

Chapter 3 for small business
charge of GST / RCM / composition Levy

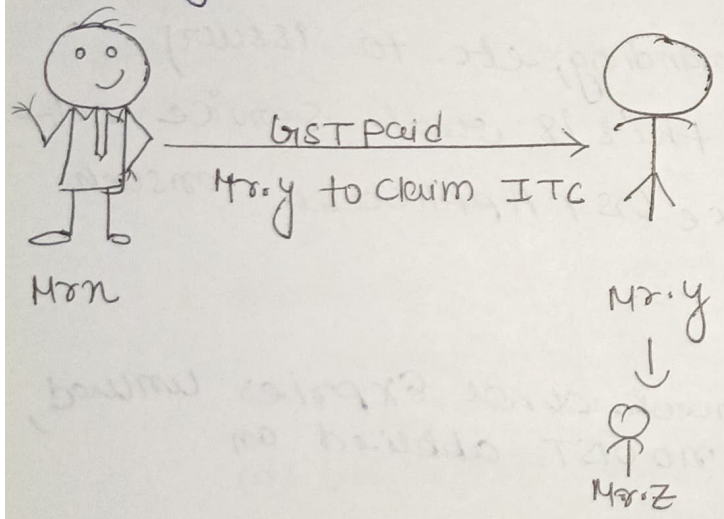
Section - 10 of GST Act 2017

Composition levy, presumptive taxation, flat rate taxation system, concessional scheme, optional scheme, scheme for small business

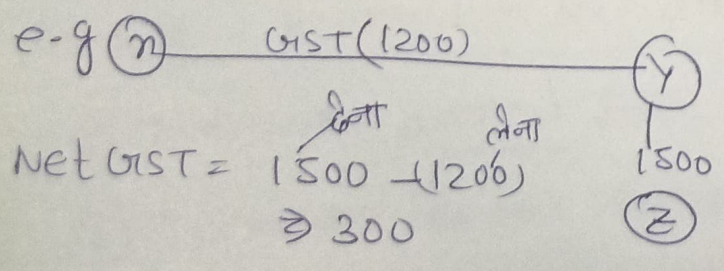
Q. Difference between composition levy or regular scheme under GST?

Normal scheme / Regular

- ① covered u/s of GST Act 2017
- ② ITC available on inward supply.

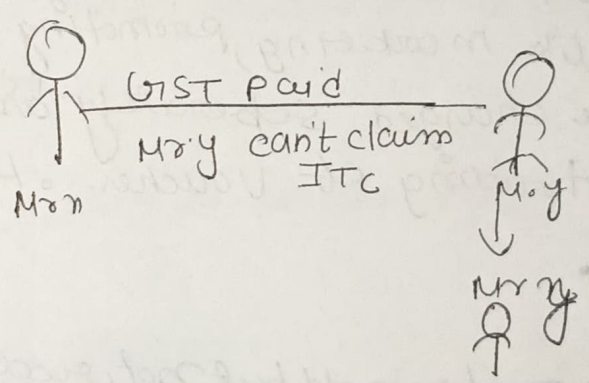


③ GST payable = $\frac{\text{output tax} - \text{ITC}}{\text{XXX}}$
 Net GST payable XXX

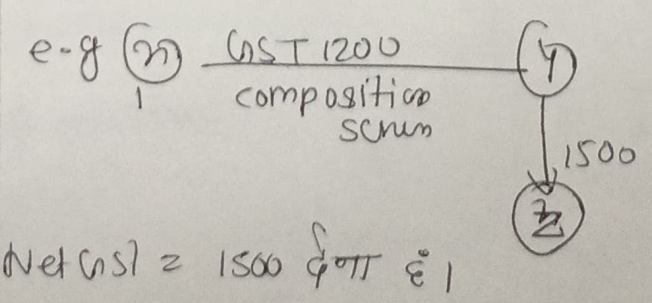


Composition Levy Schem.

- ① covered under Sec 10 of GST Act 2017
- ② ITC not available on inward supply.

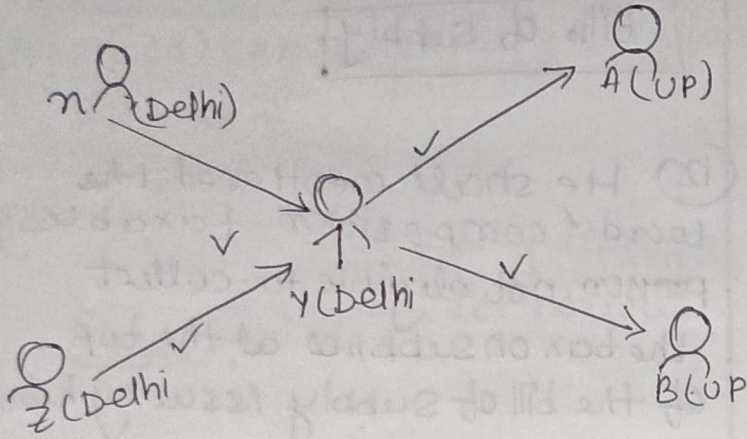


③ Tax payable = $\frac{\text{T.O X Concessional rate} - \text{ITC}}{\text{XXX}}$
 Tax payable



Normal scheme

④ Registered person can make Inter state as well as intra state supply.



⑤ Any registered person can opt for normal scheme.

