

### 3. LEVY AND COLLECTION OF GST

#### MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER

Q.NO.	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18 (O)	M-18 (N)	N-18 (O)	N-18 (N)	M-19 (O)	M-19 (N)	N-19 (O)	N-20(N)	N-20(O)
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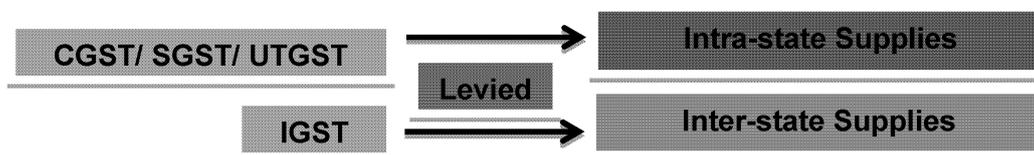
#### CHAPTER OVERVIEW

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#### SECTION 1: THEORY FOR CLASSROOM DISCUSSION

### 1. BACKGROUND

- The very basis for the charge of tax in any taxing statute is the taxable event (i.e. the point at which the levy of tax gets attracted). The taxable event under GST is **Supply**.
  - The types of GST that are levied are CGST, SGST, UTGST, IGST and Cess.
  - The types of taxes depend upon where the supply is made.



2)

a) **What do you mean by Intra - state Supply?**

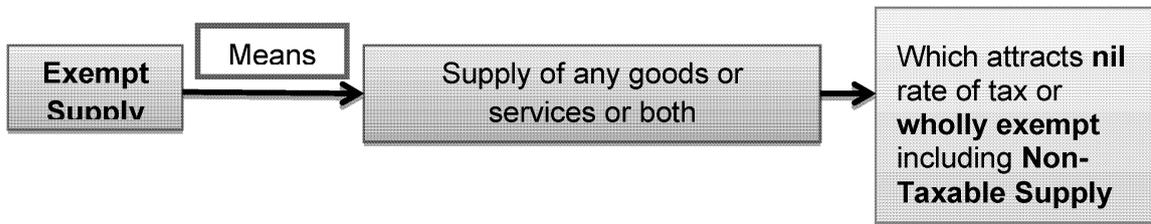
It is a case where the Supplier location and Place of Supply falls in the same State or Union territory.

b) **What do you mean by Inter - state Supply?**

It is a case where the Supplier location and Place of Supply are different. Further, the supplier location and place of supply may fall in different states or between a state and union.

3) **VARIOUS DEFINITIONS COVERED FOR THE PURPOSE OF LEVY & COLLECTION OF GST:**

a) **EXEMPT SUPPLY (SEC.2(47)):** Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.



b) **AGGREGATE TURNOVER (SEC.2 (6)):** Aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

*(Teach problem No.1 of classroom discussion)*

c) **RECIPIENT (SEC.2(93)):**

Situation "In a case where -"	Recipient or Deemed as Recipient is
a) A consideration is payable for the supply of goods/ services/ both	Person who is liable to pay that consideration
b) No consideration is payable for the supply of goods	The person to whom - a) the goods are delivered or b) made available or c) possession or use of the goods is given or made available
c) No consideration is payable for the supply of a service	The person to whom the service is rendered
<b>and includes</b> an agent or any reference to a person to whom the supply is made,	

d) **REVERSE CHARGE (Sec.2(98)):** Reverse charge means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under section 9(3)/9(4), or under section 5(3)/5(4) of the IGST Act.

**2. SCOPE & EXTENT OF GST LEGISLATURE (CGST, SGST, UTGST)**

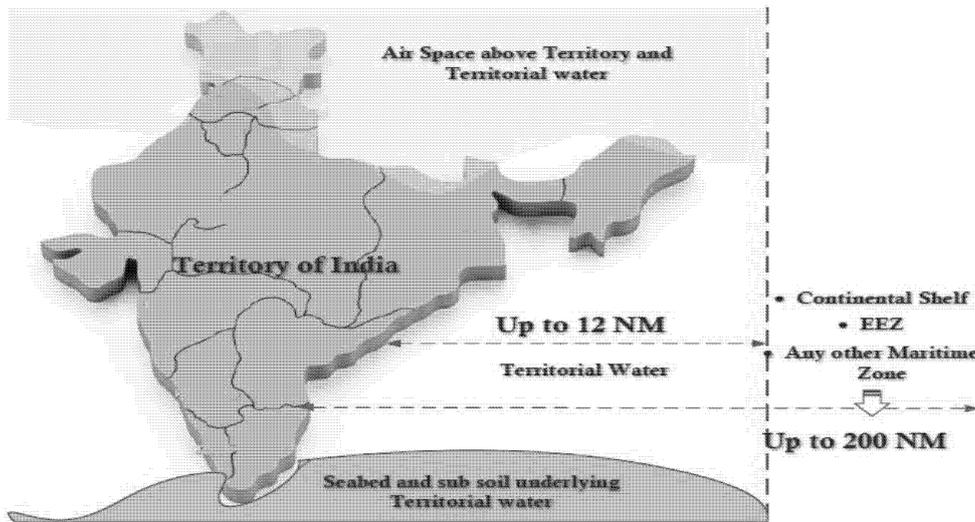
1) **CENTRAL GOODS AND SERVICES TAX ACT, 2017 (CGST ACT):**

a) Sec.1 of the Act specifies that the Act extends to whole of **India** including Jammu & Kashmir.

b) As per **Sec.2(56)**, India means -

l) Territory of India as referred to in article 1 of Constitution (The territory of the Union of India viz., state and the union territories.)

- II) Its Territorial Water, seabed and sub-soil, such underlying waters, continental shelf, exclusive economic zone or any other maritime zone as defined in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976
- III) The air space above its territory and territorial waters.



2) **STATE GOODS AND SERVICES TAX ACT, 2017 (SGST ACT):**

State GST law of the respective State or Union Territory **with State Legislature** [Delhi and Puducherry (**See Note**)] extends to whole of that State/Union Territory.

**Note:** As per the Act, **State includes a union territory with legislature**

**Example,** Maharashtra GST Act, 2017 extends to whole of the State of the Maharashtra.

3) **UNION TERRITORY GOODS AND SERVICES TAX ACT, 2017 (UTGST ACT):**

As per Sec.1 of the Act, Union territory means the territory of —

- The Andaman and Nicobar Islands
- Lakshadweep
- Dadra and Nagar Haveli
- Daman and Diu
- Chandigarh
- Other territory.

Union territory without state legislature shall be treated as separate union territory

**3. LEVY & COLLECTION OF CGST [Sec.9]**

- 1) CGST shall be levied on all Intra-State Supplies of goods/ services/ both (**except** Alcoholic liquor for human consumption) at a rate not exceeding 20%.

2)

<b>Who will pay the CGST?</b>	A taxable person
<b>What is the Value on which CGST is payable?</b>	Transaction Value under Sec.15 of the Act

3) **WHAT ARE THE RATES PRESCRIBED UNDER CGST?**

Particulars	Rates in %
In respect of goods	0, 0.125, 1.5, 2.5, 6, 9, 14
In respect of services	0, 2.5, 6, 9, 14

**NOTE:** S.G/ UT also levies similar rate of GST (Maximum rate of CGST 20%).

- 4) As of now, even though the GST is not leviable on the following products, tax could be levied from a date to be notified by the C.G considering the recommendation of GST council.

#### WHAT ARE THEY?

- Petroleum crude
- High speed diesel
- Motor spirit (Petrol)
- Natural gas and
- Aviation turbine fuel

- 5) **REVERSE CHARGE** shall be applicable in respect of -

A) **Notified** supplies under Sec.9 (3).

B) Tax is payable under reverse charge by the **notified class of registered persons** on **notified categories of intra-State supplies** of goods and/or services received by such registered persons from any unregistered supplier [Sec.9 (4)].

Further, it is important to note that under reverse charge mechanism (i.e. the recipient is liable to pay GST) -

- The burden to pay GST is on the recipient
- But the **compliance requirements** has been shifted from supplier to recipient

C) **What are the GOODS taxable under reverse Charge mechanism?**

The goods taxable under reverse charge mechanism where the **entire CGST** shall be paid by **the Recipient**.

Goods	Liable to pay tax
Cashewnuts [not shelled/peeled], Bidi wrapper leaves, Tobacco leaves, Supply of Lottery, Silk yarn, Used vehicles, Seized and Confiscated goods, Old and Used goods, Waste and Scrap, Raw cotton, etc.	Recipient

D) **What are the SERVICES taxable under reverse Charge mechanism?**

Notifications No. 13/2017 (GSTR) dated 28.06.2017 specifies the services taxable under reverse charge mechanism where the **entire CGST** shall be paid by **the Recipient**.

Nature of the Supply of Service	Supplier	Recipient
1) Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road, except the services provided to the following persons: a) Department of CG/SG/UT or b) Local authority or c) Government agencies registered only for the purpose of TDS u/s 51 and not for making a taxable supplies	GTA who has not paid CGST @ 6% (Note)	The recipient, located in the taxable territory and liable to pay freight is - a) Any registered factory b) Any registered society c) Any co-operative society d) Any registered person under any of the GST Acts e) Any Body corporate established, by or under any law; or f) Any partnership firm whether registered or not under any law including association of persons. g) Registered casual taxable person
2) Services supplied by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly.	An individual advocate including a senior advocate or firm of Advocates	Any business entity** located in the taxable territory
3) Services by arbitral tribunal	An arbitral tribunal	Any business entity** located in the taxable territory
4) Sponsorship services	Any person	Any Body corporate or partnership firm located in the taxable territory.

