



Chapter 3 - Charge of GST

Section 9
↓
Normal charge

Section 10
↓
Composition Levy

TP:1 Concept of Intra-state & Inter-state supply

↓
Location of supplier (LOS) & place of supply (POS) in same state

↓
Location of supplier (LOS) & place of supply (POS) in different state

TP:2 Extent & commencement of GST Law

↓
CGST Act, 2017
↓
Extends to whole India

↓
SGST Act, 2017
↓
Extends to whole of respective state / union territory with legislature
i.e. J&K, Delhi & Puducherry [JDP]

↓
IGST Act, 2017
↓
Extends to whole India

↓
UTGST Act, 2017
↓
Extends to whole of respective union territory without legislature
i.e. A&N Islands, Lakshadweep, D&N Haveli and D&D, Ladakh, Chandigarh, and other territory

TP:3 Levy & collection of CGST & IGST

↓
Section 9

↳ section 5

↓
Sec 9(1)
↓
Forward charge

↓
Sec 9(2)
↓
out of scope

↓
Sec 9(3)
↓
Reverse charge
↓
Notified supplies

↓
Sec 9(4)
↓
Reverse charge
↓
unreg to specified class of Reg.
+
Specified C or S.

↓
Sec 9(5)
↓
Electronic commerce operator [ECO]

TP:4 Forward charge under section 9(1)

CGST shall be levied on

(A) Amendment

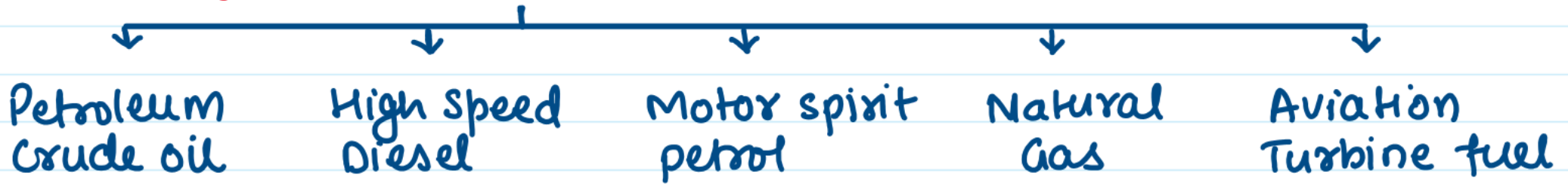
- Intra state supply of goods or services **except on supply of alcoholic liquor for human consumption, un-denatured extra natural alcohol, or rectified spirit used for manufacture of liquor for human consumption,**
- on value determined under section 15
- at such rate, not exceeding 20%, as may be notified by govt. on recommendations of council and
- collected in such manner as may be prescribed and
- shall be paid by taxable person.

Rates under CGST Act + SGST Act or IGST Act

- 0%, 0.25%, 3%, 5%, 12%, 18%, 28% → For Goods
- 0%, 1.5%, 5%, 7.5%, 12%, 18%, 28% → For Services



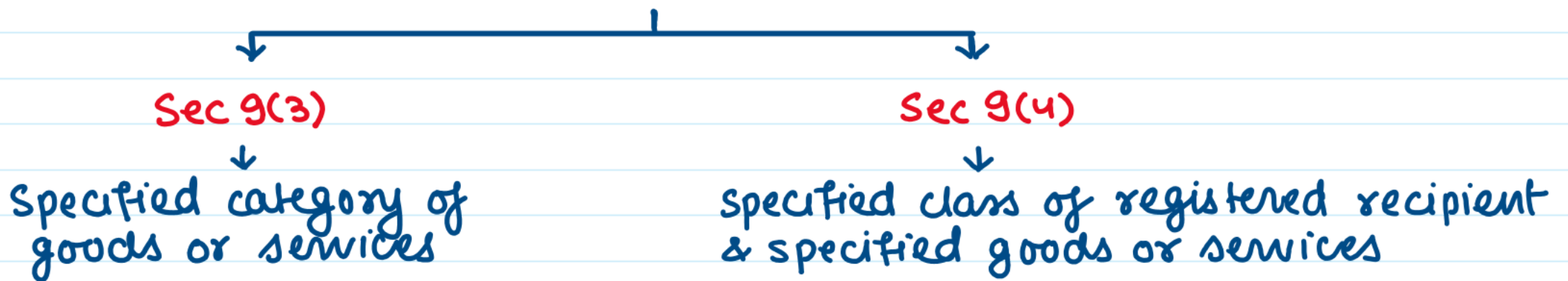
TP:5 Goods out of scope of CAST u/s 9(2)



Note: GST on above goods shall be levied with effect from such date as may be notified by govt. on recommendation of council.

TP:6 Concept of Reverse charge mechanism (RCM)

RCM means liability to pay tax is on Recipient instead of supplier of goods or services

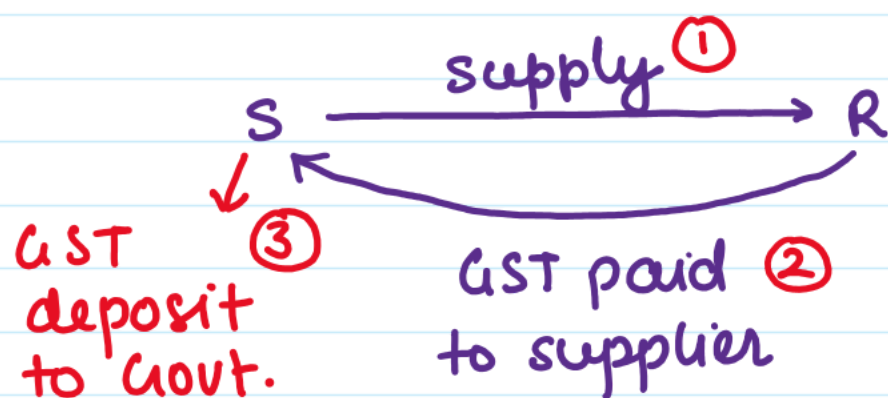


TP:7 Reverse charge on notified goods or services [sec 9(3)]

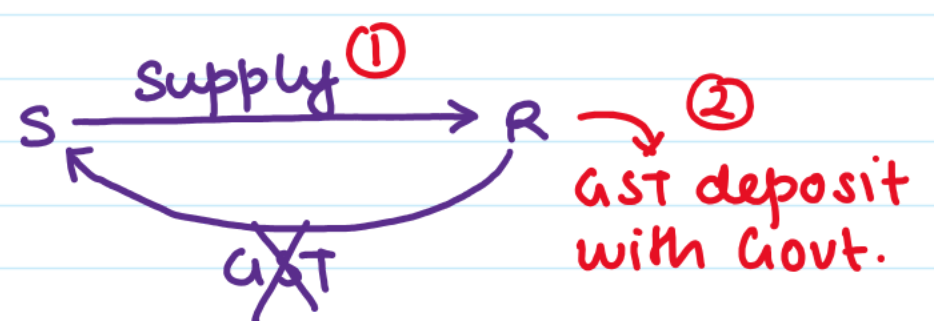
- The government may,
- on recommendation of the council, by notification
 - specify categories of supply of goods or services or both,
 - tax on which shall be paid on reverse charge basis
 - by recipient of goods or services or both

All the provisions of this act shall apply to such recipient as if he is the person liable for paying tax in relation to such supply.

Forward charge



Reverse charge



Note: If supply is exempt (chapter exemption) → No RCM

Important Note: Tax under RCM has to be paid in cash (i.e. through e-cash ledger) & then credit can be taken (i.e. credit in e-credit ledger)

Ledger



Eg: Supplier $\xrightarrow{\text{Goods 9(3)}}$ Recipient \rightarrow GST paid to Govt. in cash
 ↓
 ITC shall be available in credit ledger.



TP:8 Goods notified u/s 9(3)

- Examples - Cashewnuts [not shelled/peeled]
- bidi wrapper leaves, tobacco leaves (when supplied by an agriculturist to any registered person)
 - supply of lottery (when supplied by SC, UT or LA to lottery distributor or selling agent)
 - silk yarn (when supplied by manufacturer of silk yarn to any registered person)
 - used vehicle, seized and confiscated goods, old and used goods
 - waste & scrap (when supplied by CU, SC, UT or LA to reg. person)
 - prior sector lending certificate (when supplied by reg. person to any reg. person) etc.

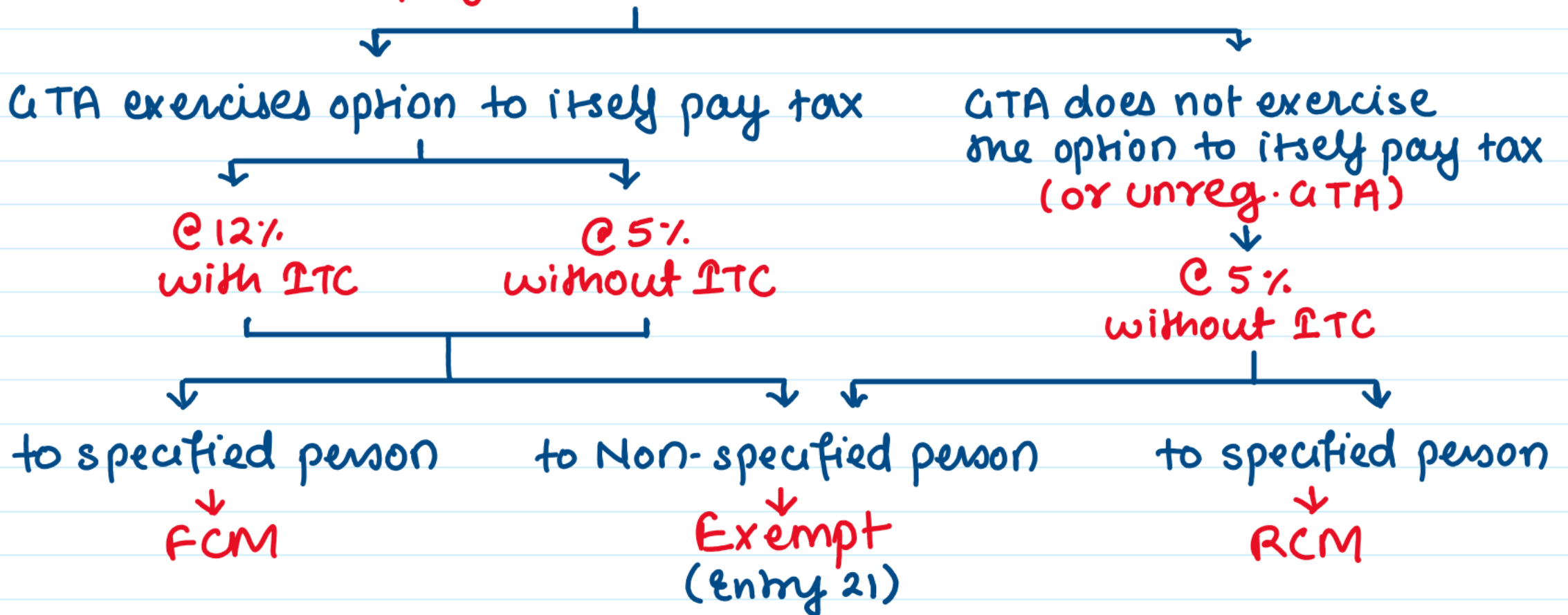
↓
Not relevant for CA Inter exams

TP:9 Services notified under section 9(3) [NN 13/2017 CT(R) dated 28.06.2017]

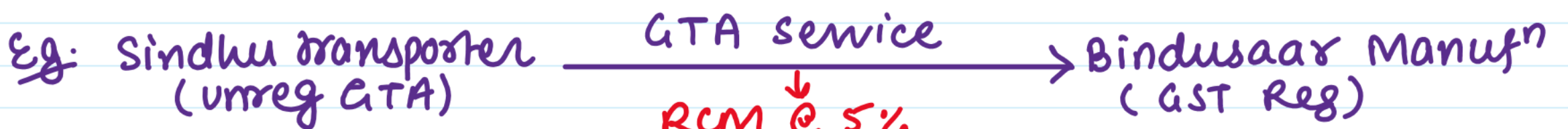
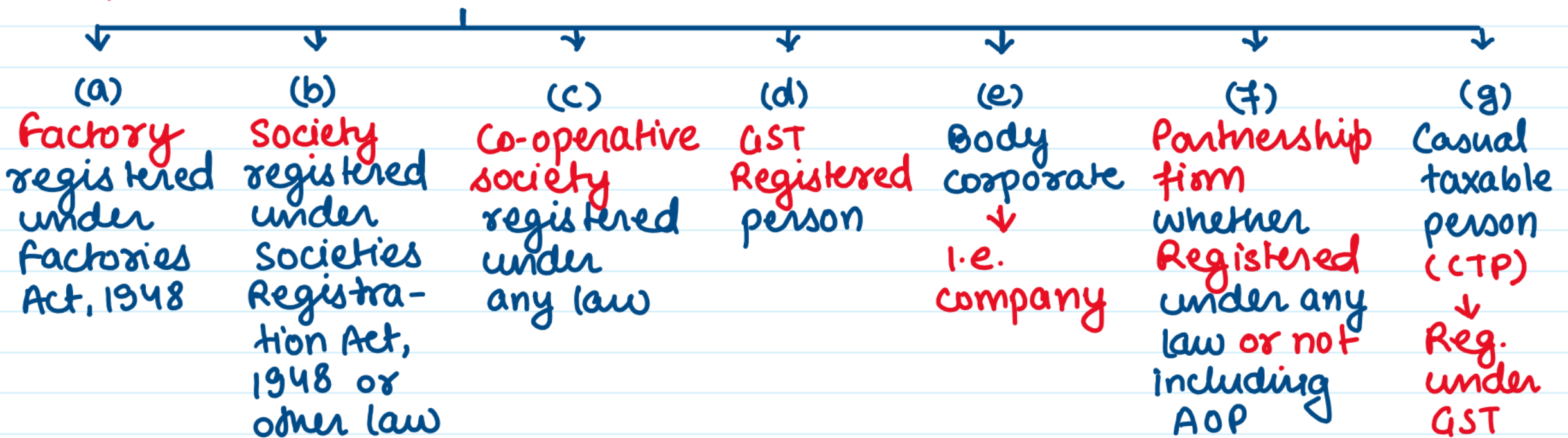
Entry (i) - Goods Transport Agency [GTA]

