



CHAPTER - 4

COMPOSITION SCHEME

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S.No.	Description	Chap. code	Concept and Problem code	No. Illus.
1	ICAI Material	04.	Q. 05.08 / 06.12	2
2	Examination	04.	Q. 03.05 / 05.11 / 10.18 / 12.22 / 16.31	5
3	RTP & MTP	04.	Q. 03.06 / 14.27 / 16.28 / 18.35	4
4	Other	04.	Q. 01.01 / 01.02 / 02.03 / 03.04 / 04.07 / 05.09 / 05.10, 07.13 / 07.14 / 08.15 / 08.16 / 09.17 / 11.19 / 11.20 / 11.21 / 13. 23 / 14.24 / 14.25 / 14.26 / 16.29 / 17.30 / 17.32 / 17.33 / 17.34	24
Total No. of Illustrations				35

CN. 01. Basics

CCP 04.01.01.00

What is the threshold for opting to pay tax under the composition scheme as per Sec 10 of CGST Act?

Answer- The threshold limit for opting composition scheme is

- a) **If person opting for composition levy under sec 10(1):** It is ₹ 1.5 Cr / 75 lakh in case of special category states (other than Assam, Himachal Pradesh and Jammu & Kashmir) of aggregate turnover in the preceding financial year.
- b) **If person opting for composition levy under sec 10(2A):** It is 50 lakh of aggregate turnover in the preceding financial year.

The benefit of composition scheme can be availed up to the turnover of ₹ 1.5 Cr / 75 / 50 lakh as the case may be in the current financial year.

CCP 04.01.02.00

Whether the composition scheme will be optional or compulsory?

Answer:- It is an **Optional scheme**, if registered person doesn't opt for composition levy then he has to pay tax at normal rate & can avail ITC. Also, he can pass the burden of tax to recipient.

CN.02. Sec.2(6) Aggregate Turnover

CCP 04.02.03.00

How to compute 'aggregate turnover' to determine eligibility for composition scheme?

Answer: As per sec 2(6) of CGST Act, Aggregate Turnover shall be computed as follows:

Includes :- Value of all outward supplies	Exclude
Value of taxable supplies	CGST
Exempt supplies (wholly exempt, nil rated, non taxable)	SGST
Export of goods or services or both	UTSGT, IGST, Cess
Inter - State supplies of persons having the same Permanent Account Number to be computed on all India basis	Value of inward supplies on which tax payable under reverse charge

Note:- The definition of aggregate turnover provided u/s 2(6) is applicable for the entire GST act and the same is considered as it is under different chapters therein. In case of composition levy, the definition of agg. turnover needs to be consider as it is with following special comments ,

- As per explanation to sec 10, Aggregate turnover also excludes value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount."
- As per above definition aggregate turnover includes non-taxable supply, inter-state outward supply or export supply, but under composition levy, if such supplies is made in C.F.Y. then such levy shall be stand to be withdrawn immediately eventhough Agg.T/O is below ₹1.5 Cr.

CN.03. GST Rate Under Composition Levy

CCP 04.03.04.00

What are the rates of tax applicable to a registered person under Sec 10 composition scheme?

Answer: The category of registered persons, eligible for composition levy under section 10(1) & Section 10(2A) shall pay tax at the rate as specified in below table:

S.no	Categories of registered Person	Central Rate	State/ UTGST Rate	Total Rate of Tax	As a % of
	Sec 10(1)				
1	Manufacturer, other than manufacturer of notified goods	0.5%	0.5%	1 %	Turnover in state or UT
2	Other Suppliers (normally trader)	0.5%	0.5%	1 %	Turnover of taxable supplies of goods & services in State or UT



3	Composite supply of food or any other article for human consumption or drink (other than alcoholic liquor) Example :- Restaurant [clause (b) para-6, sch II]	2.5%	2.5%	5 %	Turnover in State or UT
	Sec 10(2A)				
4	Registered Persons not eligible u/s 10(1)/10(2) [i.e. u/s 10(2A)]	3 %	3 %	6 %	Turnover in State or UT

CCP 04.03.05.00

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 30-06-2023.

