

CHAPTER 4 : COMPOSITION LEVY

General meaning \rightarrow Agg. T.O = Total sales (outward)

Grocery shop = Goods A = Taxable @18%

Goods B = Exempt

Goods C = Nil

Goods D = Export (zero Rate)

G/service E = RCM

		Trading and P&L A/c	
Inward X	Purchase xx	Sales T/O	xx \rightarrow outward \checkmark
GTA \rightarrow	Inward Freight (R)	(A+B+C+D+E)	\downarrow This is the base for Agg. T.O.

Sec. 2(6) : Aggregate Turnover

value of

All taxable supplies + Exempt supplies + Export Supply + Inter-state supply under same PAN (e.g. DDP)

1) SOG + SOS

1) wholly

1) Direct

2) Intra + Inter

exempt

export

Stock transfer of goods/services between DDP

2) Nil rate

2) supply

3) Non taxable

to SEZ

the value of which included in Agg. T.O.

All India Basis

(i.e. T.O. of all branches in India)

Aggregate T.O. excludes

→ Inward supply on which tax payable under RCM

→ CGST / SGST / UTGST / IGST / GST cess

Difference between Aggregate sales as per Accounting principle & Aggregate T.O of GST - stock transfer to DDP.

XYZ Ltd.

under same PAN

Branch 1 (MH)

Branch 2 (Raj)

Goods Supply (DDP) →
Stock transfer

Goods → Actual sale

Value = Market value

Value = 7000000

Assurance = 5000000

↓

It is also

Agg. T.O = 50L + 70L = 120L

Included in

Agg T.O.

YES, IT WILL BE ADDED 2 TIMES.

Sec. 9(C)

Levy

Collection

liable to pay tax

charge supply

value

Rate

Sec. 15

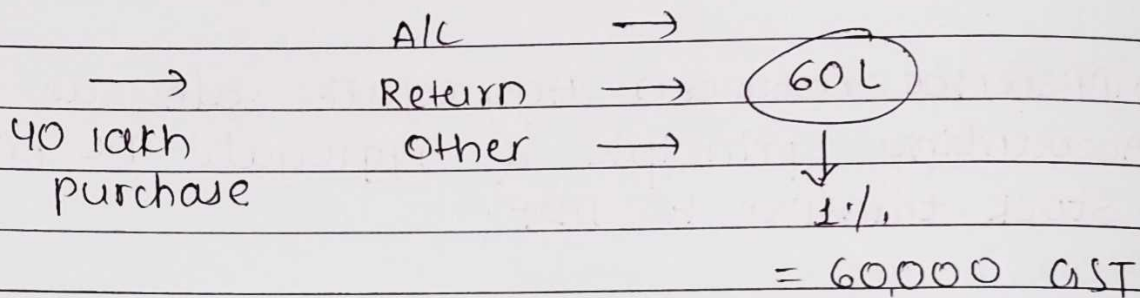
Normal Rate

composite Rate

Composition Scheme = composition Levy (CL)

In entire year

GST = RP



Levy for payment of GST

Normal Levy	composition Levy
1) GST is payable at normal rate i.e. @ 5% / 12% / 18% / 28%.	GST is payable at composite rate i.e. 1% / 5% / 6%.
2) GST is on each transaction & chargeable in each invoice.	GST is payable on T.O. of RP & not transaction wise.
3) GST burden will be passed on to the recipient.	GST cannot be collected from recipient. It is completely payable out of pocket.
4) Supplier can take ITC for payment of tax.	ITC not allowed for payment of tax.
5) Lot of compliance cost of GST.	Less compliance cost of GST.