means any person who provides services by road & issue consignment note

Person Liable to pay tax under GTA

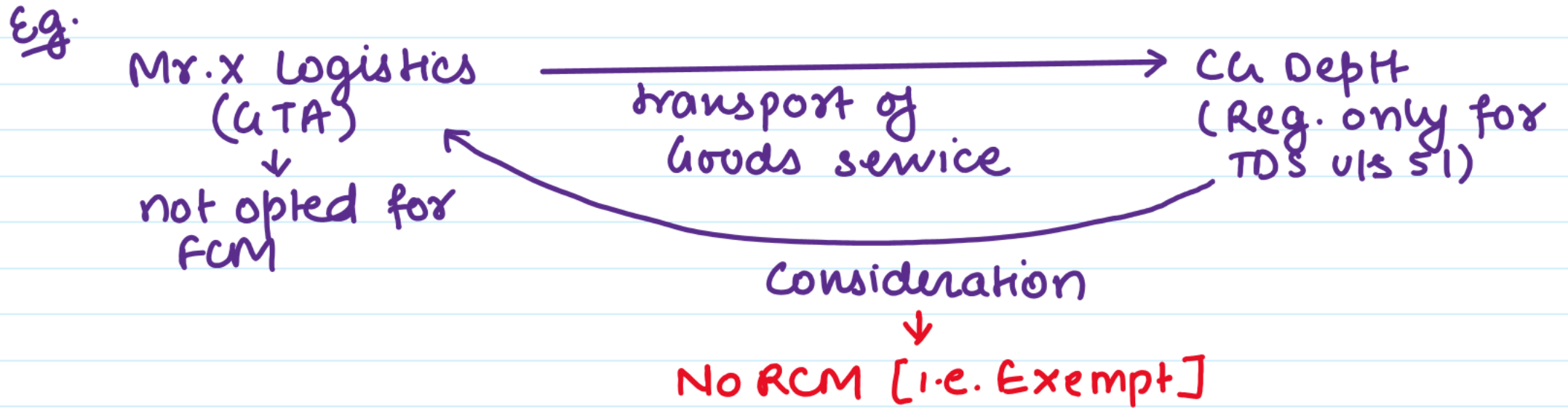
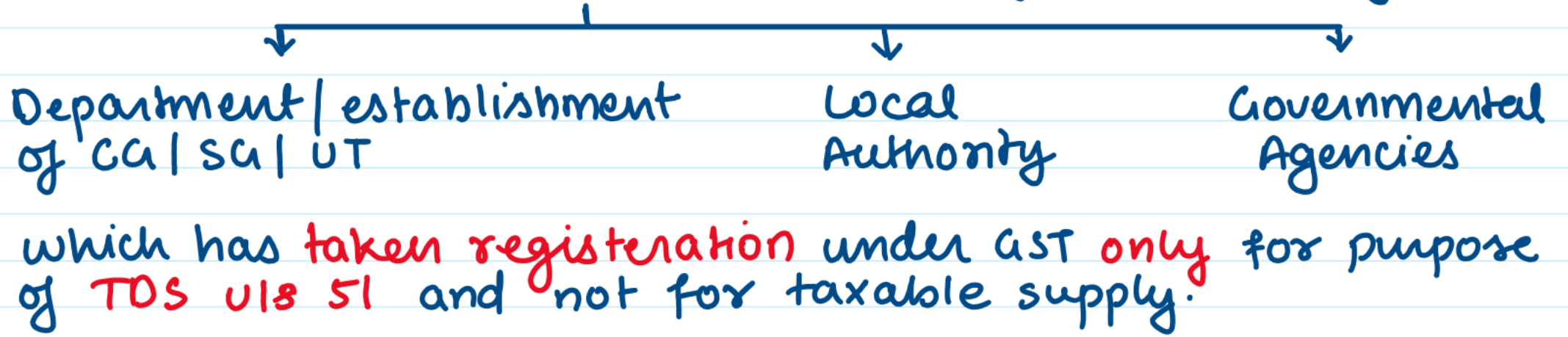


Specified Person means

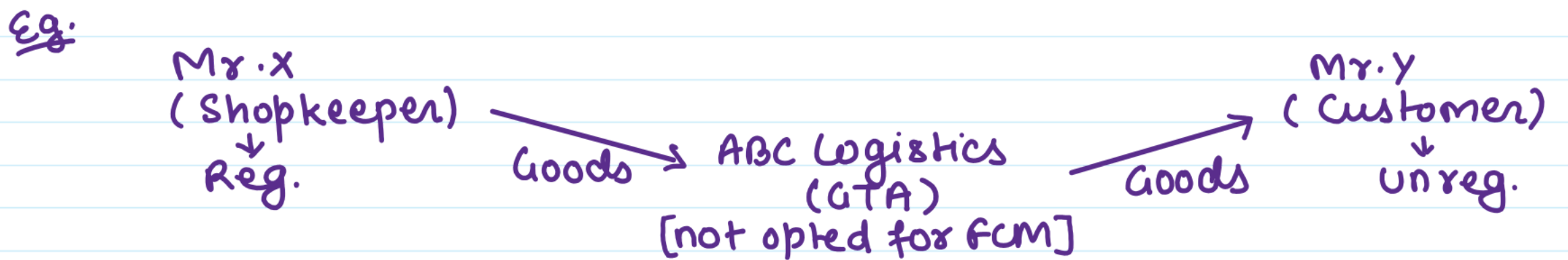




Note 1: No RCM if recipient is [Specifically Exempt (Entry 21B)]



Note 2: In case of GTA service, recipient of service is person who pay or liable to pay freight.

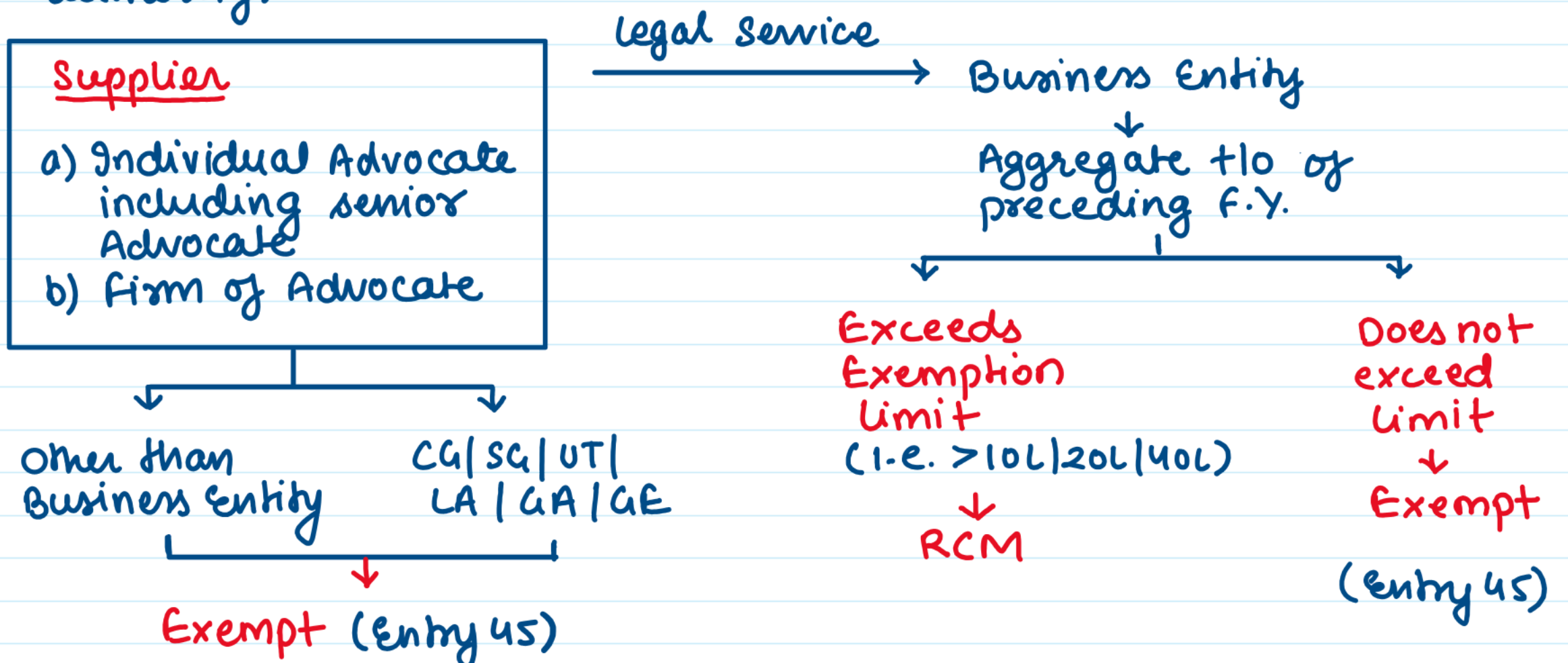


Case 1: Freight payment by Mr. X - Recipient is Mr. X → RCM

Case 2: Freight payment by Mr. Y - Recipient is Mr. Y → Exempt

Entry ② - Legal services by Advocate

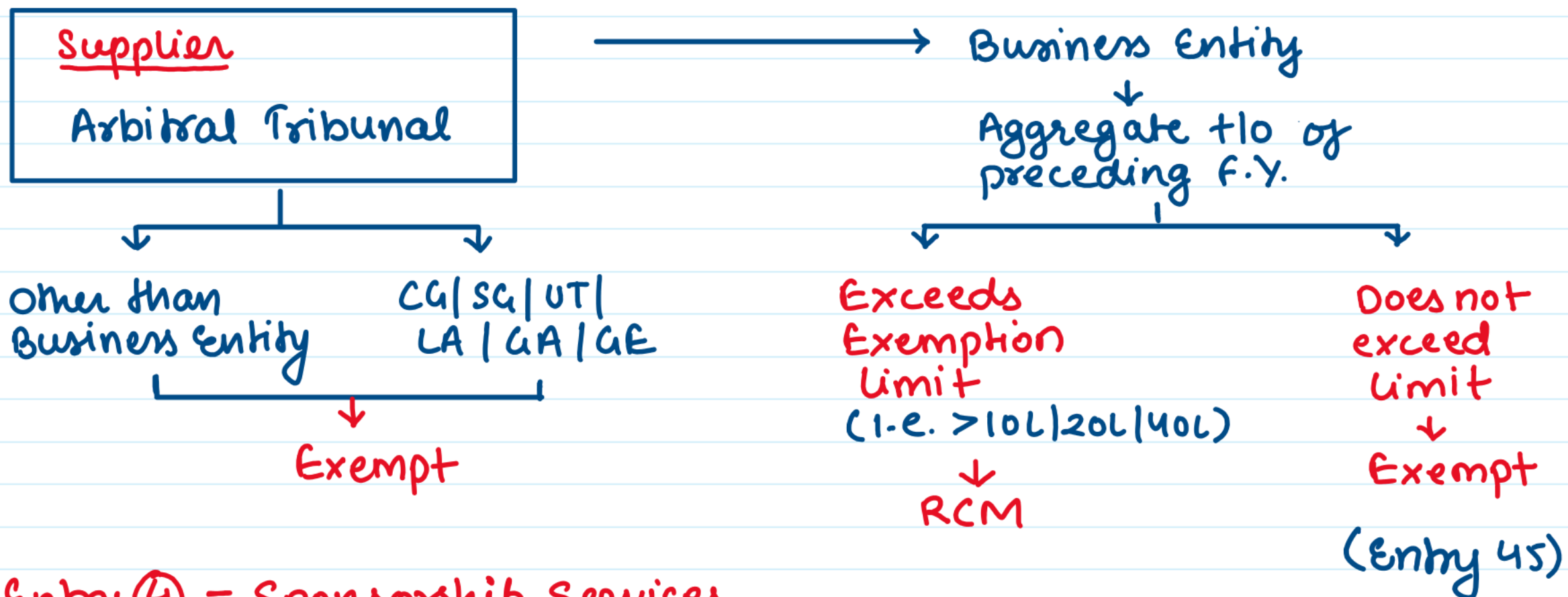
means advise/ consultancy or assistance in any breach of law includes representational services before any court, tribunal or authority.





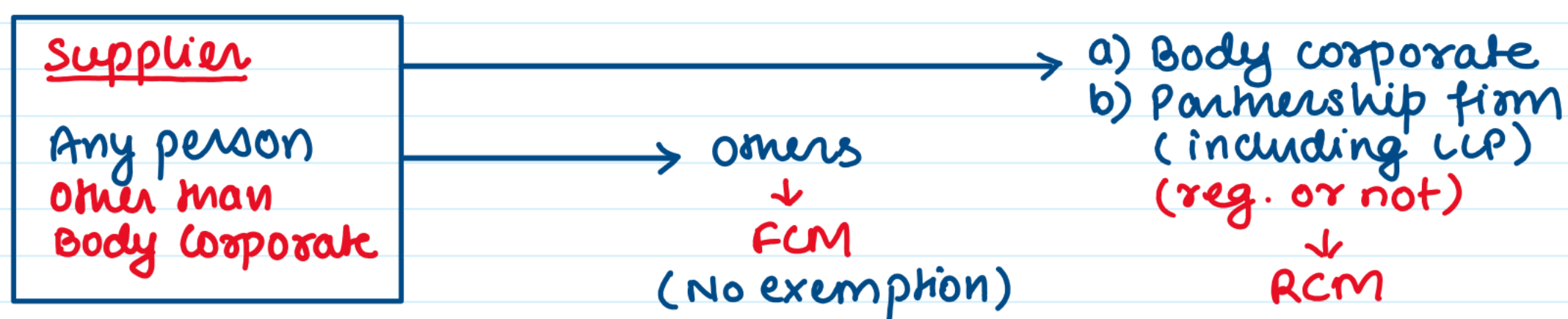
Entry ③ - Services by an Arbitral Tribunal