S.No.	Items	Amount (₹)
1	Taxable turnover of goods within the state	15,00,000
2	Exempted turnover of goods	17,00,000
3	Total Turnover	32,00,000

Using the above information, calculate total GST (No need for bifurcation between CGST and SGST) to be paid by the firm for the tax period ended on 30-06-2023 in following independent situations:

(i) M/s Heeralal and Sons is a Manufacturer

(ii) M/s Heeralal and Sons is a Trader

(CA Final Nov 18 Exam)

Answer:- 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: 1% of ₹ 32,00,000 [₹ 15,00,000 + 17,00,000]
= ₹ 32,000

(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 in the State as under:

1% of ₹ 15,00,000

= ₹ 15,000

CCP 04.03.06.00

Hot Breads Pvt. Ltd is the supplier of bakery products registered in the current financial year (2023-24) w.e.f. 1st Oct 2023. In the month of Oct 2023 total taxable supplies ₹ 88 lakhs.

Answer the following:

(i) Is the company eligible for Composition Scheme?

(ii) If so company wants to pay tax @1% being a trader.

However, the Deputy Commissioner of Central Tax contended that the assessee is liable to pay tax @5% under the Food and Restaurant Services category? Advise. (RTP - CMA Jun 2018)

Answer:- As per Section 10(1) of CGST Act, 2017 inter alia provides that the benefit of composition levy can be availed by a registered person if the aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore. However, the said threshold is reduced to ₹ 75 lakh in case of special category states other than Assam, Himachal Pradesh and Jammu & Kashmir.

However, under **Second proviso to section 10(1)** 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.

(i) In a given case Hot Breads Pvt. Ltd. is trader in bakery product and eligible for composition levy in the current year as per sec 10(1).

(ii) The supply of food and restaurant services category is included under the composition scheme. For a business to be categorised as food and restaurant services, there needs to be an element of service involved.

In the given case, supply of bakery products, there is only a supply of goods i.e. food items but there is no element of supply of service. Hence **supply of bakery products is eligible to pay GST @1%, under the Traders category and not Food and Restaurant Services category. Therefore, department's contention is not correct.**

CN.04. Eligibility of composition levy under sec 10(1)

CCP 04.04.07.00

Pepper & Salt Ltd., registered in Madhya Pradesh has the turnover amounting to ₹ 80 lakh in the financial year 2022-23. It wants to avail the benefit of composition scheme in the year 2023-24. You are required to advise Pepper and Salt Ltd. regarding the availability of composition scheme u/s 10(1) in the year 2023-24.

Answer:

Pepper & Salt Ltd. can avail the benefit of the composition scheme in the year 2023-24 as the threshold for composition scheme is ₹ 1.5 Crore (the said threshold is reduced to ₹ 75 lakh in case of special category states other than Assam, Himachal Pradesh and Jammu & Kashmir) of aggregate turnover in the preceding financial year under **section 10(1) of CGST Act, 2017.**

The benefit of composition scheme can be availed up to the turnover of ₹ 1.5 Crore in current financial year.

However, it has to be ensured that Pepper & Salt Ltd. fulfills the following conditions as given under **section 10(2) of CGST Act, 2017:-**

(1) Pepper & Salt Ltd. save as provided in sec 10(1) is not engaged in the supply of services beyond the limit of 10% of turnover in state or ₹5 lacs, whichever is Higher

(ii) It is not engaged in making any supply of goods **or services** which are not taxable under the CGST Act/SGST Act/ UTGST Act.

(iii) Pepper & Salt Ltd. do not make any inter-State outward supplies of goods **or services.**

(iv) It does not supply goods **or services** through an electronic commerce operator.

(v) It does not manufacture Ice Cream, Pan Masala and Tobacco, Aerated Water etc.

(vi) he is neither a casual taxable person nor a non-resident taxable person;

CN.05.Composition levy under sec 10(1) & Marginal service

CCP 04.05.08.00

(Restaurant + Marginal Service)

Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has an aggregate 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 small restaurants. He estimated the turnover of such services is upto ₹ 5 lakh.

