Cartus, in its role as a fully outsourced relocation service provider, **will manage, administer and facilitate the relocation of Client's employees from one location to another,** as directed by Client. Cartus will provide all required support and coordination necessary to complete an Employee relocation."*

9. The Appellant is engaged by the client for supply of Relocation Management Services. For the same, Appellant has a right to engage third party contractors. However, there is a principal-to-principal contract and Appellant remains fully liable for efficient execution of the services including services provided by third party vendor to the clients. The actual services of relocation are provided by the Appellant and the third party suppliers, supplement the services to be provided to the client by the Appellant. In other words, there is no facilitation or arranging of services by another person to its client.

10. With the above background, the Appellant approached the Authority for Advance Ruling (AAR) seeking a ruling on the following question:

“Whether the gamut of services collectively referred to as “Relocation Management Service” provided by the applicant would constitute as a composite supply or a mixed supply for the purpose of taxability under GST?”

11. The AAR vide its order dated 27 September 2019 gave the following ruling:

“1. The services supplied by the applicant do not constitute a composite supply and would be a mixed supply, when the services are billed for a single price in case where the relocation related services are actually provided by them.

2. The services provided to the company as an agent are “management support services of relocation related services” which is a single service covered under SAC 9985 and is covered under entry 23(ii) of Notification No 11/2017-Central Tax (Rate) dated 28.06.2017.”

12. Aggrieved by the said ruling, the appellant has filed this appeal on the following grounds.

12.1 The entire gamut of services discussed in the RSA involves provision of Relocation Management Service wherein an element of provision of one service is combined with an element of provision of another service. In this regard, the

Appellant submitted that for a service to qualify as a composite supply in terms of the definition under Section 2(30) of the CGST Act, the following conditions are required to be satisfied collectively:

- a. Two or more taxable supplies of goods or services or both;
- b. The supplies are naturally bundled;
- c. The supplies are supplied in conjunction with each other;
- d. The supplies are supplied in the ordinary course of business; and
- e. There is one principal supply.

12.2. In light of the above, where a service involves different elements, but which are rendered with a common intent towards provision of a main service, each of those separate elements shall not be classified separately. Those elements should be clubbed together under a common classification which provides the most specific description to all the elements. Applying the synthesis to the instant case, the Appellant offers a compact service of relocating the client's employee from one country to another. The necessity lies in the complete movement, transfer and settlement of such employee in a new country. Thus, the gamut of services collectively forms the provision of a single supply of relocation of client's employees.

12.3. In response to the finding of the AAR that the actual supply of relocation services is between the third parties to the Company and the invoicing is also done to the Company by the third parties, the Appellant submitted that the dominant intention is the rendition of relocation services in purview of which various other services i.e. visa facilitation, transportation services, temporary hotel accommodation services are rendered. These services are ancillary services directed towards relocating an employee. Appellant advertises and provides these services in form of a package and no individual services are rendered. The client also expects that these services should be provided in a package. The manner in which a service is perceived in common parlance and the way it is advertised are instrumental in determining the classification. Hence, it appears appropriate that these services be classified as a composite supply.

12.4. The Appellant also submitted that the impugned order has incorrectly recorded as a finding that, “each service has a separate service fees and the services are separately classifiable and if such services are billed in common invoice that does not amount to a naturally bundled supply and hence the same is not a composite supply.” They submitted that the question, whether an activity or service is rendered in the ordinary course of business or not is for the tax payer to answer and the department cannot assume the role of a businessman for determining the reasonableness of a business operation. They relied on the following judicial decisions in support of this defense:

- a. ***Commissioner of Income Tax v. Walchand & Co. Private Limited [1976] 65 ITR 381 (SC)***
- b. ***Commissioner of Income Tax v. Dalmia Cements [2002] 254 ITR 377***
- c. ***Mysore Fertiliser Co v. Commissioner of Income Tax [1956] 30 ITR 734 (Madras)***

They submitted that the components of different services provided by the Appellant are combined and connected with each other for rendering the Relocation Management Service. The construction of Appellant’s business is such that the management of these services constitute a single supply of service that is offered and marketed to the clients.

