Chapter 3 - Charge of GST

TP: 9 Services notified under section 9(3)

Question: 1 [GTA]

ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2025. It utilized the services of Big Carriers, a goods transport agency (registered paying GST @ 5%), in the month of November 2025. Big Carriers have communicated to ABC Ltd. that GST on the services provided by them is required to be paid by ABC Ltd. under reverse charge.
You are required to critically examine the stands taken by each of the two parties to arrive at the final conclusion.

Solution:

As per Entry 1 of Notification No. 13/2017-CT (Rate), Supply of Services by a goods transport agency (GTA) who is registered under GST paying CGST @2.5% and SGST @2.5%, in respect of transportation of goods by road to any body corporate shall be liable to be taxed under reverse charge mechanism and the recipient of service shall be liable to pay GST.
In this case, reverse charge is applicable and GST shall be paid by the service recipient i.e. ABC Ltd. and not by Big Carriers., hence ABC Ltd. has to pay GST to the Government.

Question: 2 [GTA] [MTP May 2025]

'Safe Trans', a Goods Transport Agency (GST payable @5%), transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.

Solution:

In the case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

Question: 3 [Legal Service]

Vakil & Vakil, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December 2025. Who is liable to pay GST in this case? Will your answer be different if Mr. B and MNO Ltd. sought legal advice from Mr. A, a lawyer?
The Aggregate Turnover of Mr. B and MNO Ltd. exceeds the prescribed limit in the preceding year.

Solution:

In the case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, person liable to pay GST is the person receiving such service.
Further, services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.
In the given case, the turnover of services of both Mr. B and MNO Ltd. is more than prescribed limit in the preceding financial year and hence, legal services provided by Vakil and Vakil (firm of advocates) or Mr. A (individual lawyer) during December 2025 will be taxable.
Therefore, GST will be payable by service receivers, Mr. B and MNO Ltd. irrespective of whether the legal advice

is sought from a firm of lawyers or from Mr. A, an individual lawyer.

Question: 4 [Govt. Service] **[May 2022] [MTP May 2025]**

"Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services". State the exceptions of the above statement.

Solution:

Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:
(i) Services of renting of immovable property provided to an unregistered business entity.
(ii) Services by the Department of Posts and Ministry of Railways.
(iii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
(iv) Services of transport of goods or passengers.

Question: 5 **[ICAI Mat] [MTP Jan 2025]**

State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:
(a) Services provided by an arbitral tribunal to any business entity.
(b) Sponsorship services provided by a company to an individual.
(c) Renting of immovable property service provided by the Central Government to a registered business entity.
(d) Raghu Associates provided sponsorship services to WE-WIN Cricket Academy LLP.
(e) Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company, engaged in making taxable supplies and located in Maharashtra, having turnover of ₹50 lakh in preceding financial year.
(f) Services supplied by an insurance agent to an insurance company.
(g) Services supplied by a recovery agent to a car dealer.
(h) Security services (services provided by way of supply of security personnel) provided by a partnership firm to a registered person paying tax under regular scheme.

Solution:

(a) Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.

(b) GST on sponsorship services provided by any person other than body corporate to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided by a body corporate to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – Company.

(c) GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

(d) In case of services provided by any person other than body corporate by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.
Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions

of the Limited Liability Partnership Act, 2008 is also considered as a partnership firm.
Therefore, in the given case, WE-WIN Cricket Academy LLP is liable to pay GST under reverse charge.

(e) GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis.
Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

(f) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.

(g) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.

(h) GST on security services (services provided by way of supply of security personnel) provided by any person other than a body corporate to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

Question: 6 [Director] **[RTP May 2021]**

Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?
(i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
(ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹1,25,000, ₹60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

Solution:

(i) As per Para I of Schedule III of the CGST Act, 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. Services provided by the independent directors 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 Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.
Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

(ii) 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-tax Act (IT Act), is 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.
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. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on

it on reverse charge basis.
In lieu of the above provisions, ₹60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is 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.
Further, ₹65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194Jof the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable.
The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Question: 7 [Sponsorship]

Mr. A sponsored a dance competition organized by 'Taal Academy', a dance school run by an individual. The dance competition was named 'Mr. A's Dance Show' by 'Taal Academy'. Who is liable to pay GST in this case? Will your answer be different if 'Taal Academy' is run by a partnership firm?