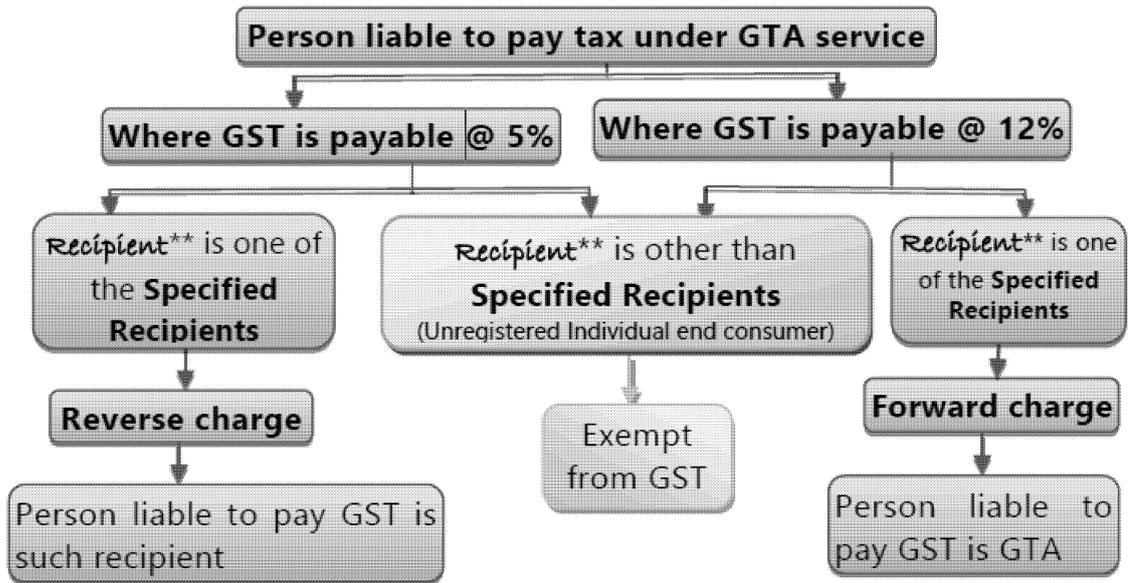
5) Supply of any services EXCEPT, a) Renting of immovable property, and b) Services specified below - i) Specific services*** provided by the postal department to a person other than CG/ SG/ Union territory/ local authority; ii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; iii) Transport of goods or passengers.	Central Government, State Government, Union territory or local authority	Any business entity** located in the taxable territory
5A. Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a registered person.	Central Government, State Government, Union territory or local authority	Any registered person
5B. Services supplied by any person by way of transfer of development rights (TDR) or Floor Space Index (FSI) (including additional FSI) for construction of a project by a promoter.	Any Person	Promoter
5C. Long term lease of land (30 years or more) by any person against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter.	Any Person	Promoter
6) Services supplied by a director of a company/ body corporate	A director of that company or body corporate	The company or body corporate located in the taxable territory
7) Insurance agent services	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8) Recovery agent services	A recovery agent	A banking company or a financial institution or a Non-banking financial company, located in the taxable territory.
9) Supply of services by a music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like.	Music composer, photographer, artist, or the like	Music company, producer or the like, located in the taxable territory.
9A. Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher.	Author	Publisher located in the taxable territory.
<p>Amendment: Now, The Author has an option to pay GST liability either under RCM or Forward Charge. However, an author can choose to pay tax under forward charge if-</p> <p>i) He has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and</p> <p>ii) To comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and</p> <p>iii) That he shall not withdraw the said option within a period of 1 year from the date of exercising such option and declaration on invoice is required by the author in prescribed form to publisher.</p> <p><u>Note: It is an optional scheme only available to the author to pay GST under FCM (or) RCM.</u></p>		
10) Overseeing Committee Services	Members of Overseeing Committee	Reserve Bank of India (RBI)

11) Services supplied by individual Direct Selling Agents other than a body corporate, partnership or LLP firm to bank or NBFC	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP firm	A banking company or a NBFC, located in the taxable territory
12) Services provided by Business facilitator to a banking company	Business facilitator	A banking company, located in the taxable territory
13) Services provided by an agent of business correspondent to business correspondent.	An agent of business correspondent	A business correspondent, located in the taxable territory.
14) Security services provided to a registered person, except the services provided to the following persons: a) Department of CG/SG/UT or b) Local authority or c) Government agencies registered only for the purpose of TDS u/s 51 and not for making a taxable supplies d) Composition tax payer	Any person other than a body corporate	A registered person, located in the taxable territory.
15) Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.	Any person, other than a body corporate who supplies service to a body corporate & doesn't issue an invoice charging CGST @6% to service recipient.	Any-body corporate located in the taxable territory.
16) Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India, as amended	Lender i.e., a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI	Borrower i.e., a person who borrows the securities under the Scheme through an approved intermediary of SEBI.

**(TEACH PROBLEM NO.2, 3, 16 & 17 OF CLASSROOM DISCUSSION)****NOTE:**

- 1) Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer are exempt subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.
- 2) Exemption of TDR, FSI, long term lease (premium) is withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses. In such cases, the liability to pay tax on TDR, FSI, long term lease (premium) has been shifted from land owner to builder under the reverse charge mechanism (RCM) - as illustrated in table above.
- 3) GST is exempt for the persons where the recipient under GTA is other than specified recipients (i.e. an unregistered Individual or a consumer).
- 4) GTA Services are taxable at two rates, which are as follows:
  - a) @ 5% (2.5% CGST + 2.5% SGST/UTGST or 5% IGST) provided GTA has not taken the Input Tax Credit (ITC) on goods and services used in supplying GTA service or
  - b) @ 12% (6% CGST + 6% SGST/UTGST or 12% IGST) where GTA opts to pay GST at said rate on all the services of GTA supplied by it. In this case, there is no restriction on availing ITC on goods and services used in supplying GTA service by GTA.

In the following Paras, we have explained as to who is the person liable to pay tax in case of each of the above two rates:

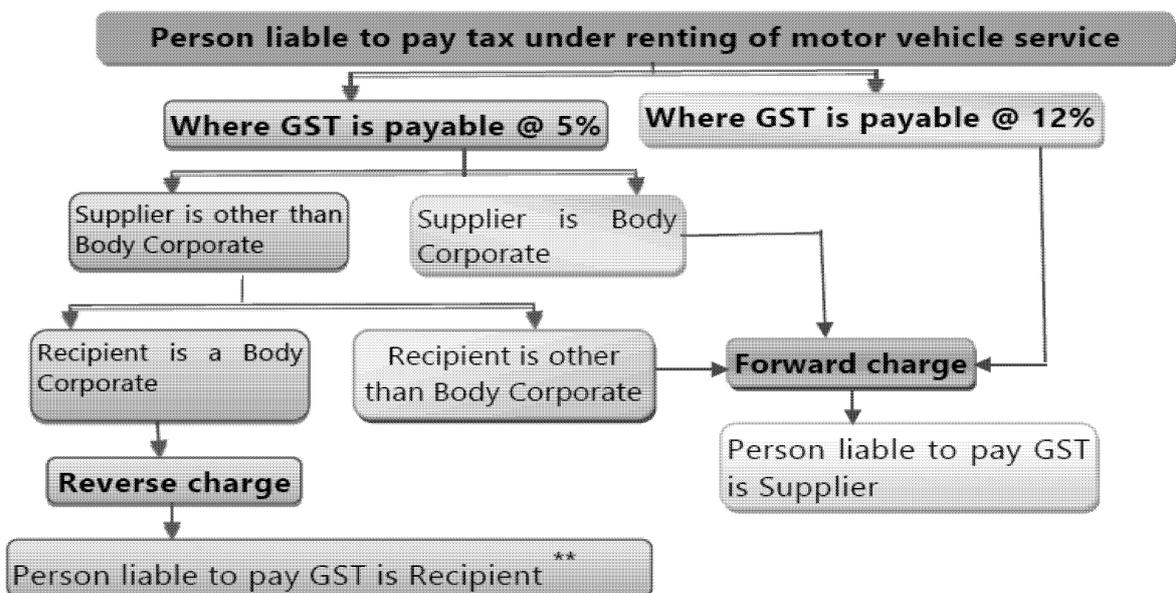


**\*\* Recipient of GTA service** is the person who pays/is liable to pay freight for transportation of goods by road in goods carriage, located in the taxable territory.

Service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient are taxable at the following two rates:

- 1) @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST) provided supplier of services has taken only the limited ITC (of input services in the same line of business) or
- 2) @ 12% (6% CGST+6% SGST/UTGST or 12% IGST) where supplier of services opts to pay GST at said rate. In this case, there is no restriction on availing ITC on goods or services used in supplying renting of motor vehicles service by the supplier of service.

In the following Paras, we have explained as to who is the person liable to pay tax in case of each of the above two rates:



**\*\***It is important to note here that when any service is placed under RCM, the supplier shall not charge any tax from the service recipient as this is the settled procedure under RCM. RCM shall be applicable here only when the supplier does not issue an invoice charging GST @12% (6% CGST+6% SGST/UTGST or 12% IGST) from the service recipient.