⑥ Return under GST. 25 total
Now, 2 monthly Return, & 1 Annual Return [Total 25 Return] → GSTR 1,
GSTR 3B, GSTR 9

If opt QRMP scheme opt = 1 Quarterly Return + [Annual Return]
Total (4+1) = 5 Return,

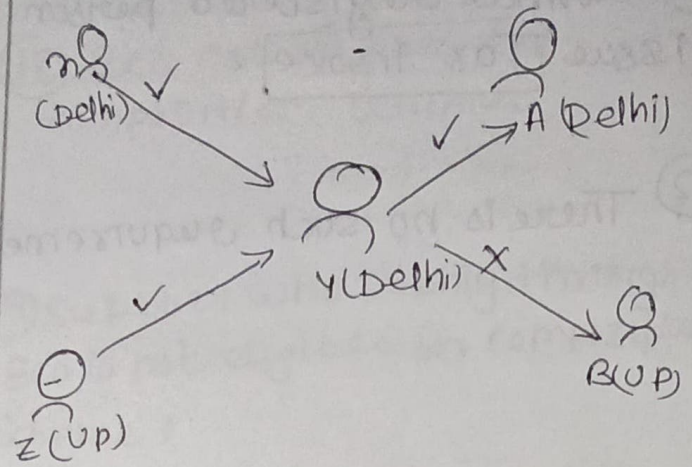
⑦ Higher GST Rate (5%, 18%, 40%)

⑧ Detailed Books of A/c.

⑨ classification of goods is required.

composition scheme pg 100

④ composition taxable person can't make inter-state supply.



⑤ Only specified Registered person can opt composition scheme
[A.T.O → 1.5 cr / 75 Lakh / 50 Lakh]

⑥ Only 2 Return are to be filed (Both are annual)

GSTR-4 & GSTR 9A

⑦ Lower / concessional GST rate (1%, 5%, 6%)

⑧ Less books of A/c

⑨ NO classification is required.

(10) Burden of GST can be shifted on customer.

(11) Normal registered person will issue Tax Invoice.

(12) There is no such requirement.

(13) There is no such requirement.

(14) GST cess is also payable.

(15) Payment of GST

Monthly Basis = 20th of Next month.

(or)

Quarterly basis = 22th/24th of Next Quarters as the case may be.

(16) Discharge of GST liability.

(i) Through & credit Ledger

(ii) Through & cash ledger

(10) Concessional tax can't be collected from customer.

(11) Composite dealer will issue Bills of supply.

(12) He shall mention the word 'composition taxable person, not eligible to collect the tax on supplies at the top of the bill of supply issue by him'.

(13) He shall mention the words 'composition taxable person' on every notice or signboard displayed at a prominent place, at his principal place of business & every ~~childhood~~ additional place of business.

(14) GST Cess is also not payable.

(15) Payment of concessional GST quarterly = 18th of Next Quarter.

(16) Discharge of concessional GST only through & cash ledger.

(17) NR or CTP are eligible only for normal scheme.

(17) NR or CTP are not eligible for composition scheme.

(18) Electronic commerce operator (Eco) can avail only regular scheme.

(18) Eco not eligible for composition scheme.

(19) Supplier who supply through (Eco) is eligible for normal scheme.

(19) Supplier who supply through Eco is not eligible for composition scheme.

Amendment: supplier who supply goods (inter supply) through Eco is eligible for composition scheme.

(20) There is no such requirement

(20) If assessee is manufacture of 'PATI + Bricks' then He is not eligible for composition scheme.

PATI

Bricks

- P → Panmasala
- A → Aerated water
- T = Tobacco
- I ⇒ Icecream

- Building Rocks
- Roofing Tiles
- Flyash Bricks
- Bricks of for sale mills.

Section - 10(1), 10(2), 10(2A), 10(3)

1. Eligible Assessee = Every registered person.

2. Eligible limit

Particulars	Eligible limit for cs (composition)		
	10(1)/Section	Normal state	Special state
Goods manufacturer (Except PATI + Bricks)	10(1)/10(2)	150 Lakh	75 Lakh
Goods Trader (Including PATI + Bricks)	10(1)/10(2)	150 Lakh	75 Lakh
Restaurant service	10(1)/10(2)	150 Lakh	75 Lakh
* Goods manufacturer + Marginal service	10(1)/10(2)	150 Lakh	75 Lakh
* Goods Trader + Marginal service	10(1)/10(2)	150 Lakh	75 Lakh
* Restaurant + Marginal service	10(1)/10(2)	150 Lakh	75 Lakh
Service other than Restaurant service	10(2A)	50 Lakh	50 Lakh
Service + Marginal service	10(2A)	50 Lakh	50 Lakh

* Assessee can provide marginal service in current FY upto the following specified limit -