Solution:

In case of service provided by any person other than body corporate by way of sponsorship to any body corporate or partnership firm, person liable to pay GST is the person receiving such service i.e. reverse charge is applicable, but if services are given to any other person, reverse charge is not applicable.
In the given case sponsorship service is provided to an individual, the person liable to pay GST will be service provider i.e., 'Taal Academy'. Further, in second case, since the service is provided by partnership firm to an Individual, GST will be payable by service provider i.e., 'Taal Academy'.

Question: 8 [Sponsorship] [RTP May 2025]

Regal Foundation of Commerce organized a business summit in Surat, Gujarat, in which all the startups were invited to pitch their business ideas. Pandit Jewels Pvt Ltd., registered in the State of Maharashtra, sponsored the summit and paid a sponsorship fee of ₹1,50,000 to Regal Foundation of Commerce.
You are required to determine, who is the person liable to pay tax if:
(i) Regal Foundation of Commerce is a body corporate.
(ii) Regal Foundation of Commerce is not a body corporate.

Solution:

(i) In case of services provided by way of sponsorship service to anybody corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.
Since Regal Foundation of Commerce, the supplier, is a body corporate in this case, so reverse charge provisions are not applicable in this case.
Thus, Regal Foundation of Commerce is required to pay tax under forward charge on the supply of the sponsorship services.
(ii) In case of services provided by way of sponsorship to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.
Since Regal Foundation of Commerce, the supplier, is not a body corporate in this case, so reverse charge provisions are applicable in this case.
Accordingly, Pandit Jewels Pvt Ltd is required to pay tax under the reverse charge on sponsorship fees paid to Regal Foundation of Commerce.

Question: 9 [GTA, Publisher] [MTP Sept 2025]

In the following independent cases, decide who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.
(i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.
(ii) Sahdev & Sons, a registered partnership firm located in Maharashtra, hires a goods transport agency (GTA) for transporting industrial raw materials from Gujarat to their factory. The GTA has opted to pay GST under the forward charge mechanism at the rate of 12% and issues a tax invoice.
(iii) Mr. Kamal Jain, an unregistered famous author, received ₹20 lakhs of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

Solution:

(i) In case of a GTA service, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.
Note: In the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer, the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

(ii) In accordance with section 9(3) of the CGST Act, 2017, services provided by a Goods Transport Agency (GTA) to partnership firm are taxable under Reverse Charge Mechanism (RCM). Provided, where the GTA opts to pay GST under the forward charge at 12%, and issues a tax invoice charging GST, GTA is liable to pay GST.
In the given case, the GTA has exercised the option to pay tax at 12% under forward charge and issued a tax invoice to Sahdev & Sons. Thus, GTA is liable to pay the tax under forward charge and Sahdev & Sons are not required to discharge tax under RCM.

(iii) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.
Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

Question: 10 [Publisher]

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher.
Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

Solution:

Mr. Anurag, an author, can choose to pay tax under forward charge provided he fulfills the following conditions:-
(i) He has taken registration under the GST law.
(ii) He has filed a declaration, in the prescribed form, that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law 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.

(iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

Question: 11 [Publisher] **[RTP May 2020]**

Mr. Vicky Frankyn, an unregistered famous author, received ₹3 crores of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has not yet raised the invoice.
Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.
Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

Solution:

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017-CT(R) dated 28-06-2017. Therefore, in the given case, person liable to pay tax is the publisher - SBP.
However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:
(i) Since he is unregistered, he must first take registration under the CGST Act, 2017
(ii) He needs to file 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) of the CGST Act 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;
(iii) He must make a declaration on the invoice, which he would issue to SBP, in prescribed form.

TP: 10 Electronic Commerce Operator [Section 9(5)]

Question: 12

A restaurant owner provided restaurant services in Rajasthan, through an electronic commerce operator - Rubgy Eats. The restaurant owner is not liable to get registered as per the provisions of Section 22(1) of the CGST Act. Who is the person liable to pay GST in this case? Would your answer be different if the Electronic Commerce Operator Rubgy Eats does not have a physical presence in India?

Solution:

As per Section 9(5) of the CGST Act, 2017, Government may notify specific categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it. Supply of restaurant service other than the services supplied by restaurant located at specified premises has been notified under Section 9(5) of the CGST Act, 2017. "Specified premises" means premises providing hotel accommodation service having declared tariff of any unit of accommodation above Rs.7,500/- per unit per day or equivalent.
Thus, person liable to pay GST in this case is the Electronic Commerce Operator Rubgy Eats. All the provisions of the GST law shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

If Rubgy Eats does not have a physical presence in India, person liable to pay tax is the person representing the Electronic Commerce Operator - Rubgy Eats for any purpose in India.