In order to determine the levability of tax on the remuneration paid to the directors, we first need to ascertain whether the director is an employee of the company or not. Following two situations are possible: **[For students Self-Study]**

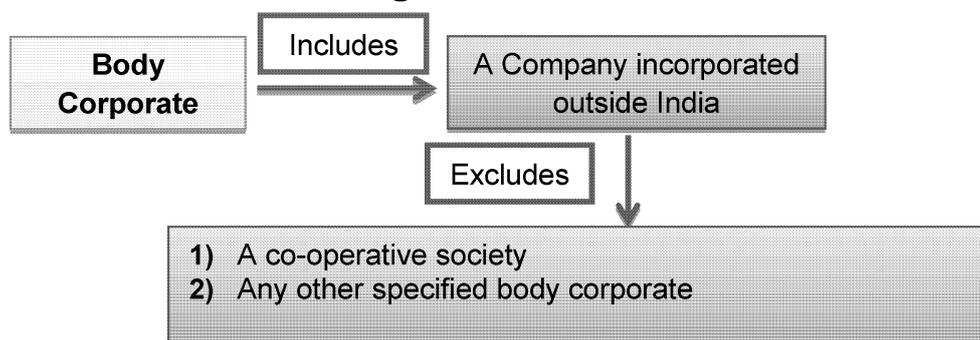
- a) Services provided by the independent directors/those directors (by whatever name called) who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. As seen in the table given above illustrating the reverse charge services (S. No. 6), such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.
- b) In case where it is ascertained that a director, irrespective of name and designation, is an employee, next step would be to examine whether all the activities performed by the director are in the course of employer employee relation (i.e. a “contract of service”) or is there any element of “contract for service”.

The part of director’s remuneration which are declared as Salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director’s remuneration which is declared separately other than salaries in the company’s accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. Besides, as already discussed, the recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

#### CLARIFICATIONS:

- a) The terms which are not defined in this notification, shall have the same meanings as assigned in the respective Acts of GST.
- b) **\*\*\*Specific services** are the services provided by way of speed post, express parcel post, life insurance, agency services
- c) **Body Corporate (Sec.2(11) of Companies Act):**



- d) A partnership firm or a firm includes a **Limited Liability Partnership** formed and registered under the provisions of the Limited Liability Partnership Act, 2008.
- e) **Legal service** means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.
- f) **Insurance agent** means an insurance agent licensed under section 42 of the Insurance Act, 1938 who receives or agrees to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.
- g) **\*\*The turnover of such business entity** should exceed Rs.20,00,000 in the preceding FY.

6) **ELECTRONIC COMMERCE OPERATOR SERVICES (E- COMMERCE OPERATOR):**

i) **E-Commerce operator (Sec.2 (45)):** E-Commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.



ii) The Government may notify specific categories of services the tax on intra-State supplies (inter-State supplies in case of IGST) of which shall be paid by the electronic commerce operator (ECO) if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council. Few services have been so notified like service by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle.

**4. COMPOSITION SCHEME OF LEVY [SEC.10]**

1) **WHAT DO YOU MEAN BY COMPOSITION SCHEME UNDER GST?**

It is an option for specified categories of small taxpayers to pay GST at a very low rate on the basis of turnover. Some of the **advantages** of composition scheme are -

- ✓ Low rate of tax
- ✓ Hassel free (without any complication) simple procedures for such taxpayers
- ✓ Simple calculation of tax based on turnover
- ✓ A very simple quarterly return

2) **ELIGIBILITY FOR COMPOSITION LEVY:**

i) Initially, Sec.10 of the CGST Act specifies the threshold limit for small taxpayers as Rs.50 Lakhs and then increased to Rs.1 crore. As of now, this threshold limit has been increased from **Rs.1 crore to Rs.1.5 crore.**

ii) For the states of **Assam, Himachal Pradesh and Jammu and Kashmir**, the threshold limit will be **Rs.1.5 crore.**

iii) The threshold limit has been stringently **limited to Rs. 75 lakhs** for the following Special Category states namely:

- |                     |               |
|---------------------|---------------|
| • Arunachal Pradesh | • Meghalaya   |
| • Sikkim            | • Nagaland    |
| • Tripura           | • Mizoram     |
| • Manipur           | • Uttarakhand |

3) While **computing** the threshold limit, the following items shall be **considered**

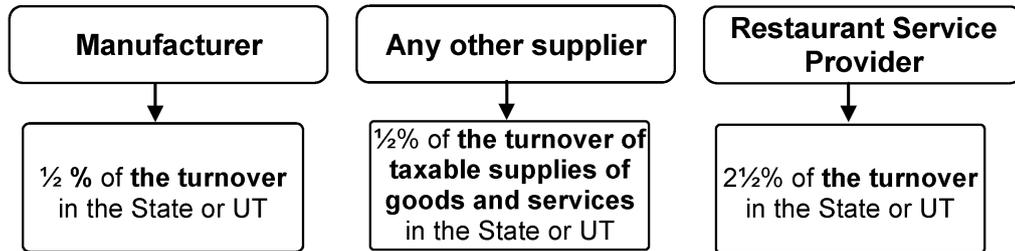
Inclusions	Exclusions
<p><b>Value of all outward supplies -</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Taxable supplies</li> <li><input type="checkbox"/> Exempt supplies</li> <li><input type="checkbox"/> Exports</li> <li><input type="checkbox"/> Inter-State Supplies</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> CGST</li> <li><input type="checkbox"/> SGST</li> <li><input type="checkbox"/> UTGST</li> <li><input type="checkbox"/> IGST</li> <li><input type="checkbox"/> Cess</li> <li><input type="checkbox"/> Value of inward supply on which tax is payable on <b>Reverse Charge Basis</b></li> </ul>
<div style="border: 1px solid black; padding: 5px; display: inline-block;">                     of person having the same PAN, computed on all India basis.                 </div>	

**For example,** a dealer 'X' has two offices in Delhi. In order to determine whether 'X' is eligible to avail benefit of the composition scheme, turnover of both the offices would be taken into account and if the same does not exceed Rs.1.5 crore, X can opt to avail the composition levy scheme (subject to fulfillment of other prescribed conditions).

**4) WHO CAN OPT FOR THE COMPOSITION LEVY SCHEME?**

A registered person, whose aggregate turnover in the preceding FY does not exceed **Rs.75 lakh/ Rs.1.5 crore**, may opt to pay an amount calculated by using prescribed rates on state turnover during the current FY, in lieu of the tax payable by him.

As of now, the following rates has been notified as composition rates



**NOTE:** S.G also levies similar rate of GST.

**5) SUPPLIER OF SERVICES (OTHER THAN RESTAURANT SERVICES):** A registered person opting for composition scheme is permitted to supply services [other than restaurant services] of value not exceeding:

- i) **10% of the turnover** in a State/UT in the preceding financial year or
- ii) **Rs.5 lakh.**

Whichever is higher.

**EXAMPLE:** Ramsewak has opted for composition scheme in the financial year 2019-2020. His aggregate turnover in FY 2018-19 is Rs.60 lakh. In FY 2019-2020, he can supply services [other than restaurant services] upto a value of not exceeding

- a) 10% of Rs.60 lakh, i.e. Rs.6 lakh or
- b) Rs.5 lakh,

Whichever is higher. Thus, he can supply services upto a value of Rs.6 lakh in FY 2019-2020.

**NOTIFICATION:**

- i) A registered person opting for composition scheme may supply services [other than restaurant services], while computing value of services [other than restaurant services] interest on loans/deposit/advances will not be taken into account while computing eligibility or turnover.
- ii) Supply of food and/or drinks by the Indian Railways or IRCTC (Indian Railways Catering and Tourism Corporation Ltd.) or their licensees, whether in trains or at platforms (**static units**), GST will be 5% without ITC.
- iii) Services not covered under any specific heading are taxed at the rate of 18% (CGST @ 9% and SGST @9%).
- iv) Tax rate for GTA and restaurant services are 5% (CGST @ 2.5% and SGST @ 2.5%) without any ITC.

**6) PROCEDURE FOR OPTING COMPOSITION SCHEME:**

<b>Person who is not yet registered:</b>	<b>Person who is already registered:</b>
<p>An unregistered person shall get registered himself by submitting the <b>form GST REG-01</b> to the prescribed authority.</p> <p>The option of composition scheme shall be considered as valid only after the grant of registration to the applicant and date of registration shall become the date of exercising the option of composition levy.</p>	<p>A registered person may opt for composition scheme -</p> <ol style="list-style-type: none"> <li>a) By intimating in the prescribed form to the prescribed authority prior to the commencement of Financial Year,</li> <li>b) By furnishing the statement in prescribed form within 60 days of the commencement of the relevant financial year</li> </ol>

**7) DETAILS OF STOCK TO BE FURNISHED:**

Any person who files such intimation shall furnish the details of-

**Stock** (Including the inward supply of goods received from unregistered persons) held by him on the day preceding the date from which he opts for composition levy, electronically, in prescribed form, on the common portal, within a period of **90 days** from the date on which the option for composition levy is exercised or within such further period as may be **extended by the Commissioner** in this behalf.