Mr. Prem wishes to opt for composition scheme under sub-sections (1) and (2) of section 10 in the current financial year. You are required to advise him for same. [ICAI Material]

Answer:-

Legal Provision:- As per **Section 10(1) of CGST Act, 2017** inter alia provides that the benefit of composition levy can be availed by a registered person supplying restaurant service, if the aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore. However, the said threshold is reduced to ₹ 75 lakh in case of special category states other than Assam, Himachal Pradesh and Jammu & Kashmir.

However, under **Second proviso to section 10(1)** 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 State/UT preceding year or

⇒ ₹ 5 lakh,

whichever is higher.



whichever is higher.

Conclusion: Calculation of GST = T/O of taxable supply of goods/services in a state / UT X 1 %

Sr.no	Particulars	Calculation	CGST	SGST
1	Supply to Raj	2,50,000 x 0.5%	1,250	1,250
2	Supply to Veer	7,50,000 x 0.5%	3,750	3,750
3	Supply to Sameer	22,00,000 x 0.5%	11,000	11,000
	Total		16,000	16,000

Calculation of GST payable on service supply =

CGST = ₹2,20,000 x 0.5% = ₹1,100

SGST = ₹2,20,000 x 0.5% = ₹1,100

Mr X can supply the services upto ₹6,80,000 (i.e. 10% of 68 lakh or 5 lakh whichever is higher).

In the given case, Mr. X supply the service only for ₹2,20,000 which is within the limit.

Therefore in the given case Mr. X is eligible for composition scheme even after 22 May 2020

CCP 04.05.10.00 (Trader + Marginal Service)

Trend Footwear, a registered supplier in Jaipur dealing in local supply of loafers and wedges, wants to opt for composition scheme with effect from 01 April, 20XX. Its aggregate turnover in the preceding financial year is ₹ 78 lakh. Besides dealing in supply of loafers and wedges, he also has a rental income of ₹1,35,000 per month from the basement of a commercial building located in Jaipur.

You are required to discuss, whether Trend Footwear can opt for composition scheme u/s 10(1)? Would your answer differ if rental income is ₹20,000 per month

Answer: Section 10(1) of CGST Act, 2017 provides that registered person, whose aggregate turnover in the preceding financial year does not exceed ₹1.5 crore (the said threshold is reduced to ₹ 75 lakh in case of special category states other than

In the present case, since the aggregate turnover of Mr. Prem was ₹ 120 lakh in preceding financial year (i.e. it did not exceed ₹ 1.5 crore), 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.

CCP 04.05.09.00 (Trader + Marginal Service)

Mr. X is a trader eligible for composition scheme in financial year 23-24 as his turnover in preceding financial year is ₹68 lakhs. In the current year Mr. X made following supply

1.	1 April 2023 supply the goods to Mr. Raj worth	₹2,50,000
2.	10 April 2023 supply the goods to Mr. Veer worth	₹7,50,000
3.	20 May 2023 supply the goods to Mr. Sameer worth	₹22,00,000
4.	22 May 2023 supply the service to Mr. Tushar worth	₹2,20,000

Calculate the GST payable by Mr. X & whether Mr. X is eligible for composition scheme u/s 10(1) after 22 May 2023?

Answer:

Legal Provision:- As per Section 10(1) of CGST Act, 2017 inter alia provides that the benefit of composition levy can be availed by a registered person if the aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore. However, the said threshold is reduced to ₹ 75 lakh in case of special category states other than Assam, Himachal Pradesh and Jammu & Kashmir.

However, under **Second proviso to section 10(1)** 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 State/UT preceding year or
- ➔ ₹ 5 lakh,

Assam, Himachal Pradesh and Jammu & Kashmir), can opt to pay tax under composition scheme in the current year.

However, under **Second proviso to section 10(1)** 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 State/UT preceding year or

⇒ ₹ 5 lakh,

whichever is higher.

In the present case, Trend Footwear is also engaged in the supply of services, as Trend Footwear has rental income from the basement of a commercial building. Trend footwear can supply the service upto ₹ 7,80,000 (i.e. 10% of ₹78,00,000 or ₹5,00,000 whichever is higher)

Therefore in the present case trend footwear has a rental income ₹16,20,000 (i.e. ₹1,35,000 x 12 months) which is exceed the maximum value of supply of service.