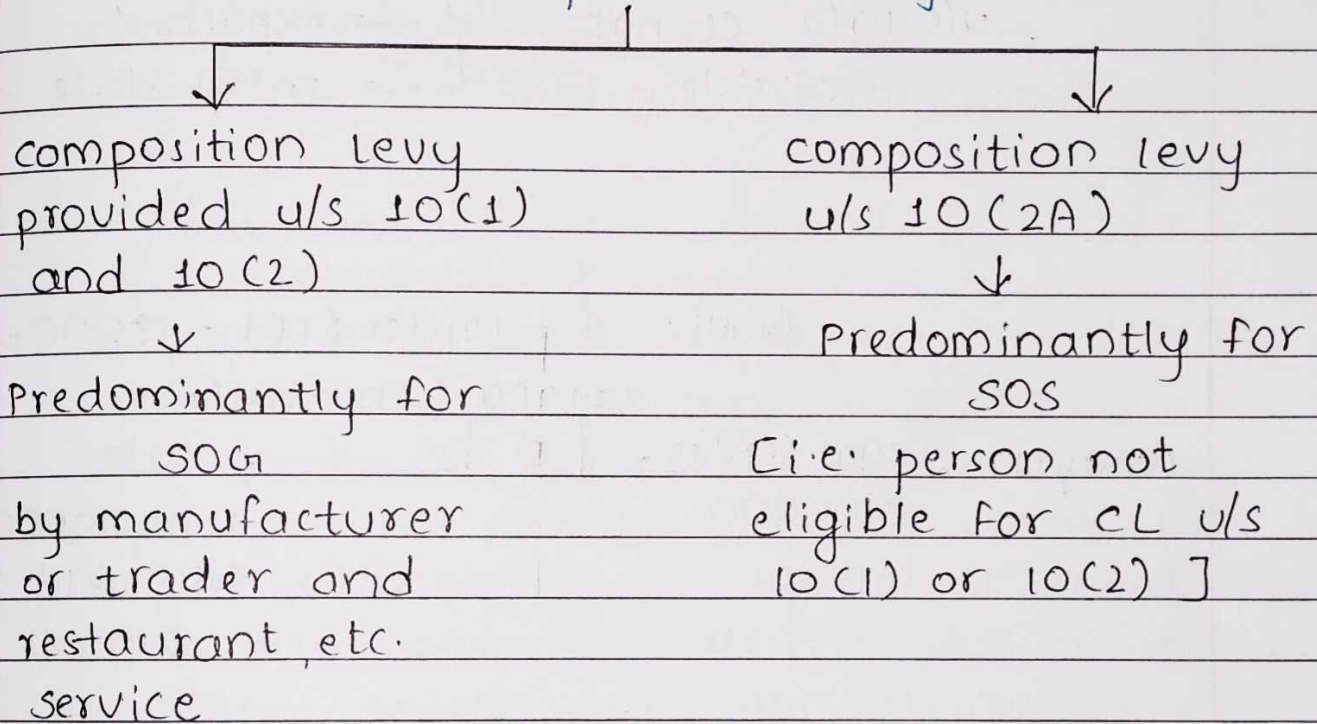
General discussion

PFY 24-25

CFY 25-26

IF aggregate T.O. of PFY does not exceeds ₹1.5 cr
 CL is available GST @ 1%/5%
 Normal upto agg. T.O. 1.5 cr

Section 10: Composition Levy



Both C.L. are optional

GST Rates of CL

Manufacturer - SOG → 1% of T.O in State

↓

All taxable supply exempt

→ wholly exempt

→ nil rate

→ non taxable x

→ export x

→ Intra State x

u/s 10(2) CL not available

Govt. ← under RCM → 18,000 ✓
composition dealer

Lawyer → Legal Service →
₹10,00,000

D

→ sale

20,00,000

GST @ 1%

20,000

D → outward tax 20,000
(CL)

RCM

18,000

P.68)

Legal Provision :

- 1) RP can opt for composition levy u/s 10(1) if aggregate T.O. of PFY does not exceeds ₹1.5 cr
- 2) In case special category of state the applicable rate limit is ₹75 lakhs except Assam, H.P & Jammu and Kashmir (where applicable rate limit is 1.5 cr)
- 3) If RP under same PAN chooses to opt for regular scheme for his any unit then all units are ineligible for composition levy.

Discussion & conclusion :

- 1) In given case, the aggregate T.O. of Mohan Enterprises of his Maharashtra & Delhi vehicles in PFY is 60 lakhs.
- 2) However, he cannot opt for composition levy in Maharashtra & normal levy in Delhi.
- 3) If register unit is located in Assam instead of Delhi, answer will not change.

Q.7) what is the limit for CL if one of unit under same PAN is in Manipur (special category of state where applicable limit is ₹75 lakhs)

MH
↓
B1
PFY = 50L

Manipur
↓
B2
PFY = 30L

CL ineligible
Agg. T.O. exceeds ₹75 lakhs

Eligibility for CL → Agg. T.O. of PFY does not exceeds ₹150 lakhs but for special category of state the limit is ₹75 lakhs

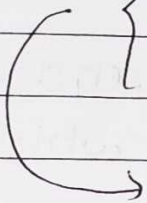
In given case, agg. T.O. of PFY is ₹80 lakhs so for Manipur unit it exceeds ₹75 lakhs hence not eligible for CL, then all registered places under same PAN are not eligible for CL.

Conclusion

If any registered unit is in special category of state (where applicable limit is ₹75 lakhs) then CL limit is 75 lakhs instead of 150 lakhs.

u/s 10(1)