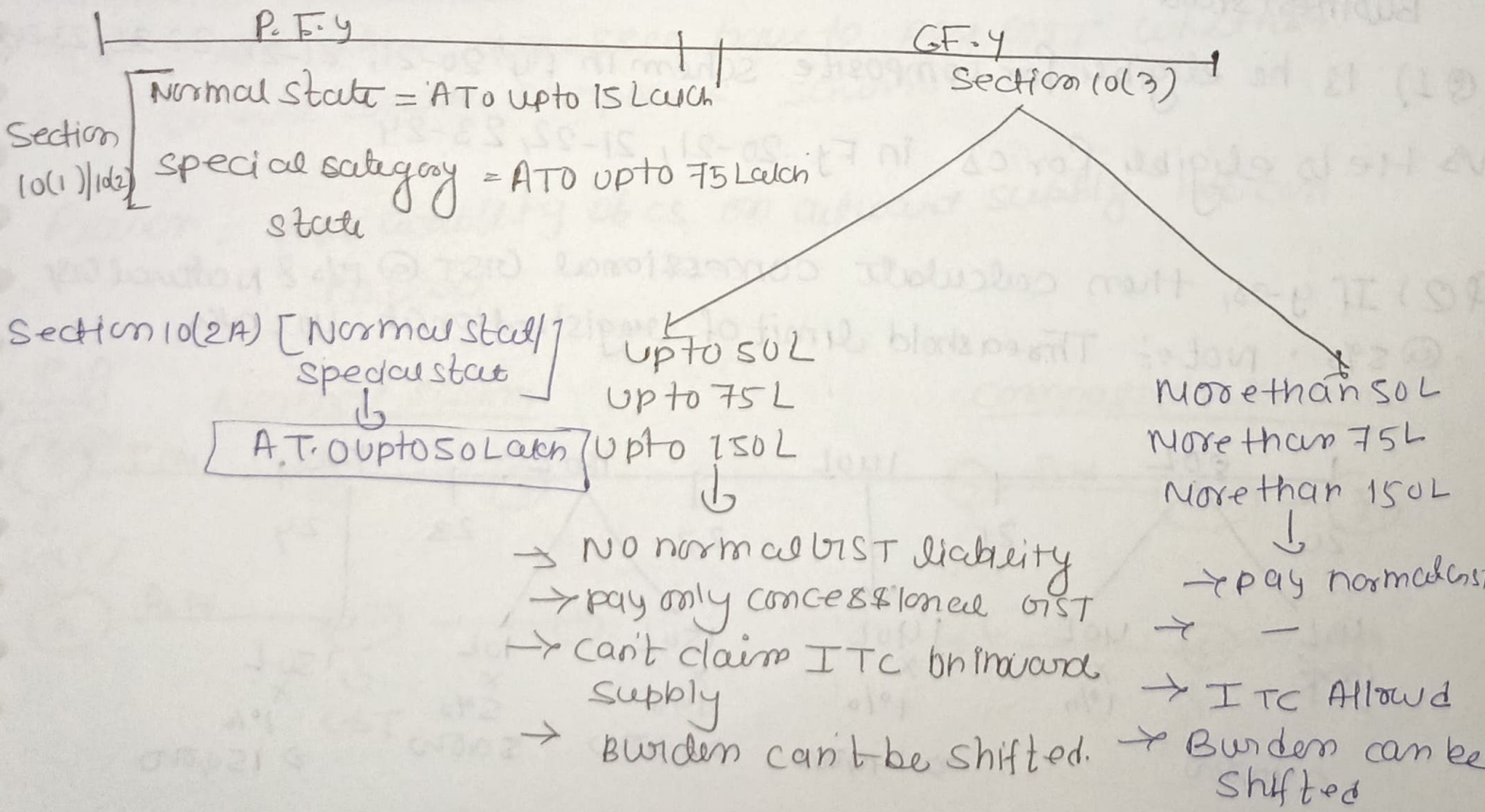
- ① 10% of T/f in P.F.Y
 - ② 5 Lakh
-) which ever is higher

Marginal Service in current FY

कम से कम 5 Lakh तक की service दे सकते हैं।
 ज्यादा से ज्यादा 15 Lakh तक की service दे सकते हैं।
 in C.F.Y but subjected to 150 Lakh / 75 Lakh.

Diagram for better understanding

Case I



Special category state - 8 state for cs

Acronym

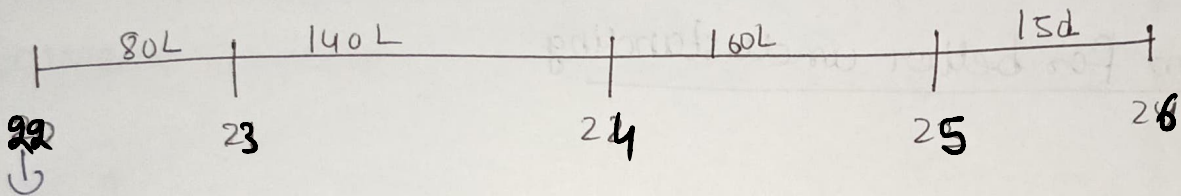
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State name

Uttarakhand
Meghalaya
Mizoram
Manipur
Nagaland
Assam
Sikkim
Tripura

All the state other than above states are Normal state.

e.g



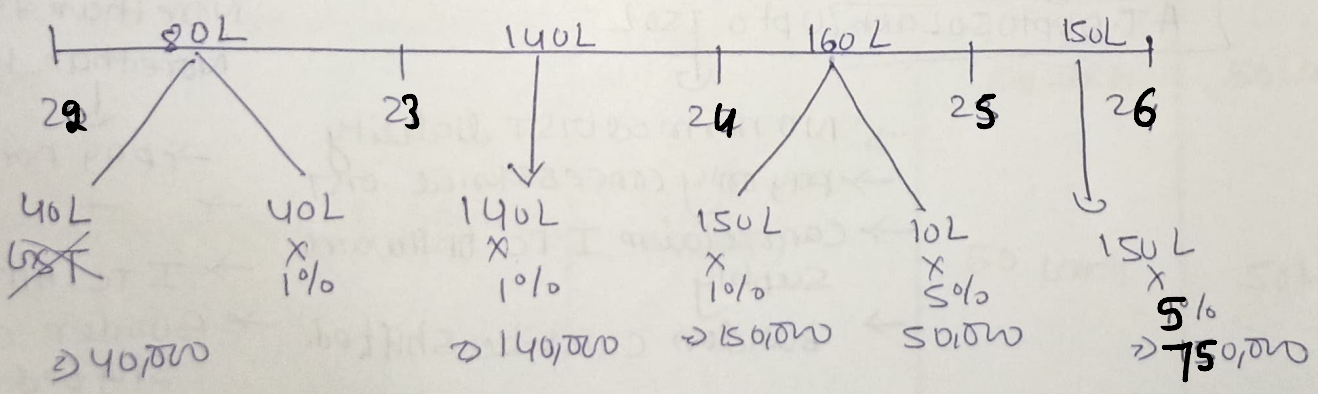
Business start

Q1) Is he eligible for composite scheme in FY 22-23, 23-24, 24-25, 25-26?

vs He is eligible for cs in FY 22-23, 23-24, 24-25

Q2) If yes, then calculate concessional GST @ 1% & Normal GST @ 5%.