Therefore, composition scheme in current year shall be withdrawn when total value of service exceeds ₹ 7,80,000.

In second case, if rental income is ₹20,000 per month from basement of commercial building. In this case Trend footwear has a rental income ₹2,40,000 (i.e. 20,000 x 12 months) which is within the limit. Therefore Trend Footwear can opt for composition scheme in current year till aggregate T/O exceeds 1.5 Cr.

CCP 04.05.11.00 (Trader + Marginal Service)

Mr. Raj, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Raj & Sons. He has opted for composition scheme for the Financial Year (FY) 2022-23.

His turnover for FY 2022-23 is ₹ 80 lakh and is expected to achieve ₹ 130 lakh in FY 2023-24. Discuss whether M/s Raj & Sons can still enjoy the benefits of composition scheme in FY 2023-24.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under

same firm name M/s Raj & Sons with effect from 01.04.2023 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Raj and his son Karan. [CA final Nov 19 Exam New]

Answer:- As per section 10(1) of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (the said threshold is reduced to ₹ 75 lakh in case of special category states other than Assam, Himachal Pradesh and Jammu & Kashmir) in a State/UT may opt for composition scheme, provided if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, under Second proviso to section 10(1) 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 State/UT preceding year or

⇒ ₹ 5 lakh,

whichever is higher.

In the given case, M/s. Raj & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in FY 2023-24 since its aggregate turnover in preceding FY (viz. ₹ 80 lakhs) does not exceed ₹ 1.5 crore.

If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Raj & Sons,

Under same proprietorship of Mr. Raj: In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 8 lakh (10% of ₹80 lakhs turnover of last year or ₹ 5 lakhs, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2023-24.

By forming new entity - partnership firm : The sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be obtained.

In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 5 lakh (10% of zero turnover of last year or ₹ 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2023-24.



CN.06.Composition levy under sec 10(1) & Interest

Implication of Interest or Discounting on loan/Adv./Deposits [Applicable for 10(1) & 10(2A)]

Situation	Example
Agg. T/O of P.F.Y. [for deciding eligibility of composition levy]	Aggregate T/O of XYZ Ltd. in P.F.Y. is ₹152 Lakhs which includes interest on Loan/Adv./Deposits ₹ 3 lakhs. Whether composition levy is available in C.F.Y? Ans :- Agg.T/O - 152L - 3L = 149 L Hence, XYZ Ltd. is eligible for composition Levy.

Note :- As per explanation 1 to sec 10, Agg. T/O shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Agg. T/O of C.F.Y. [for deciding withdrawal of composition Levy in C.F.Y.]	XYZ Ltd. has opted composition levy in C.F.Y. [as T/O of P.F.Y. is less than 150L/75L/50L]. Till September of C.F.Y. Agg. T/O of XYZ Ltd. is ₹155 Lakhs which includes ₹10 lakhs for interest on loan /adv./deposits, state whether composition levy of XYZ Ltd. has lapsed in month of September or still it can pay tax under composition Levy? Ans:- Agg. T/O - 155 L - 10 L = ₹145Lakhs Hence, XYZ Ltd. can still continue composition levy upto ₹5 lakhs after September.
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Note :- As per explanation 1 to sec 10, Agg. T/O shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

T/O in State/UT [for calculation of composition Tax 1%, 5%, 6% under composition levy]	Manufacturer PQR Ltd. has opted for composition levy in C.F.Y. Its T/O of state in Maharashtra is 1st quarter (April-June) is includes a) Taxable supply of goods ₹20 Lakhs b) Taxble supply of service ₹2 Lakhs c) Exempt supply of service ₹1 Lakh d) Interest on Loan/Adv./Deposit ₹0.5 Lakhs
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Calculate Gst payable in 1st Quarter under composition levy

Note :- Whatever service provided in 1st quarter is within marginal limit as per proviso 2

Ans:- GST payable = 1% [20+2+1L] = ₹23 lakhs

Note:- Interest excluded

Note :- As per explanation 2 to sec 10, T/O in state/UT shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