12.5. The Appellant placed reliance on the Taxation of Services, an Education Guide 2012, dated 20 June 2012 (hereinafter referred to as ‘Education Guide’) issued by the Central Board of Excise & Customs (recently rechristened as Central Board of Indirect Taxes and Customs) wherein in Para 2.6.2, the Education Guide clarifies that in cases of composite transactions, i.e. transactions involving an element of provision of service and an element of transfer of title of goods in which various elements are so inextricably linked that they essentially form one composite transaction, then the nature of such transaction would be determined by the

application of dominant nature test. In the present case, the dominant nature of the transaction in hand is relocation services and all services falling under its ambit as provided by the Appellant are incidental. In addition, the different services are supplied in the ordinary course of business.

12.6. Further, the Appellant submitted that 'bundle of services' as understood in the normal parlance depends heavily on how the different services are supplied in the ordinary course of business. In the present case, ancillary services like visa facilitation, transportation services, temporary hotel accommodation services are rendered under the ambit of relocation services. Such services are in the present case and ordinarily as well, bundled together under relocation services. They submitted that the Education Guide prescribes that *no straight jacket formula can be laid down to determine whether a service is naturally bundled in the ordinary course of business. Each case has to be individually examined in the backdrop of several factors some of which are outlined above.*

12.7. On a combined reading of the above and the definition of composite supply under the CGST Act, they submitted that it is essential to establish that in order to qualify as a composite supply, the different services are naturally bundled to each other and provided in conjunction with each other in the ordinary course of business. Thus, the aggregation of different elements of services when provided in conjunction with a single service gives such service the character of a single supply. In other words, where a transaction involves supply of two or more different taxable services, but are rendered by a supplier with a common aim or intention, each of the said different services should be construed to be clubbed/ aggregated together to provide the main intent of the supplier. The clubbed services are rendered under a single classification, which provides the most specific description to all the different elements of said service.

12.8. The Appellant submitted that they offer the Relocation Management Service under different combination of service packages offers. The services provided under a particular package that fits the needs of the employee/s most, is availed by the Appellant's client; that in case of a typical relocation program, a client would opt for policy counselling, global departure service, immigration service, accommodation

service, transport service, settling in services etc. In addition, a client may also opt for other services viz. spousal employment assistance, school search service, language translation service, furniture rental service etc. Thus, these services in toto form the Relocation Management Service. Therefore, the intent of the service is 'Relocation Management Service' and not availment of individual services.

12.9. In view of the above understanding, they submitted that the constitution of Relocation Management Service qualifies as the principal supply and the other gamut of services qualify as ancillary supplies provided in ordinary course of business. Reliance in this regard is also placed on a ruling pronounced by the Advance Ruling Authority, Service tax (established under the erstwhile service tax regime) in Re: Godaddy India Web Services Pvt Ltd. 2016 (46) S.T.R. 806 (A.A.R.), wherein, Godaddy India was involved in provisioning of various services to Godaddy USA under a service agreement, where it provided a bundle of services in relation to marketing, branding, offline marketing, oversight of quality of third party customer care center etc. The said services were provided by Godaddy India with a sole intention and principal objective of promoting the brand of Godaddy USA in India. The advance ruling application was submitted, inter alia, on whether these gamut of services constituted as a bundled service in terms of Section 66F of the Finance Act. The ruling was pronounced in favour of Godaddy India, wherein the AAR opined that various support services proposed to be provided by Godaddy India to GoDaddy US are a "bundle of services" being naturally bundled in the ordinary course of business and accordingly is a single service, being business support service, in terms of Section 66F of the Finance Act.