**8) CONDITIONS & RESTRICTIONS FOR COMPOSITION SCHEME:**

The person, who avails this option shall -

- a) Pay tax under section 9(3)/9(4) (reverse charge) on inward supplies
- b) Pay the tax under reverse charge under section 9(4) for goods held in stock by him which was purchased from an unregistered supplier.
- c) Not make inter-state outward supplies of goods

**NOTE:** No restriction on a composite supplier to purchase goods from other state(s)/ UT's

d) Use the words -

- i) "Composition taxable person, not eligible to collect tax on supplies" on the bills
- ii) "Composition taxable person" displayed at prominent places

**9) WHO ARE NOT ELIGIBLE TO OPT FOR COMPOSITION SCHEME?**

- a) Manufacture of notified goods (i.e. ice-cream, pan masala and tobacco)
- b) Supplier of services other than restaurant services (Value of services exceeds specified limit).
- c) A casual taxable person or a non-resident taxable person.
- d) Supplier of goods wholly, which are not taxable under the CGST Act/ SGST Act/ UTGST Act.
- e) Person supplying goods through an electronic commerce operator

**f) With effect from 01.10.2019 (Notification No. 14/2019 CT dated 07.03.2019 and Notification No. 2/2019 CT (R) dated 07.03.2019), **Manufacturer of aerated water & supplier of aerated water** cannot opt to pay tax under composition levy. A supplier of aerated water will also not be eligible to pay concessional tax along with ice cream, pan masala, Tobacco & Tobacco substitutes.**

**Example:** ABC Industries, a manufacturer in Mumbai, is engaged in supply of goods in Mumbai as well as Chennai (i.e. inter-State supply of goods). Here, ABC Industries cannot enter into the composition scheme as it is effecting inter-State supply of goods i.e. Chennai.

**Withdrawal from the composition scheme by a taxpayer who intends to withdraw from the said scheme:**

- The registered person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in prescribed form.
- The **effective date from which withdrawal from the composition scheme shall take effect** shall be the date indicated by him in his application but such date may not be prior to the commencement of the financial year in which such application for withdrawal is being filed

**Denial of option to pay tax under the composition scheme by tax authorities:**

- Where the proper officer has reasons to believe that the registered person was not eligible to pay tax under composition scheme or has contravened the provisions of the CGST Act or provisions of this Chapter, he may issue a show cause notice (SCN) to such person. Upon receipt of reply to SCN, he shall pass an order either accepting the reply, or denying the option to pay tax under composition scheme from the date of the option or from the date of the event concerning such contravention, as the case may be.

- **In case of denial of option to pay tax under composition levy by the tax authorities**, the effective date of such denial shall be from a date, including any retrospective date, as may be determined by tax authorities. However, such effective date shall not be prior to the date of contravention of the provisions of the CGST Act/ CGST Rules.

In each of the above cases, such person may furnish a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn/denied, within a period of 30 days from the date from which the option is withdrawn/ or from the date of the order denying composition scheme.

**(TEACH PROBLEM NO.4, 5, 6, 7 & 8 & 13, 14, 18,19 OF CLASSROOM DISCUSSION)**

### **FOCUS POINTS:**

- 1) The composition scheme shall be valid as long as the person is satisfying the prescribed Conditions and eligibility criteria. Further, such person is also required to file intimation for withdrawal from the scheme within 7 days or 30 days (where such person holds any inputs, W.I.P, finished goods on which input credit was availed).

**Example:** A person availing composition scheme during a financial year crosses the turnover of Rs.1.5 crore on 9th of December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs. 1.5 crore, i.e. on 9th December in this case.

- 2) The Composition scheme shall be adopted uniformly by all the registered persons having the same PAN.

**Example:** A dealer 'X' has two offices in Delhi and is eligible for composition levy. If 'X' opts for the composition scheme, both the offices would pay taxes under composition scheme and abide by all the conditions as may be prescribed for the composition scheme.

- 3) Composition scheme supplier cannot collect tax from the recipient on supplies made by him.  
 4) Taxable person opting for the composition scheme is not entitled to any credit of input tax.  
 5) The person who has opted for composition scheme though **he was not eligible, shall be liable for penalty.**

## **5. OPTIONAL RATE @ 3 % (CGST @ 3%+CGST @ 3% = 6%) ISEC.10 (2A)**

### 1) **ELIGIBILITY:**

- a) A registered person whose aggregate turnover in the preceding financial year is upto Rs. 50 lakh and who is not eligible to pay tax under composition scheme, option available to pay tax @ 3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY.

- b) **Persons not eligible for composition scheme, but eligible for optional rate of 3% :** Registered person whose aggregate turnover in the preceding financial year does not exceed Rs.50 lakh and:

- who is exclusively engaged in supplying services other than restaurant services, or  
 ➤ who is engaged in supply of services [other than restaurant services] along with supply of goods and/ or restaurant services of value exceeding Rs.5 lakh in current FY.

### 2) **CONDITIONS:**

- a) Supplies are made by a registered person who is:
- ✓ Not engaged in making any supply which is not leviable to tax
  - ✓ Not engaged in making any inter-State outward supply
  - ✓ Neither CTP nor NRTP
  - ✓ Not engaged in making any supply through an ECO who is required to TCS (section 52).
  - ✓ Not engaged in making supplies of notified goods (Ice cream, Pan Masala, Tobacco and manufactured tobacco substitutes).
- b) The registered person shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

- c) The registered person shall issue a bill of supply instead of tax invoice.
- d) Bill of supply will have the following words at its top - 'taxable person paying tax at optional rate of 3%, not eligible to collect tax on supplies'.

**(TEACH PROBLEM NO.9, 10, 11, 12 & 15 OF CLASSROOM DISCUSSION)**

**3) FOCUS ON:**

- a) Where more than one registered persons are having the same PAN, then CGST on supplies by all such registered persons is paid @ 3%.
  - b) The registered person opting to pay CGST@ 3% shall be liable to pay:
    - CGST @ 3% on all outward supplies - regardless of any exemption from tax available to such supplies or any notification issued u/s 9(1).
    - CGST on inward supplies on which he is liable to pay tax under RCM [Section 9(3)/9(4)].
  - c) To determine eligibility of a registered person to pay central tax @ 3%, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.
  - d) Where any registered person who has availed of ITC opts to pay optional rate of 3%, he shall pay an amount, by way of debit in the ECL or ECL, equivalent to the ITC in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, balance if any, lying in his ECL shall lapse.
  - e) The CGST Rules, 2017, as applicable to a person paying tax under composition scheme shall, mutatis mutandis, apply to a person paying tax under optional rate of 3%, except to the extent specified below:
    - ❖ Payment of tax at optional rate of 3% in respect of any place of business in any State/UT shall be deemed to be applicable in respect of all other places of business registered on the same PAN.
    - ❖ Payment of tax at optional rate of 3% would be effective from the beginning of the FY or from the date of registration as the case may be.
  - f) First supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under optional rate of 3%, include the supplies from 1<sup>st</sup> April of a FY to the date from which he becomes liable for registration under the said Act.
  - g) For the purpose of determination of tax payable under optional rate of 3% shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.
- 4) The composition taxpayers shall pay tax as a percentage of their turnover instead of the tax payable on the invoice value of the transactions under regular provisions.
- 5) Notwithstanding anything to the contrary contained in this Act but subject to the provisions of RCM, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.50 lakh, may opt to pay, in lieu of the tax payable by him under regular provisions, an amount of tax calculated at such rate as may be prescribed.

## **6. INTEGRATED GOODS AND SERVICES TAX ACT, 2017 (IGST ACT)**

**(FOR STUDENTS SELF-STUDY)**

- 1) **SCOPE & EXTENT (SEC.1):** *Integrated Goods and Services Tax Act, 2017 (IGST Act) extends to the whole of India **including** Jammu & Kashmir.*
- 2) **LEVY & COLLECTION OF IGST (SEC.5):**
  - a) *IGST shall be levied on all Inter-State Supplies of goods/ services/ both (**except** Alcoholic liquor for human consumption) at a rate not exceeding 40%.*

**NOTE:**

- i) IGST shall be levied and collected on import of goods as per the section 3 of the Custom Tariff Act, 1975.
- ii) IGST shall be levied as additional duty of customs in addition to basic customs duty under the Customs Tariff Act, 1975.

b)

<b>Who will pay the IGST?</b>	A taxable person
<b>What is the Value on which IGST is payable?</b>	Transaction Value under Sec.15 of the Act

c) **What are the rates prescribed under IGST?**

Particulars	Rates in %
In respect of goods	0, 0.25, 3, 5, 12, 18, 28
In respect of services	0, 5, 12, 18, 28

d) As of now, even though the GST is not leviable on the following products, tax could be levied from a date to be notified by the C.G considering the recommendation of GST council.

**What are they?**

- Petroleum crude
- High speed diesel
- Motor spirit (Petrol)
- Natural gas and
- Aviation turbine fuel

e) **REVERSE CHARGE** shall be applicable in respect of -

a) **Notified** supplies under Sec.5 (3).

b) Tax is payable under reverse charge by the **notified class of registered persons on notified categories of inter-State supplies** of goods and/or services received by such registered persons from any unregistered supplier [Sec.5 (4)].