2017 → CL → { Manufacturer - SOG
Trader - SOG
Restaurant - SOS

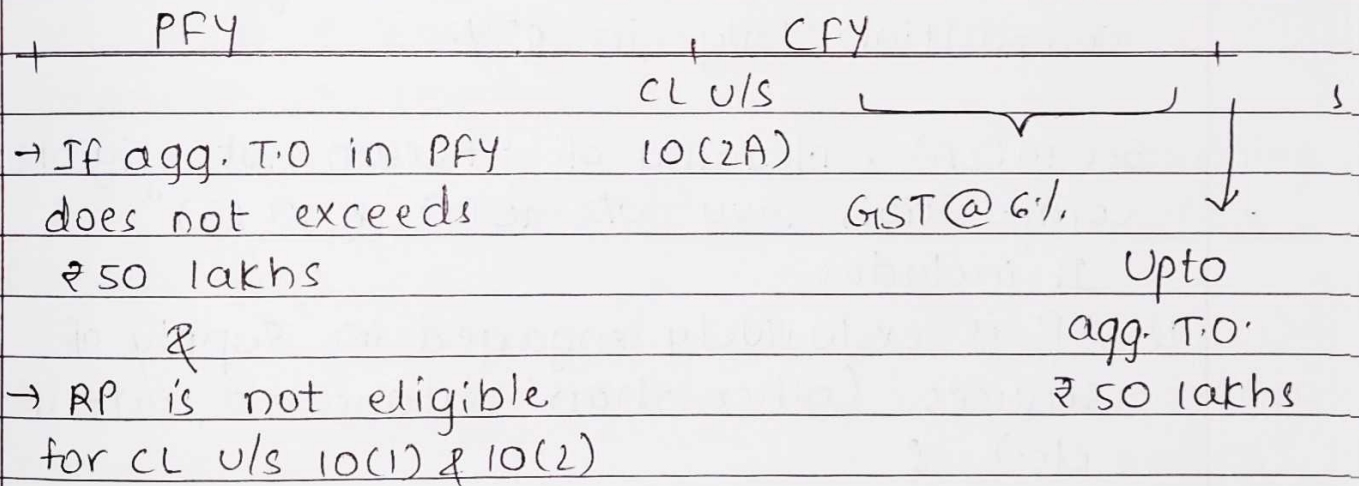


10(2) condition

→ Not engage in supply of services

Proviso 2 : Marginal supply of service

Composition Levy = Sec. 10(2A)



P.72)

Discussion & conclusion:

- 1) In given case, aggregate T.O of Finolex Ltd. in PFY is ₹70 lakh which does not exceed ₹1.5 crore
- 2) The marginal supply of service limit available to Finolex Ltd. in CFY is ₹7 lakh (10% of 70 lakh or ₹5 lakhs whichever is higher)
- 3) But in CFY Finolex Ltd. has provided repairing service of ₹15 lakhs which exceeds ₹7 lakhs. Hence, it is not eligible for composition levy in CFY.

Sec. 10(2A) : Meaning of "Person not eligible for composition levy u/s 10(1) & 10(2)"

It includes

- 1) RP is exclusively engaged in supply of services (other than restaurant, catering, etc.) &
- 2) Manufacturer, trader & restaurant who predominantly supply services along with SOG i.e. their service limit exceeds marginal supply of services.

Conditions of 10(2) or 10(2A)

Applicable only for CFY & not for PFY

PFY
↓
conditions are not applicable

CFY
↓
Any such supply as mentioned in 10(2) is made then immediately C.L shall be withdrawn.

1) Inclusion & Exclusion in Aggregate T.O. for composition levy only.

PFY (no business)	Threshold	Liabe for Reg.	Remaining T.O For CL
Agg. T.O does not exceeds 150L/75L/50L	No registration	130L	u/s 10(1)
	agg. T.O 20L	55L	u/s 10(1) 50L
		30L	u/s 10(2A)

$$\begin{aligned}
 \text{Agg T.O} &= 20 + 130 = 150L \text{ u/s } 10(1) \\
 \text{(includes)} &= 20 + 55 = 75L \text{ u/s } 10(1) \text{ 50L} \\
 &= 20 + 30 = 50L \text{ u/s } 10(2A)
 \end{aligned}$$

Excludes = Interest/discount on loan advances or deposits

(discount = Bill of Exchange, cheque, Promissory note discounting?)

2) Exclusion in T.O in state for composition Levy

PFY	Threshold for Reg.	Liabale for Reg.	Remaining T.O for CL
(no business)	No. reg. agg. T.O. 20L		130L u/s 10(C1)
Agg. T.O does not exceeds	↓ * Excluded		55L u/s 10(C1) 50L
150L/75L/50L	1) for cal ⁿ of T.O in state		30L u/s 10(2A)
	2) Also excludes = Int. or discount on loan, advances or deposits		Tax payable only on remaining T.O in state
			GST = 1% of 130L = 1.3L = 1% of 55L = 0.55L = 6% of 30L = 1.8L

Procedure for Composition Levy

Intimation for CL

If a person is URP & first time taking registration in GST

If a person is already registered

PFY, Threshold, CFY
No Agg. T.O Liabale
business 20L

PFY, CFY
(R) 1 Apr (R)
↓ ↳ Opting for CL

Need to opt for CL in reg. form REG-01 (Part B) & shall be treated intimation for CL

If a person is already registered then intimation CL shall be given on GSTN portal in form [CMP-02] before starting CFY.

Compliances under CL [Return, Intimation and Annual Return]

PFY	1 st Quarter				C.F.Y 24-25			
	Apr-May-Jun	Jul-Aug-Sep	Oct-Nov-Dec	Jan-Feb-Mar				
Eligible for CL	T.O.	18 th Jul	CMP-08	CMP-08	18 Apr	CMP-08		
		Statement						
		CMP-08 &						
		also pay tax						
		on T.O of Quarter						

Regular Return

of CL (Annually) = GSTR-4

↓

within 30th June
of next FY

Annual Return = to be filed in GSTR-9A
by 31st December of next FY