

CHARGE OF GST



The section numbers referred to in the Chapter pertain to the CGST Act, 2017, unless otherwise specified. Examples/illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2025

LEARNING OUTCOMES

After studying this Chapter, you will be able to –

- ❑ explain the extent and commencement of CGST Act, IGST Act, SGST Act & UTGST Act.
- ❑ describe the provisions pertaining to levy and collection of CGST & IGST.
- ❑ identify and analyse the services on which tax is payable under reverse charge mechanism.
- ❑ comprehend and analyse the composition levy- eligibility for the same and conditions to be fulfilled.



1. INTRODUCTION

Power to levy tax is drawn from the Constitution of India. To pave way for the introduction of Goods and Services Tax ("GST"), 101st Constitutional Amendment Act, 2016 was passed. By virtue of this Act, enabling provision was made to levy GST on supply of goods or services or both in India. Central excise duty, State VAT and certain State specific taxes and service tax were subsumed into a comprehensive GST.

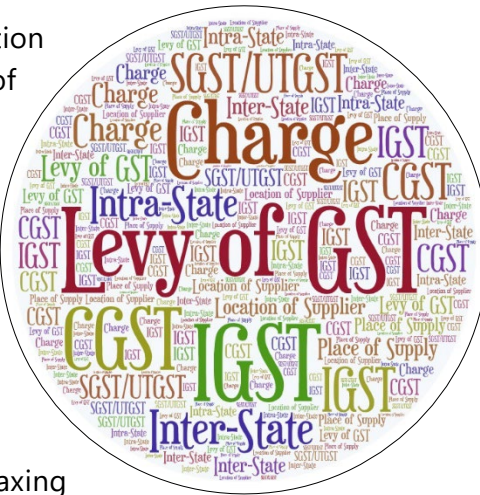
The very basis for the charge of tax in any taxing statute is the taxable event i.e the occurrence of the event which triggers levy of tax. As discussed earlier, the taxable event under GST is **SUPPLY** [Discussed in detail in Chapter – 1: Supply under GST in this Module of the Study Material]. **CGST and SGST/UTGST** are levied on all **intra-State supplies** of goods and/or services while **IGST** is levied on all **inter-State supplies** of goods and/ or services.

The provisions relating to levy and collection of CGST and IGST are contained in section 9 of the CGST Act, 2017 and section 5 of the IGST Act, 2017, respectively. Let us now have a fundamental idea of intra-State supply and inter-State supply.

As a general rule, where the **location of the supplier** and the **place of supply** of goods or services are **in the same State/Union territory**, it is treated as **intra-State supply** of goods or services respectively.

Similarly, where the **location of the supplier** and the **place of supply** of goods or services are in **(i) two different States or (ii) two different Union Territories or (iii) a State and a Union territory**, it is treated as **inter-State supply** of goods or services respectively.

The concepts of 'place of supply' and meaning of the 'location of the supplier' have been elaborated in the next chapter, Chapter 3 – Place of Supply, in this Module of the Study Material. Consequently, the meaning of terms 'inter-State supply' and 'intra-State supply' has been explained in detail in that chapter.





2. RELEVANT DEFINITIONS

- ❖ **Central tax:** means the central goods and services tax levied under section 9 of the CGST Act [Section 2(21)].
- ❖ **Integrated tax:** means the integrated goods and services tax levied under the Integrated Goods and Services Tax Act [Section 2(58)].
- ❖ **State tax:** means the tax levied under any State Goods and Services Tax Act [Section 2(104)].
- ❖ **Goods:** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply [Section 2(52)].
- ❖ **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 [Section 2(6)].
- ❖ **Customs frontiers of India:** means the limits of a customs area [Section 2(4) of the IGST Act]. 'Customs Area' is the area of a customs station or a warehouse and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities [Section 2(11) of the Customs Act, 1962].
- ❖ **Non-taxable online recipient** means any unregistered person receiving online information and database access or retrieval services located in taxable territory.

Explanation—For the purposes of this clause, the expression "**unregistered person**" includes a person registered solely in terms of section 24(vi) of the CGST Act, 2017 [Section 2(16) of the IGST Act, 2017].

- ❖ **Prescribed:** means prescribed by rules made under this Act on the recommendations of the council [Section 2(87)].
- ❖ **Registered Person:** means a person who is registered under section 25 but does not include a person having unique identity number [Section 2(94)].
- ❖ **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 [Section 2(98)].
- ❖ **Services:** means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged [Section 2(102)].

Explanation.—For the removal of doubts, it is hereby clarified that the expression “services” includes facilitating or arranging transactions in securities.

- ❖ **Supplier:** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

However, a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims. [Section 2(105)].

- ❖ **Taxable supply:** means a supply of goods and/or services which is leviable to tax under CGST Act [Section 2(108)].
- ❖ **Non-taxable supply:** means a supply of goods or services or both which is not leviable to tax under CGST Act or under IGST Act [Section 2(78)].
- ❖ **Taxable person:** means a person who is registered or liable to be registered under section 22 or section 24 of the CGST Act [Section 2(107)].

It is important to note that a person who is liable to be registered but does not take a registration and remains an unregistered person shall be construed as a taxable person. Similarly, a person not liable to be registered, but has taken voluntary registration and got himself registered is also a taxable person.

Section 22 enumerates the persons liable to be registered under CGST Act and section 24 lists the persons liable to be registered compulsorily under the GST law. The said sections and the concept of taxable person thereto has been discussed in detail in Chapter 8 – Registration in Module 2 of this Study Material.

- ❖ **Recipient:** of supply of goods and/or services means-
 - (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration,
 - (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available, and
 - (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

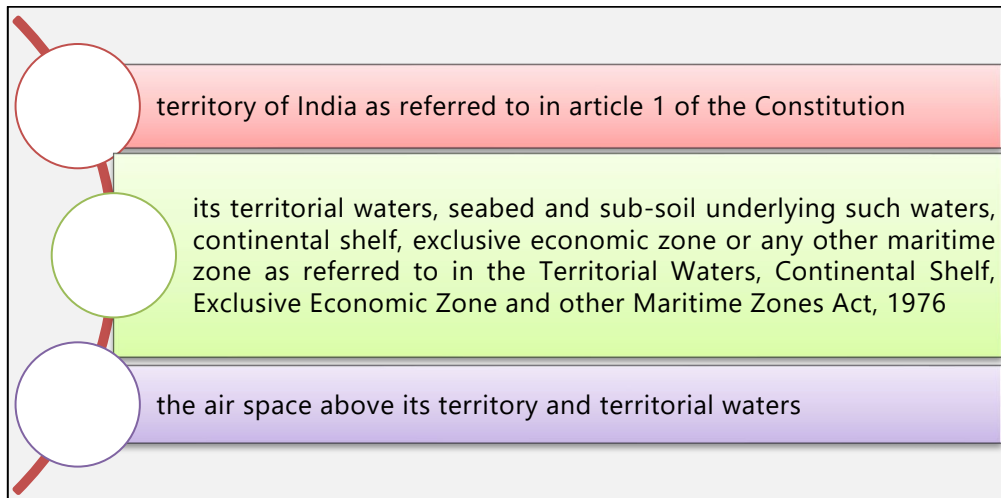


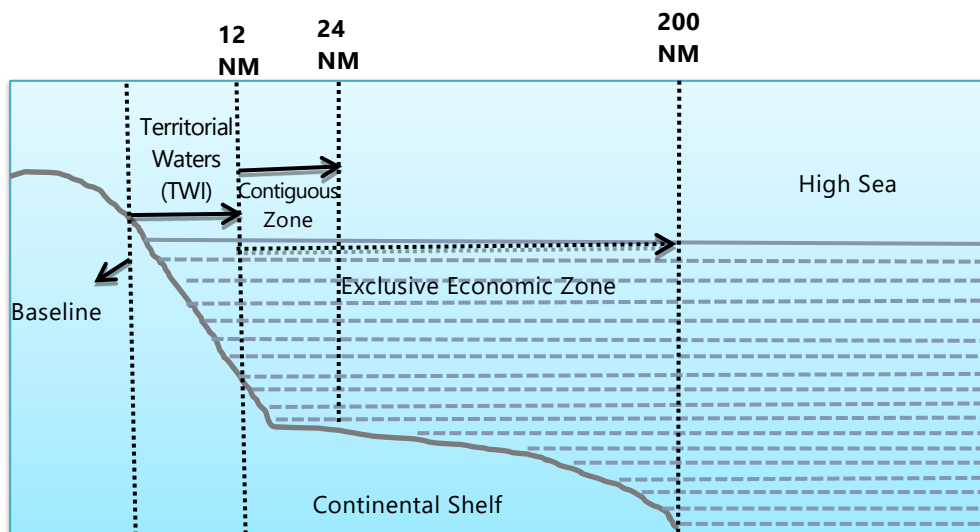
3. EXTENT & COMMENCEMENT OF GST LAW

- (i) **Central Goods and Services Tax Act, 2017** extends to the whole of India [Section 1 of the CGST Act].



India: "India" means [Section 2(56) of CGST Act]-





- (ii) **State GST law** of the respective State/Union Territory with Legislature [Delhi, Puducherry and Jammu & Kashmir]* extends to whole of that State/Union Territory.



(1) Maharashtra GST Act, 2017 extends to whole of the State of the Maharashtra.

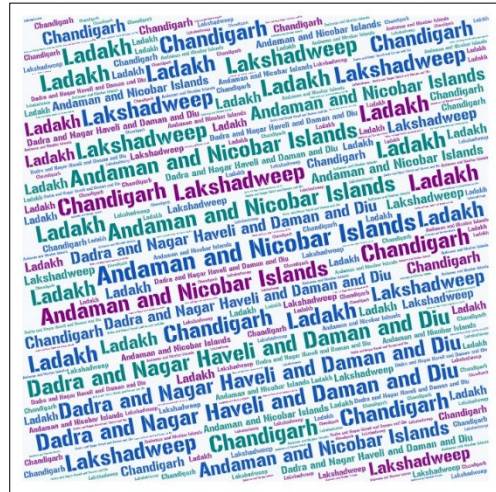
***State:** includes a Union territory with Legislature [Section 2(103) of the CGST Act].

- (iii) **Integrated Goods and Services Tax Act, 2017** extends to the whole of India [Section 1 of the IGST Act].
- (iv) **Union Territory Goods and Services Tax Act, 2017** extends to the Union territories** of the Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Ladakh¹, Chandigarh and other territory, i.e. the Union Territories without Legislature [Section 1 of the UTGST Act].

¹ Students may note that the erstwhile State of Jammu and Kashmir is reorganised into the Union territory of Jammu and Kashmir (with Legislature) and Union territory of Ladakh vide the Jammu and Kashmir Reorganisation Act, 2019. Further, the erstwhile Union territories of Dadra and Nagar Haveli and Daman and Diu is merged into a new Union territory of Dadra and Nagar Haveli and Daman and Diu vide the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories) Act, 2019.

****Union territory:** means the territory of—

- the Andaman and Nicobar Islands;
- Lakshadweep;
- Dadra and Nagar Haveli and Daman and Diu;
- Ladakh
- Chandigarh; and
- other territory.



Explanation—For the purposes of this Act, each of the territories specified in sub-clauses (a) to (f) shall be considered to be a separate Union territory [Section 2(114)].

Our discussion in this Study Material will principally be confined to the provisions of CGST and IGST laws as the specific State GST laws are outside the scope of syllabus.



4. LEVY & COLLECTION OF CGST & IGST [SECTION 9 OF THE CGST ACT & SECTION 5 OF THE IGST ACT]



STATUTORY PROVISIONS

Section 9 of the CGST Act, 2017	Levy and collection (CGST)
Sub-section	Particulars
(1)	Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State

	supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.
(2)	The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
(3)	The Government may, on the recommendations 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 provisions 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.
(4)	The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

Section 5 of the IGST Act, 2017	Levy and collection of tax (IGST)
Sub-section	Particulars
(1)	Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both; except on the supply of alcoholic liquor for human consumption, and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person. Provided that the integrated tax on goods other than the goods as may be notified by the Government on the recommendations of the Council imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.
(2)	The integrated tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
(3)	The Government may, on the recommendations 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 provisions 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.

(4)

The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both



ANALYSIS

Central Goods and Services Tax (**CGST**) shall be **levied** on all intra-State supplies of goods or services or both².

The tax shall be **collected** in such manner as may be prescribed and shall be **paid by the taxable person**. However, intra-State supply of **alcoholic liquor for human consumption** is outside the purview of CGST.

Value for levy: Transaction value under section 15 of the CGST Act– *Discussed in detail in Chapter 6 – Value of supply in this Module of Study Material.*

Rates of CGST: Rates for CGST are rates as may be notified by the Government on the recommendations of the GST Council. [**Discussed in detail subsequently in this Chapter**]. Maximum rate of **CGST** can be 20%.

! In case of inter-State supplies of goods and/or services, Integrated Goods and Services Tax (**IGST**) is **levied** on the **transaction value** under section 15 of the CGST Act. Alcoholic liquor for human consumption **and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption** is outside the purview of GST law, IGST is also not leviable on the same. IGST is the sum total of CGST and SGST/UTGST. Maximum rate of IGST can be 40%.

² IGST is leviable on import of goods and on import of services.

However, CGST/IGST on supply of the following items has not yet been levied. It shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:

- ☐ petroleum crude
- ☐ high speed diesel
- ☐ motor spirit (commonly known as petrol)
- ☐ natural gas and
- ☐ aviation turbine fuel

Goods imported into India: All imports are deemed as inter-State supplies and accordingly IGST shall be levied on imported goods in addition to the applicable custom duties.



The integrated tax on goods shall be in addition to the applicable Basic Customs Duty (BCD) which is levied as per the Customs Tariff Act. In addition, GST compensation cess, may also be leviable on certain luxury and demerit goods under the Goods and Services Tax (Compensation to States) Cess Act, 2017.

The integrated tax on goods **other than the goods as may be notified by the Government on the recommendations of the Council** imported into India shall be levied and collected in accordance with the provisions of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under the Customs Act, 1962.

Since in case of intangible goods, it is not possible to levy and collect IGST on imports in the manner as provided in the proviso, as the goods may not be physically crossing customs frontiers. Thus, Government is enabled to notify certain goods for whom the proviso may not be applicable for levy and collection of IGST and in whose case, IGST shall be levied and collected in the manner specified in section 5(1) of the IGST Act, 2017 only.