**SECTION 2: PROBLEMS FOR CLASSROOM DISCUSSION**

**PROBLEM NO.1:** Examine whether the supplier is liable to get registered in the following independent cases:

- a) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is Rs. 28 lakh. He has another showroom in Tripura with a turnover of Rs. 11 lakh in the current FY.
- b) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is Rs. 22 lakh.
- c) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is Rs. 24 lakh.
- d) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.
- e) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh. (RTP N19 (N&O))

(ANS.: I) LIABLE, II) NOT LIABLE, III) LIABLE, IV) LIABLE, V) LIABLE)

(SOLVE PROBLEM NO. 1 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.2:** State, with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

- Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was Rs.22 lakhs in the preceding F. Y.)
- Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of Rs.50 lakhs in preceding F.Y. (M18 (O) - 3M)

(ANS.: I) MANNAPPA PVT. LTD, II) M/S. TATVA TRADING COMPANY  
(SOLVE PROBLEM NO. 2 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.3:** Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- Miss. Shinu Ambani provided sponsorship services to Indian Love Cricket Academy, a Limited Liability Partnership.
- "Fast move", a Goods Transport Agency, transported goods of Amba & Co., a partnership firm which is not registered under GST. (MTP M19(N&O))

(ANS.: I) INDIAN LOVE CRICKET ACADEMY, II) AMBA & CO) (SOLVE PROBLEM NO. 3 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.4:** Taxpayer 'A' is a manufacturer having one unit - A1 in UP and another unit - A2 in MP. Total turnover of two units in last FY was Rs.55 lakh (Rs.25 lakh + Rs.30 lakh). Turnover of Unit A1 and A2 in the second quarter of this financial year was Rs.5 lakh and Rs.10 lakh respectively. Compute the amount payable under composition levy by Taxpayer 'A'. (NEW SM) (ANS.: RS. 15,000)

(SOLVE PROBLEM NO. 4 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.5:** A person availing composition scheme in Haryana during a financial year crosses the turnover of Rs.1.5 crore during the course of the year i.e. he crosses the turnover of Rs.1.5 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31<sup>st</sup> March? (NEW SM) (ANS.: NO) (SOLVE PROBLEM NO. 5 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.6:** M/s Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of Rs.78 Lakhs in the preceding financial year 2019-20.

- Determine whether Sai Trading Company will be eligible for composition levy, as on 31-03-2021.
- Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir? (M18(N)-3M) (ANS.: I) ELIGIBLE, II) NO

(SOLVE PROBLEM NO. 6 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.7:** Mohan Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was Rs.90 lakh. It wishes to pay tax under composition levy for one of the place of business in the current year while under normal levy for other place of business. You are required to advice Mohan Enterprises whether he can do so?

(NEW SM) (ANS.: NO) (SOLVE PROBLEM NO. 7 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.8:** Examine in relation to composition levy scheme under the CGST Act 2017 and the rules made thereunder in the following individual cases:

- Ketu is a manufacturer of ice cream and pan masala in state of Maharashtra. His turnover for the year does not exceed Rs.1.5 crore. He wants to register for composition levy scheme. Is he eligible for it?
- Jadhu of Gujarat opts for composition scheme during a financial year 2019-20. But on 10-02-2020 his turnover crosses Rs.1.5 crore, can he continue under composition levy scheme.
- X Ltd. Has 2 branches K & L Delhi, having same PAN. Branch K Opts for normal scheme X Ltd. Continue composition levy only for branch L? (M19 (O) - 5M)

(ANS.: I) NOT ELIGIBLE, II) NOT ELIGIBLE, III) NO) (SOLVE PROBLEM NO. 8 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.9:** Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed Rs.1.5 crore:

- Mohan is engaged in providing only legal services in Rajasthan and is registered in the same State.
- Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

(NEW SM) (ANS.: A) NOT ELIGIBLE, B) NOT ELIGIBLE)

(SOLVE PROBLEM NO. 9 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.10:** M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was Rs.80 lakh and receipts of the interior decorators service was Rs.22 Lakh in the preceding financial year.

- With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?
- Will your answer change, if the turnover of the showroom was Rs.70 lakh and receipts of the interior decorators service was Rs.22 Lakh in the preceding financial year?
- Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for showroom?

(M18(O) - 5M, MTP1 N18(N&O))

(ANS.: A) NOT ELIGIBLE, B) NOT ELIGIBLE, C) NOT ELIGIBLE) (SOLVE PROBLEM NO. 10 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.11:** Mr. Guneet is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is Rs.70 lakh and receipt of consultancy firm is Rs.15 lakh in the preceding financial year. You are required to answer the following:

- Is Mr. Guneet eligible for composition scheme?
- Is it possible for Mr. Guneet to opt for composition scheme only for showroom?

(MTP M19 (N&O)) (ANS.: I) NOT ELIGIBLE, II) NO) (SOLVE PROBLEM NO. 11 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.12:** Mr. Ajay has a registered repair centre where electronic goods are repaired/ serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is Rs. 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme in the current financial year (FY)? Is he eligible to avail benefit of concessional payment of tax under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is Rs. 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

(RTP N19 (N&O) (ANS.: RS. 2,10,000, NO)

(SOLVE PROBLEM NO. 12 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.13:** M/s United Electronics, a registered dealer, is supplying all types of Electronic Appliances in the State of Karnataka. Their aggregate Turnover in the Financial Year 2019-20 by way of supply of appliances was Rs. 120 Lakhs.

The firm also expects to provide repair and maintenance service of such Appliances from the financial year 2020-21.

With reference to the latest amendments made in CGST Act, 2017, examine:

- Whether the firm can opt for the composition scheme for the financial year 2020 - 21, as the turnover may include supply of both goods and services?
- If yes, up to what amount, the supply of service can be provided?

(N19 (O) - 5M) (ANS.: I) ELIGIBLE, II) RS. 12 LAKHS) (SOLVE PROBLEM NO. 13 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.14:** Mr. Zafar of Assam, provides the following information for the preceding financial year 2019-20. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2020 - 21.

Particulars	Rs. (in Lakhs)
Value of taxable outward supplies (out of above Rs. 10 lakhs was in course of inter - state transactions)	50.00
Value of exempt supplies (which include Rs. 30 Lakhs was received as an interest on loans & Advances)	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00

All the amounts are exclusive of GST.

(N19 (N) - 6M) (ANS.: RS. 95 LAKHS, ELIGIBLE)

(SOLVE PROBLEM NO. 14 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.15:**

- a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01<sup>st</sup> April, 2020. She opted to pay tax under sec 10(2A) in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30<sup>th</sup> June, 2020 was Rs. 20 lakh. Further, for the half year ending 30<sup>th</sup> September, 2020, the turnover reached Rs. 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached Rs. 70 lakh by the end of October, 2020. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2020.
- b) Care & Care Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?

Note: Rate of GST applicable on such services is 18% [RTP M20 (N)] (ANS.: (a) RS.5.4 LAKHS, (b) NO)

(SOLVE PROBLEM NO. 15 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM 16:** Mr. Vicky Frankyn, an unregistered famous author, received Rs. 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax?

[RTP M20 (N)] (ANS.: PERSON LIABLE TO PAY TAX IS THE PUBLISHER – SBP)

(SOLVE PROBLEM NO. 16 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.17:** State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- a) Services supplied by an insurance agent to an Insurance Company.
- b) Services supplied by a recovery agent to a car dealer.
- c) Security services (services provided by way of supply of security personnel) provided to a registered person.

(NEW SM) (ANS.: a) Insurance Co, b) Recovery Agent, c) Service Recipient)

(SOLVE PROBLEM NO. 17 OF ASSIGNMENT PROBLEMS AS REWORK)

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**PROBLEM NO.18:** Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is Rs.130 lakh. The firm wishes to opt for composition scheme under sub-sections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

**NOTE:** Assume that Sultan & Sons is not engaged in manufacture of goods as notified under section 10(2)(e).

(NEW SM) (ANS.: ELIGIBLE FOR THE COMPOSITION SCHEME)

(SOLVE PROBLEM NO. 18 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.19:** Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed Rs.1.5 crore:

- Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.
- Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

(NEW SM) (ANS.: A) ELIGIBLE, B) NOT ELIGIBLE)

(SOLVE PROBLEM NO. 19 OF ASSIGNMENT PROBLEMS AS REWORK)

**PROBLEM NO.20:** In the following independent cases, decide, which person is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.
- Mr. Kamal Jain, an unregistered famous author received ₹ 20 lakhs of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

(NOV 20)

(ANS.: PERSON LIABLE TO PAY TAX IS THE PUBLISHER –(I) VEER TRANSPORT(GTA) (II) PQR PUBLICATIONS LTD)

(SOLVE PROBLEM NO. 20 OF ASSIGNMENT PROBLEMS AS REWORK)

### SECTION 3: PRINTED SOLUTIONS FOR CLASSROOM PROBLEMS

#### PROBLEM NO.1

As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- 40 lakh for rest of India. However, the higher threshold limit of Rs. 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:

- Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- a) Raghav is eligible for higher threshold limit of turnover for registration, i.e. Rs. 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to Rs. 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds Rs.10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- b) The applicable threshold limit for registration for Pulkit in the given case is Rs. 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- c) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of Rs.40 lakh. The applicable threshold limit for registration in this case is Rs.20 lakh. Thus, Harshit is liable to get registered under GST.
- d) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Ankit is liable to get registered under GST.
- e) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

**PROBLEM NO.2**

- a) GST on services provided or agreed to be provided by the Central Government, State Government, Union Territory, or local authority to any business entity located in the taxable territory is payable under reverse charge. However, services supplied by way of renting of immovable property to a registered person is also payable under reverse charge. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Mannappa Pvt. Ltd.
- b) GST on legal services supplied by a senior advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

**PROBLEM NO.3**

- a) In case of services provided by any person by way of sponsorship to anybody corporate or partnership firm / limited liability partnership (LLP), GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, Indian Love Cricket Academy is liable to pay GST under reverse charge.
- b) In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law, GST is liable to be paid by such partnership firm. Therefore, in the given case, Amba & Co. is liable to pay GST under reverse charge.