TP: 11 Composition levy u/s. 10(1)/ 10(2) for Goods

Question: 13

Mr. Zafar of Assam, provides the following information for the preceding financial year 2024-25. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2025-26.

Value of taxable outward supplies (out of above ₹10 lakhs was in course of inter-state transactions).	50,00,000
Value of exempt supplies (Including ₹30 lakhs was received as interest on loans & advances).	70,00,000
Value of inward supplies on which he is liable to pay tax under reverse charge	5,00,000
Value of exports	5,00,000
All the amounts are exclusive of GST	

Solution:

Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.1.5 crore (Rs.75 lakhs in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay for composition scheme.
As per Section 2(6) of the CGST Act, 2017, "Aggregate turnover" means the aggregate value of
(i) All taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis).
(ii) Exempt supplies,
(iii) Exports of goods or services or both, and
(iv) Inter-State supplies
of persons having the same Permanent Account Number, to be computed on all India basis, but excludes Central tax, State tax, Union territory tax, Integrated tax, and Cess.

According to Explanation 1, "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 in represented by way of interest or discount.

Thus, aggregate turnover shall be computed as under

Value of taxable outward supplies (out of above Rs.10 lakh was in course of inter-state transactions).	50,00,000
Value of exempt supplies (Excluding Rs.30 lakhs was received as an interest on loans & advances).	40,00,000
Value of inward supplies on which he is liable to pay tax under reverse charges (specifically excluded)	
Value of exports (to be included)	5,00,000
Aggregate Turnover for composition scheme	95,00,000

Though his aggregate turnover does not exceed ₹150 lakhs, but since he is engaged in inter-state supply of goods, he is not eligible for the composition scheme.

Question: 14

M/s. Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹78 lakhs in the preceding financial year 2024-25.
(a) Determine whether Sai Trading Company will be eligible for composition levy during F.Y.2025-26.
(b) Will your answer be different, if in the above scenario, M/s. Sai Trading Company is making intra-state supply within the state of Jammu and Kashmir?

Solution:

(a) A registered person, whose aggregate turnover in the preceding financial year does not exceed ₹1.5 crore, will be eligible to opt for payment of tax under the composition scheme. However, the aggregate turnover in the preceding financial year shall be ₹75 lakhs in the case of an eligible registered person, registered under section 25 of the said Act, in any of the following States, namely: Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Uttarakhand. Since Sai trading Company is making intra state supplies in Andhra Pradesh, it will be eligible to opt for composition scheme.
(b) The turnover limit in Jammu and Kashmir is ₹1.5 crore. Hence Sai Trading company will be eligible to opt for composition scheme with other condition of not making inter-State supplies of goods being fulfilled.

Question: 15

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹130 lakh and Receipts of the interior decorators service was ₹22 lakh in the preceding financial year.
With reference to the provision of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?
Will your answer change, if the turnover of the showroom was ₹120 lakh and Receipts of the interior decorators service was ₹22 lakh in the preceding financial year?
Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom?

Solution:

Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore (₹75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. Hence Ginny and John Company cannot opt for composition scheme since its aggregate turnover exceeds ₹1.5 crore.

In second case also though his aggregate turnover is ₹142 lakhs, he cannot opt for composition scheme as he is supplying interior decorator services also. If he opts for composition scheme, he can supply services not exceeding 10% of turnover in a State or Union territory in the preceding financial year; or ₹5,00,000, whichever is higher.

As per Section 10(2), all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme. Thus, he cannot opt for composition scheme only for showroom.

Question: 16

Shubhlaxmi traders is engaged in trading of goods within the state of Maharashtra. In the preceding financial year, it has a turnover of ₹140 lakh from the trading of goods. Further, it has also earned a bank interest of ₹20 lakh from the fixed deposits. Shubhlaxmi traders wishes to opt for composition scheme in the current year. You are required to advise Shubhlaxmi traders on the same. Would your answer be different if Shubhlaxmi traders is also engaged in supply of farm labour and the turnover from the said activity is ₹14 lakh?

Solution:

As per Section 10(1) of the CGST Act, 2017, a registered person, engaged in trading of goods and supplier of services 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.
According to Explanation 1, "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.
Thus, in computing his aggregate turnover in order to determine his eligibility for composition scheme, value of supply of any 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.