12.10. The Appellant submitted that the impugned order has incorrectly held that services provided by the Appellant are mixed supplies classifiable under management support service of relocation related services; that the impugned order has placed reliance solely on the RSA whilst ignoring the SOW; that the impugned order is in violation of principles of natural justice as the following submissions were not considered and deliberated upon:

- As per the SOW, it is clear that the Appellant is not engaged in rendering of individual and independent supplies of services to its

clients. Rather, the services discernable as independent in the SOW are available as a part and parcel of the programs offered under the Relocation Management Service.

- As per the SOW, it is also evident that, services provided by the Appellant are inter-connected with each other and cannot be supplied independently in the normal course of Appellant's business..

They relied on the following judicial pronouncements in this regard:

a) S.N. Mukherjee v. Union of India reported in 1990 SCR Supl. (1) 44

b) Testeels Ltd. v. N.M. Desai and Anr. AIR 1970 Guj. 1

c) Excel India Pvt. Ltd v. Commissioner of Service Tax, Bangalore 2007 (7) S.T.R.542 (Tri.-Bang

12.11. The Appellant further submitted that under a mixed supply arrangement, each of the supplies can be supplied separately as the same are not dependent on each other. Further, the identification of the principal supply, which gives the essential character to such bundle, is not possible. The mixed supply is a single supply formed with an aggregation of separately identifiable parts, where these parts are not integral or incidental to a dominant supply. However, they submitted that, in the given case, the Appellant is not engaged in rendering of individual and independent supplies of services to its clients. Rather, the services discernable as independent in the RSA/SOW are available as a part and parcel of the programs offered under the Relocation Management Service. Further, the Appellant's nature of business is of assisting clients in relocation of employees. To fulfil the same, a host of ancillary services are provided, i.e. arranging for employees' travel, temporary accommodation in a hotel, visa facilitation charges, etc. However, none of these services are provided on a stand-alone basis. Therefore, supply of Relocation Management Service should not qualify as a mixed supply since the same is composite in nature. Thus, under a mixed supply, none of the individual supplies would act as a dominant supply.

12.12. Thus, applying the above principles and observations to the facts of the Appellant's case, they submitted that the Relocation Management Service provided by the Appellant to its clients is a naturally bundled service and should constitute as a composite supply taxable in terms of Section 8(a) of the CGST Act.

12.13. The Appellant contended that the impugned order has travelled beyond the questions sought clarification on in the application to AAR; that the Appellant sought the Advance Ruling on whether the Relocation Management Service provided by the Appellant is a composite supply or mixed supply; that the Authority has proceeded beyond the said question and given a ruling holding that services provided by the Appellant are covered by the definition of 'intermediary'. Therefore, the impugned order has travelled beyond the questions raised in the Appellant's application and hence, must be set aside.

12.14 As regards their objection to classification of its services under 'intermediary', the Appellant submitted that the Authority has passed the impugned order without considering the fact that the Appellant provides services on its own account to the clients and the same is done on no one's behalf. Therefore, they submitted that the Relocation Management Services provided by the Appellant are not covered under the definition of 'intermediary service' in terms of provisions of Section 2(13) of the IGST Act, 2017; that the essential condition of being an 'intermediary' is that the 'intermediary' must merely facilitate the supply and must not provide main services themselves; that in the present case, the Appellant is providing the main service on its own account to the clients. There is no tripartite arrangement, wherein the Appellant is providing services of relocation on someone else's behalf. Therefore, the present arrangement cannot fall under the definition of 'intermediary'. The Appellant also submitted that since there is no arranging or facilitating a supply by the Appellant for someone else, the test of 'intermediary' is not satisfied in the present case.