T/O of State/UT of P.F.Y for calculation of marginal limit of service under proviso 2 to 10(1) i.e. 10% of T/O in state or ₹ 5 lakhs	ABC Ltd. has turnover in state of Maharashtra in P.F.Y. is ₹80 lakhs. Turnover includes ₹ 7 lakhs for interest on loan/Adv./deposits. Whether ABC Ltd. is eligible for C.L. in C.F.Y. ? Also, what is the amount of marginal limit of service available in C.F.Y? Ans:- 1) Agg. T/O = 80 Lakhs - 7 lakhs = 73 lakhs T/O in state only 1 branch] ABC Ltd. is eligible for composition levy in C.F.Y. 2) Marginal limit of service = 73L X 10% or ₹ 5Lakhs = ₹ 7.3 Lakhs
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Note :- As per Explanation to sec 10(1), for the purposes of second proviso, the value of exempt supply of services provided 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 for determining the value of turnover in a State or Union territory."

For calculation of Marginal limit of service [10% of T/O in state of P.F.Y. or 5 lakhs, Which ever is higher]	Continuing the above Example of ABC Ltd. where marginal limit of C.F.Y for Supply of service = ₹ 7.3 lakhs In C.F.Y., till September ABC Ltd. made supply of goods of ₹ 75lakhs and supply of service ₹ 9 lakhs (includes interest ₹ 2 lakhs) Whether Composition Levy stands withdrawn in C.F.Y. or it will be continued? Ans :- 1) Agg. T/O till Sep = 75L + (9L - 2L) = ₹82 Lakhs 2) Use of marginal limit of service = 9L - 2L = ₹7 Lakhs Therefore ABC Ltd. can still continued composition Levy
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CH 4

Composition Levy

Note :- As per CBIC order No. 2/2019, 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 for determining the eligibility for composition scheme under second proviso to sub-section (1) of section 10;

CCP 04.06.12.00

Laxmi Foods is engaged in supplying restaurant service in Maharashtra.

In the preceding financial year, it had a turnover of ₹ 140 lakh from the restaurant service. Further, it had earned the bank interest of ₹ 20 lakh from the fixed deposits. You are required to advise Laxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the current financial year.

Further, assuming that in the current financial year, its turnover is ₹ 130 lakh from the supply of restaurant services and ₹ 10 lakh from the supply of farm labour in Maharashtra. It has also earned the bank interest of ₹ 30 lakh from the fixed deposits. Compute the tax payable by Laxmi Foods in the current FY. [ICAI

Material]

Answer:- As per section 10(1) 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, under Second proviso to section 10(1) 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 State/UT preceding year or
 - ➔ ₹ 5 lakh,
- whichever is higher.

Although exempt services are included in determining the value of turnover in a State or Union territory & Aggregate T/O, explanation to section 10(1) and sec 10 clarifies

that for the purposes of second proviso to section 10(1) & for Aggregate T/O, the value of exempt supply of services provided 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** for determining the value of turnover in a State or Union territory.

In this backdrop, in the given case, the aggregate turnover of Laxmi Foods in the preceding FY is ₹ 140 lakh (since bank interest of ₹ 20 lakh from the fixed deposits will not be taken into account for computing aggregate turnover).

Resultantly, it is eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 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, tax payable @ 5% (2½% CGST + 2½% SGST) of the turnover in the State by Laxmi Foods in the current financial year is as follows = 5% of ₹ 1,40,00,000 [₹ 1,30,00,000 + ₹ 10,00,000]

[(Bank interest of ₹ 30 lakh from the fixed deposits is not considered while computing turnover in the State for determining the tax payable under composition scheme (In terms of explanation 2 to section 10))]

= ₹ 7,00,000 [CGST = ₹ 3,50,000 and SGST = ₹ 3,50,000]

CN.07. Withdrawal of composition levy u/s 10(3)

CCP 04.07.13.00

A person availing composition scheme u/s 10(1) in Haryana during a financial year crosses the turnover of ₹ 1.5 Cr during the course of the year i.e. he crosses the turnover of ₹ 1.5 cr in December? Will he be allowed to pay tax under composition scheme for the remaining period of the year, i.e. till 31st March?