Note: Threshold limit of registration at 40 Lakhs.



Q3) Is he eligible for composite scheme in Fy 25-26, if ATO in Pg 106 Fy 24-25 was 120 Lakh, if yes then compute concessional GST in Fy 25-26.

→ Yes, he will be eligible for composite scheme if ATO (Annual turnover) in 2024-25 is 120 Lakh.

Concessional GST = 120 Lakh × 1% = 150,000

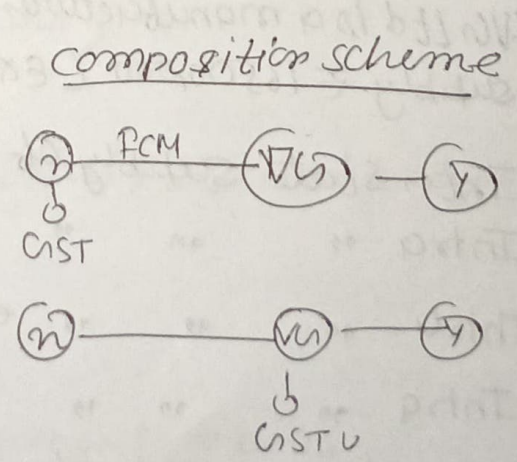
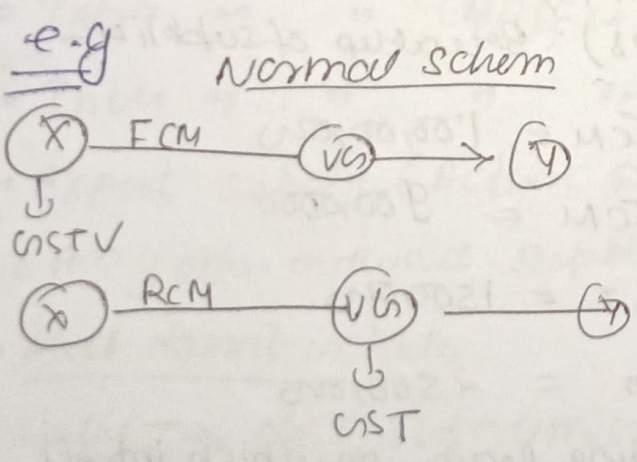
Q4) Refer details of concessional question 3 & find out whether he can provide service in Fy 25-26. If yes then find out the amount of service?

⇒ Amount of service he can provide in Fy 23-24
 $120 \text{ Lakh} \times 10\%$
 @ 5 Lakh } whichever is higher is 1,200,000/-

Important Notes

Section 10 overvalued entire GST Act except section 9(3) or 9(4) i.e. RCM then assessee has to pay GST whether he is covered under composite scheme.

Reason: Applicability of cs on outward supply not an inward.



How to calculate aggregate Turnover (ATO) in P.Fy for eligibility of composition scheme?

Pg 107

~~we~~ consider only "outward supply"

Includes

- Inter state supply Taxable under RCM
- Inter state supply Taxable under RCM
- Intra state supply taxable under RCM
- Intra state supply taxable under RCM.
- Intra state supply (Nil rated / exempted / non taxable)
- Interstate supply (Nil rated / exempted / non taxable)
- Export supply (Actual / Deemed export = Zero rate supply)
- Any other outward supply.

But doesn't include

- GST → CGST, SGST, IGST, UTGST, composition cen.
- Interest & discount
- Inward supply covered under RCM.

Q146 Ltd is a manufacturer in Mumbai in P.Y 24-25 total value of supply ₹ 16500000 (exclusive of taxes). Breakup of supplies:-

- (1) Inter state supply of goods under RCM = 100,00,000
- (2) Intra " " " " " " RCM = 900,0000
- (3) Intra " " " exempt " GST = 1500,000
- (4) Intra " " " nil rated " " = 2500,000
- (5) Intra state supply of services extending loan on which interest is received 1000,000
- (6) Goods purchased (Cover. under RCM) = 1500000

Whether VL Ltd. is eligible or not = ?

Computation of A.T. in Pyie 24-25

Particulars	Amount
Inter state supply of goods under FCM	10,00,000
Intra " " " " " "	9,00,000
Intra " " " exempt " GST	15,00,000
Intra " " " Nil rated	25,00,000
Intra state supply of service extending loan on which interest is received	—
Goods purchased covered under RCM	—
	<u>1,40,00,000</u>

Working note

Aggregate Turnover in p.Py includes:-

- o Inter-state supply taxable under FCM
- o Intra " " " " RCM.
- o Intra " " " " FCM
- o Intra " " " " RCM
- o Intra " " (Nil/Exempted) not taxable
- o Inter " " " " " "
- o Export supply (Actual export / Deemed export) = zero rated supply
- o Any other outward supply.

But doesn't include,

→ GST → CGST, SGST, UTGST, IGST, compensation cess.

→ Interest & discount

→ Inward supply covered under RCM.

on the basis of the above provision the aggregate turnover of P.Fy 140,00,000.

Conclusion: VU Ltd is eligible for composition scheme since his A.T.O is less than 150 Lakh.