PERSONAL HEARING

13. The appellant was called for a personal hearing on 10th Jan 2020 but the same was postponed to 31st Jan 2020 on their request. The appellant was represented by Shri. Harish Bindumadhavan, Advocate who reiterated the submissions made in the grounds of appeal. He emphasised that the Appellant provides two types of relocation services to their clients viz. (a) à la carte services— where the client chooses the services required, and (b) bundled services – where a few services are provided as a single package for a single price in the course of business; that these bundled services are a composite supply appropriately classifiable as support services under HSN 9985. As regards the reference in the RSA to the Appellant being an ‘agent’ of the client, he submitted that the agency scope in the agreement is only with respect to the payments made and not to be construed in the literal meaning of the term ‘agent’; that the lower Authority has ventured into giving a finding on an aspect of their transaction which was not part of the ruling which they had sought.

DISCUSSIONS AND FINDINGS

14. We have gone through the records of the case and considered the submissions made by the Appellant in their grounds of appeal as well as at the time of personal hearing. The issue to be decided in this appeal is whether the various services collectively referred to as “Relocation Management Service” provided by the Appellant would constitute a composite supply or mixed supply for the purpose of taxability under GST.

15. The Appellant has placed before us two documents which provide an understanding of the nature and scope of the Appellant’s work and the manner in which the services are provided by them. The following two documents viz. (a) The Relocation Service Agreement dated 14th November 2011 and (b) the Statement of Work dated 28th Dec 2009 are agreements entered into by the appellant with two different clients for the purpose of providing the employee relocation service. We have gone through these two documents in detail. We find that in both cases, the Appellant has been engaged by their clients to provide relocation services for the employees of the client. The types of activities as per each of the above agreements, which form part of the relocation management services and which are required to be performed or procured by the appellant, is as follows:

Authorized services as per the RSA	Services as per the SOW
Global Relocation Cost Estimate	Policy Counseling and expense administration

Candidate Assessment	Temporary living
Policy Development/Consulting	Move management which includes: <ul style="list-style-type: none"> - Moving services - Permanent storage management - Insurance
Policy Review	Home finding programs
Global Expense Administration Service	Leasehold Assistance
Immigration Process	Settling in services
Policy Counseling/Needs Assessment	School finding assistance
Culture Kits	Departure programs
Global Departure Services	Driver's License Assistance
Vehicle Programs	Pre-decision orientation
Global Transportation Coordination	Post settling-in support
Destination Services Inbound/Outbound which include: <ul style="list-style-type: none"> - Pre-assignment visit/Orientation tour - Arrival assistance - Temporary Housing assistance - Home finding program - School search program - Settling-in services/Host country formalities - Web based destination services 	Post property support
Stored value card	
Lease cancellations	
Global Home Marketing Assistance	
Spousal Employment Assistance	
Other Auxiliary services which include: <ul style="list-style-type: none"> - Notary services - Language translation - Document translation - Banking for overseas employees - Furniture rental - Security services 	
Travel coordination	
Pre-decision/candidate services	

The bundled programs under the two agreements are as follows:

Bundled programs as per the RSA	Bundled programs as per SOW
Basic Bundle Option 1 includes: Policy Counseling	Lump Sum only

<p>Home search – 2 days Settling in – 1 day Temporary living Expense management Employee /Family Travel Coordination</p> <p>International Bundles: Basic Bundle + Immigration Basic Bundle + Immigration + Car Basic Bundle + Immigration + School Basic Bundle + Immigration + School + Car</p> <p>Domestic Bundles: Basic Bundle only Basic Bundle + Car Basic Bundle + School Basic Bundle + School + Car</p>	<p>Services include: Limited Policy counseling One lump sum disbursement via Expense Administration</p> <p>Lump Sum Plus Enroute:</p> <p>Services include: Policy Counseling, 2 lump sum payment via Expense Administration</p>
<p>Basic Bundle Options 2 & 3 includes: Policy Counseling Home search – 2 days Settling in – 1 day Temporary living Expense management Household Goods move Employee /Family Travel Coordination</p> <p>International Bundles: Basic Bundle + Immigration Basic Bundle + Immigration + Car Basic Bundle + Immigration + School Basic Bundle + Immigration + School + Car</p> <p>Domestic Bundles: Basic Bundle only Basic Bundle + Car Basic Bundle + School Basic Bundle + School + Car</p>	<p>Lump Sum Plus Benefits</p> <p>Services include: Policy Counseling Expense Administration Moving Services Destination services Coordination (Accompanied Home Finding, School Finding Assistance, Leasehold Assistance, Settling in Services) Temporary Living</p>
<p>Intern Bundle</p> <p>Basic Bundle includes: Policy Counseling Temporary living Expense management Employee Travel Coordination Car</p>	<p>Lump Sum with Destination Services</p> <p>Services include: Policy Counseling Expense Administration Destination services Coordination (Accompanied Home Finding, School Finding Assistance, Leasehold Assistance, Settling in Services)</p>