means a sole arbitrator or a panel of arbitrators

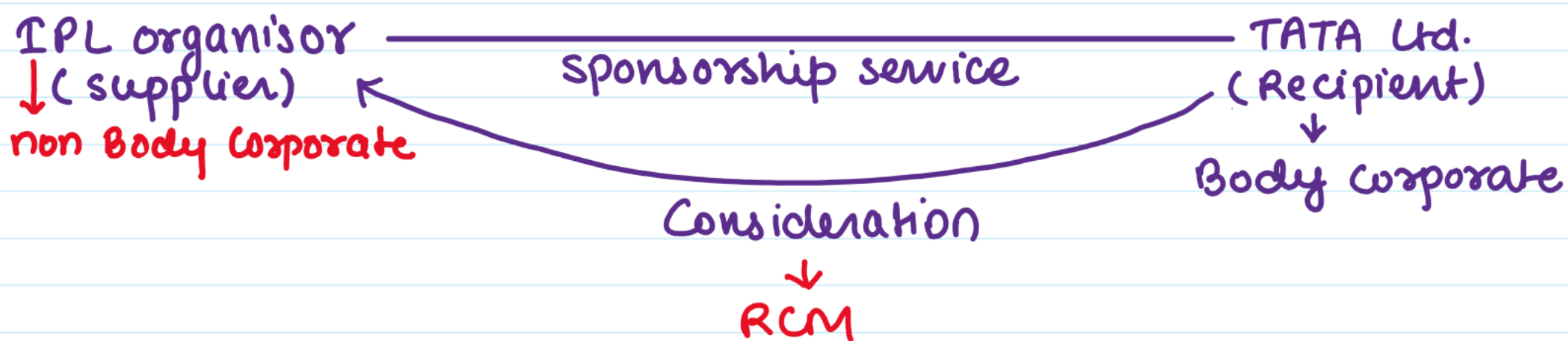


Entry ④ - Sponsorship services

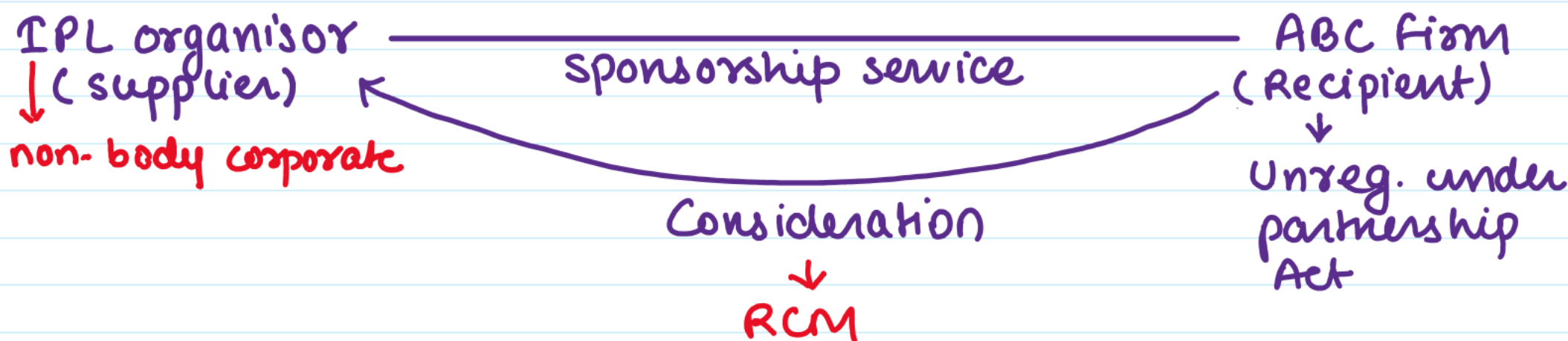
Ⓐ Amendment



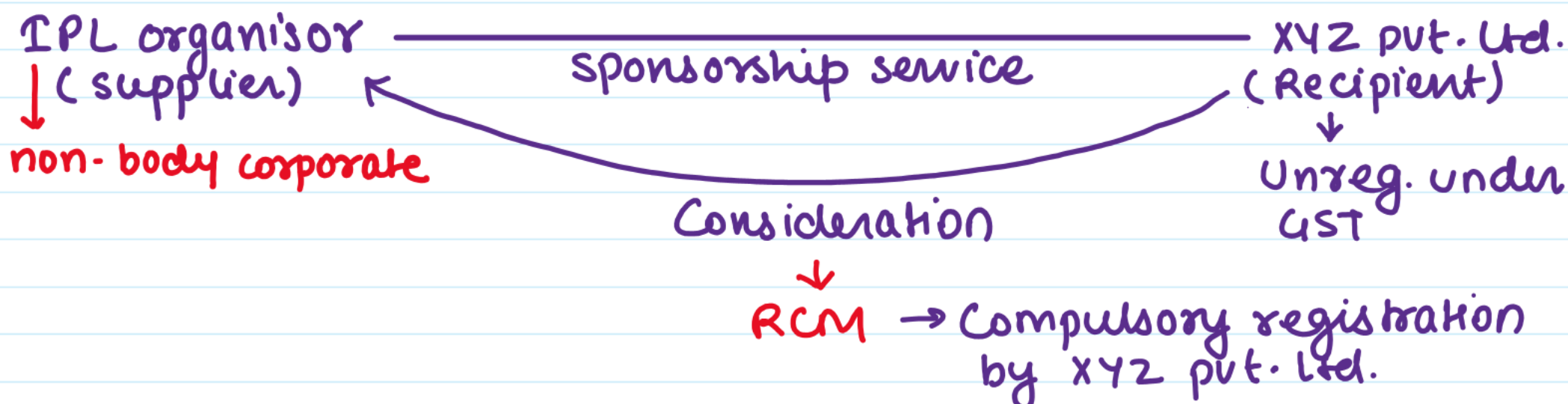
Eg:



Eg:

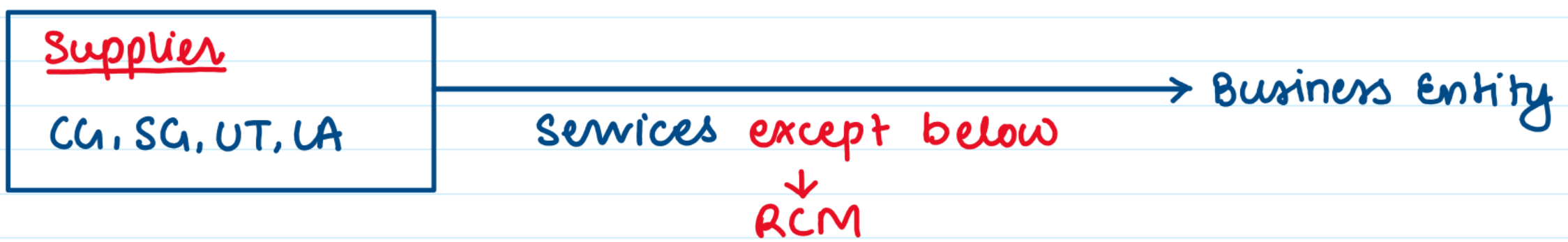


Eg:





Entry 5 - Services by Government (Read this with exemption chapter for complete knowledge)



No RCM on following services (i.e. FCM)

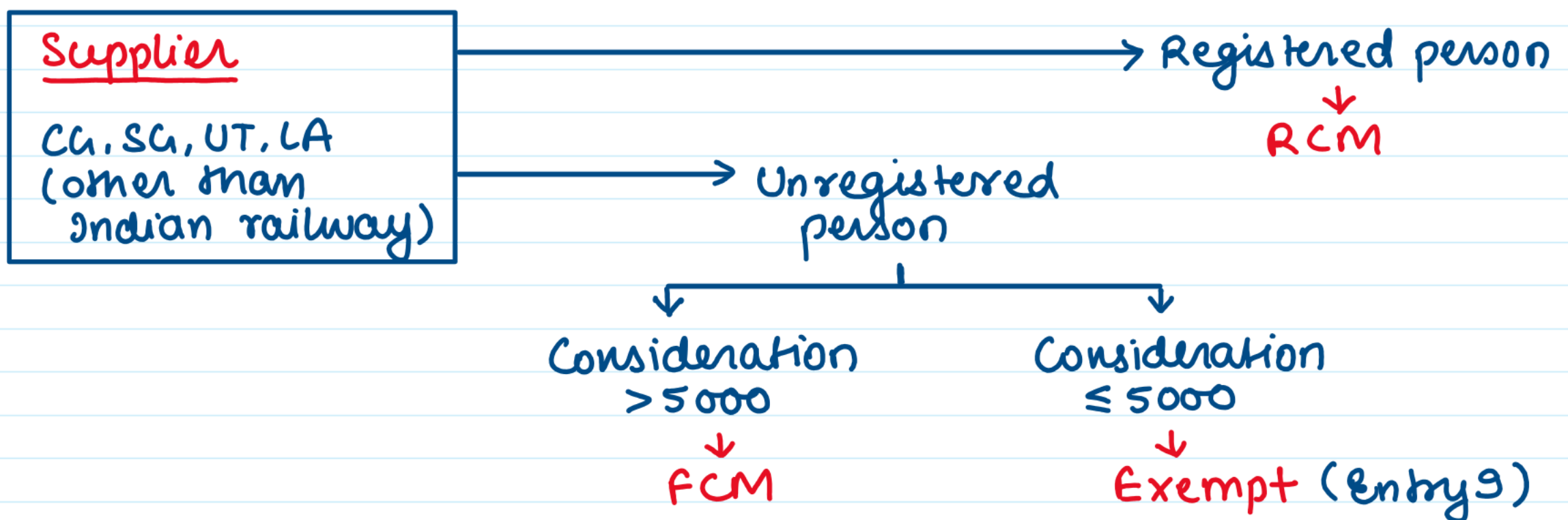
- i) Renting of immovable property (read with below entry 5A)
- ii) Specified services
 - a) Services by Department of posts (Post office) and Ministry of Railways (Indian Railway)
 - b) Services in relation to an aircraft or a vessel, inside or outside the precincts of port or an airport
 - c) Transport of goods or passengers.

* Amend-ment

Clarification - Delhi Development Authority (DDA) - Not a local authority under GST law because LA means similar to elected self-governing body entrusted with control & management of local funds.

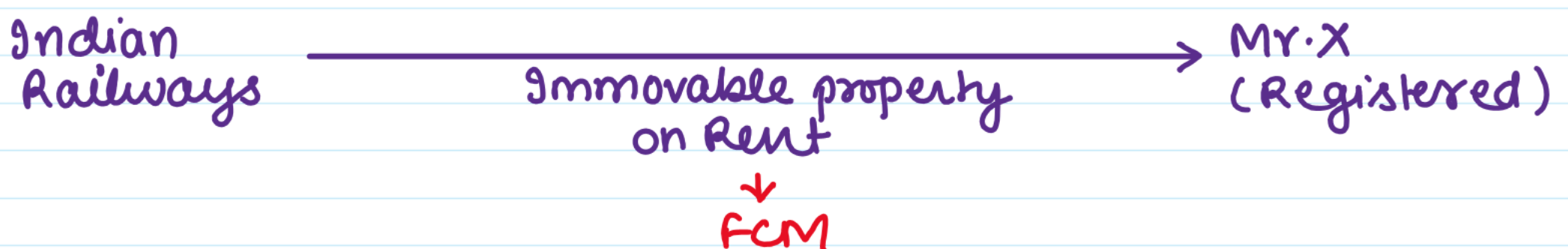
Hence, no RCM on services by DDA

Entry 5A - Renting of Immovable Property by Govt



Note: Renting of immovable property service by Indian Railway is taxable under FCM irrespective of value.

Eg.

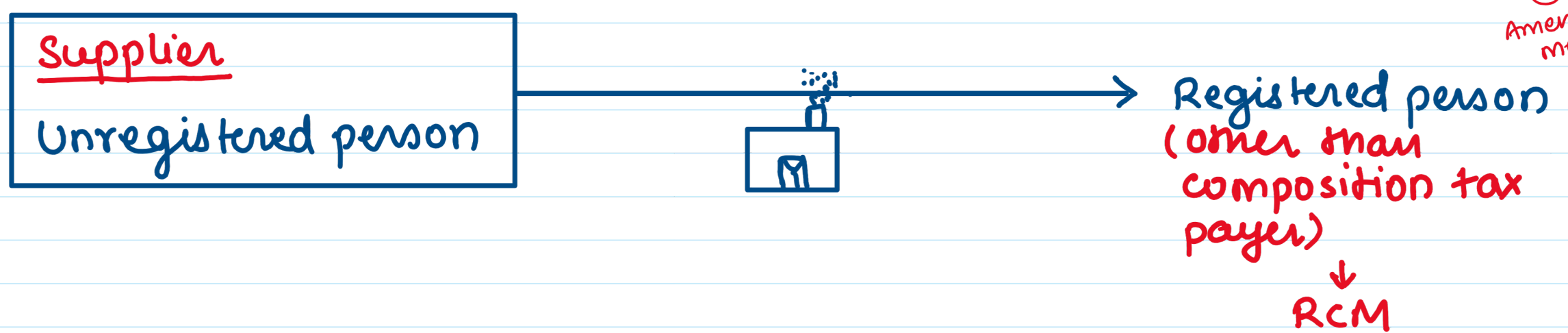




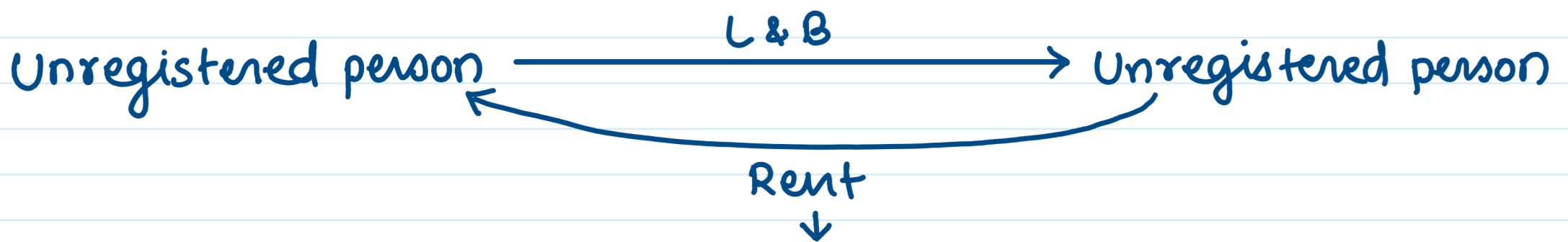
Entry (SAA) - Renting of Residential Dwelling (Read with exemption chapter)



Entry (SAB) - Renting of any immovable property other than residential dwelling i.e. commercial property



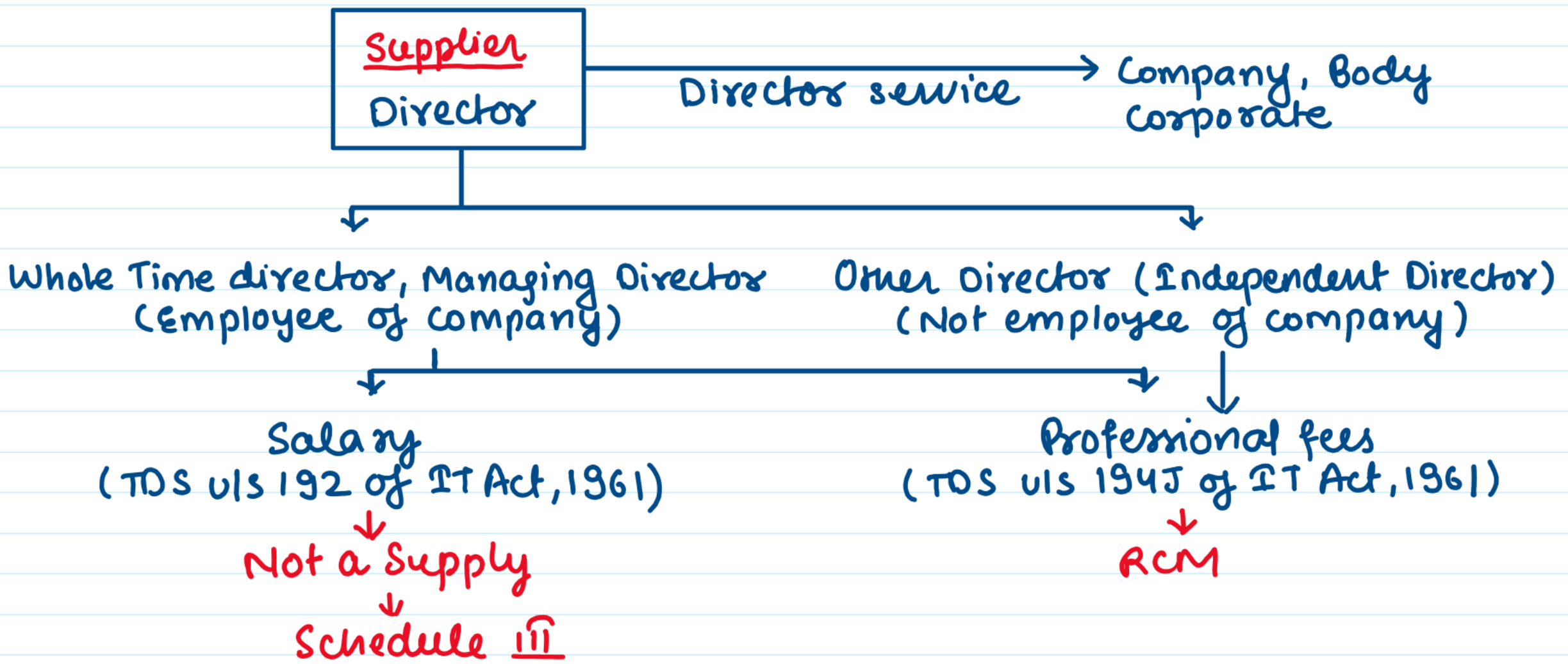
(A) Amendment



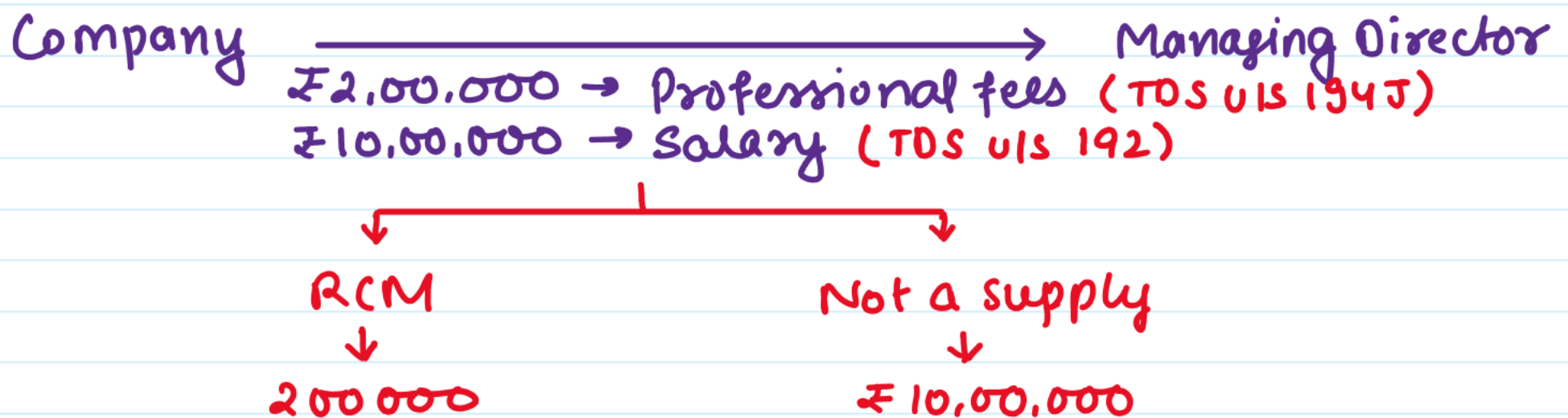
Not Exempt however no GST since supplier is unregistered