Q2) Mr. VU is a manufacturer in Delhi. His total supply in P.Fy was ₹ 17800,000 which includes the following elements:-

- (i) Inter state taxable supply covered under RCM = 20,00,000
- (ii) Intra " Exempted " = 20,00,000
- (iii) Inter " Taxable " = 30,00,000
- (iv) Inter " Inward supply covered under RCM = 20,00,000
- (v) Interest & Discount = 10,00,000
- (vi) Supply to SEZ = 3500,000
- (vii) Inter state Inward supply covered under GST FCM = 2500,000
- (viii) Intra state nil rated supply = 1800,000

Ans computation of A.T.O for eligibility of composition scheme

Particulars	Amount ₹
Intra state taxable supply covered under RCM	20,00,000
Intra " Exempted "	20,00,000
Inter " Taxable "	30,00,000
Inter " Inward supply " " RCM	—
Interest & Discount	—
Inter state inward supply " " FCM	—
supply to SEZ	3500,000
Intra state nil rated supply	1800,000
	<u>1230,000</u>

Working note same Q1 is given below

Q3) Mr. V is a trader of Ice-cream, Determine whether he is eligible for composite scheme on the basis of the following information.

- (1) Inter state non taxable supply = 30,00,000
- (2) CGST, SGST paid on Inter state supply = 50,00,000
- (3) Goods purchased from Mr. A covered under RCM = 10,00,000
- (4) Supply to USA = 20,00,000
- (5) Interest & Discount = 2,50,000
- (6) Inter-state nil rated supply = 3,50,000
- (7) Inter " Exempted " = 20,00,000
- (8) Inter " purchased covered under FCM = 2,50,000
- (9) Intra state Taxable supply covered under RCM = 40,00,000

Ans) computation of A.T.O for eligibility of composition scheme

Particulars	₹
Inter state non-taxable supply	30,00,000
CGST, SGST paid on Inter state supply	—
Goods purchased from Mr. A covered under RCM	—
Supply to USA	20,00,000
Interest & Discount	—
Intra state nil rated supply	3,50,000
Inter state Exempted supply	20,00,000
Intra state purchase covered under FCM	—
Intra state Taxable supply covered under RCM	40,00,000
	<u>1,45,00,000</u>

WN, same Q1 की जैसा दीगा /

Computation of Turnover in C.F.Y for computation of concessional

consider only "Intra state" outward supply

- Taxable under FCM
- Taxable under RCM
- Exempted supply
- nil rated supply
- non taxable supply

But doesn't include:

- GST → CGST → SGST, UTGST, Compensation cess
- Interest & discount
- Inward supply covered under RCM.

Section	Particulars	T.O in C.F.Y	Concessional GST
10(1)/10(2)	Manufacturers of goods (Except & specified goods)	Total Turnover (Taxable, Exempted etc)	1% CGST - 0.5% SGST - 0.5%
10(1)/10(2)	Trader of goods	only taxable turnover.	1% CGST - 0.5% SGST - 0.5%
10(1)/10(2)	Restaurant service	Total turnover (Taxable, exempted)	5% CGST - 2.5% SGST - 2.5%
10(1)/10(2)	Marginal service with above category.	Only taxable turnover.	1% CGST - 0.5% SGST - 0.5%
10(2A)	Exclusive service (10(2A)) other than restaurant service	Total turnover (Taxable, exempted etc)	6% CGST - 3% SGST - 3%
10(2A)	Exclusive service + Marginal goods.	Total turnover (Taxable, exempted)	6% CGST - 3% SGST - 3%

Trader or Non-trader service of car is only taxable turnover of all other car is Total turnover of car.

Q Mr. V. is a manufacturer, he has opted composition scheme for FY 25-26 compute concessional GST on the basis of following information:

- 1) Intra state taxable supply = 2500,000
- 2) Intra state nil rated supply = 2000,000
- 3) Intra state Exempted supply = 20,000,000
- 4) Interest & discount = 10,000,000

Ans computation of concessional tax for FY 25-26

Particulars	Amount
Intra state taxable supply	2500,000
Intra state nil rated supply	20,000,000
Intra state Exempted supply	20,000,000
Interest & discount	10,000,000
Total	6500,000

concessional GST = $6500,000 \times 0.5\%$ CGST = 32500/-
 $6500,000 \times 0.5\%$ SGST = 32500/-

What if the above question Mr. V. is a Trader?

Ans If V. is a Trader, then his turnover will be ₹ 2500,000 & GST would be :-

concessional GST = $2500,000 \times 0.5\%$ CGST = 12500/-
 $2500,000 \times 0.5\%$ SGST = 12500/-

(1) Since, the A.T.O of Mr VG is less than 150 Lakh. he is eligible for composition scheme.

Since Mr VG is a trader of PAN MASALA his turnover for computing concessional GST is ₹ 10L & The amount of concessional GST is :-

Concessional GST = 10L x 0.5% CGST = 50,000/-
10L x 0.5% SGST = 50,000/-

(2) If VG is a manufacturer of PAN MASALA then he can't opt composition scheme.