Consequently, supply of online money gaming has been notified³ for the said purpose. This implies that import of specified actionable claim of online money

³ Notification No. 03/2023 IT dated 29.09.2023

gaming will be taxed under IGST as import of goods without applicability of customs duty.

Reverse Charge Mechanism

CGST/IGST shall be **paid by the recipient** of goods or services or both, on reverse charge basis, in the following cases:

- ✓ Supply of such goods or services or both, as **notified by the Government** on the recommendations of the GST Council.
- ✓ Supply of specified categories of goods or services or both **by an unregistered supplier** to specified class of registered persons, as notified by the Government on recommendation of GST Council.

All the provisions of the CGST Act/IGST Act shall apply to the recipient in the aforesaid cases as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. **Let us first understand the concept of reverse charge mechanism:**

Generally, the supplier of goods or services is liable to pay GST. However, under the reverse charge mechanism, the liability to pay GST is cast on the recipient of the goods or services.

Reverse charge means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply [Section 2(98)].

It may be noted that the underlying principle of an indirect tax is that burden of tax has to be ultimately passed on to the recipient. GST being an indirect tax, this principle holds good for GST. Under normal circumstances, the statutory liability to deposit GST and undertake compliances [*i.e. to obtain registration under GST, deposit the tax with the Government, filing returns, etc.*] is on the supplier while he may recover the same from its recipient. However, under reverse charge mechanism, the statutory liability to deposit GST and undertaking compliance requirements, [*i.e. to obtain registration under GST, deposit the tax with the Government, filing returns, etc.*] shifts from supplier to recipient.

There are **two types of reverse charge scenarios** provided in law.

- (i) First scenario occurs in case of supply of specified categories of goods or services, covered by section 9(3) of the CGST/ SGST (UTGST) Act. **Similar provisions are contained under section 5(3) of the IGST Act.**
- (ii) Second scenario occurs in case of supply of specified categories of goods or services made by an unregistered supplier to specified class of registered recipients, covered by section 9(4) of the CGST Act. **Similar provisions are contained under section 5(4) of the IGST Act.** *Goods and services notified under this case have been discussed subsequently in this chapter.*

Goods and services notified under reverse charge mechanism under section 9(3) of the CGST Act/ section 5(3) of the IGST Act are as follows:

A. Supplies of goods taxable under reverse charge, i.e. supply of the goods where tax is payable by the recipient:

Notification No. 4/2017 IT (R) dated 28.06.2017 as amended has notified the following goods wherein whole of the tax shall be paid on reverse charge basis by the recipient of supply:

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
1.	0801	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2.	1404 90 10	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3.	2401	Tobacco leaves	Agriculturist	Any registered person

3A.	3301 24 00, 3301 25 10, 3301 25 20, 3301 25 30, 3301 25 40, 3301 25 90	Following essential oils other than those of citrus fruit namely:- (a) Of peppermint (Mentha piperita); (b) Of other mints: Spearmint oil (ex- mentha spicata), Water mint- oil (ex- mentha aquatic), Horsemint oil (ex- mentha sylvestries), Bergament oil (ex- mentha citrate), Mentha arvensis	Any unregistered person	Any registered person
4.	5004 to 5006	Silk yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons	Any registered person

			for supply of silk yarn	
4A.	5201	Raw cotton	Agriculturist	Any registered person
5.	-	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent. Explanation.—For the purposes of this entry, lottery distributor or selling agent has the same meaning as assigned to it in clause (c) of Rule 2 of the Lotteries (Regulation) Rules, 2010, made under the provisions of section 11(1) of the Lotteries (Regulation) Act, 1998.
6.	Any Chapter	Used vehicles, seized and confiscated goods, old and	Central Government excluding Ministry of Railways (Indian	Any registered person

		used goods, waste and scrap	Railways), State Government, Union territory or a local authority	
7.	Any Chapter	Priority Sector Lending Certificate	Any registered person	Any registered person
8.	72, 73, 74, 75, 76, 77, 78, 79, 80, or 81	Metal scrap	Any unregistered person	Any registered person.

B. Supply of services taxable under reverse charge under section 9(3) of the CGST Act, i.e. the services where tax is payable by the recipient:

Notification No. 13/2017 CT (R) dated 28.06.2017 as amended has notified the following categories of supply of services wherein whole of the tax shall be paid on reverse charge basis by the recipient of services:

S. No.	Category of supply of services	Supplier of service	Recipient of Service
1	Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under	Goods Transport Agency (GTA) <i>[Please refer the analysis given subsequently.]</i>	(a) Any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India;

	the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or (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; or (g) any casual taxable person.		or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or (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; or (g) any casual taxable person; located in the taxable territory. [Hereinafter referred as Specified recipients]
However, reverse charge mechanism (RCM) shall not apply to services provided by a GTA, by way of transport of goods in a goods carriage by road to- (a) a Department/ establishment of the Central Government/ State Government/ Union territory; or (b) local authority; or			

(c) Governmental agencies, which has taken registration under the CGST Act only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services⁴.

Further, nothing contained in this entry shall apply where, -

- i. the supplier has taken registration under the CGST Act, 2017 and exercised the option to pay tax on the services of GTA in relation to transport of goods supplied by him under forward charge; and
- ii. the supplier has issued a tax invoice to the recipient charging CGST at the applicable rates and has made the prescribed declaration on such invoice issued by him.

2	Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly. "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.	An individual advocate including a senior advocate or firm of advocates.	Any business entity located in the taxable territory.
3	Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in taxable territory.

⁴ These services have been simultaneously exempted from GST vide entry 21B of Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, there will be no tax liability in this case. [Refer Chapter 4: Exemptions from GST in this Module of the Study Material for discussion on this exemption].

4	Services provided by way of sponsorship to any body corporate or partnership firm.	Any person other than a body corporate.	Any body corporate or partnership firm located in the taxable territory.
5	Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, - (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts and the Ministry of Railways (Indian Railways); (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 Central Government, excluding the Ministry of Railways (Indian Railways), State Government, Union territory/ local authority by way of renting of immovable property to a person registered under CGST Act, 2017	Central Government, State Government, Union territory or local authority	Any person registered under the CGST Act, 2017 [read with section 20(v) of IGST Act, 2017].
5AA	Service by way of renting of residential dwelling to a registered person	Any person	Any registered person
5AB	Services by way of renting of any immovable property other than residential dwelling.	Any unregistered person	Any registered person <i>other than a person who has opted to pay tax under composition levy.</i>
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	Any person	Promoter

	premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter ⁵		
6	Services supplied by a director of a company/ body corporate to the said company/ body corporate.	A director of a company or a body corporate <i>[Please refer the analysis given subsequently.]</i>	Company or a body corporate located in the taxable territory.
7	Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8	Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.	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	Music composer, photographer,	Music company, producer or the like, located in the taxable territory.

⁵ 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.

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.

	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.	artist, or the like	
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.
	However, an author can choose to pay tax under forward charge if- (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) 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; (ii) he makes a declaration on the invoice issued by him in prescribed form to the publisher.		
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI)	Members of Overseeing Committee constituted by RBI	RBI

11	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or non-banking financial company (NBFCs).	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 (services provided by way of supply of security personnel) provided to a registered person. However, nothing contained in this entry shall apply to: (i) (a) a Department or Establishment of the Central Government or State Government or Union territory; or (b) local authority; or	Any person other than a body corporate	A registered person, located in the taxable territory.

	(c) Governmental agencies; which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services; or (ii) a registered person paying tax under composition scheme.		
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. <i>[Please refer the analysis</i>	Any body corporate located in the taxable territory.

		<i>given subsequently.]</i>	
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 securities registered in his name/in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under Scheme of SEBI	Borrower i.e., a person who borrows the securities under the Scheme through an approved intermediary of SEBI.

🔔 All the above services have also been notified for reverse charge under IGST Act vide Notification No. 10/2017 IT (R) dated 28.06.2017 as amended. In addition to them, following additional services are also notified by said notification for reverse charge under IGST purposes:

S. No.	Category of supply of service	Supplier of service	Recipient of Service
1.	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable online recipient.	Any person located in a non-taxable territory	Any person located in the taxable territory other than non-taxable online recipient [see definitions].

For purpose of this above services, following explanations shall apply-

- (a) The person who pays or is liable to pay freight for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the service for the purpose of this notification.
- (b) **Body Corporate:** has the same meaning as assigned to it in clause (11) of section 2 of the Companies Act, 2013.

As per section 2(11) of the Companies Act, 2013, body corporate or corporation includes a company incorporated outside India, but does not include—

- (i) a co-operative society registered under any law relating to co-operative societies; and
 - (ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.
- (c) the business entity located in the taxable territory who is litigant, applicant or petitioner, as the case may be, shall be treated as the person who receives the legal services for the purpose of this notification.
- (d) the words and expressions used and not defined in reverse charge notification but defined in the CGST Act, the IGST Act, and the UTGST Act shall have the same meanings as assigned to them in those Acts.
- (e) Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm.
- (f) Insurance agent means an insurance agent licensed under section 42 of the Insurance Act, 1938 who receives 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 [Section 2(10) of the Insurance Act, 1938].
- (g) Renting of immovable property means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing,

licensing or other similar arrangements in respect of immovable property.

- (h) the provisions of reverse charge notification, in so far as they apply to the Central Government, State Government, shall also apply to the Parliament and State Legislature, Courts and Tribunals.

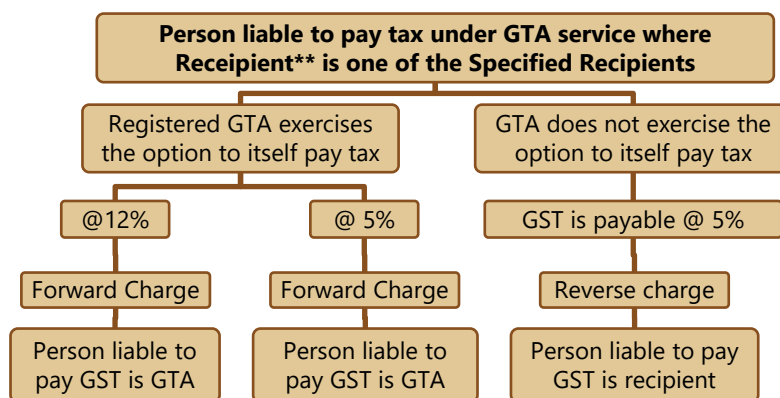
Person liable to pay GST on GTA Services

GTA services are taxable at the following two rates:

- (i) **@ 5%** (2.5% CGST+2.5% SGST/UTGST or 5% IGST) where GTA has not taken the Input Tax Credit (ITC) on goods or services used in supplying GTA service (there can be either of the cases - where GTA exercises the option to itself pay GST at said rate or does not exercise the option to itself pay GST at said rate, on services supplied by it) or
- (ii) **@ 12%** (6% CGST+6% SGST/UTGST or 12% IGST) where GTA exercises the option to itself pay GST at said rate on services supplied by it. In this case, there is no restriction on availing ITC on goods or 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:



Note - Where recipient is other than the specified recipients (Unregistered individual end consumer or unregistered casual taxable person), GST will be exempt – Discussed in detail in Chapter 4 – Exemptions from GST in this Module of the Study Material.

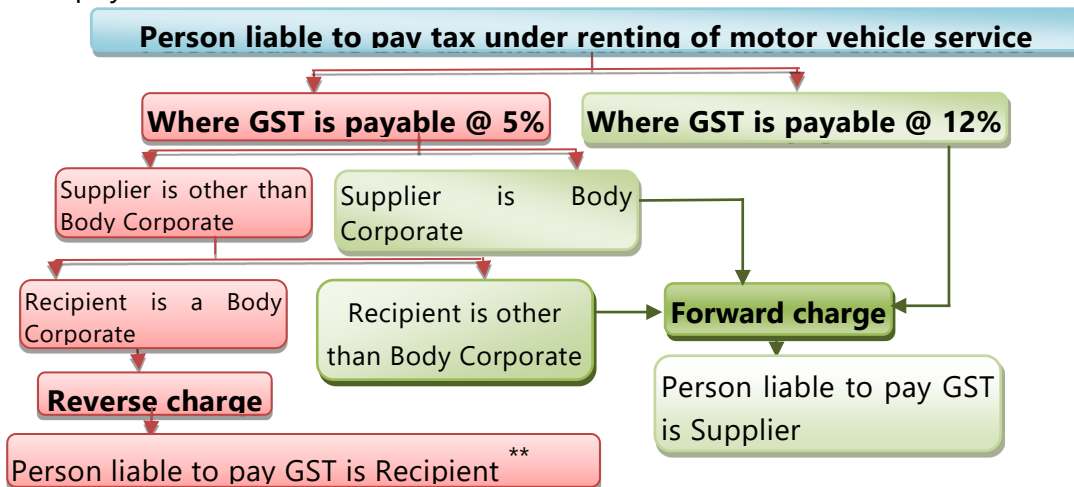
**** Recipient of GTA service** is the person who pays/is liable to pay freight for transportation of goods by road in goods carriage, located in the taxable territory.

Person liable to pay GST on renting of motor vehicles service

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:

- (i) **@ 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
- (ii) **@ 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 rates⁶:



**** RCM is 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.**

⁶ Entry 15 of Notification No. 13/2017 CT (R) dated 28.06.2017 read with Circular No. 130/49/2019 GST dated 31.12.2019

Now there may arise a doubt as to whether RCM is applicable on:

(i) service of renting of motor vehicle designed to carry passengers

or

(ii) service of transportation of passengers.

It is clarified⁷ that **there is a clear distinction between the two services** which is as under:

A. The two services fall under two different headings in the Tariff.

B. (i) Services of renting of motor vehicles designed to carry passengers covers:

- renting of motor vehicle
- for transport of passengers
- for a period of time
- where the renter defines how and when the vehicles will be operated, determining schedules, routes and other operational considerations.

(ii) 'Passenger transport services' covers passenger transport services over pre-determined routes on pre-determined schedules.