Entry ⑥ - Services supplied by a Director to Company



Eg:



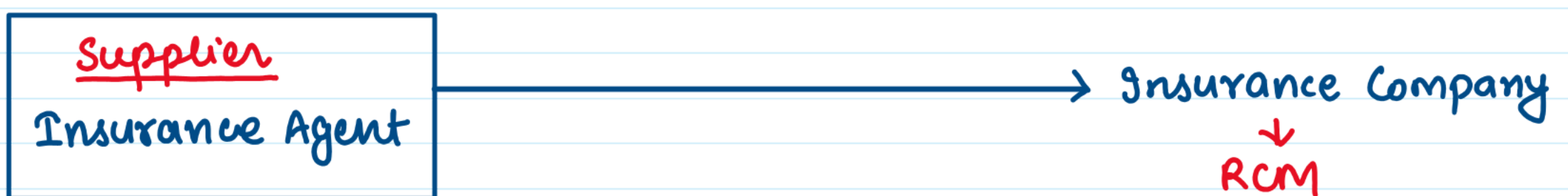
Clarification on services by Director to company in his personal capacity such as renting of immovable property to company etc.

↓
No RCM

Eg:

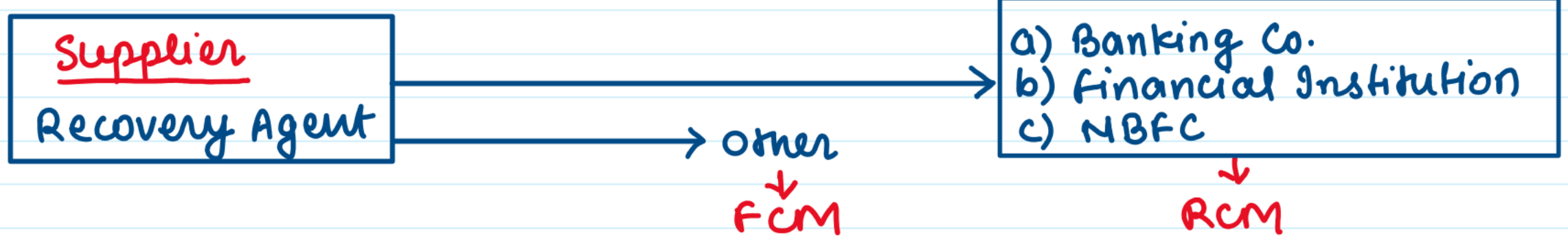


Entry ⑦ - Services by Insurance Agent

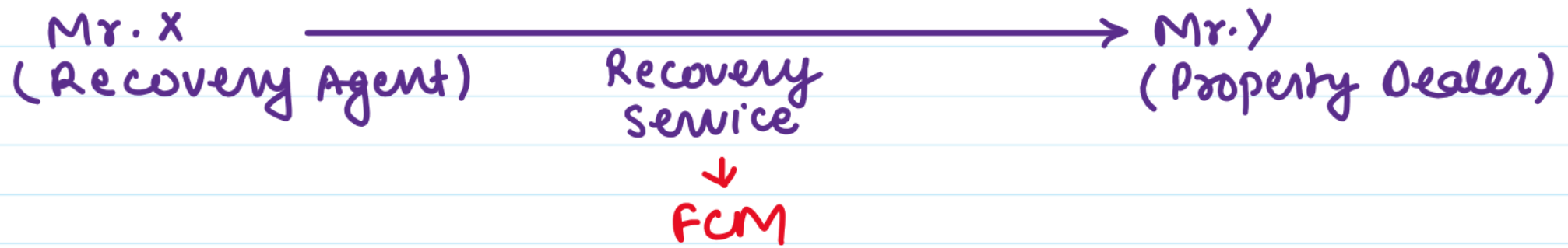




Entry ⑧ - Services by Recovery Agent



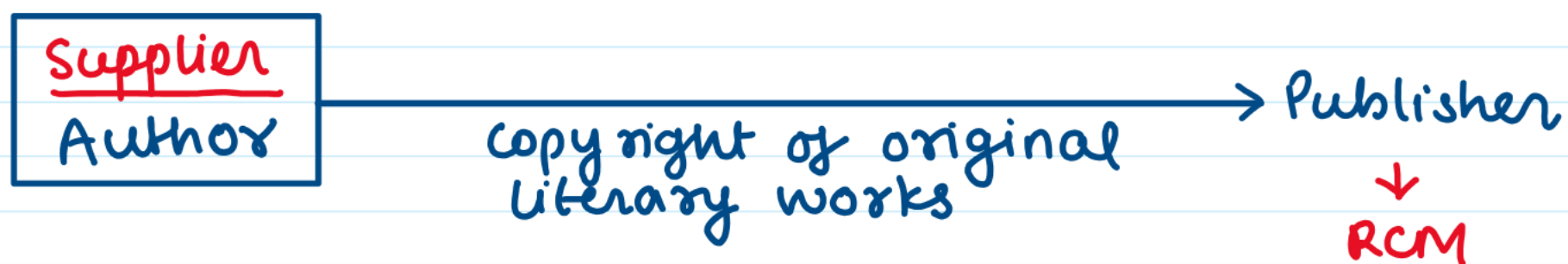
Eg.



Entry ⑨ - Transfer of copyright by music composer, photographer, artist



Entry ⑨A - Transfer of copyright by an author to publisher



An Author can choose to pay under forward charge if:

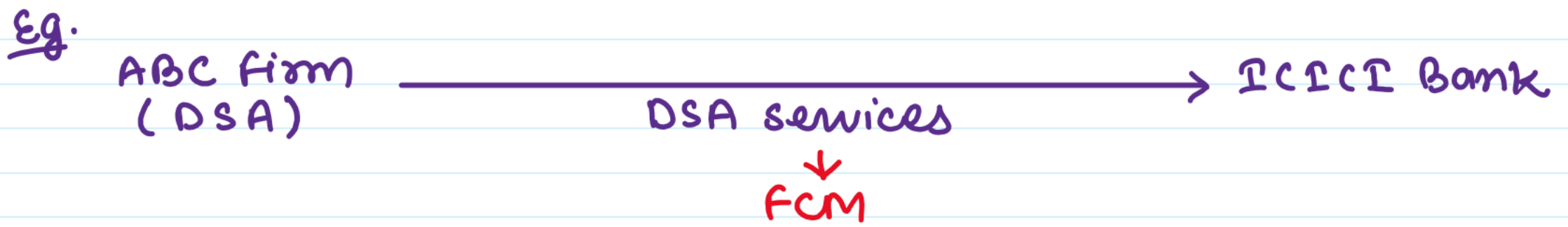
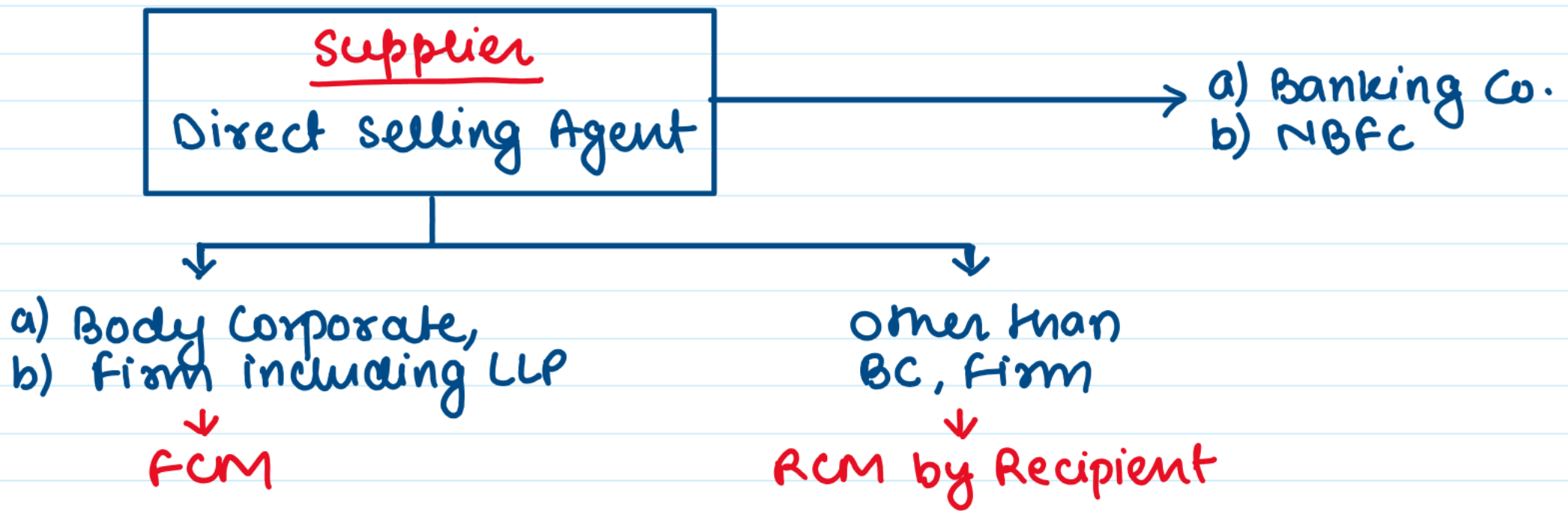
- (i) He has taken registration under GST & He declares to pay GST under forward charge & to comply with all the provisions & He declares that he shall not withdraw such option within 1 year from date of exercise.
- (ii) He made declaration on the invoice issued to publisher.

Entry ⑩ - Services by members of overseeing committee to RBI

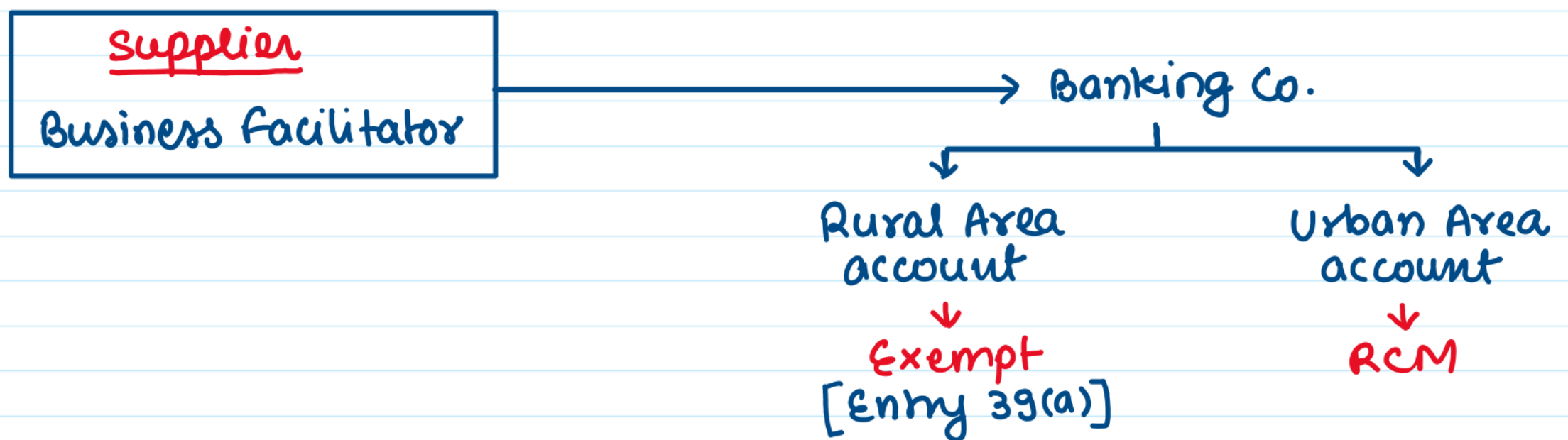
↓
RCM



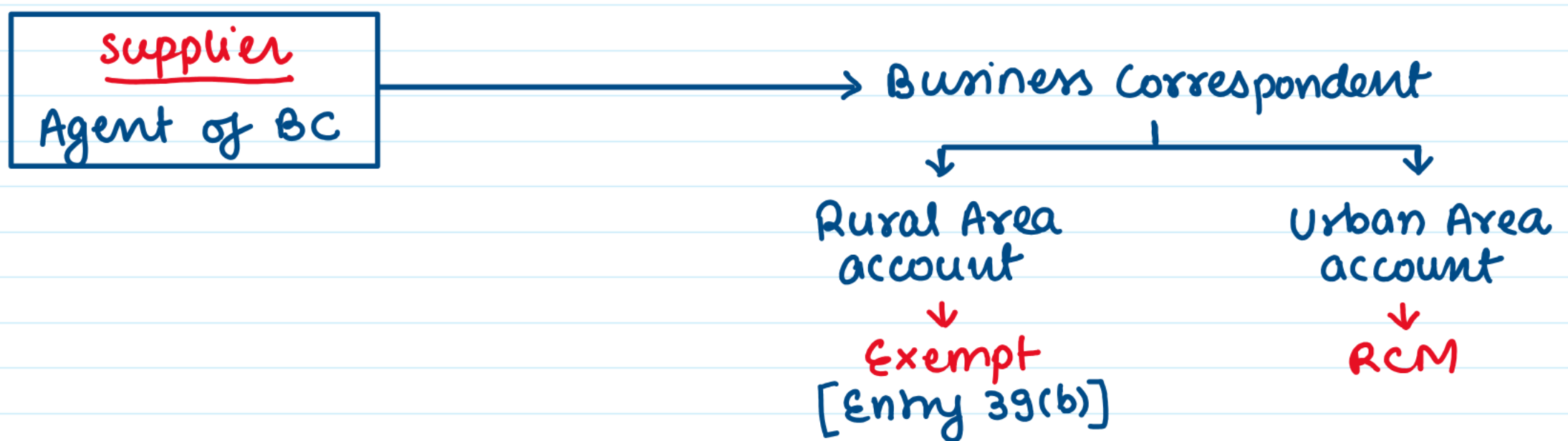
Entry (11) - Services by Direct Selling Agent to Bank/NBFC



