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CHARGE OF GST

 **1** Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?

- (a) M/s. Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of ₹ 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.
- (b) M/s. Narayan & Sons, a registered dealer, is running a “KhanaKhazana” Restaurant near City Palace in Jaipur. It has turnover of ₹ 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).
- (c) M/s. Indra & Bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of ₹ 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.
- (d) M/s. Him Naresh, a registered dealer, is exclusively providing intra-State architect services in Uttarakhand. It has turnover of ₹ 40 lakh in the preceding financial year.



As per section 10 of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

- (a) Manufacturer,
- (b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(c) Any other supplier eligible for composition levy.

Thus, essentially, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide *Notification No. 2/2019 CT (R) dated 07.03.2019 as amended*. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.

In view of the above-mentioned provisions, the answer to the given independent cases is as under:-

(a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore. Thus, M/s. Devlok can opt for composition scheme as its aggregate turnover is less than ₹1.5 crore and he is making intra-State supplies. Further, since 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 ₹ 5 lakh, whichever is higher. Thus, M/s. Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh] in the current financial year.

(b) In the given case:-

- (i) the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.
- (ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.

(iii) the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

Thus, M/s. Narayan & Sons is eligible for composition scheme.

(c) The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s. Indra& Bro cannot opt for composition scheme.

Further, the benefit of concessional tax payment under *Notification No. 2/2019 CT (R) dated 07.03.2019* is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, M/s. Indra& Bro cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

(d) An service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since M/s. Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s. Him Naresh is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of intra-State services other than restaurant services, M/s. Him Naresh is entitled to avail benefit of concessional payment of tax under *Notification No. 2/2019 CT (R) dated 07.03.2019*.

2. B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra.

All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme.

B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):

Particulars	Turnover for the quarter ended 30.06.20XX (₹)	Turnover for the quarter ended 30.09.20XX (₹)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

Particulars	Stock as on 30.06.20XX (₹)	Stock as on 30.09.20XX (₹)	Stock as on 31.10.20XX (₹)
'P'	25,00,000	10,00,000	3,60,000
'Q'	10,00,000	2,00,000	1,20,000

The entire stock of the products 'P' and 'Q' available with the firm as on 30.09.20XX is purchased during the said half year except a consignment of product 'P' valuing ₹ 3,00,000, which was purchased in the April month of the preceding financial year. In the current financial year, in the month of October, no purchases were made, and the products were sold with a profit margin of 20% on sales [exclusive of taxes].

The extract of the only bill book maintained by the firm showed the following details-

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,36,000	2,250	1,38,250

2308	02.10.20XX	67000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000
2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315
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The details of services availed by B & D Company is as follows:

S. No.	Particulars	(₹)
(i)	Freight paid to Goods Transport Agency during the period April 20XX to October 20XX. Assume equal amount of freight is paid each month on the 10 th day of each month. Also, assume that the goods for which the freight is paid on 10 th day of the month are transported between 11 th to 20 th day of the month.	1,40,000
(ii)	Special packing charges paid to a Packing Company, having expertise in such specialized packing, during the period January 20XX to October 20XX. The packing charges are paid for the goods which are transported between 11 th to 20 th day of the month (as mentioned in point (i) above). The goods are packed on 10 th day and then transported from 11 th day onwards. Assume equal amount of packing charges are paid each month on the 9 th day of each month.	3,00,000

All the above amounts are exclusive of taxes, wherever applicable.

Compute the net GST liability of B & D Company for the period April, 20XX to October, 20XX under composition scheme showing calculations for each quarter separately.

Note: Make suitable assumptions wherever required. Rate of CGST and SGST on service of transportation of goods by GTA is 2.5% each. Stock is valued at cost price.



As per section 10(3) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019* as amended, the option availed of by a registered person to pay tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6) of the CGST Act, 2017, 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 PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e. ₹ 1,50,05,000 (₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017. The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [*Notification No. 13/2017 CT (R) dated 28.06.2017 as amended*].

Thus, the firm will have to pay tax under regular scheme (Section 9 of the CGST Act, 2017) from 03.10.20XX.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 01.04.20XX to 02.10.20XX, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39 of the CGST Act, 2017]. Further, since the firm is trading in goods, tax will be payable @ $\frac{1}{2}\%$ [Effective rate - 1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST)] of the turnover of **taxable** supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7 of CGST Rues, 2017].