Answer:- 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 (₹ 1.5 Cr). 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.

CCP 04.07.14.00

Can a person paying tax under composition levy, withdraw voluntarily from the scheme? If so, how?

Answer:- Yes. The registered person who intends to withdraw from the composition scheme can file a duly signed or verified application in FORM GST CMP-04 within 7 days from occurrence of such event.

Every person who has filed an application for withdrawal from the composition scheme, may electronically furnish, a statement in FORM GST ITC-01 containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date of withdrawal, within a period of **30 days*** of filing of CMP 04 or passing order in CMP-07.

CN.08. Computation of tax in C.F.Y. under composition levy

CCP 04.08.15.00

M/s XYZ Pvt. Ltd. a manufacturer having the only registered place of business in the state of Maharashtra. Determine the eligibility to opt for composition scheme and also compute tax liability of M/s XYZ Pvt. Ltd. on the basis of following information assuming that total value of service provided by the company in Preceding Financial Year (PFY) is within the allowed limit of section 10(1) except interest and restaurant service.

S. No.	Particulars	PFY 2022-23 (₹)	1st Qtr 2023-24(₹)
1.	Value of taxable supply of goods	90.00 lacs	20.00 lacs
2.	Value of exempt supply of goods	20.00 lacs	5.00 lacs
3.	Value of taxable supply of service	5.00 lacs	1.00 lac
4.	Value of exempt supply of service	3.00 lacs	0.50 lac
5.	Value of supply of restaurant service	15.00 lacs	1.50 lacs
6.	Interest on loan/advances/deposits	4.00 lacs	1.20 lacs

Calculate GST payable under composition scheme for 1st quarter of CFY 2023-24

Answer: Legal Provision: As per section 2(6) of CGST Act, 2017, aggregate turnover means the aggregate value of:

- All taxable supplies (other than inward supplies under RCM)
- Exempt Supplies
- Export of goods or services or both and
- Inter-state supplies of person having same PAN

to be computed on all India basis but it excludes central tax, state tax, union territory tax, integrated tax and cess

a) Calculation of aggregate turnover of PFY 2022-23 under composition scheme

Particulars	₹ in lacs
Value of taxable supply of goods	90.00
Value of exempt supply of goods	20.00
Value of taxable supply of service	5.00
Value of exempt supply of service	3.00
Value of supply of restaurant service	15.00
Aggregate turnover	133.00

As the aggregate T/O of P.F.Y. does not exceeds 1.5Cr, M/s XYZ is eligible for composition levy.

Note: As per explanation to section 10(1), the value of exempt supply of services provided 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 for determining the value of turnover in a State or Union territory.

b) Calculation of value of supply of service to be allowed in CFY

The applicable limit is 10% of turnover in state i.e. ₹ 13.3 lakhs or ₹ 5 lakhs whichever is higher (Company having the only registered place of business in the State of Maharashtra. Hence, there Agg. T/o is equals to turnover in state)

Actual supply of service in CFY [taxable supply + exempt supply] other than restaurant services = ₹ 1.5 lakhs which is within limit

Interest is not considered while computing turnover in the State for determining the tax payable under composition scheme (In terms of explanation 2 to section 10)

c) Calculation of GST on supply of goods and services except restaurant service

Particulars	₹ in lacs
Value of taxable supply of goods	20,00,000.00
Value of exempt supply of goods	5,00,000.00
Value of taxable supply of service	1,00,000.00
Value of exempt supply of service	50,000.00
Turnover in State	26,50,000.00
CGST	13250.00
CGST	13250.00
Total	26,76,500.00

d) Calculation of GST liability on restaurant service

Particulars	₹ in lacs
Value of Supply	1,50,000.00
CGST @ 2.5 %	3,750.00
SGST @ 2.5 %	3,750.00
Total	1,57,500.00

Note:-

- Manufacturer shall pay composition tax @ 1% of turnover in state which also includes nil rate & wholly exempt supply.
- As per explanation 2 to sec 10 interest on loan to be excluded from Turnover in State. Hence it should not be added for calculation of GST liability.