Subhlaxmi traders is eligible for composition scheme: In the given case, the services provided by Shubhlaxmi traders apart from trading of goods, viz. services by way of extending deposits where the consideration is represented by way of interest shall not be taken into account for computation of aggregate turnover for determination of eligibility of composition scheme. Since the aggregate turnover of Shubhlaxmi traders do not exceed 1.5 crores in preceding financial year, it shall be eligible to opt for composition scheme.

Subhlaxmi traders is not eligible for composition scheme: However, if Shubhlaxmi traders is also engaged in supply of farm labour, it will not be eligible for composition levy since only 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. Other exempt services shall be taken into account. Since its aggregate turnover is ₹1.54 crores in preceding financial year it will not be eligible to opt for composition scheme.

Question: 17 **[Nov 2022]**

Answer the following, after reading the below paragraph:
(i) Briefly discuss the relevant provision
(ii) Decide the correct conclusion and
(iii) Determine the validity of the given advice (Correct/Incorrect)

Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2025 and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1 crore for the said financial year.

Solution:

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 subject to fulfilment of specified conditions.
One of these conditions is that he must not be engaged in the manufacture of notified goods including fly ash bricks. Therefore, in the given case, since Raju is engaged in manufacture of fly ash bricks, he cannot opt for composition levy even though his aggregate turnover in the preceding financial year is nil.

Thus, the advice given by his tax consultant is not correct.

Question: 18

A Ltd. is a manufacturing concern in Pune. In the financial Year 2024-25 total value of supplies including inward supplies taxed under reverse charge basis are ₹1,53,60,000. (exclusive of taxes). The breakup of supplies are as follows:

	Particulars	Rs.
(1)	Intra-State Supplies made under forward charge	75,00,000
(2)	Intra-State Supplies of goods which are chargeable to GST at Nil rate	43,00,000
(3)	Intra –State Supplies which are wholly exempt under Section 11 of CGST Act, 2017	32,00,000
(4)	Value of exempt supply of services being interest earned on fixed deposits with bank	1,00,000
(5)	Value of inward supplies on which tax payable under RCM	2,60,000

Briefly explain whether A Ltd. is eligible to opt for Composition scheme in Financial Year 2025-26.

Solution:

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1,50,00,000, may opt for payment of tax under Composition scheme.
As per Section 2(6) of the CGST Act, 2017, "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 Number, to be computed on all India basis, but excludes Central tax, State tax, Union territory tax, Integrated tax, and Cess.
According to 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 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.

Thus, aggregate turnover shall be computed as under -

(1)	Supplies made under forward charge	75,00,000
(2)	Supplies made which are chargeable to GST at Nil rate (covered under exempt supply)	43,00,000
(3)	Supplies which are wholly exempt under Section 11 of CGST Act, 2017	32,00,000
(4)	Value of exempt supply of services being interest earned on fixed deposits with bank	Nil
(5)	Value of inward supplies on which tax payable under RCM (specifically excluded)	Nil
	Total	1,50,00,000

Since, Aggregate turnover does not exceed ₹1,50,00,000 during the Financial Year 2024-25, So, A Ltd. is entitled for Composition Scheme for Financial Year 2025-26.

Question: 19

Mr. X started trading in goods in Delhi w.e.f. 01.04.2025 and has submitted particulars as given below:
- Sold goods upto 30.06.2025 and charged ₹40,00,000.
- His turnover crossed ₹40 lakhs on 01.07.2025 and he has taken registration and opted for composition scheme and turnover from 01.07.2025 to 31.01.2026 was ₹1,10,00,000. His turnover from 01.02.2026 to 31.03.2026 was

₹25,00,000. He has given loan and has earned interest of ₹3,00,000 from 01.10.2025 to 31.12.2025.
- GST rates on the goods is CGST @ 6% and SGST 6%.
Discuss tax treatment and compute his tax liability for the financial year 2025-26.

Solution:

In this case no GST is payable upto 30th June 2025 because he is unregistered. After 31st Jan 2026 he has to shift to the normal scheme because turnover has exceeded ₹150 lakhs (₹40,00,000 shall also be added to determine aggregate turnover but no tax payable on ₹40 lakhs.) After 31st Jan 2026 he has to pay normal tax (however ITC shall be allowed).