The tax liability for the quarters ended June, 20XX, September, 20XX and December, 20XX under composition scheme will be computed as under-

Particulars	Quarter ended 30.06.20XX (₹)	Quarter ended 30.09.20XX (₹)	Quarter ended 31.12.20XX (₹)
Turnover of 'P' (Taxable supplies)	60,00,000	50,00,000	4,03,000 [2,00,000 + 1,36,000 + 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2015
SGST @ 0.5% [B1]	30,000	25,000	2015
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [[1,40,000/7) x 3]	60,000 [[1,40,000/7) x 3]	Nil [Paid on 10 th day for goods transported between 11 th to 20 th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	31,500	26,500	2015

Total SGST [B1 + B2]	31,500	26,500	2015
Total CGST liability for the period from 01.04.20XX to 02.10.20XX	60,015 [31,500 + 26,500 + 2015]		
Total SGST liability for the period from 01.04.20XX to 02.10.20XX	60,015 [31,500 + 26,500 + 2015]		

3 XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. Biscuits are supplied to wholesalers and distributors located across India on FOR basis from the warehouse of the company located at New Delhi. The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).

Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

- For sales within the NCR region (₹ 20,00,000), the company arranged a local mini-van belonging to an individual and paid him ₹ 54,000.
- For sales to locations in distant States (₹ 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of ₹ 3,17,000.
- For sales to locations in neighbouring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of ₹ 3,73,000. Out of the total sales to neighbouring States, goods worth ₹ 10,00,000 were booked through a GTA which paid tax @ 12%. Freight of ₹ 73,000 was paid to such GTA.

- For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked the goods by a GTA and paid road freight of ₹ 55,000.
 - For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by a GTA and paid road freight of ₹ 35,000.
 - For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight of ₹ 1,500.
 - For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight of ₹ 40,000.
- (i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.
- (ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods to be 5% [except where any other rate is specified in the question] and GST on supply of biscuits to be 12%.



- (i) **Computation of GST payable on amount paid for transportation by XYZ Ltd. when it avails the services of different transporters**

Particulars	Freight [₹]	GST payable [₹]
Transportation of biscuits in a local mini van belonging to an individual [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST – Notification No. 12/2017 CT (R) & 9/2017 IT (R) both dated	54,000	Nil

28.06.2017.]		
Transportation of biscuits by Indian Railways	3,17,000	15,850
Transportation of biscuits by GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with <i>Notification No. 10/2017 IT (R) dated 28.06.2017.</i>]	3,00,000	15,000
Transportation of biscuits by GTA @ 12% [When the GTA pays tax @ 12%, tax is payable by the GTA under forward charge and not by the recipient under reverse charge - <i>Notification No. 10/2017 IT (R) dated 28.06.2017.</i>]	73,000	8,760
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, <i>inter alia</i> , flour are exempt from GST vide <i>Notification No. 9/2017 IT (R) dated 28.06.2017.</i>]	55,000	Nil
Transportation of butter by GTA [Though services provided by GTA by way of transport (in a goods carriage) of, <i>inter alia</i> , milk is exempt from GST vide <i>Notification No. 9/2017 IT (R) dated 28.06.2017</i> , road transport of butter will not be exempted as butter is milk product and not milk. GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with	35,000	1,750

<i>Notification No. 10/2017 IT (R) dated 28.06.2017.]</i>		
Transportation of baking powder by GTA [Services provided by a GTA by way of transport in a goods carriage of goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500, are exempt from GST vide <i>Notification No. 9/2017 IT (R) dated 28.06.2017.]</i>	1,500	Nil
Transportation of biscuits by GTA to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with <i>Notification No. 10/2017 IT (R) dated 28.06.2017.]</i>	40,000	<u>2,000</u>
Total tax payable by XYZ Ltd. on availing services of different transporters		43,360

(ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers

Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 12% [Section 8(a) of the CGST Act, 2017 read with the definition of 'composite supply' under section 2(30) of the CGST Act, 2017 and 'principal supply' under section 2(90) of the CGST Act, 2017].

Particulars	Freight paid [₹] [A]	GST paid on freight [₹] [B]	Freight billed (with mark-up @ 2% on [A] + [B]) [₹]	GST charged @ 12% [₹]
Transportation of biscuits in a local minivan belonging to an individual	54,000	-	55,080	6,610
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @ 12%	73,000	8,760	83,395	10,007
Total tax charged by XYZ Ltd. on transportation cost billed to the customers*				95,914

*Note: It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).