CCP 04.08.16.00

Mr. Roshan, a trader registered under GST Act & has opted for composition scheme engaged in supply of goods & services. The details of transactions carried out by him in the preceding financial year (PFY) i.e. 2022-23 and current financial year 2023-24 are given as follows. Determine the aggregate turnover and GST liability of 1st quarter of current financial year (CFY) i.e. 2023-24 from the given information.

PFY 2022 - 23				
S.no	State	Goods (Taxable + Exempt + Nil Rated)	Service (Taxable + Exempt)	Turnover in State
1	Maharashtra	₹ 10 lakhs	₹ 2 lakhs	₹ 12 lakhs
2	Goa	₹ 15 lakhs	₹ 3 lakhs	₹ 18 lakhs
3	Madhya Pradesh	₹ 110 lakhs	₹ 10 lakhs	₹ 120 lakhs
	Total	₹ 135 lakhs	₹ 15 lakhs	₹ 150 lakhs
Total Aggregate Turnover				₹ 150 lakhs

CFY 2023-24			
S.No.	State	Goods (Taxable + Exempt + Nil rated)	Service (Taxable + Exempt)
1	Maharashtra		
	-Taxable supply	₹ 20 lakhs	₹ 2 lakhs
	- Exempt supply	₹ 10 lakhs	₹ 1 lakhs
2	GOA		
	-Taxable supply	₹ 40 lakhs	₹ 3 lakhs
	- Exempt supply	₹ 15 lakhs	₹ 0.5 lakhs
3	Madya Pradesh		
	-Taxable supply	₹ 40 lakhs	₹ 10 lakhs
	- Exempt supply	₹ 5 lakhs	₹ 2 lakhs
	Total	₹ 130 lakhs	₹ 18.5 lakhs



Answer: As in given case the Aggregate T/O of P.F.Y. 2022-23 is 150 lakhs, hence Mr Roshan is eligible for composition scheme in C.F.Y. 23-24.

Determination of aggregate turnover and tax liability of Mr. Roshan for the 1st quarter of CFY 2023-24

CFY 2023-24 April to June 2023						
S. No.	State	Goods (Taxable+ Exempt+ Nil rated	Service (Taxable+ Exempt)		Tax payable	Refer Note Below
			Marginal service limit	Actual		
i	Maharashtra					
	Taxable Supply	₹ 20 lakhs	5 Lakhs (Higher of 5 lakhs or 10% of 12 lakh i.e. ₹ 1.2 lac)	₹ 2 lakhs	CGST - 11,000 SGST - 11,000	i
	Exempt Supply	₹ 10 lakhs		₹ 1 lakhs		
	Total	₹ 30 lakhs		₹ 3 lakhs	₹ 22,000	
ii	Goa					
	Taxable Supply	₹ 40 lakhs	5 Lakhs (Higher of 5 lakhs or 10% of 18 lakh i.e. ₹ 1.8 lac)	₹ 3 lakhs	CGST - 21,500 SGST - 21,500	ii
	Exempt Supply	₹ 15 lakhs		₹ 0.5 lakhs		
	Total	₹ 55 lakhs		₹ 3.5 lakhs	₹ 43, 000	
iii	Madhya Pradesh					
	Taxable Supply	₹ 40 Lakhs	12 Lakhs (Higher of 5 lakhs or 10% of ₹ 120lakh i.e. ₹ 12 lac)	₹ 10 lakhs	CGST - 25,000 SGST - 25,000	iii
	Exempt Supply	₹ 5 lakhs		₹ 2 lakhs		
	Total	₹ 45 lakhs		₹ 12 lakhs	₹ 50,000	
Aggregate turnover = ₹ 148.5 lakhs = ₹ [30+3+55+3.5+45+12]lakhs & Tax liability = ₹ 1.15 lakhs [(11,000*2)+(21,500*2)+(25000*2)]						

* The Allowed limit for service is 10% of turnover in State in PFY or ₹ 5 lakhs whichever is higher.