Accordingly, **where the body corporate hires the motor vehicle** (for transport of employees etc.) for a period of time, during which the motor vehicle shall be at the disposal of the body corporate, the **service would fall under 'services of renting of motor vehicles designed to carry passengers', and the body corporate shall be liable to pay GST on the same under RCM.**

Thus, reverse charge would apply on act of renting of vehicles by body corporate subject to fulfilment of other conditions prescribed for this purpose and in such a case, it is for the body corporate to use in the manner as it likes subject to agreement with the person providing vehicle on rent.

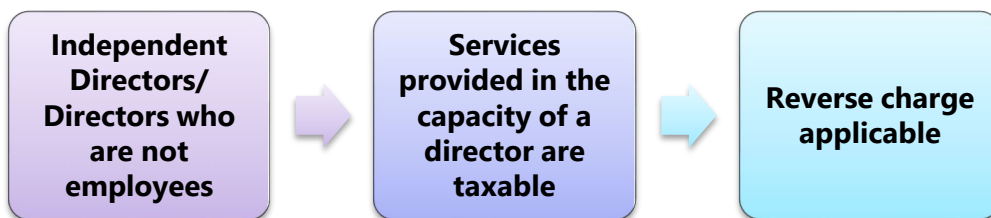
However, **where the body corporate avails the passenger transport service** for specific journeys or voyages and does not take vehicle on rent for any particular period of time, the service would fall under 'passenger transport services' and **the body corporate shall not be liable to pay GST on the same under RCM.**

⁷ vide Circular No. 177/09/2022 GST dated 03.08.2022

Taxability of remuneration paid to the Director

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:

- (i) Services provided by the **independent directors**⁸/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 Act⁹ and are therefore taxable. As seen in the table given above illustrating the reverse charge services (Entry No. 6), such remuneration paid to the directors is taxable in hands of the company, on **reverse charge basis**.



- (ii) 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".

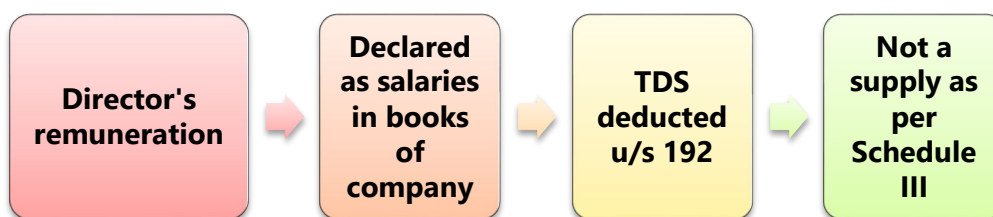
The part of **director's remuneration** which is **declared as Salaries** in the books of a company and subjected to TDS under section 192 of the Income-

⁸ The definition of "independent directors" under section 149(6) of the Companies Act, 2013 read with rule 12 of Companies (Share Capital and Debentures) Rules, 2014 makes it amply clear that the independent director should not have been an employee of the company.

⁹ As per Para 1 of Schedule III, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. The provisions of Schedule III have been discussed in detail in Chapter 1 – Supply under GST in this Module of the Study Material.

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 Para 1 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**¹⁰.



Tax on services supplied by director of a company in his personal capacity such as renting of immovable property to the company/body corporate not payable under reverse charge

Tax on services supplied by director of a company/body corporate to the said company or the body corporate is payable by the company/body corporate under reverse charge mechanism (RCM). It is hereby clarified¹¹ that services supplied by a director of a company/body corporate to the company/body corporate in his private/personal capacity such as services supplied by way of renting of immovable property are not taxable under RCM.

Only those services supplied by director of company/body corporate, which are supplied by him as or in the capacity of director of that company or body corporate shall be taxable under RCM in the hands of the company or body corporate.

¹⁰ as clarified vide Circular No 140/10/2020 GST dated 10.06.2020

¹¹ Circular No. 201/13/2023 GST dated 01.08.2023

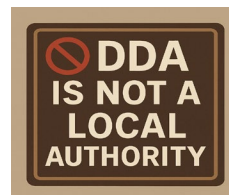
Delhi Development Authority (DDA) -NOT a local authority under GST law

As seen earlier, tax on services supplied by local authority to a business entity is payable under reverse charge. The issue which arose for consideration was whether DDA can be treated as local authority under GST law.

It has been clarified that since local authority means an authority which is



similar to the elected self-governing body such as Municipal Committee and which is entrusted with the control and management of municipal or local fund can be termed as



local authority, DDA cannot be treated as local authority under GST law as DDA does not meet the requirement of local authority as per section 2(69)¹².

Tax payable by the electronic commerce operator (ECO) on notified services:

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the ECO if such services are supplied through it. **ECO** is any person who owns/operates/manages an electronic platform for supply of goods/services/both. *The provisions relating to ECO will be discussed in detail in Chapter 12 – Electronic Commerce Transactions in Module 2 of this Study Material.*

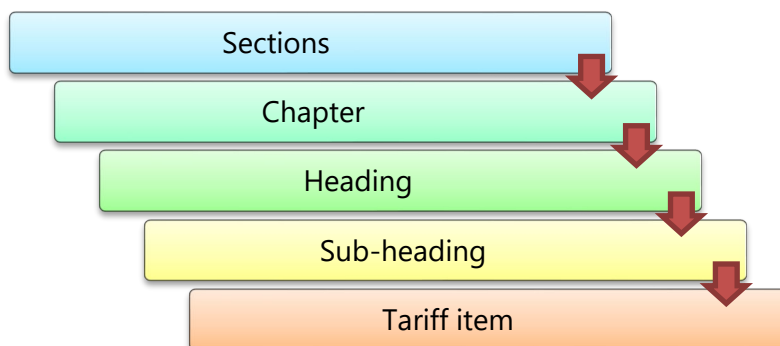
Classification under GST

In order to determine the rate applicable on a particular supply of goods or services, one needs to first determine the classification of such goods or services. Classification of goods and services assumes significance since there are different rates prescribed for supply of different goods and services. Therefore, classification is crucial for determining the rate of tax applicable on a particular product or service.

¹² Circular No. 245/02/2025 GST dated 28.01.2025

Classification of Goods

Classification of goods means identification of the chapter, heading, sub-heading and tariff item in which a particular product will be classified.



Chapter, heading, sub-heading and tariff item are referred in the Schedules of rate notification for goods under GST are the Chapter, heading, sub-heading and tariff item of the First Schedule to the Customs Tariff Act, 1975. Indian Customs Tariff is based on HSN. HSN stands for Harmonized System of Nomenclature.

It is a multipurpose international product nomenclature developed by the World Customs Organization (WCO) for the purpose of classifying goods across the World in a systematic manner.

It comprises of about 5,000 commodity groups; each identified by a 6-digits code [code can be extended], arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. India has extended the HSN codes upto 8-digits.

Along the lines of HSN, the Indian Customs Tariff has a set of Rules of Interpretation of the First Schedule and General Explanatory notes. These rules and the general explanatory notes give clear direction as to how the nomenclature in the schedule is to be interpreted.

These **Rules for Interpretation** including section and chapter notes and the General Explanatory Notes of the First Schedule¹³ **apply to the interpretation of the rate notification for goods under GST also.**

Consequently, under GST, goods are classified on the basis of HSN in accordance with the **Rules for the Interpretation** of the Customs Tariff. *The same have been discussed in Chapter 3 – Classification of Imported and Export Goods in Module 4 of this Study Material.*

Once classification for a product has been determined on this basis, applicable rate has to be determined as per the rate prescribed in the rate notification issued under GST.

Classification of Services

A new **Scheme of Classification of Services** has been devised under GST. It is a modified version of the United Nations Central Product Classification.

Under this scheme, the services of various descriptions have been classified under various sections, headings and groups. Chapter 99 has been assigned for services. This chapter has following sections:

Section 5 Construction Services

Section 6 Distributive Trade Services; Accommodation, Food and Beverage Service; Transport Services; Gas and Electricity Distribution Services

Section 7 Financial and related services; real estate services; and rental and leasing services

Section 8 Business and Production Services

Section 9 Community, social and personal services and other miscellaneous services

¹³ **Sections:** A group of Chapters representing a particular class of goods.

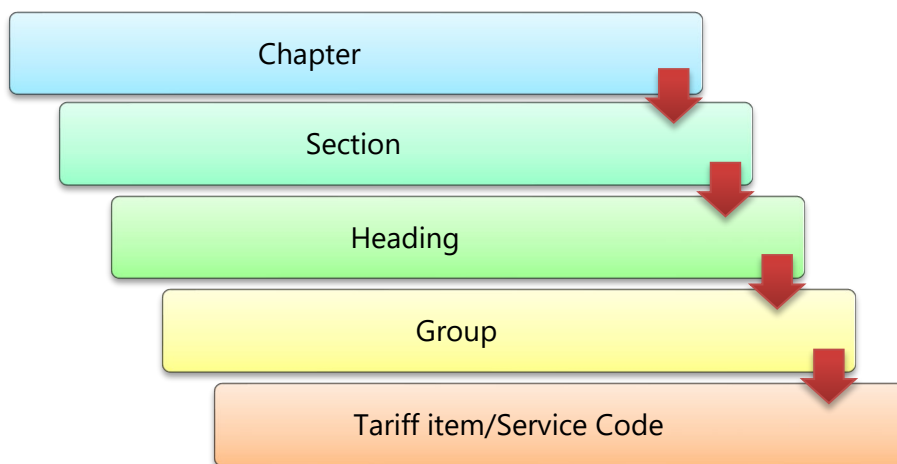
Chapters: Each section is divided into various chapters and sub-chapters. Each chapter contains goods of one class.

Chapter notes: They are mentioned at the beginning of each chapter. These notes are part of the statute and hence have the legal authority in determining the classification of goods.

Heading: Each chapter and sub-chapter is further divided into various headings.

Sub-heading: Each heading is further divided into various sub-headings.

Each section is divided into various headings which is further divided into Groups. Its further division is made in the form of 'Tariff item'/ Service Codes.



Rate of tax is determined in accordance with the Service Code in which the service is classified.

GST Rates prescribed for various goods



Broadly, seven rates of **CGST** have been notified in seven Schedules of rate notification for goods, viz., 0.125%, 0.75%, 1.5%, 2.5%, 6%, 9% and 14%. SGST/ UTGST at the equivalent rate is also leviable.

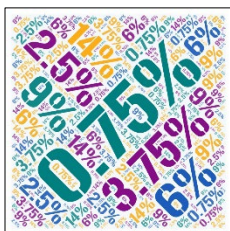
With regard to **IGST**, broadly seven rates have been notified in seven Schedules of rate notification for goods, viz., 0.25%, 1.5%, 3%, 5%, 12%, 18% and 28%¹⁴.



¹⁴ Students may refer the CBIC website for the complete Schedule of GST Rates for goods for knowledge purpose.

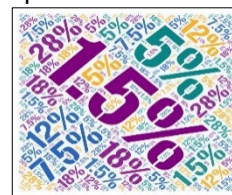
Certain specified goods have been exempted from tax.

GST Rates prescribed for various services



Broadly, six rates of **CGST** have been notified for services, viz., 0.75%, 2.5%, 3.75%, 6%, 9% and 14%¹⁵. Equivalent rate of SGST/ UTGST is also leviable.

For **IGST**, six rates have been notified for services, viz., 1.5%, 5%, 7.5%, 12%, 18% and 28%¹⁶¹⁷.



For certain specified services, nil rate of tax has been notified.

Services of gambling, services by way of admission to entertainment events/access to amusement facilities including (a) casinos, or race club, clubs or any place having casinos or race clubs or (b) sporting event such as IPL and the events like IPL, services provided by a race club by way of totalisator or a license to bookmaker in such club, gambling etc. attract the highest rate of 28% (CGST @ 14% and SGST @ 14% or IGST @ 28%).

A number of services are subject to a lower rate of 5% (CGST @ 2.5% and SGST @ 2.5% or IGST @ 5%). For instance, GTA service is taxed @ 5% subject to the condition that credit of input tax charged on goods/services used in supplying said service has not been taken. Similarly, tax rate for supply of restaurant service, other than at 'specified premises'¹⁸, is 5% without any input tax credit.

Services not covered under any specific heading are taxed at the rate of 18% (CGST @ 9% and SGST @ 9% or IGST @ 18%).

In the following paras, applicability of GST in real estate sector has been briefly discussed:

¹⁵ notified vide Notification No. 11/2017 CT (R) dated 28.06.2017

¹⁶ notified vide Notification No. 8/2017 IT (R) dated 28.06.2017.

¹⁷ Students may refer the CBIC website for the complete Schedule of GST Rates for services for knowledge purposes.

¹⁸ "Specified premises" means premises providing "hotel accommodation" services having declared tariff of any unit of accommodation above ₹ 7,500 per unit per day or equivalent.

GST rates in real estate sector

The effective rate of GST on real estate sector for the new projects by promoters are as follows:

- (i) 1% without ITC on construction of **affordable houses** (area 60 sqm in metros/ 90 sqm in non-metros and value upto ₹ 45 lakh).
- (ii) 5% without ITC is applicable on construction of:
 - (a) all houses other than affordable houses, and
 - (b) commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.

Conditions:

Above tax rates shall be available subject to following conditions:

- (a) ITC shall not be available.
- (b) 80% of inputs and input services [other than services by way of grant of development rights, long term lease of land (against upfront payment in the form of premium, salami, development charges etc.) or FSI (including additional FSI), electricity, high speed diesel, motor spirit, natural gas], used in supplying the service shall be purchased from registered persons¹⁹.

However, if value of inputs and input services purchased from registered supplier is less than 80%, promoter has to pay GST on reverse charge basis, under section 9(4) [discussed earlier], at the rate of 18% on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).

Supply of services notified under section 9(4)

¹⁹ Discussion in above paras highlighted in brown is solely for the purpose of knowledge of the students and is not meant for examination purposes.

Further, where cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4), at the applicable rate which is 28% (CGST 14% + SGST 14%) at present.

Moreover, GST on capital goods shall be paid by the promoter on reverse charge basis, under section 9(4) at the applicable rates [Notification No. 07/2019 CT (R) dated 29.03.2019/ Notification No. 07/2019 IT (R) dated 29.03.2019].

Levy of GST on Airport Dues

The authority managing the airport (airport operator²⁰) charges the airport levies, namely, PSF²¹ and UDF²² from the embarking passengers at any airport.