- 4** Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it has a turnover of ₹ 140 lakh from the restaurant service. You are required to advise Shubhlaxmi Foods whether it is eligible for composition scheme in the current year assuming that in the current financial year, his turnover is expected to be ₹ 130 lakh from supply of restaurant services and ₹ 10 lakh from the supply of farm labour in said State. Further, it also expects to earn bank interest of ₹ 20 lakh from the fixed deposits.

Also compute the estimated tax payable by Shubhlaxmi Foods in the current FY.



As per section 10(1) of the CGST Act, 2017 read with *Notification No. 14/2019 CT dated 7.03.2019*, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, *inter alia*, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

It is important to note that the exempt services are included in the definition of aggregate turnover [Section 2(6) of the CGST Act, 2017]. However, *Order No. 01/2019 CT dated 01.02.2019* has been issued to clarify that the 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 –

- (i) for determining the eligibility for composition scheme under second proviso to section 10(1) i.e. supplying services of value not exceeding 10% of the turnover in the preceding financial year in a State or ₹ 5 lakh, whichever is higher;
- (ii) in computing aggregate turnover in order to determine eligibility for composition scheme.

Thus, exempt services shall also be considered for determining the eligibility for composition scheme under second proviso to section 10(1) and in computing aggregate turnover in order to determine eligibility for composition scheme. The only exception is interest received from deposits, loans etc.

In the given case, the aggregate turnover of Shubhlaxmi Foods from restaurant services in the preceding FY is ₹ 140 lakh. Therefore, it is eligible to opt for composition scheme in the current FY.

Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e. 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the current

FY. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit.

Further, Shubhlaxmi Foods is expected to provide the exempt services of supply of farm labour worth ₹ 10 lakh in current financial year. Thus, turnover of supply of farm labour [₹ 10 lakh] alongwith the turnover of restaurant services [₹ 130 lakh] will be eligible for composition scheme, in the current financial year.

Tax rate applicable for restaurant services under composition scheme is 5% [2.5% CGST and 2.5% SGST]. Estimated tax payable by Shubhlaxmi Foods is as under:

$$= ₹ 140 \text{ lakh } [₹ 130 \text{ lakh } + ₹ 10 \text{ lakh}] \times 5\%$$

$$= ₹ 7 \text{ lakh } [CGST = ₹ 3.5 \text{ lakh and SGST} = ₹ 3.5 \text{ lakh}]$$

- 5** **Bansal and Chandiok started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1.04.20XX. The firm specializes in providing audit services to banks, in Rajasthan. It provided the following details of its turnover:**

Quarter	Amount (in ₹)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

It crossed the threshold limit of ₹ 20 lakh on 1.08.20XX. Bansal and Chandiok wishes to opt to pay tax at concessional rate under Notification No. 2/2019 CT (R) dated 07.03.2019. Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?



Notification No. 2/2019 CT (R) dated 07.03.2019 provides an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 6% [CGST @ 3% and SGST @ 3%] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on or after 1st April in any financial year, subject to specified conditions.

Further, for the purposes of this notification, the expression "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 the first day of April of a financial year 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.

In the given case, Bansal and Chandiook Firm is eligible to opt for the scheme to pay tax at concessional rate since his turnover in the preceding financial year was nil and he is not eligible to opt for composition scheme since he is dealing exclusively in services other than restaurant services.

Tax payable by the firm is as follows:

(i) Apr-Jun quarter: Tax payable by the firm in first quarter is nil since the firm's turnover [₹ 10 lakh] has not yet exceeded the threshold limit of ₹ 50 lakh.

(ii) July-Sep quarter: While computing the tax payable by the firm in second quarter, the turnover from 01.04.20XX to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold Limit for registration	₹ 20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹ 60,000/-*

*CGST = ₹ 30,000 and SGST = ₹ 30,000

6 Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of ₹ 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other restaurants. He estimated the turnover of such services upto Rs. 5 lakh.

Mr. Prem wishes to opt for composition scheme in the current financial year. You are required to advise him for same. Further, also advise the documents to be issued by him for billing the restaurant services as well as food delivery services in case he opts for composition scheme.



As per section 10(1) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019*, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.

In the present case, since the turnover of Mr. Prem is ₹ 120 lakh in preceding financial year, he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

In terms of section 31(3)(c) of the CGST Act, 2017, Mr. Prem is required to issue Bill of Supply in both the cases i.e. while providing restaurant services and food delivery services. He shall also mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.