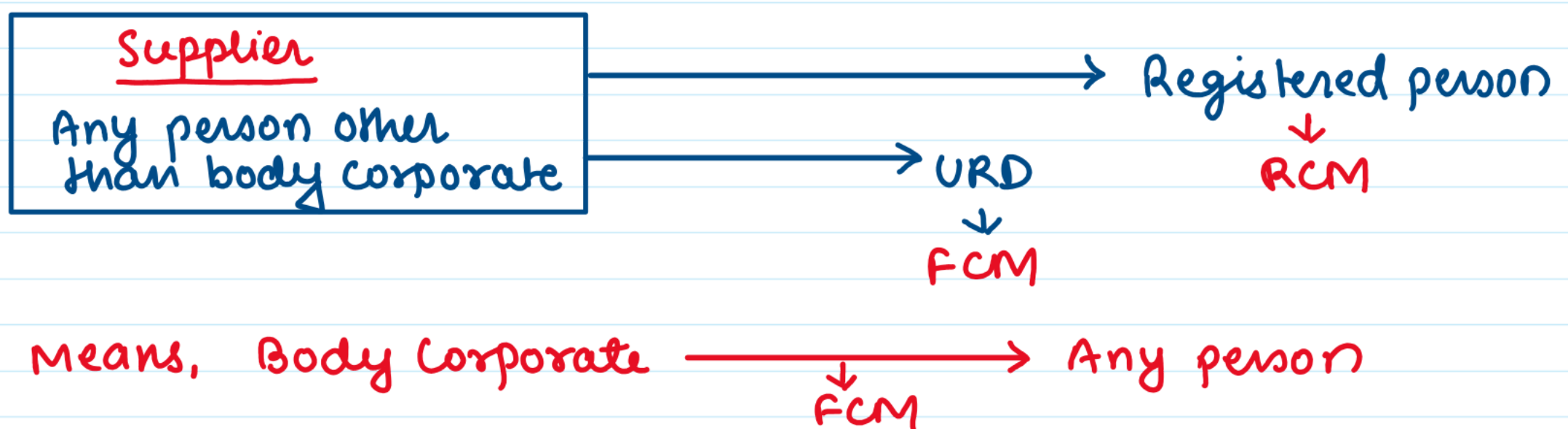
Entry (12) - Services by Business facilitator



Entry (13) - Services by Agent of Business Correspondent to BC



Entry (14) - Supply of Security Personnel



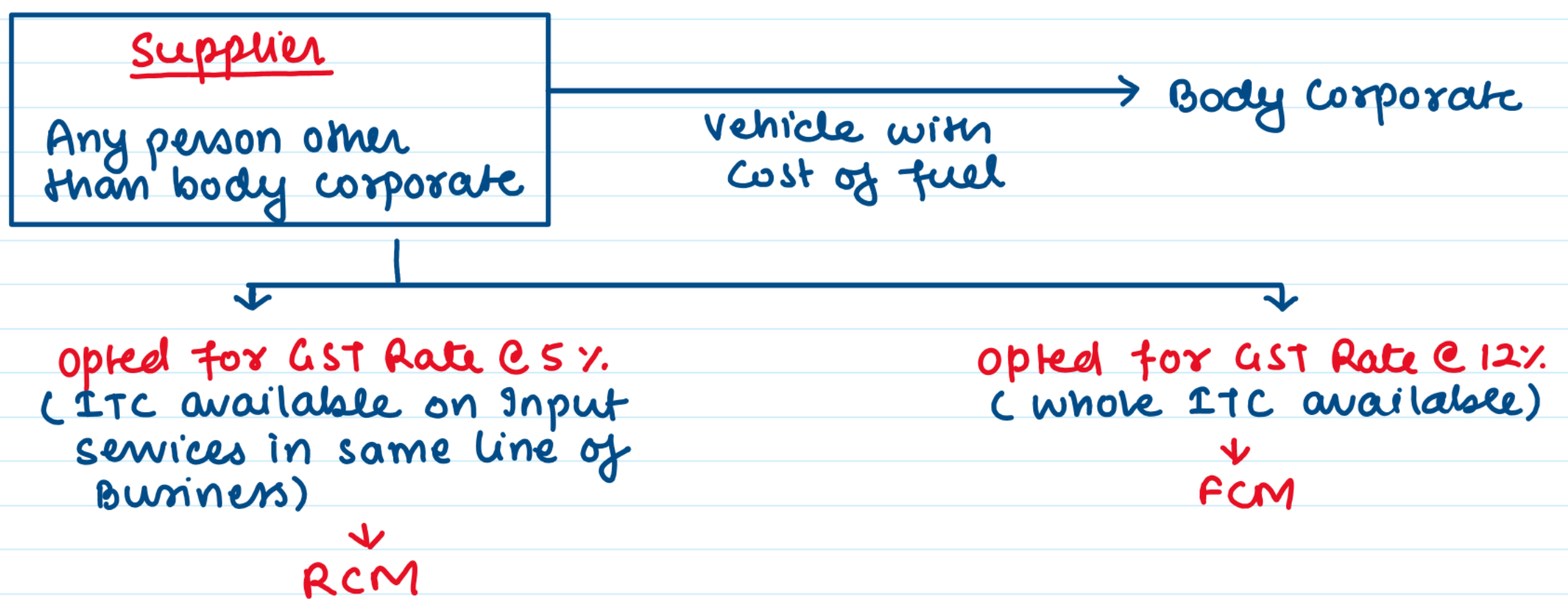


Note: No RCM by registered person if supply is made to (i.e. FCM)

- (i) a) Department / Establishment of CA, SA, UT or
 - b) Local authority or
 - c) Governmental agencies
 which has taken registration only for TDS u/s 51 and not for making taxable supply
- (ii) registered person paying tax under composition scheme.

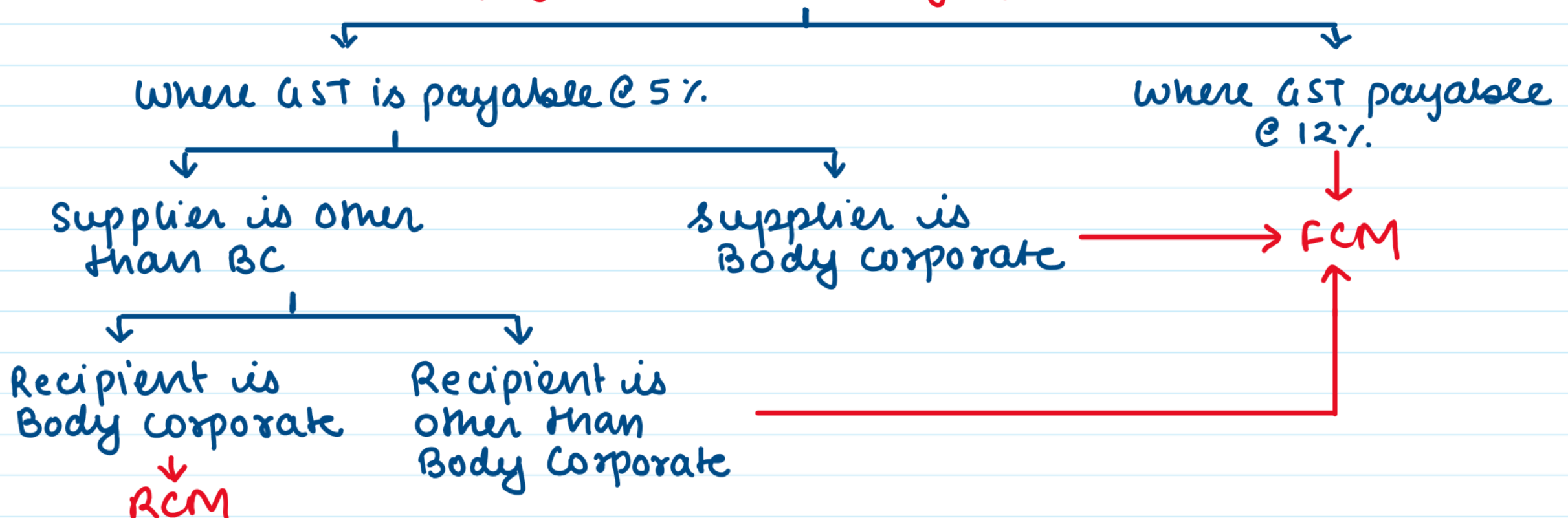


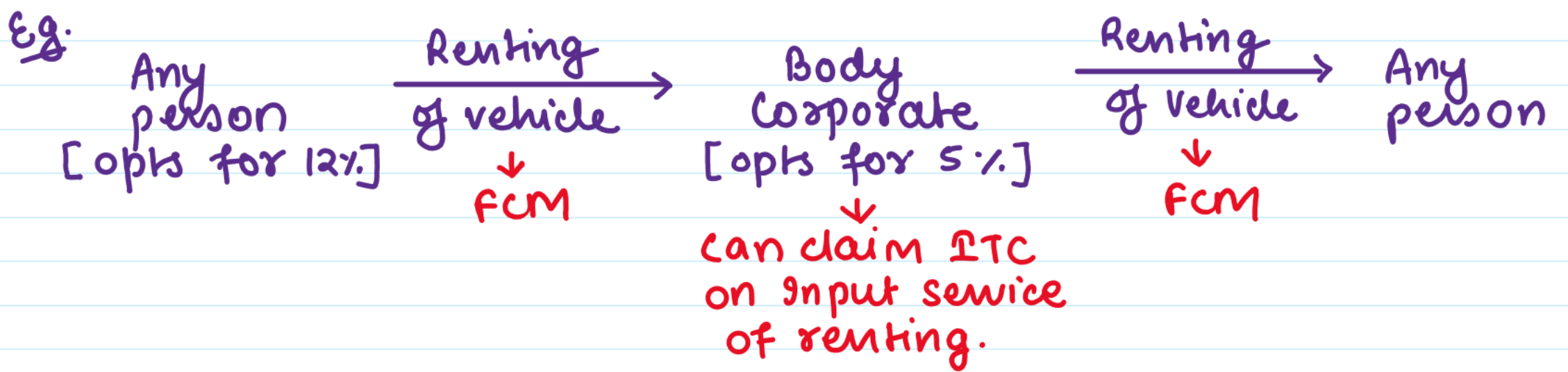
Entry (15) - Renting of motor vehicle for passenger where cost of fuel is included in consideration charged



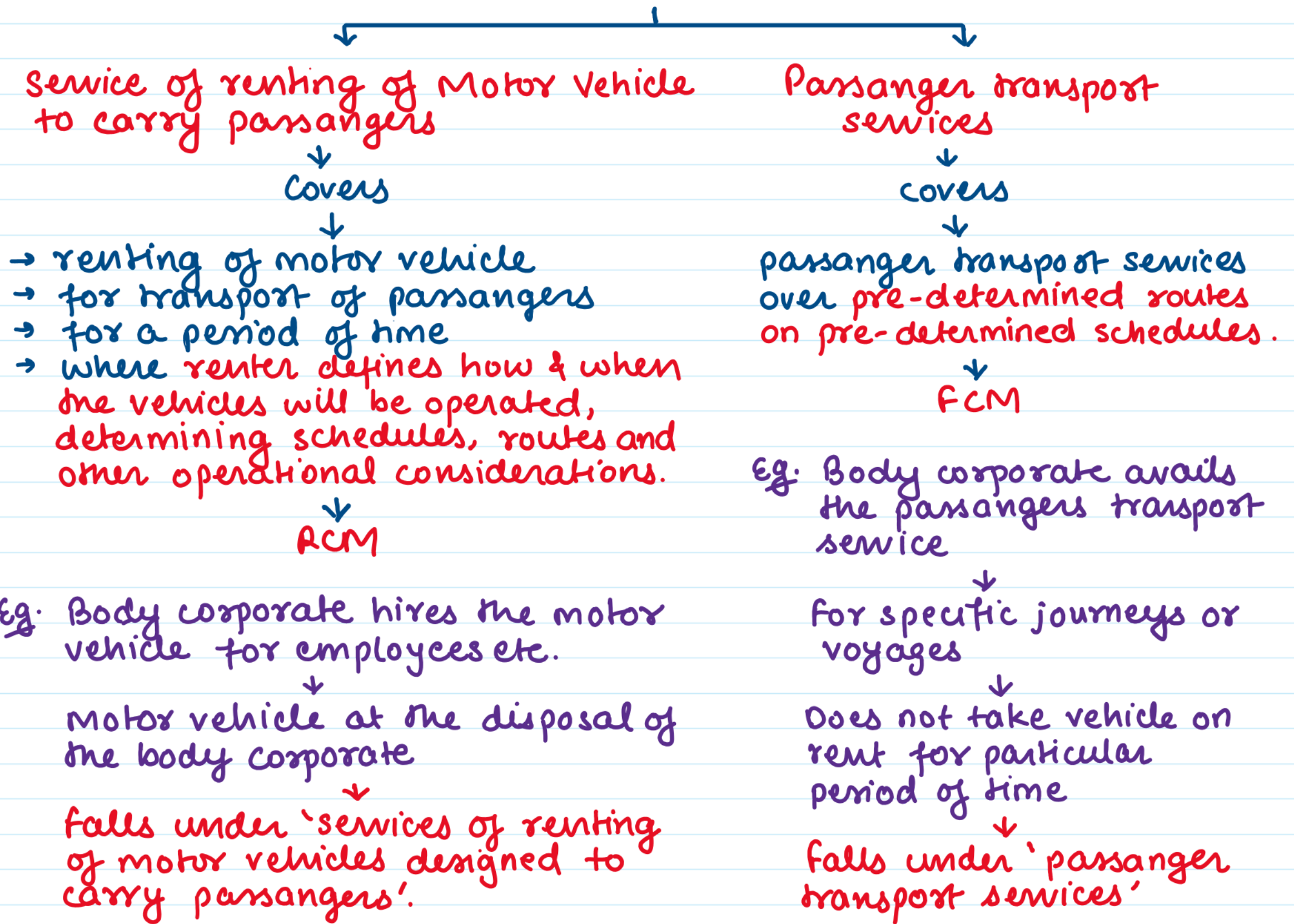
Let's understand the implication of above RCM entry -