(3) If Mr VG is a trader of Laptop, his aggregate T10 for C.Fy will be 10L & the concessional GST will be :-

Concessional GST = 10L x 0.5% CGST = 50,000/-
10L x 0.5% SGST = 50,000/-

(4) If Mr VG is a manufacturer of Laptop his A.T.O for C.Fy will be as follow :-

particulars	Amount
Intra state Taxable Salary	20,00,000
an " Nil rated	15,00,000
Intra " exempted supply	20,00,000
Interest & Discount	—
Intra state purchase under RCM	—
	<u>45,00,000</u>

Concessional GST = 45L x 0.5% CGST = 22,500/-
45L x 0.5% SGST = 22,500/-

(5) yes he can provide service in C.T.Y. The amount of service he can provide is:-

10% of A.T.O in P.F.Y

(08)

SLACK

which ever is lower,

Ans. 10% of 100 Lacs

(08) SLACK

⇒ 100,000 (08) SLACK

Higher

⇒ 10 Lacs Ans

Q6

Pinku Ltd is a manufacturer of HRY, having A.T.O in P.T.Y 120 Lacs & has opted for composition scheme in C.T.Y & details:-

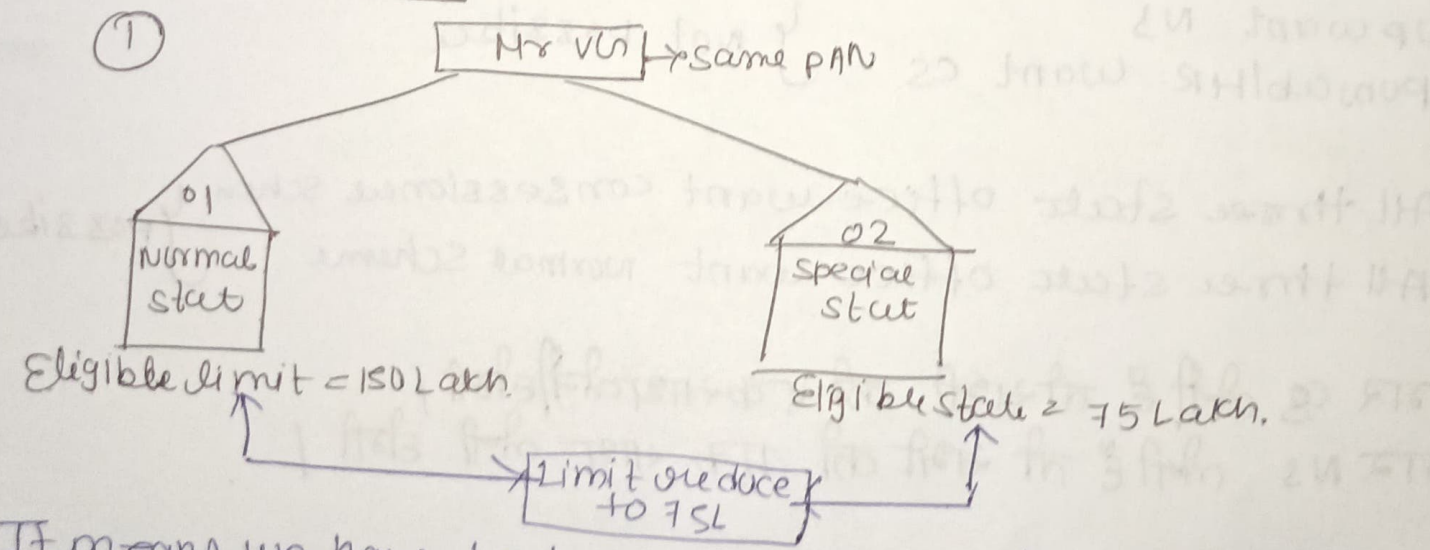
- (i) Intra state supply of goods A @ 5% GST = 30,00,000
 - (ii) Intra " " " " B @ Nil GST = 18,00,000
 - (iii) Intra " " " " C @ 18% GST = 30,00,000
 - (iv) Intra " " " " service @ 5% GST = 6,00,000
 - (v) Interest earned on F.D (exempted) = 8,00,000
 - (vi) Value of inward supply under RCM @ 5% GST = 50,00,000
- (a) complete composition tax & total tax liability
- b) Also determine concessional GST if Mr. V is a
Trader

Ans Computation of concessional tax & total tax liability

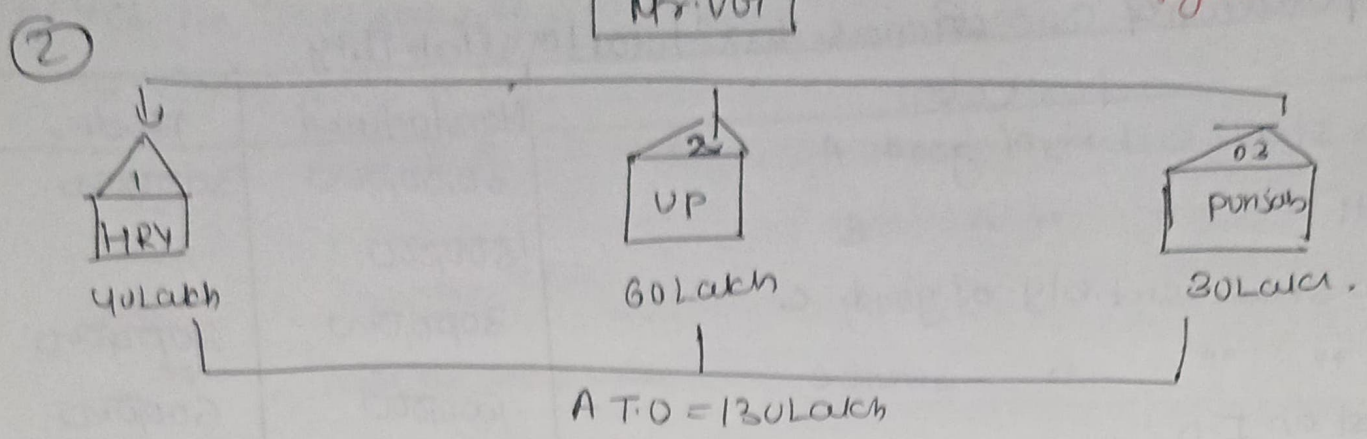
Particulars	Manufacturer	Trader
Intra state supply of goods A	30,00,000	30,00,000
Inter " " " " B	18,00,000	—
Intra state supply of goods C	30,00,000	30,00,000
Intra " " " " service	6,00,000	6,00,000
Interest on F.D	—	—
Inward supply under RCM	—	—
<u>Concessional GST</u>	<u>84,00,000</u>	<u>66,00,000</u>
Goods (Manufacturer) = 78,00,000 x 1% = 78,000	78,000	—
Goods (Trader) = 60,00,000 x 1% = 60,000	—	60,000
Service 6,00,000 x 1% = 6,000	6,000	6,000
<u>Concessional GST</u>	<u>84,000</u>	<u>66,000</u>
<u>Normal GST</u>		
50,00,000 x 5%	25,000	25,000
<u>Total GST liability</u>	<u>1,09,000</u>	<u>91,000</u>