16. Under both the above agreements, the appellant is responsible for providing or procuring services which are necessary to complete an employees' relocation. The services to

be performed by the Appellant may be performed by telephone as well as in person or may be provided by third party service providers.

17. The role of the appellant in so far as third-party service providers are concerned is different in terms of the RSA and the SOW. As per the RSA, the client shall enter into service agreements directly with third-party suppliers providing services within the scope of the agreement. However, the third-party suppliers will address/issue their invoices to the client in the name of the client, but mail the invoices to the appellant for payment processing. The appellant shall forward the third-party supplier invoices to the client who shall provide the appellant the funds for disbursement to the third-party suppliers. Therefore, in the case of the RSA, the Appellant acts as an agent for the purpose of making payments to the third-party suppliers on behalf of the client. However, as per the SOW, the appellant is responsible for selection, management and direct payment of any third-party suppliers used to provide the services. The appellant will issue an invoice to the client for such third-party supplier services. Therefore, it is evident that in the case of the RSA, the appellant is acting only as a payment agent of the client for the supplies rendered by the third-party suppliers. The supplies are made by the third-party service providers directly to the client. The recipient of the service in this case is the client but the payment for the same is made by the appellant to the third-party service provider on behalf of the client. The question of the appellant providing any service in this case does not arise. In the case of the SOW, the appellant is receiving the services from the third-party service provider and in turn billing the client for the service which he has facilitated.

18. From a combined reading of the above mentioned two documents (the RSA and the SOW), the activity of employee relocation service rendered by the appellant can be understood as follows:

- A client requiring relocation services for its employees enters into an agreement with the Appellant for providing the relocation services.
- The agreement lists out all the services coming under the scope of employee relocation services. The list of services includes individual services like visa facilitation, transportation services, temporary accommodation services etc. The appellant also provides the services in a package which is a bundle of few services.
- The agreement indicates the rate for each of the individual service specified in the list as well as a rate for the package of bundle services.

- In terms of the agreement, the client can opt for certain services only from the list of many services (a la carte services), or may opt for a package which is a bundle of certain services.
- The appellant can provide the required services in three ways viz. by telephone, in person or through third party service providers.
- Where the appellant provides the services by himself, the appellant bills the client the service fees for the a la carte services opted for by the client as per the rate card in the agreement. In case the client opts for the bundled package, a single price is charged as per the rate agreed upon in the agreement.
- Where the appellant engages a third -party service provider to provide the service to the client, either of the following methods are adopted:
 - The third-party service provider enters into an agreement with the client and bills the client directly for the service but receives the payment from the appellant who acts as a payment agent of the client. In this case, the appellant is not providing any service to the client but only acting as a payment agent for the services supplied by the third-party service provider directly to the client; or
 - The appellant enters into service agreements directly with the third-party service providers. The third-party service providers will bill the appellant for the service provided. The appellant in turn will bill the client a service fee (fixed rate as per the agreement) for the relocation service which has been facilitated by them through the third-party service provider as well as Direct Expenses which includes third-party payments/third-party supplier costs. In this case, the appellant is providing only a single service to the client which is facilitating the relocation service by the third-party service provider.