Person liable to pay tax under renting of motor vehicle service





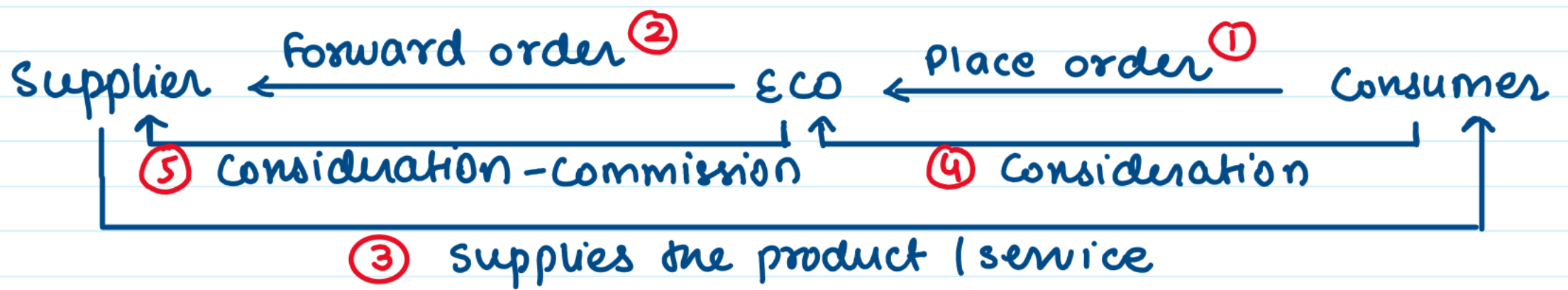
Distinction between these two services





TP:10 Electronic Commerce Operators (ECO) [sec 9(5)]

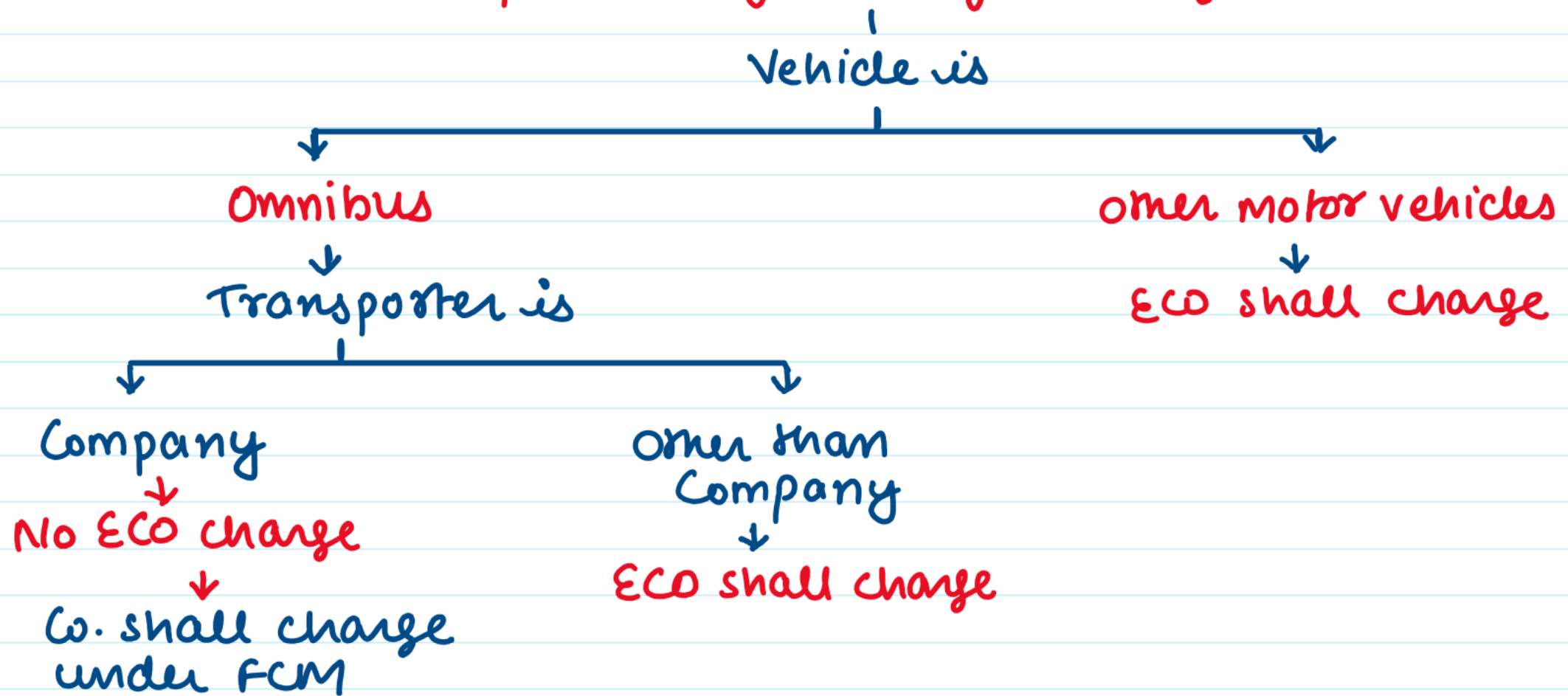
means any person who owns, operates, manages an electronic facility or platform for supply of goods or service or both



Govt. notified specific services, the tax on which shall be paid by ECO. [NN 17/2017 CT(R) dated 28.06.2017]

- (a) Transportation of Passengers by radio taxi, motorcab, maxicab, motor cycle, or any other motor vehicle except omnibus
- (b) Transportation of Passengers by omnibus except where transporter is a company.

Transportation of Passanger through ECO



Meaning of certain terms

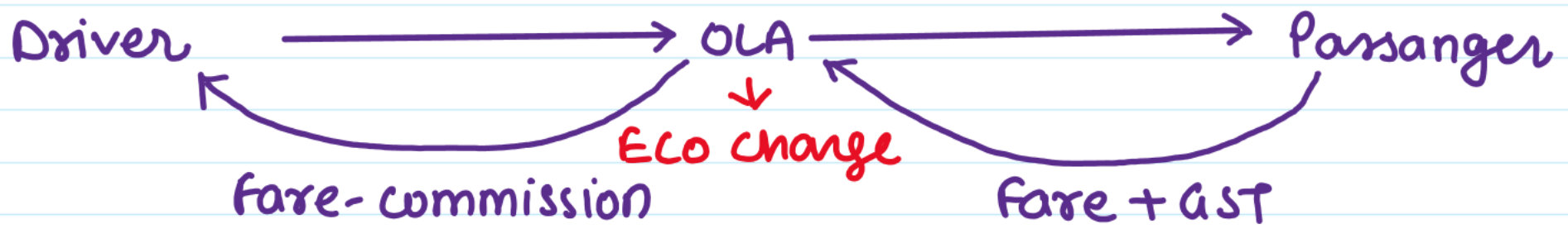
- (i) **Radio taxi** - means a taxi including a radio cab, by whatever name called, which is in two way communication with a central control office and is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS).
- (ii) **Maxi cab** - means any motor vehicle constructed or adapted to carry more than 6 passengers, but not more than 12 passengers, excluding driver, for hire or reward.
- (iii) **Motor cab** - means any motor vehicle constructed or adapted to carry not more than 6 passengers excluding the driver for hire or reward.



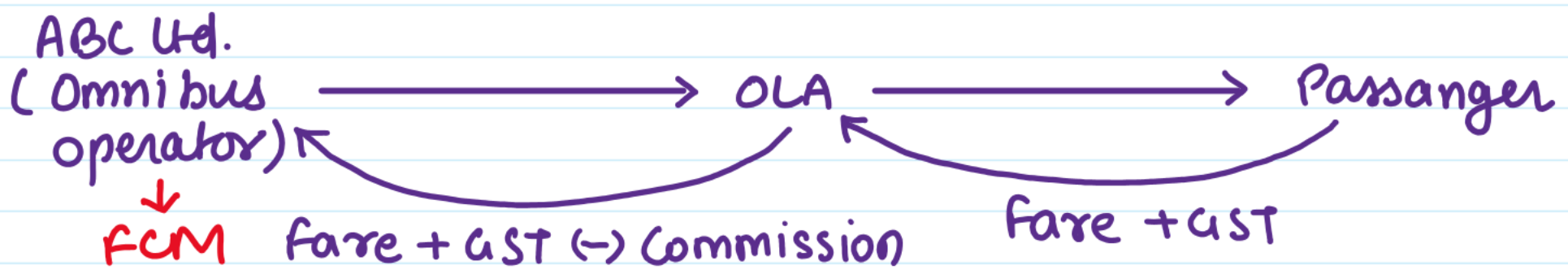
(iv) **Motor car** - means any motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motor cycle or invalid carriage.

(v) **Omnibus** - means any motor vehicle constructed or adapted to carry more than 6 persons excluding the driver.

Eg.

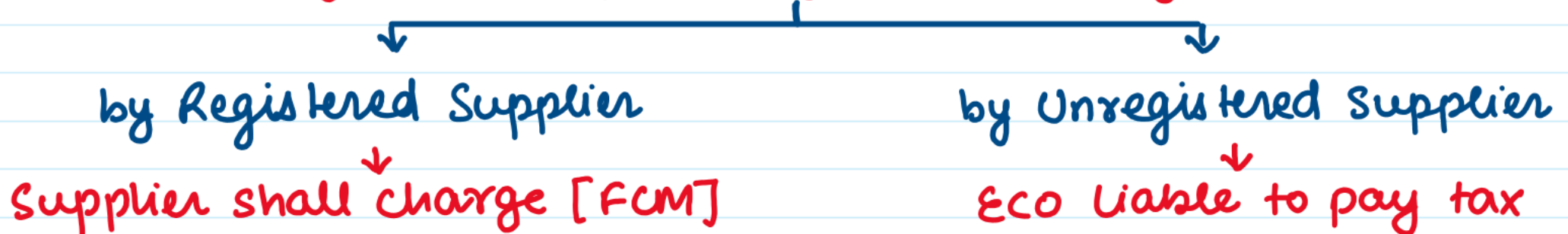


Eg.

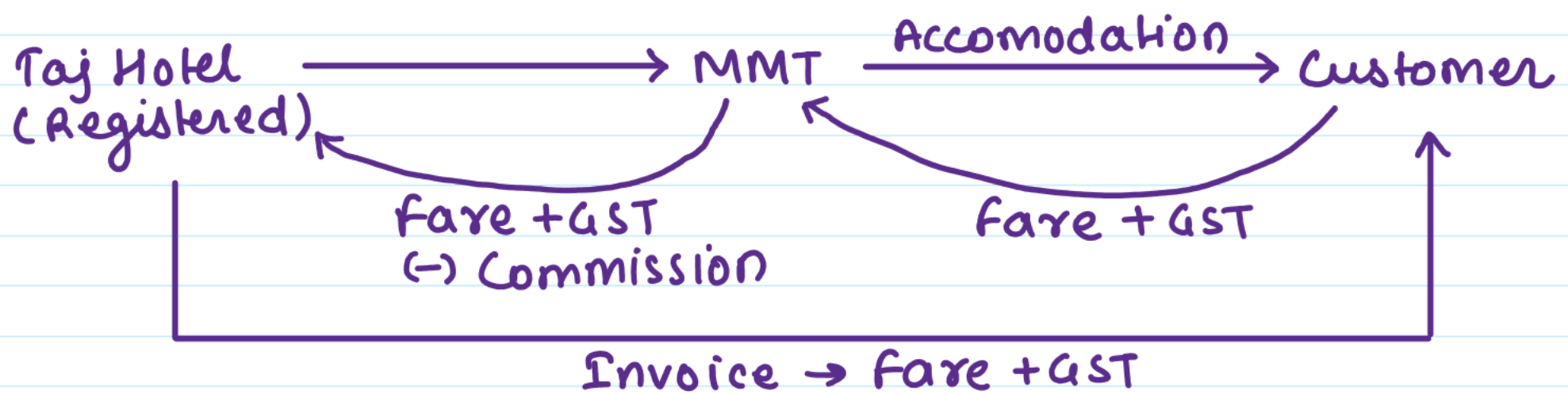


(c) Accomodation in hotels, inns, guest houses, clubs, campsites, or other commercial places

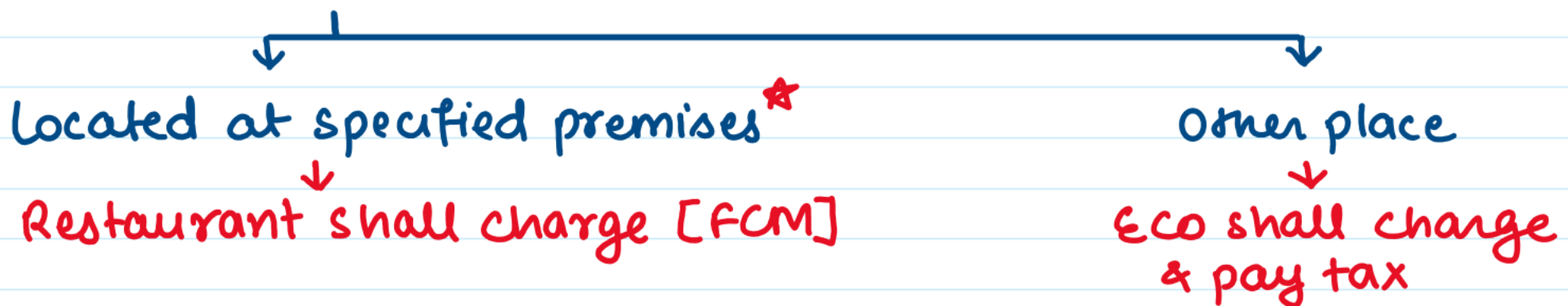
(d) House keeping such as plumbing, carpentering etc.



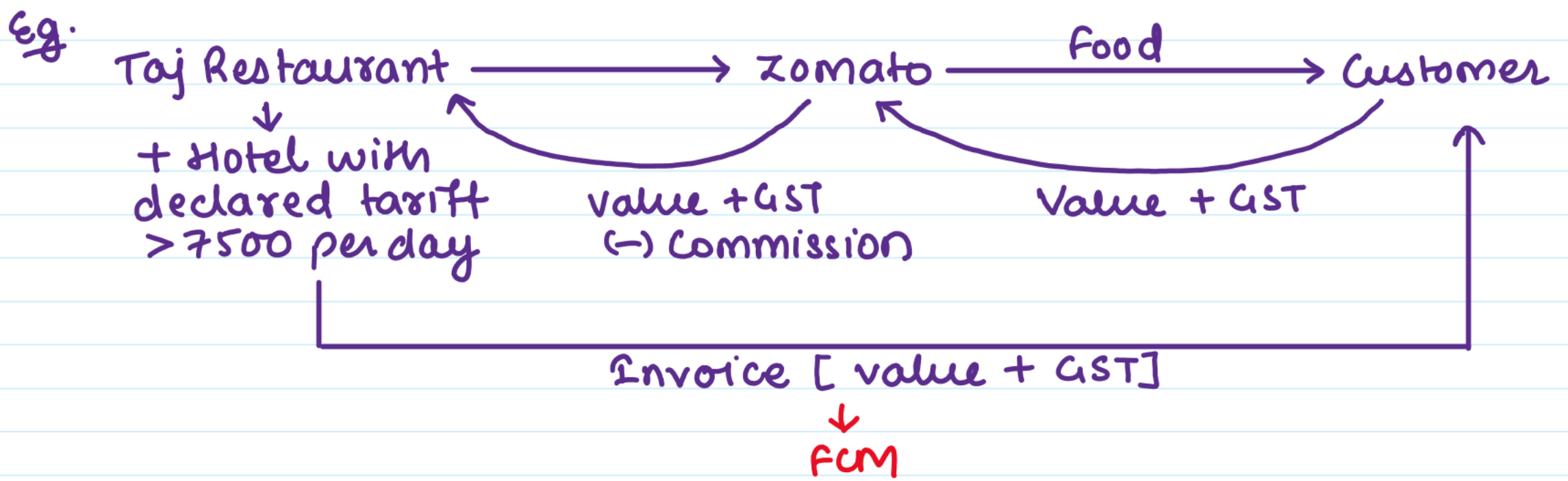
Eg.