In view of the definition of consideration under section 2(31), PSF and UDF charged by airport operators are consideration for providing services to passengers.

Thus, services provided by an airport operator to passengers against consideration in the form of UDF and PSF are liable to GST.



PSF and UDF are levied by the airport operators but are collected by the airlines. These charges are collected by the airline as an agent of passengers and is not a consideration for any service provided by the airlines.

²⁰ Generally, an airport licensee appoints an airport operator responsible for overseeing the airport's day-to-day operations and facility management. However, in smaller airports, the roles of airport licensee and airport operator may be fulfilled by the same entity.

²¹ PSF is the Passenger Service Fee (PSF) which the airport licensee may collect from the embarking passengers at such rates as specified by the Central Government. The airport licensee shall utilize the said fee for infrastructure and facilitation of the passengers.

²² UDF is the User Development Fee (UDF) which the airport licensee may levy and collect, at a major airport, at the prescribed rate.

Thus, the amount so recovered by airlines will be excluded from the value of supplies made by the airline to its passengers. In other words, the airline shall not be liable to pay GST on the PSF and UDF (for airport services provided by airport licensee), provided the airline satisfies the conditions prescribed for a pure agent under rule 33 of the CGST Rules²³. It is the airport operator which is liable to pay GST on UDF and PSF.

The airline should separately indicate actual amount of PSF and UDF and GST payable on such PSF and UDF by the airport operator, in the invoice issued by airlines to its passengers.

The airline shall not take ITC of GST payable or paid on PSF and UDF. The airline would only recover the actual PSF and UDF and GST payable on such PSF and UDF by the airline operator.

The registered passengers, who are the ultimate recipient of the airport services, may take ITC of GST paid on PSF and UDF on the basis of pure agent's invoice issued by the airline to them.

The airport operators shall pay GST on the PSF and UDF collected by them from the passengers through the airlines (at the time of issue of air ticket and the same is remitted by airlines to airport operators).

Since, the airport operators are collecting PSF and UDF inclusive of GST, there is no question of their not paying GST collected by them to the Government [Circular No. 115/34/2019 GST dated 11.10.2019].



²³ Rule 33 of the CGST Rules has been discussed in detail in Chapter 6 - Value of Supply in this Module of the Study Material.



5. COMPOSITION LEVY [SECTION 10 OF THE CGST ACT]

 STATUTORY PROVISIONS	
Section 10	Composition levy
Sub-section	Particulars
(1)	Notwithstanding anything to the contrary contained in this Act but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate as may be prescribed, but not exceeding,—
	(a) one percent. ²⁴ of the turnover in State or turnover in Union territory in case of a manufacturer
	(b) two and a half per cent. of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and
	(c) half per cent. of the turnover in State or turnover in Union territory in case of other suppliers
	subject to such conditions and restrictions as may be prescribed.
	Provided that the Government may, by notification, increase the said limit of fifty lakh rupees to such higher amount, not

²⁴ Rate of tax prescribed in case of a manufacturer is half percent of the turnover in State/UT. The same has been discussed in detail in subsequent paras.

	exceeding one crore and fifty lakh rupees²⁵, as may be recommended by the Council. Provided further that a person who opts to pay tax under clause (a) or clause (b) or clause (c) may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding ten percent. of turnover in a State or Union territory in the preceding financial year or five lakh rupees, whichever is higher. Explanation - 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.
(2)	The registered person shall be eligible to opt under sub-section (1), if— (a) save as provided in sub-section (1), he is not engaged in the supply of services (b) he is not engaged in making any supply of services which are not leviable to tax under this Act (c) he is not engaged in making any inter-State outward supplies of goods or services (d) he is not engaged in making any supply of services through an electronic commerce operator who is required to collect tax at source under section 52; and (e) he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council (f) he is neither a casual taxable person nor a non-resident taxable person. Provided that where more than one registered persons are having the same Permanent Account Number (issued under the Income-

²⁵ The turnover limit for composition levy has been increased from ₹ 50 lakh to ₹ 1.5 crore vide Notification No. 14/2019 CT dated 07.03.2019.

	<i>tax Act, 1961), the registered person shall not be eligible to opt for the scheme under sub-section (1) unless all such registered persons opt to pay tax under that sub-section.</i>
(2A)	<i>Notwithstanding anything to the contrary contained in this Act, but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, not eligible to opt to pay tax under sub-section (1) and sub-section (2), whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate as may be prescribed, but not exceeding three per cent. of the turnover in State or turnover in Union territory, if he is not—</i> (a) <i>engaged in making any supply of goods or services which are not leviable to tax under this Act;</i> (b) <i>engaged in making any inter-State outward supplies of services;</i> (c) <i>engaged in making any supply of services through an electronic commerce operator who is required to collect tax at source under section 52;</i> (d) <i>a manufacturer of such goods or supplier of such services as may be notified by the Government on the recommendations of the Council; and</i> (e) <i>a casual taxable person or a non-resident taxable person.</i> <i>Provided that where more than one registered person are having the same Permanent Account Number issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the scheme under this sub-section unless all such registered persons opt to pay tax under this sub-section.</i>
(3)	<i>The option availed of by a registered person under sub-section (1) or sub-section (2A), as the case may be, shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under sub-section (1) or sub-section (2A), as the case may be.</i>

(4)	A taxable person to whom the provisions of sub-section (1) or, as the case may be, sub-section (2A) apply shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.
(5)	If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) or sub-section (2A), as the case may be despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 or section 74A shall, mutatis mutandis, apply for determination of tax and penalty.
	Explanation 1 — For the purposes of computing aggregate turnover of a person for determining his eligibility to pay tax under this section, the expression “aggregate turnover” shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but 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. Explanation 2 — For the purposes of determining the tax payable by a person under this section, the expression “turnover in State or turnover in Union territory” shall not include the value of following supplies, namely:— (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and (ii) 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.



ANALYSIS

(1) Overview of the Scheme

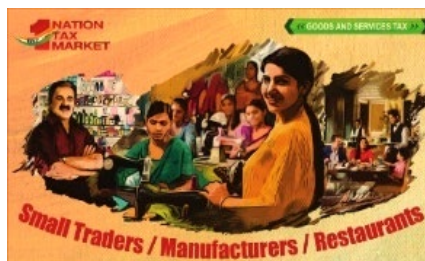
The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to a prescribed limit. The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers.

Voluntary and optional scheme



Initially, the scheme was designed to benefit the small traders, manufacturers and

restaurant service providers. So, the scheme was fundamentally for the suppliers of goods and only for restaurant service providers (not supplying alcoholic liquor for human consumption). However, subsequently, suppliers availing composition scheme were permitted to supply other services also, though only upto a small specified value. This scheme is contained in **sub-sections (1) and (2) of section 10 [hereinafter referred to as composition scheme under section 10(1)]**.



Under this scheme, suppliers of goods have the option to pay tax at the concessional rate of 1% (CGST + SGST/UTGST) of the turnover and restaurant service providers (not supplying alcoholic liquor for human consumption) have the option to pay tax @ 5% (CGST + SGST/UTGST) of the turnover. Small taxpayers with an aggregate turnover in the preceding financial year up to ₹ 1.5 crore are eligible to pay tax at these rates in the current financial year upto an aggregate turnover of ₹ 1.5 crore. However, a person engaged exclusively in supply of services other than restaurant service is not eligible for this composition scheme stipulated under sub-sections (1) and (2).



In order to provide benefit of composition scheme to persons engaged in supply of services other than restaurant service whose aggregate turnover in the preceding financial year is up to ₹ 50 lakh, a scheme to pay tax @ 6% (CGST +



SGST/UTGST) of the turnover was introduced subsequently. A mixed supplier who is primarily engaged in supplying services other than restaurant service along with marginal supply of goods could also avail the benefit of this scheme. The provisions of this scheme are contained in sub-section (2A) of section 10.

Essentially, the composition scheme under **sub-section (2A) of section 10 [hereinafter referred to as composition under 10(2A)]** is for small service providers like salon stylist, tailors, etc. This



scheme provides an option to such suppliers to pay tax @ 6% of the turnover in the current financial year upto



an aggregate turnover of ₹ 50 lakh.

Suppliers opting for composition levy need not worry about the classification

**Simple annual
return
Quarterly
payment of tax**

of their goods or services or both, the rate of GST applicable on their goods and/ or services, etc. They are not required to raise any tax invoice, but simply

**Easy compliance as
no elaborate
accounts and records
to be maintained**

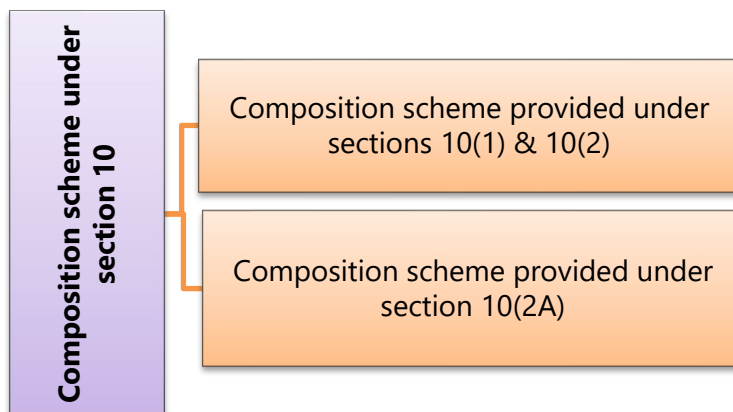
need to issue a Bill of Supply²⁶ wherein no tax will be charged from the recipient.

An eligible person opting to pay tax under the composition scheme shall, instead of paying tax on every invoice at the specified rate, pay tax at the prescribed percentage of his turnover every quarter through prescribed form [Form GST CMP 08]. At the end of a quarter, he would pay the tax, without availing the benefit of input tax credit. Return is to be filed annually by a composition supplier.

The provisions relating to composition levy are contained in section 10 of CGST Act, 2017 and Chapter-II [Composition Levy] of Central Goods and Services Tax (CGST) Rules, 2017. The said rules have been incorporated in the discussion in the following paras at the relevant places.

²⁶ Discussed in detail in Chapter-9: Tax Invoice, Credit and Debit Notes in Module-2 of this Study Material.

As seen above, section 10 stipulates two types of composition schemes –

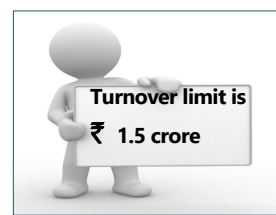


Provisions relating to these schemes have been discussed in detail in subsequent paras:

(2) **Turnover limit for opting for composition levy [Section 10(1), 10(2A) & 10(3)]**

Turnover limit in case of composition levy

Section 10(1) provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy under section 10(1). However, proviso to section 10(1) empowers the Government to increase the said limit of ₹ 50 lakh upto ₹ 1.5 crore, on the recommendation of the GST Council.



In view of said power of the Government, the turnover limit for composition levy under section 10(1) has been increased from ₹ 50 lakh to ₹ 1.5 crore vide **Notification No. 14/2019 CT dated 07.03.2019**.

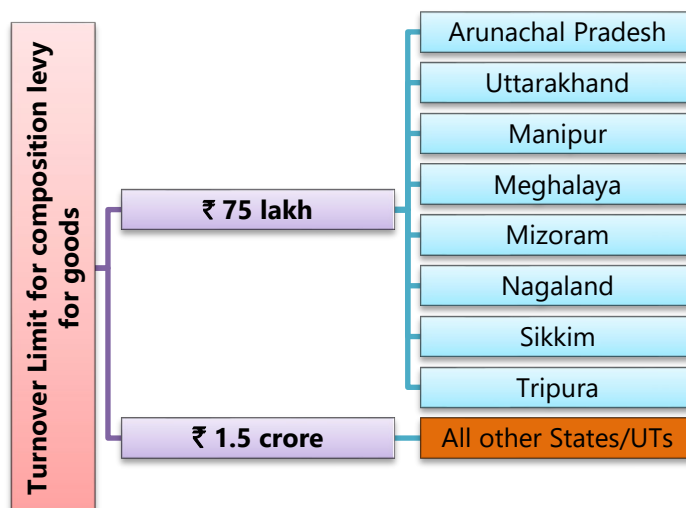
However, the said notification further stipulates that the turnover limit for composition levy under section 10(1) shall be ₹ 75 lakh **in respect of 8 of the Special Category States** namely:

Special Category States	
Arunachal Pradesh	Mizoram

Uttarakhand	Nagaland
Manipur	Sikkim
Meghalaya	Tripura

In case of Special Category States of **Assam, Himachal Pradesh** and **Jammu and Kashmir**, the turnover limit will be ₹ 1.5 crore only.

Thus, if the aggregate turnover of a supplier in a State/UT other than Special Category States (except Assam, Himachal Pradesh and Jammu and Kashmir) is upto ₹ 1.5 crore in the preceding financial year, said supplier is eligible for composition scheme under section 10(1). Further, it is important to note that the aggregate turnover is computed on all India basis for a person having same Permanent Account Number (PAN) – *Refer the definition of aggregate turnover discussed in subsequent paras.*



(3) A shoes' dealer 'Prithviraj' has offices in Maharashtra and Goa. He makes intra-State supply of goods from both these offices.

In order to determine whether 'Prithviraj' is eligible to avail benefit of the composition scheme under section 10(1), turnover of both the offices would be taken into account and if the same does not exceed ₹ 1.5 crore in the preceding financial year, 'Prithviraj' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for goods for

both the offices in the current financial year.

Further, the option of a registered person to avail composition scheme under section 10(1) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 1.5 crore [₹ 75 lakh in 8 specified special category States] [Section 10(3)].

Turnover limit in case of composition levy for services under section 10(2A)

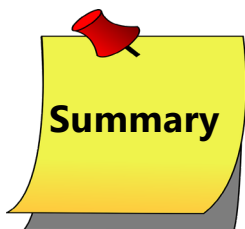
Section 10(2A) provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy under section 10(2A).



(4) A hair stylist 'Billoo Barber' has his salon in Delhi and Haryana, making intra-State supplies.

In order to determine whether 'Billoo' is eligible to avail benefit of the composition scheme under section 10(2A), turnover of both the salons would be taken into account and if the same does not exceed ₹ 50 lakh in the preceding financial year, 'Billoo' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for services for both the salons in the current financial year.