19. In view of the above, the determination of whether the supply is a composite supply or a mixed supply will arise only in the situation where the service is completely supplied by the appellant on his own account. The situations where the services are supplied by a third-party service provider will not be relevant for the determination of the question at hand, since, in such situations, the appellant is either only a payment agent for the services provided by the third-party and there is no supply by the appellant or the appellant is supplying a single service of facilitating the relocation of the employee by engaging the third-party. In both the said situations, the aspect of 'composite supply' or 'mixed supply' does not arise as there is

either no supply by the appellant or only one taxable supply by the appellant. The pre-requisite of a 'composite supply' or a 'mixed supply' is that there should be two or more taxable supplies provided together. When there is no supply or only one taxable supply being provided, the question of determining whether it is a composite supply or mixed supply does not arise.

20. Therefore, it is only with respect to the services provided by the appellant in his capacity as a service provider which are to be considered for determining whether the same is a composite supply or mixed supply. The various services relating to the relocation of an employee are already listed in the table at Para 15 above. As already mentioned, each of these listed services are chargeable at a specified rate which is given in the RSA as well as the SOW. In addition, the appellant also provides different packages of bundled services and there is a specific rate for each such package. The client may choose several individual services from the list (called as 'a la carte' services) or may opt for any of the packages. If, for example, the client chooses a list of five different individual services from the list, then the service fee charged is a sum total of the rate for each of the five services. On the other hand, if the client chooses a package of bundled services, then the service fee is a single price for the package. The question is whether the provision of five individual services (a la carte services) and the package of bundled services amounts to a composite supply or a mixed supply of services.

21. Determination of the question whether a supply consisting of two or more goods or services or both is a composite supply or not should be guided by the provisions of the GST law. The relevant provisions on the CGST Act are reproduced below:

Section 8. *The tax liability on a composite or a mixed supply shall be determined in the following manner, namely: -*

- (a) a 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*
- (b) 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.*

Section 2(30) of the CGST Act, 2017 defines "composite supply" 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;

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 “mixed supply” 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.

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;

22. It is clear from the above provisions particularly the illustrations given under Section 2(30) [definition of composite supply] that for a supply to be considered as a composite supply, its constituent supplies should be so integrated with each other that one is not supplied in the ordinary course of business without or independent of the other. In other words, they are naturally bundled. A natural corollary of the above legal provisions and the term naturally bundled used in Section 2(30) would be that the different elements in a composite supply are integral to the overall supply and if one of the elements is removed, the nature of the supply will be affected. We find that there is no such element in the supplies made by the appellant. The a la carte services chosen by the client is based on the requirement of client's employees and various factors viz. employee title, family make up, to/from location, etc. For example, based on the employee requirement, the client may choose only the visa services, global transportation coordination, storage management and destination service inbound whereas in the case of another employee, the client may opt for

only global transportation coordination service and storage management service. This proves that the list of services which constitute a part of the relocation management service are not naturally bundled. They are bundled based on the requirement of the client. Therefore, we do not agree that the supply of a la carte services by the appellant for employee relocation constitutes a composite supply. It is simply a case of the appellant supplying different taxable services as part of his mandate to manage, administer and facilitate employee relocation.

23. As regards the packages which the appellant offers, it is seen that the package is a bundle of services put together by the appellant as per his business model. What is bundled and put together by the appellant as part of his business model cannot be termed as 'naturally bundled'. However, unlike the a la carte services, in the case of a package, there is a single rate which is charged for all the services which form a part of the package. As per Section 2(74) of the CGST Act, a mixed supply is a combination of a taxable services which is supplied for a single price. In the instant case, the package advertised by the appellee has a combination of certain basic services like Policy Counseling, home search, settling in, temporary living and travel coordination, together with immigration, car, school added to the package. The entire combination of services is charged to a single price. Therefore, such packages of bundled services is a mixed supply in terms of GST law and is to be taxed accordingly.