**PROBLEM NO.4**

The amount payable under composition levy:

Unit	Location	Turnover in previous FY	Turnover in 2 <sup>nd</sup> quarter of this FY	Total tax (@1%)
A1	U.P.	Rs.25 lakh	Rs.5 lakh	Rs. 5,000
A2	M.P.	Rs.30 lakh	Rs.10 lakh	Rs. 10,000
<b>Aggregate turnover</b>		<b>Rs.55 lakh</b>	<b>Rs.15 lakh</b>	

**PROBLEM NO.5**

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme during the financial year exceeds the specified limit (Rs.1.5 crore). He is required to file intimation for withdrawal from the scheme in prescribed form within 7 days from the day on which the threshold limit has been crossed.

**PROBLEM NO.6**

- a) Section 10 of CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.1.5 crore may opt for composition scheme. The turnover limit is Rs.75 lakh in case of Special Category States. However, for **Assam, Himachal Pradesh and Jammu and Kashmir**, the turnover limit is Rs.1.5 crore only.

In the given case, the applicable turnover limit for composition scheme will be Rs.1.5 crore as Andhra Pradesh is not a Special Category State.

Further, since the aggregate turnover of the registered person in the given case does not exceed Rs.1.5 crore and it satisfies other conditions of composition scheme namely, not making inter-State supplies of goods, it is eligible for composition levy.

- b) No, since the turnover limit for determining the eligibility for composition scheme in the State of Jammu and Kashmir is also Rs.1.5 crore, Sai Trading Company will be eligible for composition levy with other condition of not making inter-State supplies of goods being fulfilled.

**PROBLEM NO.7**

A registered person with an aggregate turnover in a preceding financial year up to Rs.1.5 crore is eligible for composition levy in Delhi. Since the aggregate turnover of Mohan Enterprises does not exceed Rs.1.5 crore, it is eligible for composition levy in the current year.

However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Mohan Enterprises, either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

**PROBLEM NO.8**

- a) Manufacture of notified goods i.e. Ice creams, pan masala, Tobacco are not eligible to opt for composition scheme.

Since, Ketu is a manufacture of ice creams, pan masala he is not eligible to opt for composition levy.

- b) A registered person, whose aggregate turnover exceeds 1.5 crore rupee is not eligible for composition scheme.

Since, Jadhu turnover exceeds 1.5 crore he is not eligible for composition scheme.

- c) All registered persons having same PAN have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

**PROBLEM NO.9****Eligibility for composition levy:**

- a) A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.1.5 crore [Rs.75 lakh in case of special category States except **Assam, Himachal Pradesh and Jammu and Kashmir**], may opt for composition scheme vide section 10 of CGST Act, 2017. A supplier of services engaged in supplies other than **restaurant services are not eligible for composition scheme.**

However, a registered person opting for composition scheme to supply services [other than restaurant services] of value not exceeding:

- ✓ 10% of the turnover in a State/Union territory in the preceding financial year or
- ✓ Rs.5 lakh,
- ✓ Whichever is higher.

But in the present case, Mohan is providing only legal services. So, he is not eligible to opt composition scheme even though he is making intra-state supply. However, he may choose the option to pay tax @ 3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

- b) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

### **PROBLEM NO.10**

A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.1.5 crore [Rs.75 lakh in case of special category States except **Assam, Himachal Pradesh and Jammu and Kashmir**], may opt for composition scheme vide section 10 of CGST Act, 2017. A supplier of services engaged in supplies other than **restaurant services are not eligible for composition scheme.**

However, a registered person opting for composition scheme to supply services [other than restaurant services] of value not exceeding:

- ✓ 10% of the turnover in a State/Union territory in the preceding financial year or
- ✓ Rs.5 lakh,

Whichever is higher.

In the present case, M/s. Ginny and John Company is providing the service of **interior decoration and supplying readymade garments (goods).**

- a) Total turnover = 80L+22L = Rs.102L

- ✓ 10% of Rs.102 lakh, i.e. Rs.10.2 lakh or
- ✓ Rs.5 lakh,

Whichever is higher i.e. Rs.10.2 lakh

Therefore, value of services (Rs.22L) exceeds Rs.10.2 lakh. So, he is not eligible to opt composition scheme. However, he may choose the option to pay tax @3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

- b) Total turnover = 70L+22L = Rs.92L

- ✓ 10% of Rs.92 lakh, i.e. Rs.9.2 lakh or
- ✓ Rs.5 lakh,

Whichever is higher i.e. Rs.9.2 lakh

Therefore, value of services (Rs.22L) exceeds Rs.9.2 lakh. So, he is not eligible to opt composition scheme. However, he may choose the option to pay tax @3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

- c) Further, where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, the answer will not change in the third case also as all the registrations under the same PAN are required to opt for composition scheme and since the supply of interior decorator service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.

However, he may choose the option to pay tax @3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

**PROBLEM NO.11**

A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.1.5 crore [Rs.75 lakh in case of special category States except **Assam, Himachal Pradesh and Jammu and Kashmir**], may opt for composition scheme vide section 10 of CGST Act, 2017. A supplier of services engaged in supplies other than **restaurant services are not eligible for composition scheme**.

However, a registered person opting for composition scheme to supply services [other than restaurant services] of value not exceeding:

- ✓ 10% of the turnover in a State/Union territory in the preceding financial year or
- ✓ Rs.5 lakh,

Whichever is higher.

In the present case, Mr. Guneet is **running consulting firm and supplying readymade garments (goods)**.

**a) Total turnover = 70L+15L = Rs.85L**

- ✓ 10% of Rs.85 lakh, i.e. Rs.8.5 lakh or
- ✓ Rs.5 lakh,

Whichever is higher i.e. Rs.8.5 lakh

Therefore, value of services (Rs.15L) exceeds Rs.8.5 lakh. So, he is not eligible to opt composition scheme. However, he may choose the option to pay tax @3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

**b) Further, where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.**

Therefore, the answer will not change in the second case also as all the registrations under the same PAN are required to opt for composition scheme and since the supply of consultation service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.

However, he may choose the option to pay tax @3% on first supplies of goods and/or services upto an aggregate turnover of Rs.50 lakh made on/after 1st April in any FY if his aggregate turnover in the preceding financial year is upto Rs.50 lakh.

**PROBLEM NO.12**

Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore (Rs. 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, if, *inter alia*, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy.

In the given case, since Mr. Ajay is a supplier of repair services, he is not eligible for composition scheme even though his aggregate turnover in the preceding FY does not exceed Rs. 1.5 crore. Therefore, he has to discharge his tax liability under regular provisions at the applicable rates.

However, sec 10(2A) has provided an option to a registered person whose aggregate turnover in the preceding financial year is up to Rs. 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of Rs. 50 lakh made on/after 1st April in any FY, subject to specified conditions.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under sec 10(2A) as his aggregate turnover in the preceding FY does not exceed Rs. 50 lakh and he is not eligible to opt for the composition scheme.

Thus, the amount of tax payable by him under sec 10(2A) is Rs. 2,10,000 [6% of Rs. 35 lakh].

A registered person cannot opt for sec 10(2A), if inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighbouring State of Madhya Pradesh.

**PROBLEM NO.13**

- a) The registered persons, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay tax under composition levy.

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service. However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the financial year 2020-21 as its aggregate turnover is less than Rs.1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

- b) The registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or Rs. 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of Rs.12 lakh [10% of Rs.120 lakh or Rs.5 lakh, whichever is higher] in the current financial year 2020-21.

**PROBLEM NO.14**

**Computation of aggregate turnover of Mr. Zafar for FY 2019-20 for the purpose of eligibility of composition levy scheme**

Particulars	Amount (Rs. in lakh)
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50
Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	5
<b>Aggregate turnover for determining eligibility for composition scheme</b>	<b>95</b>

A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed Rs. 1.5 crore in the preceding financial year provided he is not engaged in inter-State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2020-21, Mr. Zafar is eligible to opt for composition levy for FY 2020-21 since his aggregate turnover does not exceed Rs. 1.5 crore in FY 2019-20.

**PROBLEM NO.15**

- a) Sec 10(2A) provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of Rs. 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of Rs. 50 lakh. The total tax payable by it is as under: -

Period	Tax Rate	Turnover (Rs)	Tax Liability (Rs)
I Quarter	Since turnover did not exceed Rs. 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+SGST/ UTGST)] under Notification No. 2/2019 CT (R)	30 Lakh [50-20]	1,80,000
For the month of October, 2020	Normal rate of GST of 18% is to be applied	20 Lakh [70-50]	3,60,000
<b>Total Tax Payable</b>			<b>5,40,000</b>

- b) No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

#### **PROBLEM NO.16**

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1) (a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, person liable to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

- i) since he is unregistered, he has to first take registration under the CGST Act, 2017
- ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

#### **PROBLEM NO.17**

- a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.
- b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non- banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.

- c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

### **PROBLEM NO.18**

The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to Rs.1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Further, such person must not be engaged in making any supply of goods which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods, for being eligible to pay tax under said scheme.

In the given case, the aggregate turnover of Sultan & Sons does not exceed Rs.1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax though exempted by way of notification. Therefore, it is eligible for composition levy under section 10(1) & 10(2) in the current year.