Some important points

①



It means we have to check ATO 75 Lakh instead of 150 Lakh



cases

- ① HRY/UP want Normal schem (NS)
Punjab want concessional schem (CS) } not possible
- ② Punjab/UP want Normal Scheme
HR want CS } not possible
- ③ Punjab/HRV want NS
UP want CS } not possible
- ④ Punjab want NS
HR/UP want CS } not possible
- ⑤ HR want Normal schem
Punjab want CS } not possible
- ⑥ UP want NS
Punjab/HR want CS } not possible
- ⑦ All three state office want concessional schem } possible
All three state office want Normal Scheme

अगर CS लेनी है तीसरी को एक साथ लेनी होगी ।
अगर NS लेनी है तीसरी को एक साथ लेनी होगी ।

(3) अगर composite scheme लेनी है तो year के starting से मिलेगी।
दोड़ा कभी भी जा सकता है।

(4) From number Availment or withdrawal of scheme:-

(i) Fresh Registration under composition scheme
Form B of GST Reg 01

(ii) Normal scheme shift into composite scheme
GST CMP 02

(iii) Auto withdrawal or voluntary exit from CS
GST CMP 04

(iv) Penial by department

↓
Show cause notice - GST CMP 05

Reply to show cause notice - GST CMP 06

Order passed - GST CMP 07

(v) Payment of concessional GST
GSTCMP 08

⇒ Supply of goods & services other than above specified goods & services.

Services.



Value determined u/s of CGST Act, 17

Act, 17



Rate must be notified by Govt on

the recommendation by GST Council



But rate can't be more than

20% CGST and 20% SGST, and 40% IGST



At present notified rate = 5%, 18% & 40%



Just GST lag jayega then JIO

For GST collection.

Sec 2(107) Taxable person

Taxable person means a person who is registered & liable to be registered & liable to be registered u/s 22 & 24.

GST में GST देना या ना देना इस बात किसी exemption limit पर Depend नहीं करता, इस बात पर Depend करता है कि आप GST में Register & liable to be registered है या नहीं।

Section 9(2)

GST applicable on 5 petroleum product, from the date when GST council will recommend.

• 5 petroleum products

→ petroleum crude

→ Natural Gas

→ High speed Diesel

→ Aviation turbine Fuel

→ Motor spirit

Section 9(3) RCM

The Govt. may, on the recommendation of the council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provision of this act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Section 9(5)

The Govt. may, on the recommendation of council, by notification, specify categories of service tax on Intra-state (inter also included) suppliers of which shall be paid by the Electronic commerce operators if such services are supplied through it, and all the provision of this Act shall apply to such Electronic commerce operators as if he is the supplier liable for paying the tax in relation to the supply of such services.