(e) Restaurant Services

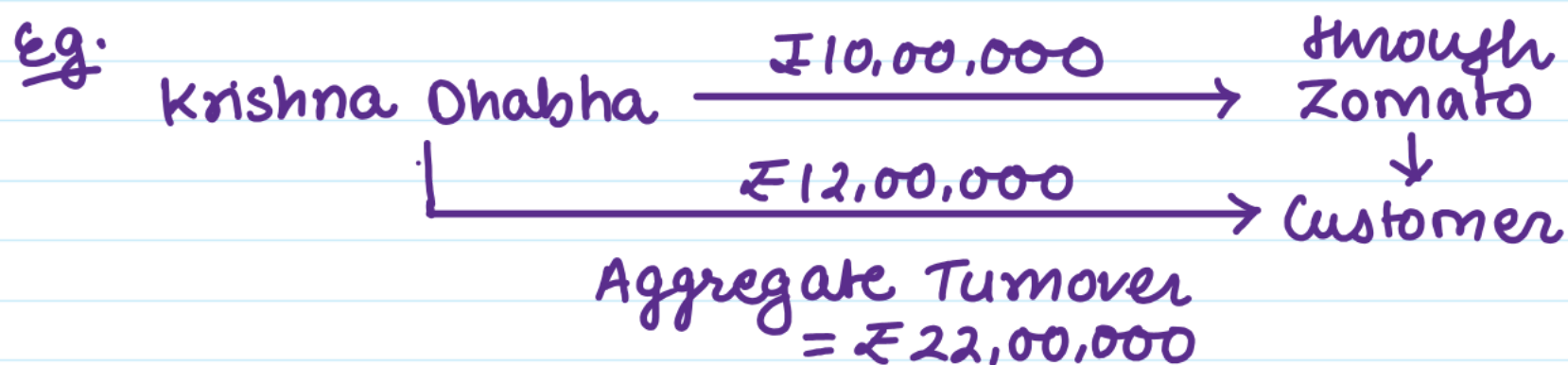


* Specified premises means premises providing hotel accomodation service having delared tariff of any unit of accomodation above ₹ 7,500 per unit per day or equivalent.



Clarification on Restaurant services through ECO

- ① ECO not to collect TCS in respect of restaurant services
↳ TCS concept discussed in TDS & TCS chapter.
- ② ECO not required to take separate registration for paying tax on restaurant services
- ③ ECO to pay tax on any restaurant services supplied through them even if supplier is unregistered.
- ④ Supply through ECO shall be included in aggregate turnover of restaurant



- ⑤ Restaurant services provided through ECO not to be considered as inward supply for ECO
- ⑥ Reversal of proportionate ITC on input goods and services not required by ECO

ECO provides services to restaurant & charges GST on such services (say commission). ECO takes various input services on which ECO can avail ITC.

ECO charge GST on supplies made by restaurant through it u/s 9(5). ECO can not ITC on such payment & has to pay GST in cash only. (No ITC allowed since it is not inward supply of ECO)



⑦ GST to be paid by supplier on services not notified u/s 9(5) but supplied through ECO

Eg.

Cinema Operator \longrightarrow Book My Show \longrightarrow customer
 \downarrow
 FCM

⑧ ECO to raise invoice in respect of restaurant service supplied through ECO

⑨ Billing in case of 'Restaurant service' and 'other goods & services' supplied by a restaurant to customer under same order

\downarrow
 It is advisable that ECO raises separate bill on restaurant services & Restaurant issues invoice on 'other supplies' made through ECO. [ECO to deduct TCS u/s 52]

Common notes on section 9(5)

① ECO shall report notified services as outward supply in form GSTR-3B

② Person liable to pay GST on above specified services when supplied through ECO

a) If ECO located in taxable territory \longrightarrow Person liable to pay tax is ECO

b) If ECO does not have physical presence in the taxable territory \longrightarrow Person liable to pay tax is the person representing the ECO

c) If ECO has neither (a) & (b) \longrightarrow ECO shall appoint person to pay tax.

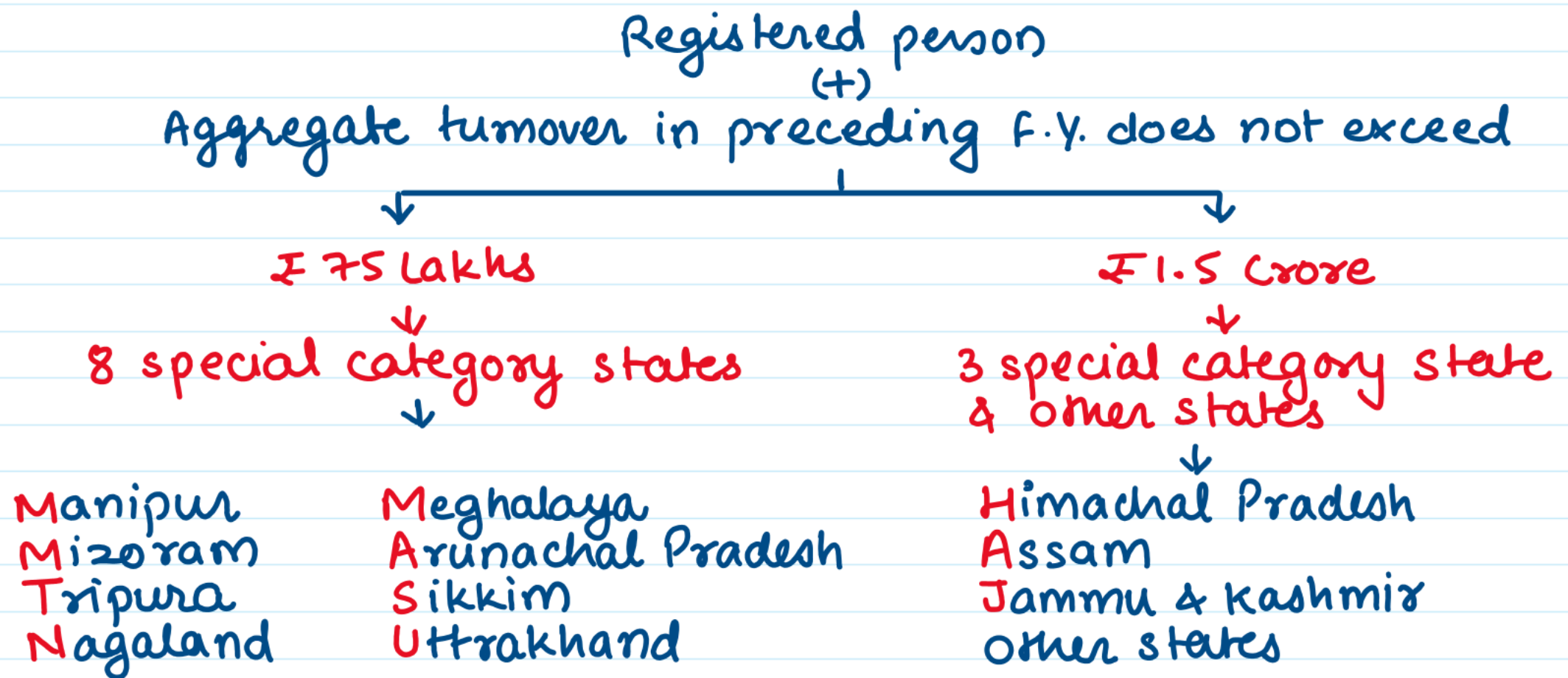


TP:11 Composition Levy vs 10(1) | 10(2) for Goods

An alternate method to tax small tax payers while simplifying their compliance cost.

Composition Levy is an option for specified tax payer to pay GST at a very low rate on turnover basis (No ITC)

① Eligibility for Composition Levy



Meaning of Aggregate turnover

Includes

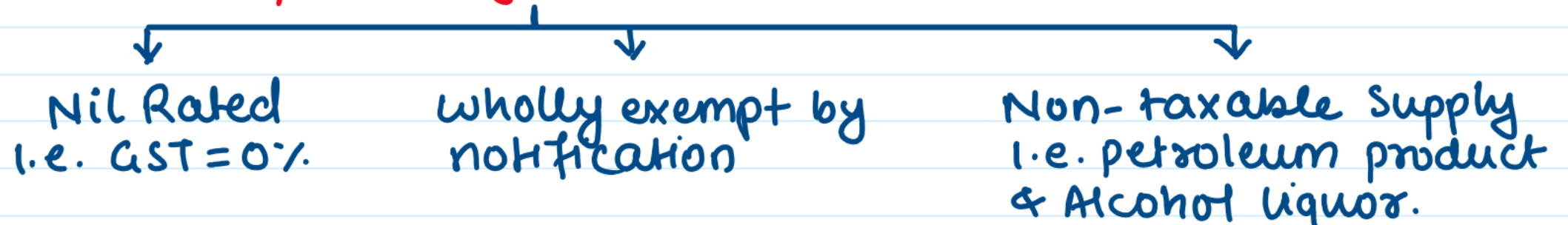
All outward supplies i.e.

- taxable supplies
- exempt supplies
- export of goods or services or both (**zero rated supply**)
- inter state supplies on PAN India basis

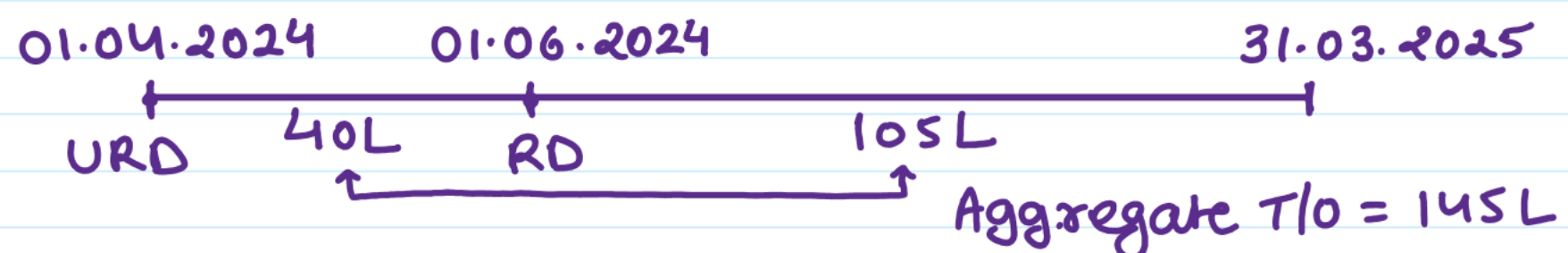
Excludes

- Value of inward supplies on which tax is payable under RCM
- Tax including cess paid under GST Law i.e. CGST, SGST, UTGST, IGST, cess
- value of exempt supply of service by way of extending loan. i.e. interest on loan.

Note 1: Exempt supply Includes



Note 2: Aggregate turnover shall include value of supplies from 1st April of FY upto date of his becoming liable for registration.





Note 3: Aggregate turnover shall exclude value of exempt supply of services provided by way of extending deposits, loans or advances i.e. interest or discount shall be excluded from aggregate turnover.

Eg. Mr. X, registered person, FY 2024-25, Delhi

Electronic Goods (Intra state)	40,00,000
Petrol & Diesel	20,00,000
Export of goods	25,00,000
Electrical Goods (Inter state)	50,00,000
Inward supply tax payable under RCM	10,00,000
Alcoholic liquor for human consumption	20,00,000
Interest on loan or advances (Exempt)	5,00,000

Above amounts are including GST @ 18%, wherever applicable.

$$\text{Aggregate turnover} = \frac{40L}{1.18} + 20L + 25L + \frac{50L}{1.18} + 20L$$

$$= 1,41,27,119$$

↓
Eligible for composition levy for FY 2025-26

Note 4: If person has any one establishment in any of 8 special states (MMTN MASU), then threshold limit shall be ₹ 75 lakhs.

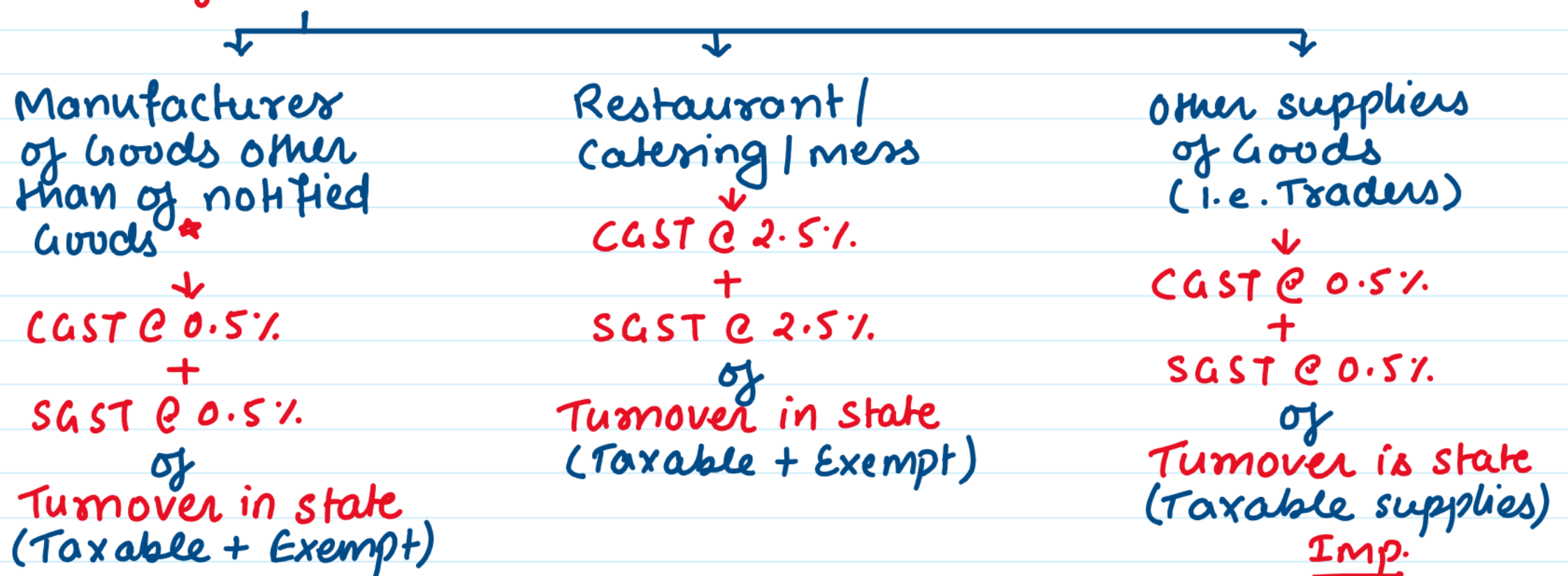
Eg. Mr. X, two businesses,

Bus 1 - Delhi - Tlo = 60 lakhs } Aggregate Tlo = 100 lakhs
Bus 2 - Manipur - Tlo = 40 lakhs }

↓
Threshold limit for composition = 75 lakhs

↓
Cannot opt for 10(1) / 10(2)

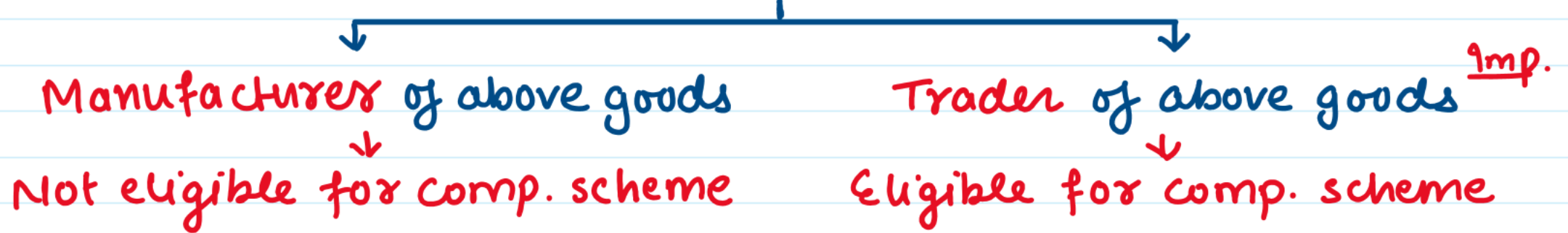
② Rate of tax





* Notified Goods

- i) Ice cream ii) Pan Masala iii) tobacco iv) Aerated water
 v) fly ash bricks vi) fly ash aggregates vii) fly ash blocks
 viii) bricks of fossil meals ix) Building bricks x) Earthen or roof tiles



Meaning of turnover in state

Includes

- a) All taxable supplies within State / UT
- b) Exempt supplies within State / UT
(only for manufacturer & restaurant)

Excludes

- a) Value of inward supplies tax on which is payable under RCM
- b) Value of supplies from 01st April of FY till date when become liable for registration
- c) Value of exempt supply by way of extending deposits. i.e. Interest.