### **PROBLEM NO.19**

- a) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan Masala, Tobacco and manufactured tobacco substitutes and aerated waters are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs.1.5 crore, he is eligible for composition scheme subject to fulfillment of specified conditions.
- b) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

### **PROBLEM NO.20**

- a) GTA services have been subject to 'reverse charge' under GST Law (either in terms of Sec 9(3) of CGST Act, 2017 or under Sec 5(3) of IGST Act), service of transportation of goods by road by GTA attracts RCM in case GTA opts for payment of GST @5% and service is supplied to 'specified category of recipient'. If GTA is registered GTA who opted for GST payment @12%, then RCM is not applicable. In that case, GTA (the supplier- Veer Transport) remains liable for payment of GST.
- b) Mr Kamal Jain has licensed his original copyright to Publisher (PQR Publications Ltd) for consideration. His activity constitutes 'supply of service'. He himself being unregistered and recipient company being located in taxable territory, the given supply transaction will attract RCM under GST Law (either in terms of Sec 9(3) of CGST Act, 2017 or under Sec 5(3) of IGST Act). Thus, in given case, recipient of service (PQR Publications Ltd) shall be liable to pay GST.

## **SECTION 4: ASSIGNMENT PROBLEMS**

**PROBLEM NO.1:** Examine whether the supplier is liable to get registered in the following independent cases:

- a) Madhav of Andhra Pradesh is exclusively engaged in intra-State taxable supply of Goods. His turnover in the current financial year (FY) from Andhra Pradesh is Rs. 18.5 lakh.
- b) Nehanth of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is Rs. 36 lakh.
- c) Ashok of Maharashtra is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 39 lakh.
- d) Sohith of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 25 lakh.

(ANS.: I) NOT LIABLE, II) LIABLE, III) LIABLE, IV) LIABLE)

**PROBLEM NO.2:** State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- Services provided by an arbitral tribunal to any business entity.
- Sponsorship services provided by a company to an individual.
- Renting of immovable property service provided by the Central Government to a business entity.

(NEW SM) (ANS.: A) BUSINESS ENTITY, B) COMPANY, C) BUSINESS ENTITY

**PROBLEM NO.3:** Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- ABC Ltd., a LLP provided sponsorship services to Mr. Raghu.
- "Safe Trans", a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm is registered under GST.

(ANS.: I) ABC LTD, II) KAPIL & CO

**PROBLEM NO.4:** Taxpayer 'Anusha' is a manufacturer having one unit - A1 in Karnataka and another unit - A2 in Andhra Pradesh. Total turnover of two units in last FY was Rs.50 lakh (Rs.23 lakh + Rs.27 lakh). Turnover of Unit A1 and A2 in the second quarter of this financial year was Rs.7 lakh and Rs.9 lakh respectively. Compute the amount payable under composition levy by Taxpayer 'A'. (ANS.: RS. 16,000)

**PROBLEM NO.5:** Draupad Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

(MFP M19 (N&O)) (ANS.: NO, IT SHALL ISSUE A BILL OF SUPPLY)

**PROBLEM NO.6:** M/s ABC Company, an eligible registered dealer in goods making intra-state supplies within the state of Uttar Pradesh, has reported an aggregate turnover of Rs.85 Lakhs in the preceding financial year 2019-20.

- Determine whether M/s ABC Company will be eligible for composition levy, as on 31-03-2021.
- Will your answer be different, if in the above scenario, M/s ABC Company is making intra state supply within the state of Nagaland?

(ANS.: I) ELIGIBLE, II) NOT ELIGIBLE

**PROBLEM NO.7:** Subramanian Enterprises has two registered places of business in Andhra Pradesh. Its aggregate turnover for the preceding year for both the places of business was Rs. 120 lakh. It wishes to pay tax under composition levy for one of the place of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so?

(ANS.: NO)

**PROBLEM NO.8:** Examine in relation to composition levy scheme under the CGST Act 2017 and the rules made thereunder in the following individual cases:

- Venkat is a manufacturer of pan masala in state of Mizoram. His turnover for the year does not exceed Rs.75 Lakhs. He wants to register for composition levy scheme. Is he eligible for it?
- Radha of Maharashtra opts for composition scheme during a financial year 2020-21. But on 07-08-2020 her turnover crosses Rs.1.5 crore, can she continue under composition levy scheme.
- ABC Ltd. Has two branches MNO & PQR Andhra Pradesh, having same PAN. Branch MNO Opts for normal scheme, ABC Ltd. can continue composition levy only for branch PQR?

(ANS.: I) NOT ELIGIBLE, II) NOT ELIGIBLE, III) NO

**PROBLEM NO.9:** Ramaswamy, a registered supplier, is an interior decorator. His registered office is located in Gujarat and he is not engaged in making any inter-State supply of services. His aggregate turnover in the FY 2018-19 is Rs.90 lakh. With reference to the provisions of the CGST Act, 2017, examine whether Ramaswamy can opt for the composition scheme in the FY 2019-20?

Will your answer be different if Ramaswamy is engaged in supplying restaurant services and procures food items required for his restaurant from neighbouring State of Maharashtra?

(MTP M18 (O)) (ANS.: NOT ELIGIBLE, ELIGIBLE)

**PROBLEM NO.10:** M/s. Handsome and Likemi Company, a partnership firm at Mumbai is running a mobile phone showroom. Along with mobile phone showroom, it is also engaged in providing health and fitness services.

Turnover of the mobile phone showroom was Rs.78 lakh and receipts of the health and fitness service was Rs.26 lakh in the preceding financial year.

- i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme,
- ii) Will your answer change, if the turnover of the mobile phone showroom was Rs.74 lakh and receipts of the health and fitness service was Rs.18 lakh in the preceding financial year?
- iii) If M/s. Handsome and Likemi Company obtain separate registration for their mobile phone showroom & for health fitness centre, can it opt for composition scheme only for mobile phone showroom?  
(RTP N18(N)) (ANS.: I) NOT ELIGIBLE, II) NOT ELIGIBLE, III) NOT ELIGIBLE)

**PROBLEM NO.11:** Mr. Ranjith is running a health and fitness services and also a readymade garment showroom in Karnataka registered in same PAN. Turnover of the showroom is Rs.90 lakh and receipt of health and fitness services is Rs.20 lakh in the preceding financial year. You are required to answer the following:

- i) Is Mr. Ranjith eligible for composition scheme?
- ii) Is it possible for Mr. Ranjith to opt for composition scheme only for showroom?

(ANS.: I) NOT ELIGIBLE, II) NO

**PROBLEM NO.12:** Mr. Sanju is an interior decorator registered under GST. His Place of Business is located in State of Bihar and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is Rs. 48 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Sanju can opt for the composition scheme in the current financial year (FY)? Is he eligible to avail benefit of concessional payment of tax under sec 10(2A)? Considering the option of payment of tax available to Mr. Sanju, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is Rs.50 lakh.

Will your answer be different if Mr. Sanju procures few items required for providing services from neighbouring State of Andhra Pradesh?  
(ANS.: RS. 3,00,000, NO)

**PROBLEM NO.13:** Mr. Ravi, a registered dealer, is supplying Goods in the State of Uttarakhand. His aggregate Turnover in the Financial Year 2018-19 by way of supply of Goods was Rs. 89 Lakhs.

The firm also expects to provide repair and maintenance service of such Goods from the financial year 2019-20.

With reference to the latest amendments made in CGST Act, 2017, examine:

- i) Whether the firm can opt for the composition scheme for the financial year 2019 - 20, as the turnover may include supply of both goods and services?
- ii) If yes, up to what amount, the supply of service can be provided? (ANS.: RS. I) NOT ELIGIBLE, II) NIL)

**PROBLEM NO.14:** Mr. Karunakar of Meghalaya, provides the following information for the preceding financial year 2018-19. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2019 - 20.

Particulars	Rs. (in Lakhs)
Value of taxable outward supplies (out of above Rs. 4 lakhs was in course of inter - state transactions)	55.00
Value of exempt supplies (which include Rs. 2 Lakhs was received as an interest on loans & Advances)	10.00
Value of inward supplies on which he is liable to pay tax under reverse charge	15.00
Value of exports	22.00
All the amounts are exclusive of GST.	

(ANS.: RS. 81 LAKH, NOT ELIGIBLE)

### PROBLEM NO.15:

- a) Tarun started providing beauty and grooming services and inaugurated "Fair & Fair Beauty Centre" in Bangalore on 01<sup>st</sup> April, 2020. He opted to pay tax under sec 10(2A) in the said financial year. The aggregate turnover of Fair & Fair Beauty Centre for the quarter ending 30<sup>th</sup> June, 2020 was Rs. 20 lakh. Further, for the half year ending 30<sup>th</sup> September, 2020, the turnover reached Rs. 50 lakh. Fair & Fair Beauty Centre recorded a rapid growth and the turnover reached Rs. 70 lakh by the end of October, 2020. Determine the total tax liability of Fair & Fair Beauty Centre by the end of October, 2020.
- b) Fair & Fair Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?

Note: Rate of GST applicable on such services is 18%.

(ANS.: (A) TOTAL TAX LIABILITY 5,40,000, (B) NOT ELIGIBLE TO OPT FOR COMPOSITION SCHEME.

**PROBLEM NO.16:** Mr. Ben Tennyson, an unregistered famous author, received Rs. 2 crore of consideration from Jeewan Bhawan Publications (JBP) located in Jaipur for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Ben Tennyson is of the view that JBP is liable to pay tax under reverse charge on services provided by him. JBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Ben Tennyson is correct. Further, if the view of Mr. Ben Tennyson is correct, what is the recourse available with Mr. Ben Tennyson to comply with the requirements of GST law as JBP has completely refused to deposit the tax?