Further, the option of a registered person to avail composition scheme under section 10(2A) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh [Section 10(3)].



To summarise, a registered person opting for composition scheme under section 10(1) should have an aggregate turnover upto ₹ 1.5 crore [₹ 75 lakh in 8 specified Special Category States] in the preceding FY and he can avail the benefit of said scheme²⁷ for the current FY till the time his aggregate turnover in the current FY does not exceed ₹ 1.5 crore/₹ 75 lakh.

²⁷ Intimation for opting to pay tax under composition scheme must be filed prior to the commencement of the FY for which said option is exercised [Rule 3].

Similarly, a registered person opting for composition scheme under section 10(2A) should have an aggregate turnover upto ₹ 50 lakh in the preceding FY and he can avail the benefit of said scheme for the current FY till the time his aggregate turnover in the current FY does not exceed ₹ 50 lakh.

From the above discussion, it is apparent that the term aggregate turnover is of utmost importance. So, let us understand this term in detail.

(3) Aggregate turnover under composition levy [Section 2(6) read with explanation 1 to section 10]

The definition of aggregate turnover as contained in section 2(6) is analysed as follows:

The aggregate turnover is the sum of value of all outward supplies falling in the following four categories:

- ☐ Taxable supplies
- ☐ Exempt supplies
- ☐ Exports of goods or services or both
- ☐ Inter-State supplies

Aggregate turnover

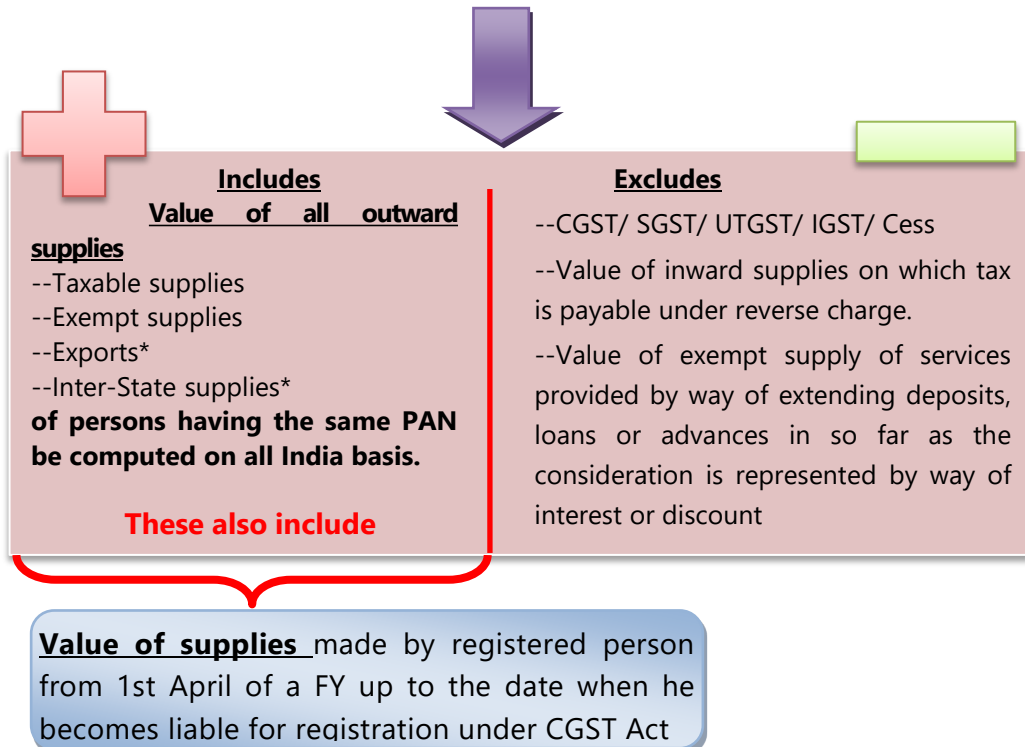
It excludes:

- ☐ The value of inward supplies on which tax is payable by a person on reverse charge basis
- ☐ Taxes including cess paid under GST law.

It is computed on all India basis for a person having same Permanent Account Number (PAN).

Further, explanation 1 to section 10 clarifies that for the purposes of computing **aggregate turnover of a registered person for determining his eligibility to pay tax under this section**, aggregate turnover **includes** value of supplies from 1st April of a FY up to the date of his becoming liable for registration and **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.

On combined reading of the aforesaid provisions, the method of computing the aggregate turnover for the purpose of determining the eligibility of a registered person for the composition scheme [for both goods and services] can be depicted in a diagram as follows:



***Note:** The value of exports and inter-State supplies are relevant only while determining the aggregate turnover of the preceding FY. These values are not relevant for determining the aggregate turnover of the current FY in which the composition supplier has opted for composition levy as he is not permitted to make inter-State supplies and exports in the said FY²⁸.

(4) Rates of tax under the composition levy scheme [Section 10(1) and section 10(2A) read with rule 7]

Rule 7 prescribes the rates at which tax is payable by a registered person opting for composition levy – composition levy under section 10(1) and composition levy under section(2A).

²⁸ Section 10(2)(c)

Rates of tax in case of composition levy under section 10(1)

A registered person opting for composition levy under section 10(1) shall pay

While computing the threshold limit of ₹ 1.5 crore/ ₹ 75 lakh / ₹ 50 lakh, inclusions in and exclusions from 'aggregate turnover' are as follows:

tax calculated at the prescribed rates [mentioned in table below] during the current FY, in lieu of the tax payable by him under regular scheme:

S. No.	Category of registered persons	Rate of tax
1	Manufacturers, other than manufacturers of notified goods, i.e. ice cream, pan masala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.	½ % ²⁹ of the turnover in the State/Union territory
2	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II [referred to as "Restaurant service" in discussion under this chapter]	2½ % ³⁰ of the turnover in the State/Union territory
3	Any other supplier eligible for composition levy under section 10 of CGST Act and Chapter-II [Composition Levy] of CGST Rules.	½ % ³¹ of turnover of taxable supplies of goods & services in the State/Union territory

Note - Students may note that the 'aggregate turnover' of preceding FY is relevant for the purpose of determining eligibility to avail composition scheme, but the tax has to be paid in accordance with the applicable rates on the 'turnover' (or 'turnover of taxable supplies' in case of third category of registered persons above) in a State/UT.

²⁹ Effective rate 1% (CGST+ SGST/UTGST)

³⁰ Effective rate 5% (CGST+ SGST/UTGST)

³¹ Effective rate 1% (CGST+ SGST/UTGST)

The concept of 'Turnover in the State/UT' under the composition levy has been explained subsequently in this chapter.

Rates of tax in case of composition levy for services under section 10(2A)

A registered person opting for composition levy under section 10(2A) shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

As seen above, since the tax under composition scheme has to be computed as a specified % of the turnover in State or turnover in Union territory, it is pertinent to understand what is turnover in State or turnover in Union territory.

(5) Turnover in State or turnover in Union territory under composition levy [Section 2(112) read with explanation 2 to section 10]

As per section 2(112), turnover in State/ turnover in Union territory 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) and exempt

Turnover in State/ Union Territory

supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess.

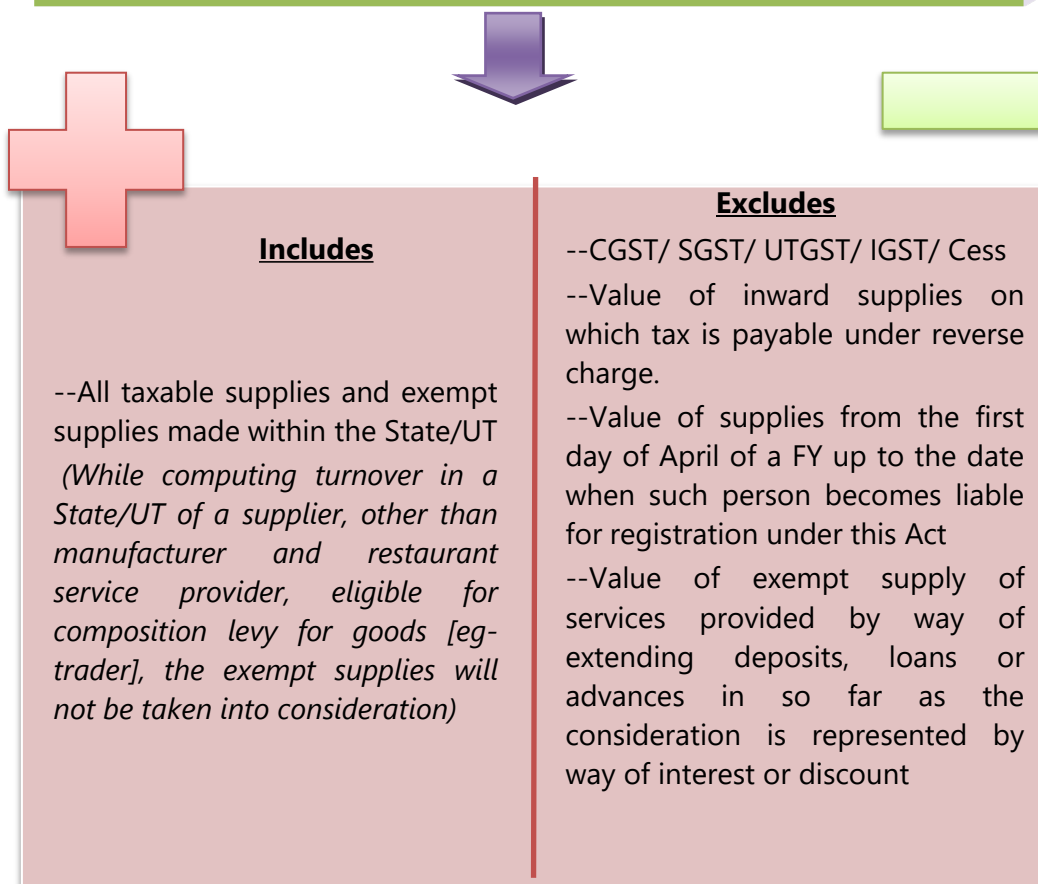
Further, explanation 2 to section 10 clarifies that for the purposes of **determining the tax payable by a person under this section**, the expression turnover in State or turnover in Union territory **shall not include** the value of following supplies, namely:

- (i) supplies from 1st April of a FY up to the date when such person becomes liable for registration under this Act; and

- (ii) 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.

On combined reading of the aforesaid provisions, the method of computing the **turnover in a State/UT for paying tax under the composition scheme** can be depicted in a diagram as follows:

While computing the Turnover in a State/UT to pay tax under composition levy, inclusions and exclusions are as follows:



 <u>Includes</u>	<u>Excludes</u>
--All taxable supplies and exempt supplies made within the State/UT <i>(While computing turnover in a State/UT of a supplier, other than manufacturer and restaurant service provider, eligible for composition levy for goods [eg-trader], the exempt supplies will not be taken into consideration)</i>	--CGST/ SGST/ UTGST/ IGST/ Cess --Value of inward supplies on which tax is payable under reverse charge. --Value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act --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



(5) A photographer 'Champak' has commenced providing photography services in Delhi from April this year. His turnover for various quarters till December is as follows:

April-June	₹ 20 lakh
July-Sept	₹ 30 lakh
Oct-Dec	₹ 20 lakh

In the given case, since Champak has started the supply of services in the current financial year, his aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, he is eligible for composition scheme under section 10(2A). He becomes eligible for the registration when his aggregate turnover exceeds ₹ 20 lakh.

While registering under GST, he opts for composition scheme under section 10(2A).

For determining his turnover of the State for payment of tax under composition scheme under section 10(2A), turnover of April-June quarter [₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

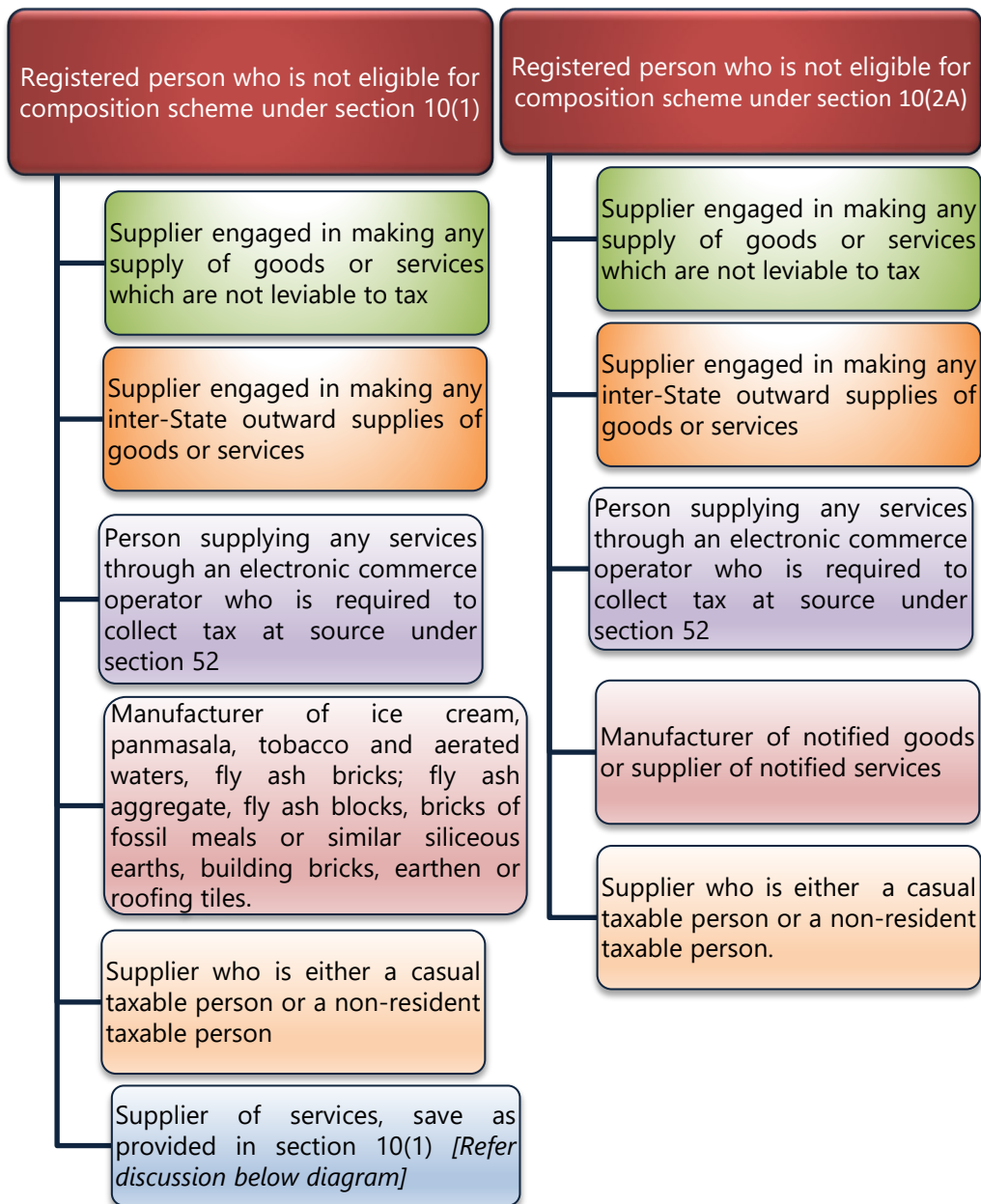
On next ₹ 30 lakh [turnover of July-Sept quarter], he shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, his aggregate turnover reaches ₹ 50 lakh*.