Eg: Mr. X, trader, Delhi & Jaipur, t/o FY 2024-25 = 10L (unreg)

01.04.2025 to 30.06.2025 (unreg)	<u>Delhi</u>	<u>Jaipur</u>
Taxable supplies (intra state)	15,00,000	10,00,000
Exempt supplies (intra state)	<u>5,00,000</u>	<u>10,00,000</u>
	20,00,000	20,00,000
	40,00,000	

01.07.2025 to 31.03.2026 (Comp. Reg)	<u>Delhi</u>	<u>Jaipur</u>
Taxable supplies (intra state)	25,00,000	40,00,000
Exempt supplies (intra state)	<u>15,00,000</u>	<u>30,00,000</u>
	40,00,000	70,00,000

Now, Aggregate t/o FY 25-26 = 1,50,00,000

↓
 Can continue in comp. scheme for whole FY 2025-26

Turnover in state

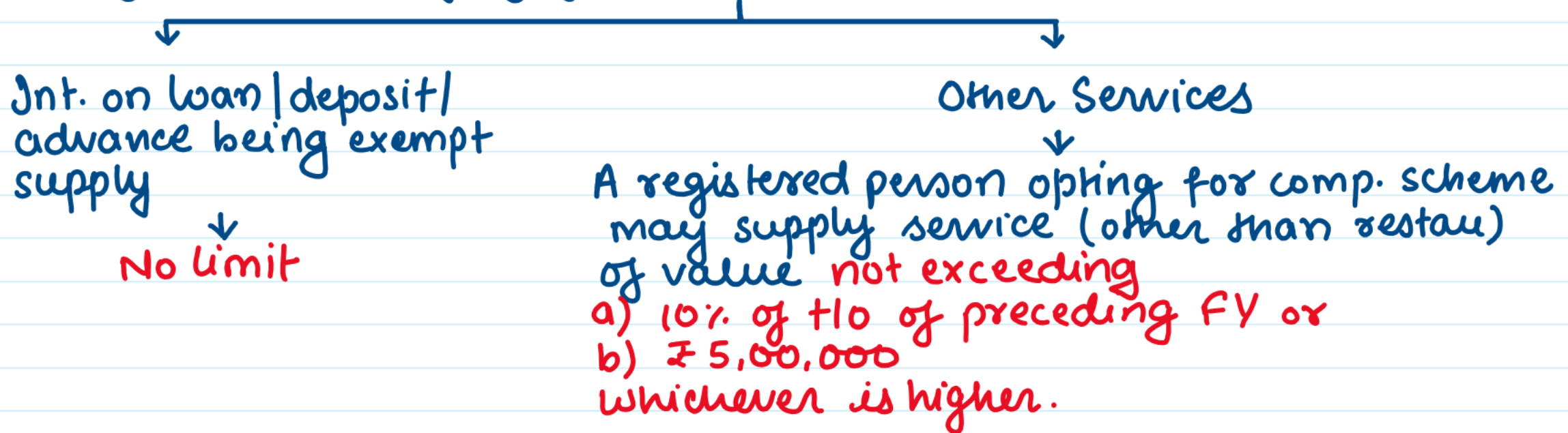
- ↳ Delhi → 25,00,000
- ↳ Raj → 40,00,000

Composition tax

CGST = 12500 SGST = 12500
 CGST = 20000 SGST = 20000



③ Permissible supply of service (other than restaurant service) along with supply of goods



Eg. Ramsewak, supplier of goods, Delhi, tlo FY 2024-25 = 60 L
opts for composition scheme during FY 2025-26.

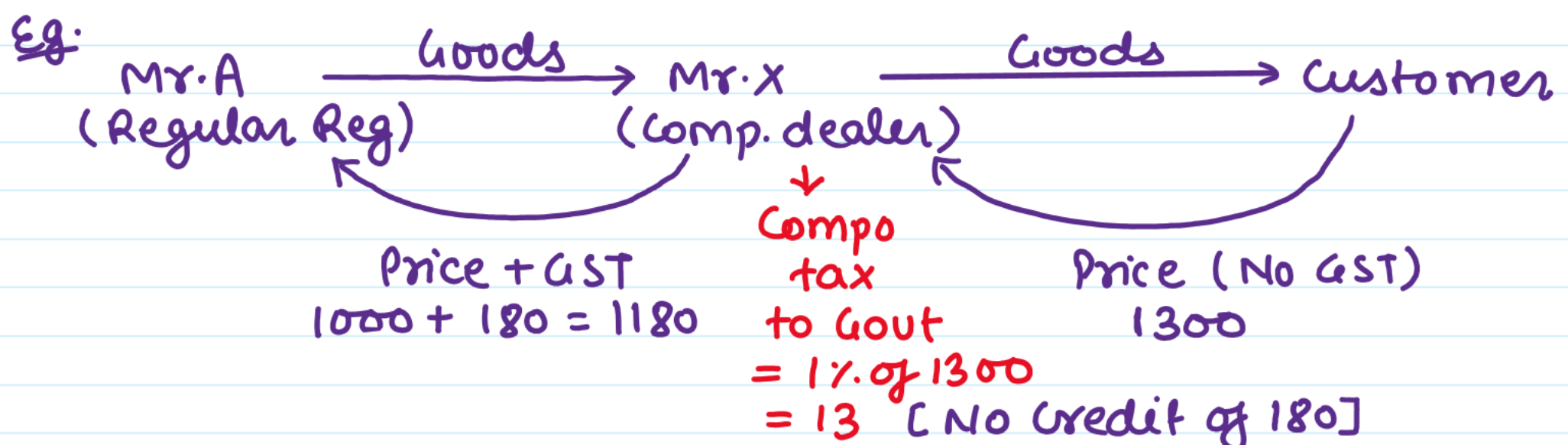
He can supply services (other than restaurant) upto value not exceeding

- a) 10% of 6000000 = 600000
- or
- b) ₹ 5,00,000

whichever is higher i.e. upto ₹ 6,00,000.

④ Conditions & Restrictions for composition Levy

- ① Not a casual taxable person (CTP), nor a non-resident taxable person (NRTP)
- ② Not engaged in supply of service (except upto permissible limit)
- ③ If there are more than one GSTIN under same PAN, then composition is allowed if all such distinct person opts for composition scheme. **Imp**
- ④ Not eligible for Input tax credit (ITC)



- ⑤ Not engaged in non-taxable supplies after opting for compo. scheme i.e. liquor & petroleum products.
- ⑥ Not eligible to collect/charge tax from recipient.
- ⑦ Not engaged in manufacturing of notified goods.



⑧ Scheme shall lapse from the day on which aggregate turnover exceeds threshold limit i.e. ₹5 lakh / 1.5 crore

Eg: Mr. X, trader, Delhi & Jaipur, +10 FY 2024-25 = 10L (unreg)

	Delhi	Jaipur
01.04.2025 to 30.06.2025 (unreg)		
Taxable supplies (intra state)	15,00,000	10,00,000
Exempt supplies (intra state)	5,00,000	10,00,000
	<u>20,00,000</u>	<u>20,00,000</u>
	40,00,000	

	Delhi	Jaipur
01.07.2025 to 31.12.2025 (Comp. Reg)		
Taxable supplies (intra state)	25,00,000	40,00,000
Exempt supplies (intra state)	15,00,000	30,00,000
	<u>40,00,000</u>	<u>70,00,000</u>

Now, Aggregate T10 upto 31.12.2025 = 1,50,00,000

↓
Compo. scheme shall lapse

Turnover in state upto 31.12.2025	Composition tax	
↳ Delhi → 25,00,000	CGST = 12500	SGST = 12500
↳ Raj → 40,00,000	CGST = 20000	SGST = 20000

From 01.01.2026 → Mr. X shall shift to regular scheme

⑨ Not engaged in making any supply through an ECO who is required to collect tax at source u/s 52.

⑩ Not making inter-state supplies of goods or services.

Eg: Mr. X, Registered, Delhi, FY 2024-25

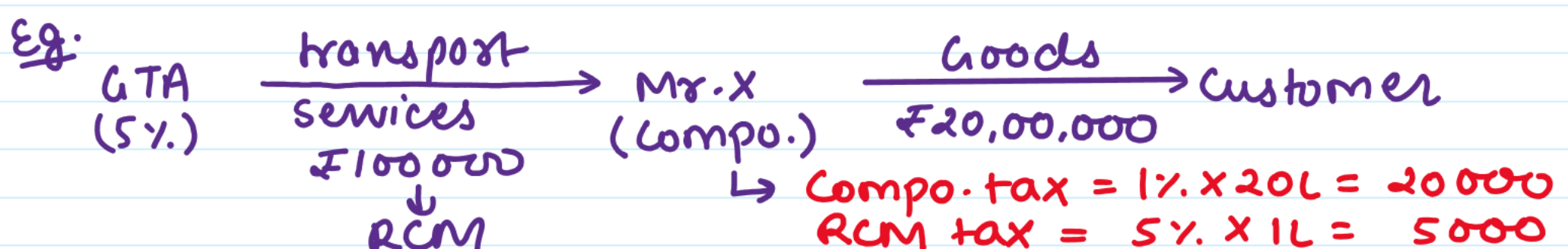
Inter-state supplies of goods	20,00,000
Intra-state supplies of goods	60,00,000
Exempt supplies	40,00,000
Liquor & petroleum products	25,00,000
	<u>1,45,00,000</u>

FY 2025-26, Eligible to opt for composition

on 01.05.2025 → Made inter state supply - ₹10,000

↓
surrender Compo. scheme

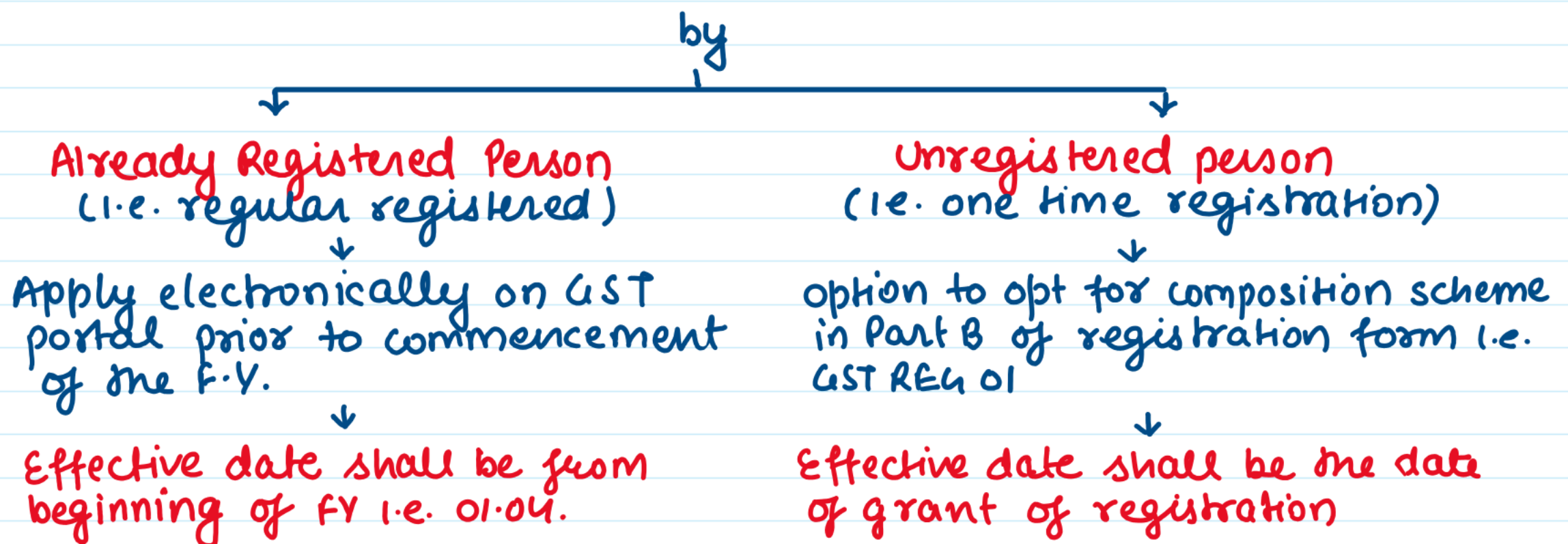
⑪ He shall pay tax under RCM wherever applicable at actual GST rate through cash ledger & no ITC of same.





- (12) He shall mention 'composition taxable person not eligible to collect tax on supplies' at the top of bill of supply.
- (13) He shall mention 'composition taxable person' on every notice or signboard displayed at his principal place of business & at every additional place of business.

(5) Intimation of opting for composition levy [Rule 3 & 4]



TP:12 Composition scheme for Goods & services u/s 10(2A)

This section is introduced in the scheme for service providers

(1) Eligibility for composition scheme

Registered Person
(+)

Aggregate turnover in preceding FY does not exceed ₹50 lakhs

Meaning of Aggregate turnover

↳ same as calculated for TP II

(2) Rate of tax

CGST - 3% & SGST - 3% of turnover in state

Meaning of turnover in state

↳ same as calculated for TP II.

(3) Other conditions

↳ same as discussed under TP II (Except condition no. 2)



TP:13 Common points on TP:11 & TP:12

① Validity of composition levy [sec 10(3)]

- i) Until the person satisfies all the conditions mentioned under rule.
- ii) The option shall lapse from the day on which his aggregate turnover during the FY exceeds the threshold limit
(i.e. 1.5 cr / 75L / 50L)



② Returns / statement for composition taxpayer