(ANS.: YES, THE VIEW OF MR. BEN TENNYSON IS CORRECT.)

**PROBLEM NO.17:** State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- a) Services supplied by Sudheer Varma, an insurance agent to an Insurance Company.
- b) Services supplied by Mr. Raghunath, a recovery agent to a car dealer.
- c) Security services (services provided by way of supply of security personnel) provided to Mr. Murali a registered person.

(ANS.: (A) INSURANCE COMPANY (B) MR. RAGHUNATH (C) MR. MURALI)

**PROBLEM NO.18:** Sudarshan & Bros, a partnership firm, in Bangalore, Karnataka is a wholesaler of a taxable product 'A' and product 'B' exempt by way of a notification, in the State of Karnataka. Its aggregate turnover in the preceding financial year is Rs.120 lakh. The firm wishes to opt for composition scheme under sub-sections (1) & (2) of section 10 of the CGST Act. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.

**NOTE:** Assume that Sudarshan & Bros is not engaged in manufacture of goods as notified under section 10(2)(e).

(ANS.: ELIGIBLE FOR COMPOSITION LEVY)

**PROBLEM NO.19:** Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed Rs.1.5 crore:

- a) Aravind Enterprises is engaged in trading of pan masala in Bihar and is registered in the same State.
- b) Swagruha Manufacturers has registered offices in Tamil Nadu and Kerala and supplies goods in neighbouring States.

(ANS.:(I) ARAVIND ENTERPRISES ELIGIBLE FOR COMPOSITION SCHEME. (II) SWAGRUHA MANUFACTURERS IS NOT ELIGIBLE FOR COMPOSITION LEVY.)

**PROBLEM 20:** In the following independent cases, decide, which person is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- a) 'Orange Transport', a registered Goods Transport Agency (GTA) paying IGST @ 5%, transported goods by road of Nessar & Co, a Partnership firm which is not registered under GST.
- b) Mr. Nehal, an unregistered famous author, received ₹ 20 lakhs of consideration from ABC Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

(ANS.: PERSON LIABLE TO PAY TAX IS THE PUBLISHER –(I) NESSAR &CO (II) PQR PUBLICATIONS LTD)

## SECTION 5: ADDITIONAL QUESTIONS FOR SELF PRACTICE

**PROBLEM NO.1:** 'Taal Academy' is a dance school run by an individual Mr. JSJ. An annual dance competition is organized by 'Taal Academy' which is a sponsored event. Who is liable to pay GST in case it is sponsored by

- i) Mr. A or
- ii) A Ltd.

**PROBLEM NO.2:** Joharan Di Hatti Ltd. (JDH Ltd.) is a registered person under GST and has a factory registered under the Factory Act, 1948 wherein it manufactures Garam Masala and Papad. It gives you the following data for the month of March 2020.

Garam Masala is sold for Rs.57 Lakhs (Taxable under GST).

Papad is sold for Rs.37 Lakhs (Exempt under GST)

It had paid an amount of Rs.23 Lakhs for the sponsorship of a cooking competition at national level. Identify the aggregate turnover of JDH and advice if it can follow composition scheme next year i.e. FY 2020-21. Assume that all figures given above are exclusive of amount of GST.

**PROBLEM NO.3:** GGC Ltd gets registered in the current financial year (2019-2020) w.e.f. 1st Oct 2019. It is the supplier of bakery products. In the month of Oct 2019 turnover of total taxable supplies were Rs. 88 Lakhs. Answer the following:

- i) Is Company eligible for Composition Scheme?
- ii) If so company wants to pay tax @ 1 % being a trader. However, GST authorities contended that the assessee is liable to pay tax @ 5% under Restaurant services category? Advise.

**PROBLEM NO.4:** Discuss whether Mr. J can opt for composition scheme in this situation:

Mr. J purchased goods for Rs.25,00,000 and paid CGST @ 10% / SGST @ 10% and sold the product at a profit of Rs.2,00,000 and charged CGST @ 10% and SGST @ 10%.

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**PROBLEM NO.5:** GGC Ltd. a manufacturing concern located in Nagpur has opted for composition scheme for the FY 2019-2020. Determine tax payable by GGC Ltd. Details of supplies including inward supplies taxable under reverse charge basis is as follows:

Particulars	Amount (Rs.)
Intra State Supplies of Goods chargeable @ 12% GST	13,00,000
Intra State Supplies of Goods chargeable @ 18% GST	20,00,000
Intra State Supplies made which are chargeable to GST at Nil rate	28,00,000
Intra state supplies which are wholly exempt under section 11 of CGST Act, 2017	6,40,000
Value of inward supplies on which tax payable under RCM (GST Rate 5%)	10,00,000

**PROBLEM NO.6:** Mr. J, a retailer who keeps no inventories, presents the following expected information for the year:

Particulars	Amount (Rs.)
Purchases of goods (GST @ 5%)	50 lakhs
Sales (at fixed selling price inclusive of all taxes) (GST on sales @ 5%)	60 lakhs

Determine whether Mr. J should opt of composition scheme if composite tax is 1% of turnover and expenses of keeping detailed statutory records required under the GST Laws will get reduced to Rs.50,000 from Rs.1,20,000 p.a., other expenses are 3,00,000 p.a.

**PROBLEM NO.7:** Sham and Co., a partnership firm in Tamil Nadu has following supplies during 2019-20:

- Taxable goods on which tax rate is Nil: Rs.30 lakhs
- Taxable goods on which tax rate is 12%: Rs.40 lakhs
- Taxable supplies on which tax rate is 18%: Rs.75 lakhs
- Export of goods and services: Rs.10 lakhs
- Inter-state supplies: Rs.5 lakhs.

His receipts were as follows:

- Taxable goods on which tax rate is Nil: Rs.20 lakhs
- Taxable goods on which tax rate is 12%: Rs.12 lakhs
- Taxable supplies on which tax rate is 18%: Rs.10 lakhs
- Import of goods and services: Rs.5 lakhs
- Inter-state supplies received: Rs.5 lakhs
- Supplies received where he was required to pay tax under reverse charge under section 9(3) of CGST Act: Rs.10 lakhs.

Is he eligible for composition scheme during 2020-21? Was he eligible for composition scheme in 2019-20?

**PROBLEM NO.8:** During January-March 2019, Zebra Co P Ltd., a trader and manufacturer in goods, who had opted to pay tax under composition scheme reported following transactions:

- Supply of traded goods on which rate was SGST @ 9%, CGST @ 9% - Rs.4 lakhs
- Supply of manufactured goods on which rate was SGST @ 6%, CGST @ 6% - Rs.5 lakhs
- Supply of traded goods on which GST tax rate was Nil - 3 lakhs.

His supplies received were as follows –

- Receipt of goods from registered person on which rate was SGST @ 9%, CGST @ 9% 3 lakhs
- Receipt of goods from registered person on which rate was SGST @ 6%, CGST @ 6% - Rs.4 lakhs

- c) Receipt of goods from unregistered person on which rate was SGST @ 9%, CGST @ 9% - Rs.1 lakh
  - d) Receipt of services from Advocate who was unregistered under GST - 1 lakh
  - e) Receipt of goods transport agency (GTA) service who is not registered under GST-Rs.10,000
- Calculate tax liability of Zebra Co P Ltd for the quarter.

**PROBLEM NO.9:** Hotel King Pvt. Ltd. is a registered person under GST. P.Y. turnover was Rs.100 lakhs. Applicable GST@18%. Inputs cost Rs.7,80,000 (exclusive of GST@18%). Profit margin is 40% on cost. Find the invoice price and advise the best option to pay tax if any. There is no opening balance and closing balance for the tax period.

**PROBLEM NO.10:** ABC Ltd. a trading concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2019-20. It required you to determine its tax liability. The details are:

Particulars	Amount (Rs.)
Intra State Supplies of Goods 'A' (Tax Rate @ 5%)	10,00,000
Intra State Supplies of Goods 'B' (Tax Rate @ 12%)	35,00,000
Intra State Supplies which are wholly exempt	20,00,000
Intra State Supplies of Goods 'C' (Tax Rate @ 18%)	10,00,000
Value of inward supplies on which tax payable under RCM (Tax Rate @ 18%)	10,00,000

### SECTION 6: TEST YOUR KNOWLEDGE

- 1) List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017. **(M18(N) - 5M, MTP M18(N&O))**
- 2) Enumerate the persons who are not eligible to opt for composition scheme u/s 10(2) of the CGST Act, 2017. **(M19(N) - 5M)**
- 3) Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. **(MTP N18(N&O))**
- 4) Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of sec 10 (2A). **(N19 (N) - 5M, N20(O))**

### SECTION 7: THINGS TO REMEMBER

#### SECTION NUMBERS

S. No	CONCEPT	Sec. No.
1.	Tax Collected at Source	52
2.	Levy & Collection of CGST	9
3.	Transaction Value	15
4.	Composition scheme of levy	10

**DURATION**

1)	Details of stock to be furnished under composition scheme	within a period of 90 days
2)	Details of stock to be furnished on which composition scheme is withdrawn/denied	within a period of 30 days
3)	Intimation for withdrawal from the composition scheme	7 days or 30 days (where such person holds any inputs, W.I.P, finished goods on which input credit was availed).

**THE END**

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