Consequently, his option to avail composition scheme under section 10(2A) shall lapse by the end of July-Sept quarter and thereafter, he is required to pay tax at the normal rate of 18%. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 18%, i.e. ₹ 3,60,000.

**while computing aggregate turnover for determining Champak's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act (i.e. turnover of April-June quarter), are included.*

(6) Who are NOT eligible to opt for composition scheme? [Section 10(2) and (2A)]





There is no restriction on composition supplier to receive inter-State inward supplies of goods or services

A person engaged in marginal supply of services other than restaurant service also eligible for composition scheme under 10(1) [Second proviso to section 10(1) read with section 10(2)(a)]

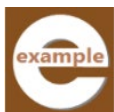
Fundamentally, the composition scheme under section 10(1) can primarily be availed in respect of goods and only one service namely, restaurant service. However, there are cases where a manufacturer/ trader is also engaged in supply of services other than restaurant service though the percentage of such supply of services is very small as compared to the supplies of goods. There may also be cases where a restaurant service provider is also engaged in supplying a small percentage of other services.

With a view to enable such taxpayers to avail of the benefit of composition scheme under section 10(1), second proviso to section 10(1) permits marginal supply of services [other than restaurant services – not supplying alcoholic liquor for human consumption] for a specified value along with the supply of goods and/or restaurant service, as the case may be. This specified value is value not exceeding:

- (a) 10% of the turnover in a State/UT in the preceding financial year
 - or
 - (b) ₹ 5 lakh,
- whichever is higher.

Thus, it can be inferred that where the turnover of a registered person opting for composition scheme under section 10(1) is upto ₹ 50 lakh in the preceding financial year, he can supply services [other than restaurant services] upto a maximum value of ₹ 5 lakh in the current financial year. Further, where the turnover of a registered person opting for composition

scheme is more than ₹ 50 lakh and upto ₹ 1.5 crore in the preceding financial year, he can supply services [other than restaurant services] in the current financial year upto a maximum value of 10% of the turnover in a State/Union territory in the preceding financial year.



(6) Ramsewak is engaged in supply of goods. His turnover in preceding FY is ₹ 60 lakh. Since his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme section 10(1) in current FY. Further, in current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

(a) 10% of ₹ 60 lakh, i.e. ₹ 6 lakh

or

(b) ₹ 5 lakh,

whichever is higher.

Thus, he can supply services upto a value of ₹ 6 lakh in current FY. If the value of services supplied exceeds ₹ 6 lakh, he becomes ineligible for the composition scheme under section 10(1) and has to opt out of the same.

Interest income to be excluded for determining the value of turnover in a State or Union territory under second proviso to section 10(1) [Explanation to second proviso to section 10(1)]

Generally, businesses tend to save and invest money in the form of deposits, loans or advances. However, this way they get engaged in supply of service by way of extending deposits, loans or advances³² – a service other than restaurant service. And where the income from such services cause the value of services³³ supplied to exceed the value referred in second proviso to section 10(1)³⁴ [10% of the turnover in the preceding FY in a State/Union territory or ₹ 5 lakh, whichever is higher], said business would have become ineligible for the composition scheme under section 10(1) and one has to

³² It is, however, pertinent to note that services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount are exempt from GST – Discussed in detail in Chapter 4 – Exemptions from GST in this Module of the Study Material.

³³ other than restaurant services

³⁴ as discussed in preceding paras

opt out of the composition scheme. This can cause a lot of hardship to small businesses.

In view of the above, an explanation is inserted after second proviso to section 10(1) to clarify that for the purposes of second proviso to section 10(1), 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 for determining the value of turnover in a State or Union territory.

Under second proviso to section 10(1), a registered person opting for composition scheme may supply services [other than restaurant services] of value not exceeding 10% of the turnover in the preceding financial year in a State/Union territory or ₹ 5 lakh, whichever is higher. **Thus, while computing value of services [other than restaurant services] as referred in this proviso, interest on loans/deposit/advances will not be taken into account.**

The provisions relating to composition levy discussed hereafter are applicable to both composition levy under section 10(1) as well as composition levy under section 10(2A).

(7) Conditions and restrictions for composition levy [Rule 5]

Person opting for composition levy has to comply with the following conditions:

- ☐ he shall pay tax under section 9(3)/9(4)³⁵ (reverse charge) on inward supply of goods or services or both.
- ☐ he is neither a casual taxable person nor a non-resident taxable person
- ☐ he shall mention the words “**composition taxable person, not eligible to collect tax on supplies**” at the top of the bill of supply issued by him; and
- ☐ he shall mention the words “**composition taxable person**” on every notice or signboard displayed at a prominent



³⁵ wherever applicable

place at his principal place of business and at every additional place or places of business.

Further, where the goods held in stock by him are liable to be taxed under reverse charge under section 9(4)³⁶, the tax thereon has been paid under reverse charge under section 9(4).

In addition to the above conditions, **a registered person opting for composition scheme under section 10(1) must not be engaged in the manufacture of goods as notified under section 10(2)(e)**, during the preceding FY. The following goods have been hereby notified vide **Notification No. 14/2019 CT dated 07.03.2019** as amended:

Tariff item, subheading, heading or Chapter*	Description
2105 00 00	Ice cream and other edible ice, whether or not containing cocoa 
2106 90 20	Pan masala 
24	All goods, i.e. Tobacco and manufactured tobacco substitutes 
2202 1010	Aerated Waters 

³⁶ This condition applies in case where a builder/promoter opting for composition scheme has the stock of the goods on which he is required to pay GST on reverse charge basis under section 9(4) in one or more of the following cases:

- Builder/promoter must purchase at least 80% of inputs and input services used in supplying the service, from registered persons. In case of shortfall, he's required to pay tax under reverse charge on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).
- Where cement is received from an unregistered person, promoter/builder has to pay tax on supply of such cement under reverse charge and
- GST on capital goods is payable by the promoter on reverse charge basis.

6815	Fly ash bricks; fly ash aggregate; Fly ash blocks
6901 00 10	Bricks of fossil meals or similar siliceous earths
6904 10 00	Building bricks
6905 10 00	Earthen or roofing tiles

** as specified in the First Schedule to the Customs Tariff Act, 1975*

(8) Intimation of opting for composition levy [Rules 3 & 4]



(i) Intimation by person applying for registration: Any person who is not registered and applies for registration may be given an option to pay tax under composition levy **in Part B of the registration form, viz., Form GST REG-01**. The same shall be considered as an intimation to pay tax under composition levy. Such intimation shall be considered only after the grant of registration to the applicant. The **option to pay tax under composition levy shall be effective from the date from which registration is effective**.

(ii) Intimation by a registered person: A registered person who opts to pay tax under the composition levy scheme shall **electronically file an intimation** in prescribed form on the GST Common Portal [www.gst.gov.in]. The intimation shall be filed **prior to the commencement of the FY** for which said option is exercised.

He shall also furnish the **statement in prescribed form** in accordance with the provisions of rule 44(4) [Discussed in detail in Chapter 7 – Input Tax Credit in Module 2 of this Study Material] **within 60 days** from the commencement of the relevant FY.

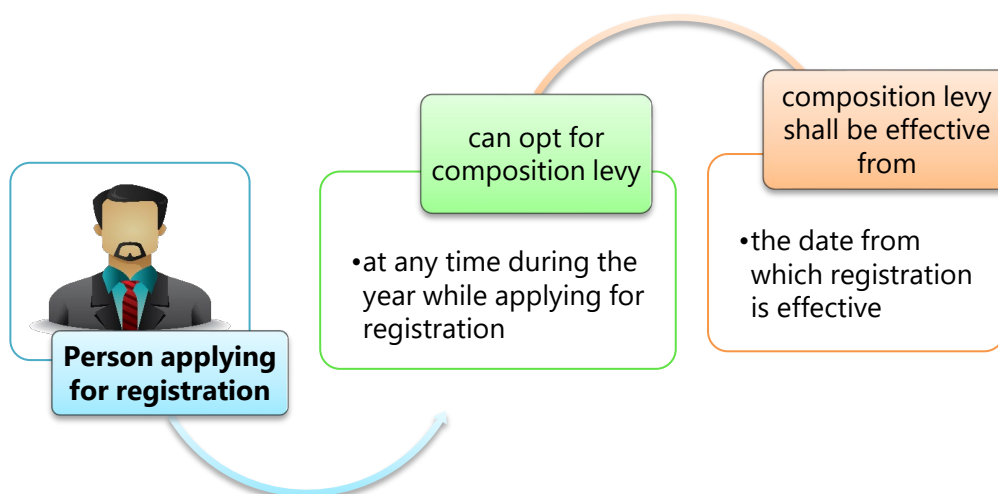
Any intimation in respect of any place of business in a State/UT shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.

The option to pay tax under composition levy shall be effective from the beginning of the FY³⁷.

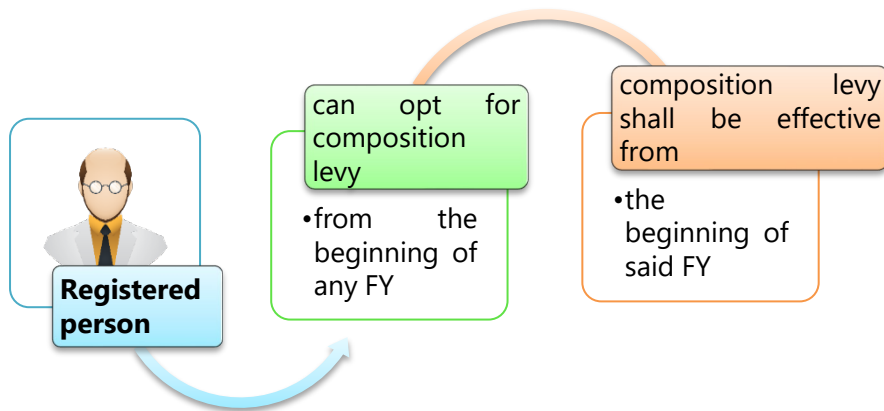
A person applying for registration can opt for composition at the time of applying for registration [this time being any time of the financial year] and composition levy shall be effective from the date from which registration is effective.



A registered person can opt for composition scheme from the beginning of any FY and composition levy shall be effective from the beginning of said FY. Intimation for opting to pay tax under composition scheme must be filed prior to the commencement of the FY for which said option is exercised.



³⁷ Registration shall be effective from the date on which the person becomes liable to registration where the application for registration has been submitted within a period of thirty days from such date. Where an application for registration has been submitted by the applicant after the expiry of thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of the grant of registration. Discussed in detail in Chapter 8 – Registration in Module 2 of this Study Material.



(9) Validity of composition levy [Section 10(3) read with rule 6³⁸]

I. Withdrawal from the composition scheme by a taxpayer who ceases to satisfy any of the prescribed conditions

- ❑ The option exercised by a registered person to pay amount under composition levy shall remain valid so long as he satisfies all the conditions mentioned in the relevant section and rules. For instance, the option to pay tax under composition scheme lapses from the day on which aggregate turnover of a registered person exceeds the specified limit (₹ 1.5 crore/ ₹ 75 lakh/ ₹ 50 lakh) during the FY.
- ❑ Such person is required to pay tax under regular scheme under section 9(1) from the day he ceases to satisfy any of the conditions prescribed for composition levy. He shall issue tax invoice for every taxable supply made thereafter. Further, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.
- ❑ The **effective date from which withdrawal from the composition scheme shall take effect** shall be the date indicated by him in his intimation, but such date may not be prior to the commencement of the financial year in which such intimation is being filed.

³⁸ read with Circular No. 77/51/2018 GST dated 31.12.2018

II. **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.

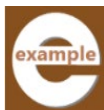
III. **Denial of option to pay tax under the composition scheme by tax authorities**

- ☐ 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, the proper officer 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 Rules³⁹.

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.

³⁹ Circular No. 77/51/2018 GST dated 31.12.2018

Any intimation or application for withdrawal or denial of the option to pay tax under section 10 in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.



(7) A person availing composition scheme during a financial year crosses the turnover of ₹ 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 ₹ 1.5 crore, i.e. on 9th December, in this case.

(10) Composition scheme to be adopted uniformly by all the registered persons having the same PAN [Proviso to section 10(2) and proviso to section 10(2A)]

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.



(8) A dealer 'Kishorilal & Sons' has two offices in Delhi and is eligible for composition levy under section 10(1). If 'Kishorilal & Sons' opts for the composition scheme under section 10(1), both the offices would pay taxes under composition scheme and abide by all the conditions as may be prescribed for the said composition scheme.

(11) Composition scheme supplier cannot collect tax [Section 10(4)]

Taxable person opting for the composition scheme shall not collect tax from the recipient on supplies made by him. It implies that a composition scheme supplier cannot issue a tax invoice.

(12) Composition scheme supplier cannot enter credit chain [Section 10(4)]

Taxable person opting for the composition scheme shall not be entitled to any credit of input tax.