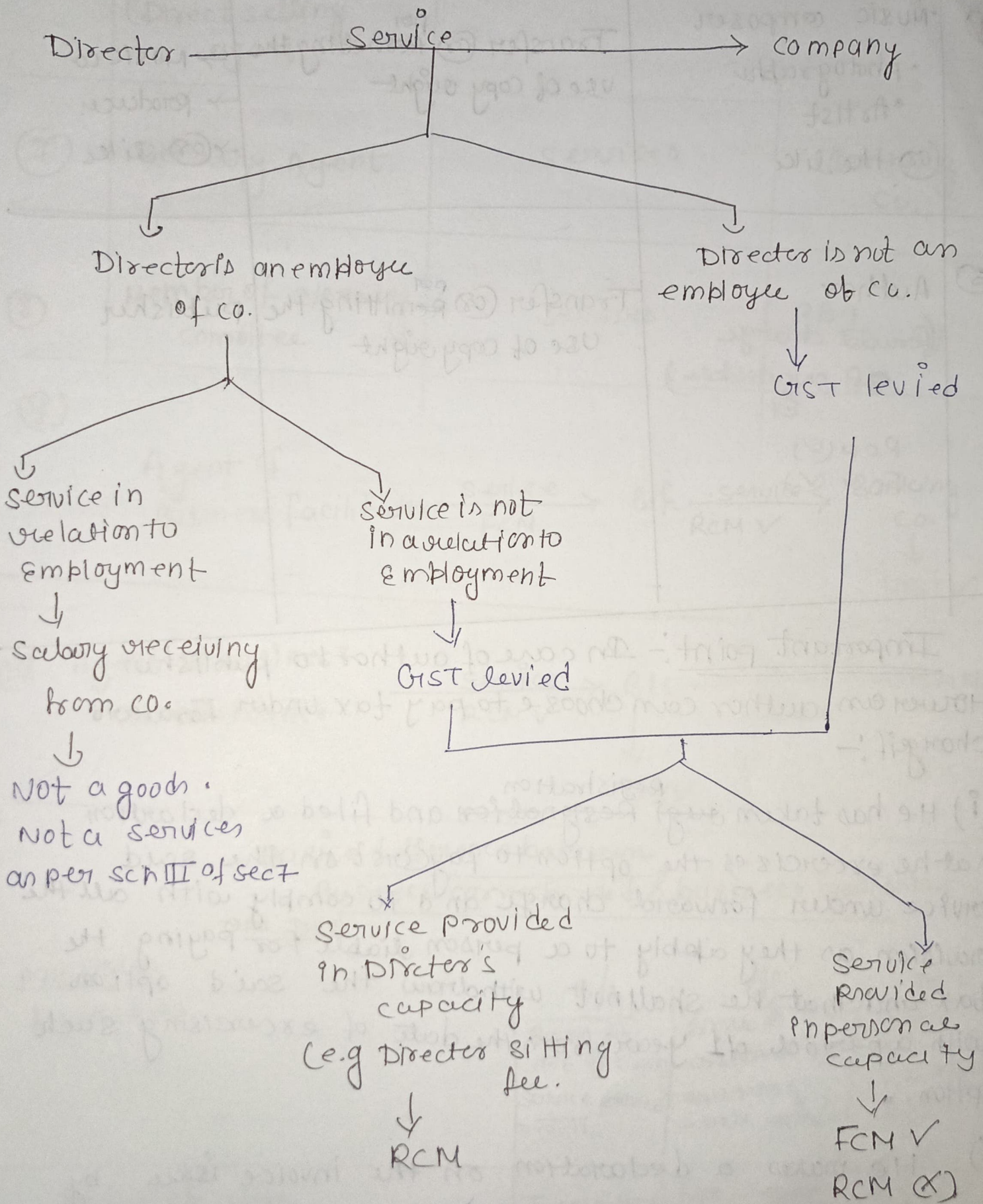
Provided that when an electronic commerce operator doesn't have a physical presence in the taxable territory, any person or - presenting such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax.

Provided further that where an electronic commerce operator doesn't have a physical presence in the taxable territory and also he doesn't have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

List of services covered under RCM

S.No.	Supplier	Category of supply of service	Recipient (IS liable to pay GST)
①	Any person other than Body corporate	Sponsorship service	<ul style="list-style-type: none"> o Body corporate o partnership firm.
②	Director	Any service	company/ Body corporate

CRUX / Analysis of Director services



③ Insurance Agent	Insurance Service	^{P01-125} Insurance Company
④ • Music composer • photographer • Artist (or) the like	Transfer (or) ^{P01} Remitting the use of copy right	→ Music Co → Producer → (or) like
⑤ Author (Forward charge if available) EI Rem (✓) FCM (✓)	Transfer (or) ^{P01} Remitting the use of copy right	publisher

Important point:- In case of author to publisher.

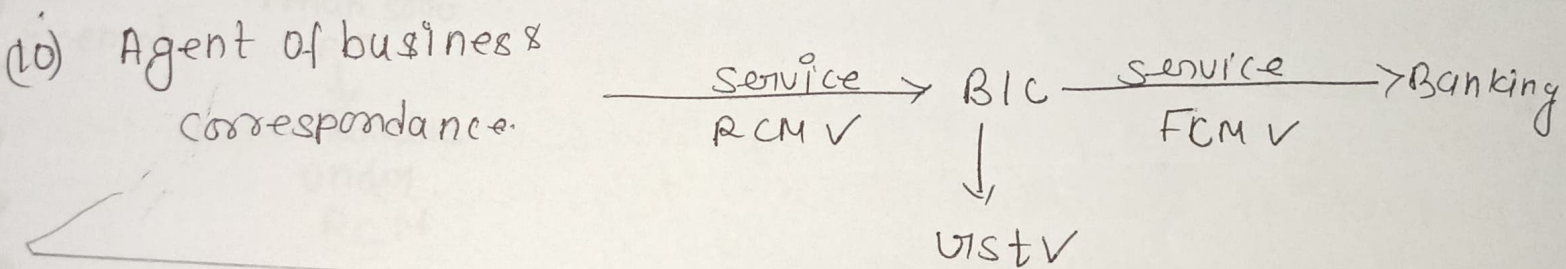
However an author can choose to pay tax under Forward charge if:-

(i) He has taken ^{Registration} ~~sugit~~ Resignation and filed a declaration that he exercises the option to pay ~~Cost~~ on the said service under Forward charge and to comply with all the provision as they apply to a person liable for paying the tax and that he shall not withdraw the said option with a period of 1 year from the date of exercising such option.

(ii) He makes a declaration on the invoice issue by him to the publisher.

5 Services related to banking sector.

(6)	Individual DSA (Direct selling agent)	services	Banking co.
(7)	Recovery Agent	services	Banking co.
(8)	Member of overseeing committee	services	RB I
(9)	Agent of Business facilitator	$\begin{array}{c} \text{service} \\ \xrightarrow{\text{FCM}} \end{array}$	$\begin{array}{c} \text{BIF} \xrightarrow{\text{service}} \text{Banking co.} \\ \text{RCM V} \\ \downarrow \\ \text{UStV} \end{array}$



Basic difference between Business correspondant & business facilitator and D&A

particular	B/c	BIF	DSA
Main role	Bank की दरे से Banking service provide करवाना।	Bank के लिए customer awareness create करे है।	Bank के product sell करे है।
Nature of work	Transactional	Non-transactional only virtual	Sales & marketing