7 M/s Heeralal and Sons registered in Karnataka has opted to avail the benefit of composition scheme. It has furnished the following details for the tax period ended on 30-06-20XX.

S. No.	Items	₹
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods within the State	17,00,000
	Total Turnover	32,00,000

Using the above information, calculate tax to be paid by the firm for the tax period ended on 30.06.20XX in following independent situations:

(i) **M/s Heeralal and Sons is a manufacturer**

(ii) **M/s Heeralal and Sons is a trader**



Computation of amount payable under composition scheme

(i) **If M/s Heeralal and Sons is a manufacturer:**

Tax is to be paid @ 1% (CGST+ SGST) of the turnover in the State as under:

$$\begin{aligned} & 1\% \text{ of } ₹ 32,00,000 [₹ 15,00,000 + 17,00,000] \\ & = ₹ 32,000 \text{ [CGST} = ₹ 16,000 \text{ and SGST} = ₹ 16,000] \end{aligned}$$

(ii) **If M/s Heeralal and Sons is a trader:**

Tax is to be paid @ 1% (CGST+ SGST) of the turnover of taxable supplies of goods and services in the State as under:

$$\begin{aligned} & = 1\% \text{ of } ₹ 15,00,000 \\ & = ₹ 15,000 \text{ [CGST} = ₹ 7,500 \text{ and SGST} = ₹ 7,500] \end{aligned}$$



8 Mr. Sanjay of New Delhi made a request for a Motor cab to "Super ride" for travelling from New Delhi to Gurgaon (Haryana). After Mr. Sanjay pays the cab charges using his debit card, he gets details of the driver Mr. Jorawar Singh and the cab's registration number.

"Super ride" is a mobile application owned and managed by D.T. Ltd. located in India. The application "Super ride" facilitates a potential customer to connect with the persons providing cab service under the brand name of "Super ride".

D.T. Ltd. claims that cab service is provided by Mr. Jorawar Singh and hence, he is liable to pay GST. With reference to the provisions of IGST Act, 2017, determine who is liable to pay GST in this case?

Would your answer be different, if D.T. Ltd. is located in New York (USA)? Also briefly state the statutory provisions involved.



Section 5 of IGST Act, 2017 provides that tax on inter-State supplies of specified services notified by Government shall be paid by the electronic commerce operator (ECO) located in taxable territory if such services are supplied through it. Services by way of transportation of passengers by a motor cab supplied through ECO is one of the notified service.

Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for supply of goods or services or both, including digital products over digital or electronic network.

Since DT Ltd. owns and manages a mobile application to facilitate supply of passenger transportation service in motor cabs over a digital network, it is an ECO. Thus, DT Ltd., an ECO located in India is liable to pay GST in the given case.

However, where an ECO does not have a physical presence in the taxable territory, person representing ECO is liable to pay tax. Further, where ECO has neither the physical presence nor any representative in the taxable territory, person appointed by the ECO for the purpose of paying the tax is liable to pay tax.

Accordingly, if D.T. Ltd. is located in New York (USA), any person representing DT Ltd. for any purpose in India is liable to pay tax.

Further, if D.T. Ltd. also does not have a representative in India, it shall appoint a person in India for the purpose of paying tax and such person shall be liable to pay tax.

 **9. MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the previous financial year for both the places of business was ₹ 62 lakh. It wishes to opt for composition levy for one of the place of business in the current year and wants to continue with registration and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason.**



As per proviso to section 10(2) of the CGST Act, 2017, where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme unless all such registered persons opt to pay tax under composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

10 M/s. Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-State supplies of readymade garments. The aggregate turnover of M/s. Ranveer Industries in the preceding financial year is ₹ 90 lakh. It has opted for composition levy in the current financial year and paid tax for the July-Sep quarter of current year under composition levy.

The proper officer has levied penalty for wrongly availing the scheme on M/s. Ranveer Industries in addition to the tax payable by it.

Examine the validity of the action taken by proper officer.



As per section 10 of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir], may opt for composition scheme.

However, he shall not be eligible to opt for composition scheme if, *inter alia*, he is engaged in making any inter-State outward supplies of goods.

In the given case, since M/s Ranveer Industries is engaged in making inter-State supplies of readymade garments, it is not eligible to opt for composition scheme in current year irrespective of its turnover in the preceding FY.

Further, if the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax payable, be liable to a penalty.

Thus, the action taken by the proper officer of levying the penalty for wrongly availing the composition scheme is valid in law.