24. The appellant has argued that the dominant intention is to provide relocation service for which purpose various services are rendered and that all the services should be synthesized into a single composite supply of relocation service. We are not impressed by this argument. As already stated the determining factor for a composite supply is the fact that they are naturally bundled. In this case, the "naturally bundled" aspect of the transaction is not present. Undoubtedly the various services provided work towards the common end of relocating the employee. However, it cannot be said that the services are so bundled in the ordinary course of business. Moreover, the fact that the client can choose from the list of services based on the employee requirement shows that there is no natural bundling of services in this case. The bundling of services is a construct of the appellant's business model to which there is a commercial expediency. The same does not fall within the ambit of a "composite supply".

25. The appellant has contended that the order passed by the lower authority is violative of the principles of natural justice in as much as the impugned order has only considered the

RSA while ignoring the SOW. We however, have made good this omission and considered both the RSA as well as the SOW and have rendered our findings based on the contents and purport of both the documents placed before us.

26. Another ground of the appeal filed by the appellant is that the lower authority has proceeded to give a ruling that the services provided by the appellant are covered by the definition of 'intermediary' and has thus travelled beyond the question raised in application for advance ruling. We have gone through the order of the lower authority. The discussions of the lower authority on the question raised in the application for advance ruling centered around the Relocation Services Agreement as well as the definitions of "composite supply" and "mixed supply" given in the CGST Act. However, the lower authority concludes the discussions and findings with the following observation:

"In all cases, the applicant is facilitating the supply of services and hence would be covered under the definition of "intermediary" as he is an agent of the company and also facilitating the supply of services."

We agree that determination of the classification of the service provided by the applicant/Appellant was not a question sought in the advance ruling application and the lower authority was not correct in making observations which was beyond the scope of the issue before them. We therefore set aside this part of the advance ruling and hold that the same has been given beyond the scope of the question which was placed before the Authority for consideration.

27. In view of the above discussion, we pass the following order

ORDER

We modify the Advance Ruling Order No KAR/ADRG 92/2019 dated 27th Sept 2019 as follows:

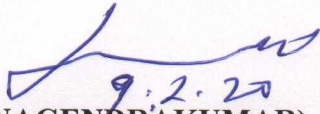
The package of bundled services supplied by the appellant for a single price in terms of the RSA and SOW, is a mixed supply in terms of Section 2(74) of the CGST Act, 2017 and the taxability of the mixed supply will be determined in terms of Section 8 (b) of the said Act.

The 'a la carte' services provided by the appellant, relating to employee relocation is neither a composite supply nor a mixed supply in view of our discussions above.

The observations made by the Lower Authority in the impugned order to the effect that the service provided by the appellant is covered under the definition of "intermediary" is expunged as being beyond the mandate of the Authority in the instant case.

We make it clear that the above ruling is based on and limited to the activity carried out by the appellant under the RSA and the SOW referred in this order.

The appeal filed by M/s Cartus India Pvt Ltd is disposed off on the above terms.

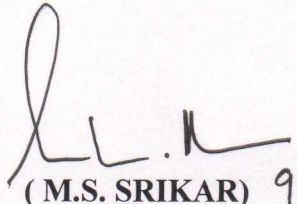

(D.P.NAGENDRAKUMAR)
Member
Karnataka Appellate Authority
for Advance Ruling

To,

The Appellant

Copy to

1. The Member (Central), Advance Ruling Authority, Karnataka.
2. The Member (State), Advance Ruling Authority, Karnataka
3. The Commissioner of Central Tax, Bangalore North Commissionerate
4. The Assistant Commissioner, LGSTO-020, Bangalore
5. Office folder


(M.S. SRIKAR) 9.2.2020
Member
Karnataka Appellate Authority
for Advance Ruling