Note:- As per section 10(1), tax will be leviable at the rate of half percent of the turnover of taxable supply of goods & services in State or in Union Territory in case of other suppliers i.e. traders

Hence, CGST and SGST @ 0.5% each will be leviable on taxable supply of goods or services supplied in a State which are as follows:

S. No.	State	Calculation of CGST	Calculation of SGST
i	Maharashtra	0.5% on 22 lakhs [20 lakhs + 2 lakhs] = ₹ 11,000	0.5% on 22 lakhs [20 lakhs + 2 lakhs] = ₹ 11,000
ii	Goa	0.5% on 43 lakhs [40 lakhs + 3 lakhs] = ₹ 21,500	0.5% on 43 lakhs [40 lakhs + 3 lakhs] = ₹ 21,500
iii	Madhya Pradesh	0.5% on 50 lakhs [40 lakhs + 10 lakhs] = ₹ 25,000	0.5% on 50 lakhs [40 lakhs + 10 lakhs] = ₹ 25,000

CN.09. Composition levy & RCM

CCP 04.09.17.00

Laksh Ltd is a manufacturing company located in Karnataka, has been registered under composition scheme furnishes the following information for the financial year 2023-24. It requires you to determine its composition tax liability and total tax liability. In financial year 2023-24 total value of supplies including inward supplies taxed under reverse charge basis are ₹82,00,000. The breakup of supplies is as follows -

i)	Intra state supplies of auto spares 'V' units chargeable to 12% GST	₹ 24,00,000
ii)	Intra state supplies of auto spares 'X' units chargeable to 5% GST	₹ 36,00,000
iii)	Inward supplies on which tax payable under RCM (GST Rate 12%)	₹ 6,40,000
iv)	Intra state supplies wholly exempt under section 11 of CGST Act -	₹ 15,60,000

Answer:- The composite tax liability of Laksh Ltd shall be as under:-

In case of manufacture **1% of turnover in state** (i.e. all taxable supply, exempt supply, export supply)

1. Computation of turnover in state and composite tax for financial year- 2023-2024

S.no	Particulars	₹
1	Intra state supplies of auto spares 'V' units	24,00,000
2	Intra state supplies of auto spares 'X' units	36,00,000
3	Inward supplies on which tax payable under RCM	Nil
4	Intra state supplies wholly exempt under section 11 of CGST Act	15,60,000
	Turnover in State	75,60,000
	Rate of composite tax (CGST + SGST)	1%
	Total Composite tax	75,600

2. Tax payable under reverse charge basis:

Particulars	₹
Inward supplies on which tax payable under RCM	6,40,000
Rate of GST	12%
Tax payable under RCM	76,800

Therefore total tax payable by Laksh Ltd is ₹ 1,52,400 i.e. composite tax + tax payable under RCM.

CN.10. Applicability to all branches (Proviso to sec 10(2))

CCP 04.10.18.00

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 under sub-sections (1) and (2) of section 10 for one of the place of business in the current year and

wants to continue with registration under regular scheme and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason. [CAF Nov 18 Exam] [ICAI Material]

Answer: As per proviso to section 10(2), 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 under section 10(1) unless all such registered persons opt to pay tax under said composition scheme. In the given case, since MN Ltd. has two places of business (they are not separate entities under the 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.

CN.11. Conditions under sec 10(2)

CCP 04.11.19.00

Who are the persons not eligible for composition scheme as per Sec 10(1) of CGST Act?

Answer: Following persons are not allowed to opt for the composition scheme u/s 10 :

- suppliers whose aggregate turnover in the preceding financial year crossed ₹ 1.5 Cr/75 lakhs.
- Supplier of services, other than restaurant service; over the limit of 10% of turnover in state or ₹ 5 lakh whichever is higher.
- persons supplying goods **or services** which are not taxable under GST law.
- persons making any inter-State outward supplies of goods **or services**.
- suppliers making any supply of goods **or services** through an electronic commerce operator who is required to collect tax at source under section 52.
- a manufacturer of notified goods i.e. Ice cream and other edible ice, Pan Masala, Aerated Water, Tobacco and Manufactured tobacco substitute
- a casual taxable person or a non-resident taxable person.
- supplier who has purchased any goods or services from unregistered supplier unless he has paid GST on such goods or services on reverse charge basis.