(13) Imposition of penalty in case of irregular availment of the composition scheme [Section 10(5)]

If a taxable person has paid tax under the composition scheme though he was not eligible for the scheme, the person would be liable to penalty and the provisions of section 73 or 74 **or section 74A** of the CGST Act shall be applicable for determination of tax and penalty.



LET US RECAPITULATE

Extent & commencement of CGST Act/ SGST Act/ UTGST Act/ IGST

Applicability	CGST	SGST	UTGST	IGST
	Intra-State supply			Inter-State supply
States of India	✓	✓		✓
Union Territories with Legislature	✓	✓		✓
Union Territories without Legislature	✓		✓	✓

Levy and collection of CGST/IGST

Particulars	CGST	IGST
Levied on	Intra-State supplies of goods/services/both	Inter-State supplies of goods/services/both
Collected and paid by	Taxable person	
Supply outside purview of GST	Alcoholic liquor for human consumption and undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption	
Value for levy	Transaction value under section 15 of the CGST Act	
Rates	Rates as notified by	IGST rate= CGST rate +

	Government. Maximum rate of CGST can be 20%.	SGST/UTGST rate Maximum rate of IGST can be 40%.
Supplies on which tax would be levied w.e.f. a notified date	☐ petroleum crude ☐ high speed diesel ☐ motor spirit (commonly known as petrol) ☐ natural gas and ☐ aviation turbine fuel	
Tax payable under reverse charge	☐ Supply of goods or services or both, notified by the Government. ☐ Supply of specified categories of goods or services or both by an unregistered supplier to specified class of registered persons.	
Tax payable by the electronic commerce operator	The Government may notify specific categories of services the tax on supplies of which shall be paid by electronic commerce operator (ECO) as if such services are supplied through it.	

Services on which tax is payable under reverse charge

S. No.	Category of supply of Services	Supplier of Service	Recipient of Service
1.	Supply of services of transportation of goods by road by GTA except where GTA exercises the option to pay tax under forward charge	Goods Transport Agency (GTA)	Any of the following: • Factory • Society • Co-operative society

			• Body corporate • Partnership firm • Casual taxable person • Registered Person (Referred as Specified recipient.)
	Exception: Services provided by a GTA to- (a) Department/ Establishment of CG/SG/UT; or (b) Local Authority (LA); or (c) Governmental agencies (GA), which has taken registration only for the purpose of deducting TDS.		
2.	Legal services	An individual advocate including a senior advocate/firm of advocates.	Business entity
3.	Services by an arbitral tribunal	Arbitral tribunal	Business entity
4.	Sponsorship services	Any person other than a body corporate	Body corporate or partnership firm
5.	Services by CG/SG/UT/LA	CG/SG/UT/LA	Business entity

	excluding, - (1) renting of immovable property service, and (2) (i) services by Department of Posts/Ministry of Railways (ii) services in relation to aircraft/vessel; (iii) transport of goods/passengers.		
5A.	Renting of immovable property service	CG/SG/UT/LA excluding the Ministry of Railways	Registered person
5AA.	Renting of residential dwelling service	Any person	Registered person
5AB.	Renting of any immovable property other than residential dwelling	Any unregistered person	Any registered person other than a person who has opted to pay tax under composition levy.
5B.	Services supplied by way of TDR or FSI (including additional FSI) for construction of a project	Any person	Promoter
5C.	Long term lease of land (30 years or more) against consideration in the form of	Any person	Promoter

	upfront amount and/or periodic rent for construction of a project		
6.	Services by a director of a company/ body corporate	Director	Company/ body corporate
7.	Services supplied by an insurance agent	Insurance agent	Person carrying on insurance business
8.	Services supplied by a recovery agent	Recovery agent	Banking company/ financial institution/NBFC
9.	Services 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	Music composer, photographer, artist, or the like	Music company, producer or the like
9A.	Services of copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works except where the author exercises the option to pay tax under forward charge	Author	Publisher
10.	Supply of services by the members of Overseeing Committee	Members of Overseeing Committee constituted by the RBI	RBI
11.	Services supplied by individual Direct Selling	Individual DSAs other than a	Banking

	Agents (DSAs)	body corporate, partnership or LLP firm	company/NBFC
12.	Services by business facilitator	Business facilitator	Banking company
13.	Services provided by an agent of business correspondent	An agent of business correspondent	Business correspondent
14.	Security services Exceptions: Security services provided to- (I) (a) Department/ establishment of CG/SG/UT; or (b) LA; or (c) GA, which has taken registration only for the purpose of deducting TDS. (II) Registered composition supplier	Any person other than a body corporate	Registered person
15.	• Renting of motor vehicle service • Vehicle designed to carry passengers	Non-body corporate who doesn't issue an invoice charging CGST @ 6% to service recipient.	Body corporate

	Cost of fuel is included in consideration charged from recipient		
16.	Services of lending of securities under Securities Lending Scheme, 1997	Lender	Borrower

🔔 All the above services have also been notified for reverse charge under IGST Act vide Notification No. 10/2017 IT (R) dated 28.06.2017 as amended. In addition to them, following additional services are also notified by said notification for reverse charge under IGST purposes:

S. No.	Category of supply of service	Supplier of service	Recipient of Service
1.	Any service	Any person located in a non-taxable territory	Any person located in the taxable territory other than non-taxable online recipient.

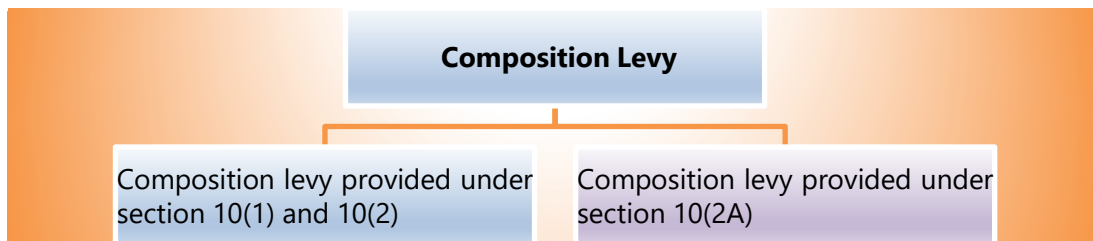
Composition levy

Composition levy

- An option for specified categories of small taxpayers to pay GST at a very low rate on the basis of turnover.

Advantages

- Low rates of tax
- Hassel free simple procedures for such taxpayers
- Simple calculation of tax based on turnover
- A very simple annual return

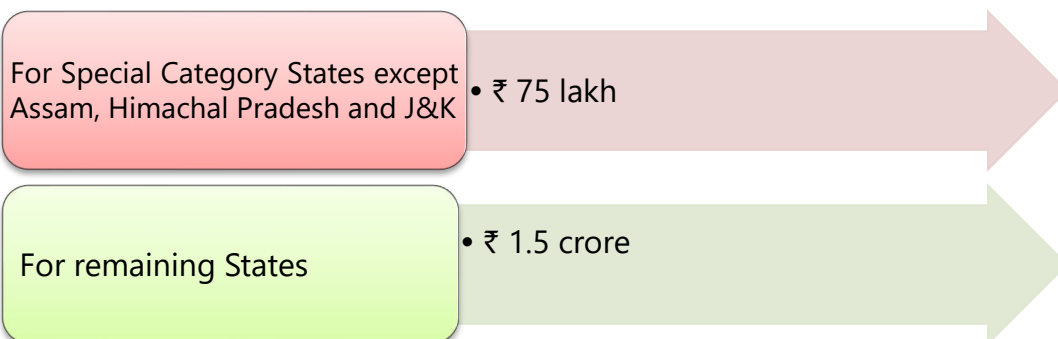


Procedure for opting for the scheme

Category of persons	How to exercise option	Effective date of composition levy
New registration under GST	Intimation in the registration form	From the effective date of registration
Registered person opting for composition levy	Intimation in prescribed form	Beginning of the financial year

Turnover limit for composition levy

Turnover limit in preceding FY to opt for composition levy for goods



Turnover limit in preceding FY to opt for composition levy for services

Turnover for composition levy for services

- ₹ 50 lakh in preceding financial year

Conditions and restrictions for composition levy

Person opting for composition:

is neither a casual taxable person nor a non-resident taxable person

shall pay tax under section 9(3)/9(4) on inward supply

is not engaged in the manufacture of notified goods** [or notified services also in case of composition scheme under section 10(2A)]

shall mention the words “**composition taxable person, not eligible to collect tax on supplies**” at the top of the bill of supply issued by him

shall mention the words “composition taxable person” at a prominent place at his place of business

*** Goods notified for a registered person opting for composition scheme under section 10(1) are ice cream, pan masala, tobacco, aerated waters fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.*

Rates of tax

Composition scheme	Category of registered persons	Rate
For goods	Manufacturer	1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST/UTGST) of turnover
	Restaurant service providers	5% ($2\frac{1}{2}\%$ CGST + $2\frac{1}{2}\%$ SGST/UTGST) of turnover
	Others	1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST/UTGST) of turnover of taxable supplies
For services	All service providers except restaurant service providers	6% (3% CGST + 3% SGST/UTGST) of turnover

Who are NOT eligible to opt for composition scheme?

Registered person who is not eligible for composition scheme under section 10(1).	Registered person who is not eligible for composition scheme under section 10(2A).
Supplier engaged in making any supply of goods or services which are not leviable to tax i.e. non-taxable supplies	Supplier engaged in making any supply of goods or services which are not leviable to tax i.e. non-taxable supplies
Supplier engaged in making any inter-State outward supplies of goods or services	Supplier engaged in making any inter-State outward supplies of goods or services
Person supplying any services through an electronic commerce	Person supplying any services through an electronic commerce

operator who is required to collect tax at source under section 52	operator who is required to collect tax at source under section 52
Manufacturer of ice cream, pan masala, tobacco, aerated waters fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.	Manufacturer of notified goods or supplier of notified services
Supplier who is either a casual taxable person or a non-resident taxable person	Supplier who is either a casual taxable person or a non-resident taxable person.
Supplier of services, save as provided in section 10(1)**	

***A registered person opting for composition scheme under section 10 (1) is allowed to supply services [other than restaurant services] alongwith supply of goods or supply of restaurant services of value not exceeding 10% of the turnover in the preceding financial year in a State/Union territory or ₹ 5 lakh, whichever is higher. Here, while computing turnover in a State/UT, interest on loans/deposit/advances will not be taken into account.*

Other points

Bill of supply shall be issued instead of tax invoice.

Tax shall not be collected from recipient of supply

Input tax credit shall not be availed

Composition Scheme if availed shall include all registered persons having same PAN

Penalty shall be imposed in case of irregular availment of the composition scheme



TEST YOUR KNOWLEDGE

- Panini Private Limited, Jaipur, agrees to sponsor a sports event organized by Pink City Club, a non-body corporate, in Jaipur. Panini Private Limited has paid an amount of ₹ 5,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Private Limited. Examine who is the person liable to pay tax in the given case.*
- Arpan Singhania is an executive director in Narayan Limited, Haryana. The company paid him the sitting fee amounting to ₹ 25,000, for the month of January. Further, salary was paid to Arpan Singhania amounting to ₹ 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law. Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of ₹ 2 lakh. Discuss the person liable to pay GST in each of the supplies involved in the given case.*
- Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the financial year 2023-24.*

His turnover for current FY ₹ 80 lakh and is expected to achieve ₹ 130 lakh in financial year 2024-25. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in financial year 2024-25.

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 Rajbeer & Sons with effect from 1st April of financial year 2024-25 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Rajbeer and his son Karan.
- Varun & Arun Associates started a partnership firm of architects in Bhopal (Madhya Pradesh) on 1st April of the current financial year. The firm provides architectural services in Madhya Pradesh only. It provided the following details of its turnover during the current financial year:*

April - June	₹ 20 lakh
July - Sept	₹ 30 lakh
Oct - Dec	₹ 20 lakh

The firm has obtained the registration under section 22 with effect from 1st July and opts to pay tax under composition scheme. Determine the tax liability of Varun & Arun Associates for the quarters: April – June, Jul-Sept and Oct-Dec.

Note: The rates of tax on architectural services are CGST- 9% and SGST-9%.

5. *Examine whether the suppliers are eligible for composition levy under section 10 in the following independent cases in the beginning of financial year 2024-25:*
 - (a) *Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing and supplying computer systems. Its aggregate turnover in the financial year 2023-24 is ₹ 125 lakh. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in Punjab in the financial year 2024-25.*
 - (b) *M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of ₹ 112 lakh in the financial year 2023-24. In view of the growing customer demand, it will also start intra-State trading of juices in Delhi from financial year 2024-25.*
 - (c) *Sitaram Associates, registered in Sikkim, is engaged in running a restaurant chain 'Veg Kitchen' in the State. It has a turnover of ₹ 73 lakh in the financial year 2023-24. In the financial year 2024-25, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services from financial year 2024-25.*
 - (d) *Deepti Services Ltd., registered in Uttarakhand, is exclusively providing intra-State hair styling services. It has turnover of ₹ 34 lakh in the financial year 2023-24.*

Will your answer be different, if Deepti Services Ltd. also start intra-State supply of beauty products alongwith providing hair styling services in the financial year 2024-25?

6. *B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification. 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):

Particulars	Turnover for the quarter ended 30 th June (₹)	Turnover for the quarter ended 30 th September (₹)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

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	1 st October	2,00,000	3,000	2,03,000
2307	1 st October	1,36,000	2,250	1,38,250
2308	2 nd October	67,000	39,250	1,06,250
2309	3 rd October	58,750	33,750	92,500
2310	5 th October	1,00,000	-	1,00,000
2311	6 th October	94,000	6,000	1,00,000

2312	6 th October	-	17,000	17,000
2313	8 th October	50,000	6,000	56,000
2314	9 th October	60,000	9,000	69,000
2315				
.....				

Further, B & D Company paid freight of ₹ 1,40,000 to Goods Transport Agency during the period April to October. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported between 11th to 20th day of the month.

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

Compute the GST liability (ignoring ITC provisions) of B & D Company for the period April to October under composition scheme under sub-sections (1) and (2) of section 10 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 wherein GTA has not opted to pay tax itself. Stock is valued at cost price.

7. Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the financial year 2023-24, 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 in said financial year. You are required to advise Shubhlaxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2024-25.

Further, assuming that in the financial year 2024-25, 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 Shubhlaxmi Foods in the financial year 2024-25.

8. Bansal and Chandiok started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1st April in the current financial year. 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 1st August. Bansal and Chandiok wishes to opt to pay tax at concessional rate under section 10(2A). Examine whether the firm is eligible for this scheme in the current financial year? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?

9. Mr. Prem is running a restaurant in New Delhi. In the financial year 2023-24, it has an aggregate turnover of ₹ 120 lakh from the restaurant services. In the financial year 2024-25, 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 financial year 2024-25. You are required to advise him for same.

10. M/s Heeralal and Sons, registered in Karnataka, has opted to avail the benefit of composition scheme under sub-sections (1) and (2) of section 10 from 1st April, 2025. It has furnished the following details for the quarter ended on 30th June, 2025.

S. No.	Items	₹
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods (exempted by way of notification) within the State	<u>17,00,000</u>
	Total Turnover	<u>32,00,000</u>

Using the above information, calculate tax to be paid by the firm for quarter ended on 30th June, 2025 in following independent situations:

- (i) M/s Heeralal and Sons is a manufacturer
- (ii) M/s Heeralal and Sons is a trader
11. M/s All-in-One, a partnership concern and a registered supplier under GST, is engaged in providing various services under one roof. It is engaged in paying tax under regular scheme under GST law. The concern provides the following information pertaining to supply made/input services availed by it during the month of March:

	Particulars	₹
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services (by way of supply of security personnel) to ABC P. Ltd., a registered person under GST	60,000
(iii)	Provided security services (by way of supply of security personnel) to PSR Trust, an unregistered person under GST	1,00,000
(iv)	Provided renting of motor vehicle for transportation of passengers to Amaze Tours Ltd. and value of supply included cost of fuel	75,000
(v)	Provided renting of motor vehicle for transportation of passengers to Priti & Co., CA firm and value of supply included cost of fuel	40,000
(vi)	Availed representational service from PB and Co., a law firm towards a Consumer Court case	70,000

Determine the GST liability of M/s All-in-One for the month of March by giving necessary explanations for treatment of various items. Rates of GST for both inward and outward supply is CGST/SGST@ 9% each except renting a vehicle, for which CGST/SGST @ 2.5% each is applicable. M/s All-in-One commenced its business from February. All the supplies are intra-State only. Ignore the provisions relating to input tax credit.

12. *MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the financial year 2023-24 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 financial year 2024-25 and wants to continue with registration under regular scheme and pay taxes at the normal rate for the other place of business. Both the places of business are having the same Permanent Account Number issued under the Income-tax Act, 1961. Can MN Ltd. do so? Explain with reason.*

13. *Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-State supplies of readymade garments. The aggregate turnover of Ranveer Industries in the financial year 2023-24 is ₹ 70 lakh. It has opted for composition levy under sub-sections (1) and (2) of section 10 in the financial year 2024-25 and paid tax for the April – June quarter of financial year 2024-25 under composition levy.*

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

Examine the validity of the action taken by proper officer.

14. *Mr. Yash, doing business in the State of Kerala, commenced his business in the month of April and provides the following further information.*

(i) *His intra-State turnover for the first two quarters was as follows:*

April - June - ₹ 20 lakh

July - September - ₹ 100 lakh

(ii) *In each of the quarters, exempt supply made by him was 25% of the total turnover for the said quarter.*

(iii) *Since the product supplied by him was eligible for composition scheme, he opted for registration under composition scheme with effect from 1st July.*

You are required to compute the tax payable by Mr. Yash under GST law from the above information:

(i) *If he is a manufacturer*

(ii) If he is a trader.



ANSWERS

1. Notification no 13/2017 CT (R) dated 28.06.2017 as amended (hereinafter referred to as reverse charge notification), provides that sponsorship services provided by any person other than body corporate to a body corporate or partnership firm located in the taxable territory, shall be liable to GST under reverse charge in the hands of recipient.

In the present case, Pink City Club is the supplier of sponsorship services which is receiving the consideration in the form of sponsorship fee of ₹ 5,00,000 from Panini Private Limited, against the provision of sponsorship service. Since the recipient of sponsorship services- Panini Private Limited is a body corporate, GST on said services is payable by the recipient - Panini Private Limited, under reverse charge.

2. **Sitting fee paid to director** – As per reverse charge notification, tax on services supplied by a director of a company/ body corporate to the said company/ body corporate, located in the taxable territory, is payable under reverse charge. Hence, in the present case, the sitting fee amounting to ₹ 25,000, payable to Arpan Singhania by Narayan Limited, is liable to GST under reverse charge and thus, recipient of service - Narayan Limited – is liable to pay GST on the same.

Salary paid to director - As per Circular No.140/10/2020 GST dated 10.06.2020, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS under section 192 of the Income-tax 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. Therefore, in the given case, the salary received by Arpan Singhania of ₹ 1.5 lakh is not liable to GST.

Services provided by Tapasya & Associates – Tapasya & Associates have rendered certain professional services to Narayan Limited. The fact that Arpan Singhania is a partner in Tapasya & Associates and a director in Narayan Limited does not have any impact on the taxability of the professional services

supplied by Tapasya & Associates to Narayan Limited. The professional services provided by Tapasya & Associates to Narayan Limited are liable to GST under forward charge and thus, supplier - Tapasya & Associates – is liable to pay GST on the same.

3. As per section 10, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT may opt for composition scheme, provided he is, inter alia, engaged in supply of goods and/or restaurant service. However, a person who opts for composition scheme is permitted to supply services other than restaurant service of value not exceeding 10% of turnover in a State/UT in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, M/s. Rajbeer & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in the financial year 2024-25 since its aggregate turnover in financial year 2023-24 (viz. ₹ 80 lakh) 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 Rajbeer & Sons, 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 financial year 2024-25.

4. The composition scheme under sub-sections (1) and (2) of section 10 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Varun & Arun Associates is exclusively supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax

@ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions.

In the given case, Varun & Arun Associates has started the supply of services in the financial year 2022-23. Therefore, its aggregate turnover in the financial year 2022-23 is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the financial year 2023-24. It becomes eligible for the registration when its aggregate turnover exceeds ₹ 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

For determining its turnover of the State for payment of tax under composition scheme under section 10(2A), turnover of April-June quarter [₹ 20 lakh] shall be excluded as the value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next ₹ 30 lakh [turnover of July-Sept quarter], it shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, its aggregate turnover reaches ₹ 50 lakh*.

Consequently, its option to avail composition scheme under section 10(2A) shall lapse by the end of July-Sept quarter and thereafter, it is required to pay tax at the normal rate. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakh × 9%, i.e. CGST - ₹ 1,80,000 and SGST - ₹ 1,80,000.

**Note - While computing aggregate turnover for determining Varun & Arun Associates' eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act (i.e. turnover of April-June quarter), are also included.*

5. As per section 10(1), 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:
- (i) Manufacturers,
 - (ii) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(iii) Any other suppliers eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially 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 or services.

Furthermore, newly inserted section 10(2A) provides an option to a registered person, who is not eligible to pay tax under section 10(1) and 10(2), of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions. One of such conditions is that the registered person should not be engaged in making any inter-State outward supplies of goods or services.

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

- (a)** The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 for Jalandhar (Punjab) is ₹ 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme in financial year 2024-25 as its aggregate turnover is less than ₹ 1.5 crore in the financial year 2023-24 and it 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, Technology Enterprises can supply repair services up to a value of ₹ 12.5 lakh [10% of ₹125 lakh] in the financial year 2024-25.

(b) In the given case:-

- (i) the turnover in the preceding year is less than the eligible turnover limit under composition scheme under sub-sections (1) and (2) of section 10 for Delhi, i.e. ₹ 1.5 crore.
- (ii) the supplier is engaged in providing restaurant service which is an eligible supply under said composition scheme.
- (iii) the supplier wants to engage in trading of goods which is also an eligible supply under said composition scheme.

Thus, M/s. Siddharth & Sons is eligible for composition scheme under sub-sections (1) and (2) of section 10 from the financial year 2024-25.

(c) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 for Sikkim is ₹ 75 lakh in the preceding financial year. However, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for said composition scheme. Thus, Sitaram Associates cannot opt for composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2024-25.

The benefit of composition scheme under section 10(2A) is available in case of a registered person who is not eligible to pay tax under sub-sections (1) and (2) of section 10 provided its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, Sitaram Associates cannot avail the benefit of composition scheme under section 10(2A) also as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

(d) A service provider can opt for the composition scheme under sub-sections (1) and (2) of section 10 only if he is engaged in supply of restaurant services. Said 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 Deepti Services Ltd. is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme sub-sections (1) and (2) of section 10 even though its turnover in the financial year 2023-24 is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since Deepti Services Ltd. is not eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 and its aggregate turnover in the financial year 2023-24 does not exceed ₹ 50 lakh, Deepti Services Ltd. is entitled to avail benefit of composition scheme under section 10(2A) in the financial year 2024-25.

Further, the answer will remain the same even if Deepti Services Ltd. also start supplying beauty products alongwith providing hair styling services in the financial year 2024-25 since it fulfils the conditions laid down for availing the benefit of composition scheme under section 10(2A). It can avail the benefit of composition scheme under section 10(2A) till the time its aggregate turnover in the financial year 2024-25 doesn't exceed ₹ 50 lakh.

6. As per section 10(3) read with *Notification No.14/2019 CT dated 07.03.2019* as amended, the option availed by a registered person to pay tax under composition scheme under sub-sections (1) and (2) of section 10 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), 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 3rd October [aggregate of both taxable and exempt turnover from 1st April

to 3rd October, 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). 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) from 3rd October.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 1st April to 2nd October, 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].

Further, since the firm is trading in goods, tax will be payable @ ½% [Effective rate - 1% (½% CGST + ½% SGST)] of the turnover of taxable supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7].

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

Particulars	Quarter ended 30 th June (₹)	Quarter ended 30 th September (₹)	Quarter ended 31 st December (₹)
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	2,015
SGST @ 0.5% [B1]	30,000	25,000	2,015

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	2,015
Total SGST [B1 + B2]	31,500	26,500	2,015
Total CGST liability for the period from 1st April to 2nd October	60,015 [31,500 + 26,500 + 2015]		
Total SGST liability for the period from 1st April to 2nd October	60,015 [31,500 + 26,500 + 2015]		

7. As per section 10(1) 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 a State/Union Territory in the preceding year or ₹ 5 lakh, whichever is higher [Second proviso to section 10(1)].

Although exempt services are included in determining the value of turnover in a State or Union territory, explanation to section 10(1) clarifies that for the purposes of second proviso 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.

Further, the exempt services are also included in the aggregate turnover [Section 2(6)]. However, explanation 1 to section 10 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 from aggregate turnover.

In this backdrop, in the given case, the aggregate turnover of Shubhlaxmi Foods in the financial year 2023-24 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 financial year 2024-25.

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 financial year 2024-25. 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 Shubhlaxmi Foods in the financial year 2024-25 is as follows:

$$= 5\% \text{ of ₹ } 1,40,00,000 \text{ [₹ } 1,30,00,000 + ₹ 10,00,000]$$

[(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)]

$$= ₹ 7,00,000 \text{ [CGST = ₹ } 3,50,000 \text{ and SGST = ₹ } 3,50,000]$$

8. The composition scheme under sub-sections (1) and (2) of section 10 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Bansal and Chandiok is supplying services other than restaurant services, it is not eligible

to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto ₹ 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of ₹ 50 lakh, subject to specified conditions.

In the given case, Bansal and Chandiook has started the supply of services in the financial year 2023-24. Therefore, its aggregate turnover in the financial year 2022-23 is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the financial year 2023-24. It becomes liable to the registration when its aggregate turnover exceeds ₹ 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

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 ₹ 20 lakh (viz. the threshold limit applicable for registration in the State of Rajasthan).

(ii) July-Sep quarter: While computing the tax payable by the firm in second quarter, the turnover from 1st April 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

9. As per section 10(1) 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 a State/Union Territory in the preceding year or ₹ 5 lakh, whichever is higher.

In the present case, since the aggregate turnover of Mr. Prem was ₹ 120 lakh in financial year 2023-24 (i.e. it did not exceed ₹ 1.5 crore), he is eligible for composition scheme in the financial year 2024-25. Further, in the financial year 2024-25, 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.

10. Computation of amount payable under composition scheme

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

Tax is to be paid @ 1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST) of the turnover in the State as under:

1% of ₹ 32,00,000 [₹ 15,00,000 + 17,00,000]

= ₹ 32,000 [CGST

= ₹ 16,000 and SGST

= ₹ 16,000]

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

Tax is to be paid @ 1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST) of the turnover of **taxable supplies** of goods and services in the State as under:

= 1% of ₹ 15,00,000

= ₹ 15,000 [CGST

= ₹ 7,500 and SGST

= ₹ 7,500]

11.

GST liability of M/s All-in-One

	Particulars	Value [₹]	CGST payable [₹]	SGST payable [₹]
A.	GST liability on outward supply			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 x 9%]	36,000 [4,00,000 x 9%]
(ii)	Security services to ABC P. Ltd., a registered person [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]	-		
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]
(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel	-		

	[Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]			
(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 x 2.5%]	1,000 [40,000 x 2.5%]
Total GST liability on outward supplies			46,000	46,000
B.	GST liability on inward supplies under reverse charge			
(vi)	Availed representational service from PB and Co, a law firm [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February, its turnover in the preceding financial year is	70,000	-	-

	zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]			
	GST liability on inward supplies under reverse charge		-	-

- 12.** 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.

- 13.** As per section 10(1), 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 or services.

In the given case, since 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 not exceeding the threshold limit of ₹ 75 lakh 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 and the provisions

of section 73 or section 74 or 74A shall, *mutatis mutandis*, apply for determination of tax and penalty.

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

- 14.** As per section 10 read with rule 7, a registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% ($\frac{1}{2}\%$ CGST+ $\frac{1}{2}\%$ SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% ($\frac{1}{2}\%$ CGST+ $\frac{1}{2}\%$ SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

Turnover prior to getting registered will not be considered for determining the turnover in a State/Union Territory.

(i) If Mr. Yash is a manufacturer

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

(ii) If Mr. Yash is a trader

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$