Under Composition scheme

	1,10,00,000
CGST @ 0.5%	55,000
SGST @ 0.5%	55,000

Under Normal Scheme
He has to pay normal tax on turnover of ₹25,00,000

	25,00,000
CGST @ 6%	1,50,000
SGST @ 6%	1,50,000

Question: 20

Mr. X purchased goods for ₹25,00,000 and paid CGST @ 10% / SGST @ 10%. He is a registered dealer and is covered in normal scheme and sold the product at a profit of ₹2,00,000 and charged CGST @ 10% and SGST@ 10%. He has incurred ₹40,000 in connection with maintenance of books of accounts. Show Tax treatment.

Solution:

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000
Total	30,00,000
Input tax allowed	
CGST	2,50,000
SGST	2,50,000
Cost	25,00,000
Add: profit	2,00,000
Transaction Value	27,00,000
Add: CGST@10%	2,70,000
Add: SGST@10%	2,70,000
Total	32,40,000

Computation of Net Tax

Output Tax	
CGST	2,70,000
Less: ITC CGST	(2,50,000)
Net Tax Payable	20,000
SGST	2,70,000

Less: ITC SGST	(2,50,000)
Net Tax Payable	20,000
Computation of Net Profit (2,00,000 – 40,000)	1,60,000

(b) Presume he is covered in composition scheme and in that case expenses incurred on maintenance of books shall not be incurred.

Solution:

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000
Total	30,00,000
Input tax credit is not allowed.	
Cost	30,00,000
Add: profit	2,00,000
Sale Value	32,00,000

He will not be allowed to charge any output tax rather he himself has to pay composition tax in the manner given below:

CGST@ 0.5% of ₹ 32,00,000	16,000
SGST@ 0.5% of ₹ 32,00,000	16,000
Computation of Net Profit (2,00,000 -16,000-16,000)	1,68,000

If he has opted for composition scheme, his profit shall be higher and he will be saved from complicated accounting and other procedure.

Question: 21

Mr. X opened a retail shop - 'Aapki Dukan' in Janta Market, Jaipur, Rajasthan on 01 April, 2024. He opted to pay tax under Section 10(1) of the CGST Act, 2017 in the said financial year. The aggregate turnover of the retail shop for the quarter ending 30th June, 2025 was 40 lakh. Further, for the half year ending 30th September, 2025, the turnover reached 85 lakh. Aapki Dukan recorded a rapid growth and the turnover reached 150 lakh by the end of December, 2025 and 165 lakh by the end of January 2026. Determine the total tax liability of Aapki Dukan. Mr. X has duly complied with the provisions of GST laws. Normal rate of tax in respect of goods sold in shop is 12%.

Solution:

Section 10(1) of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore in the State of Rajasthan, will be eligible to opt for payment of tax under the composition scheme.

According to Section 10(3), the benefit of composition scheme can be availed up to the aggregate turnover of ₹1.5 crore in current financial year. The option availed of by a registered person under Section 10(1) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit of ₹1.5 crore.

According to 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.

Thus, Aapki Dukan is eligible to pay tax under this section upto the turnover of ₹150 lakh. The total tax payable by it is as under:-

Period	Tax rate	Turnover (Rs.)	Tax liability (Rs.)
1st Quarter	Since turnover did not exceed ₹40 lakh, it was not required to be paid	40 lakh	Nil
2nd Quarter	Effective rate is 1% (CGST + SGST/ UTGST) under Section 10(1)	45 lakh [(85-40) lakh]	45,000
For 3rd Quarter	Effective rate is 1% (CGST + SGST/ UTGST)] under section 10(1) upto ₹150 lakh	65 lakh [(150-85) lakh]	65,000
For the month of January 2026	Normal rate of tax i.e. 12% will be applicable	₹15 lakh [(165-150) lakh]	1,80,000
Total tax liability			2,90,000

Question: 22

A Ltd., a manufacturing concern of Rajasthan having aggregate turnover of ₹120 lakhs in financial year 2024-25 has opted for composition scheme furnishes you with the following information for Financial Year 2025-26. It requires you to determine its composition tax liability and total tax liability. The breakup of supplies are as follows-

	Particulars	Rs.
(1)	Intra State Supplies of Goods X chargeable @ 5% GST	30,00,000
(2)	Intra State Supplies of goods which are chargeable to GST at Nil rate	18,00,000
(3)	Intra State supply of services chargeable with 5% GST	6,00,000
(4)	Interest earned on fixed deposits with banks	8,00,000
(5)	Intra State supplies which are wholly exempt under Section 11 of CGST Act, 2017	2,40,000
(6)	Value of inward supplies on which tax payable under RCM (GST Rate 5%)	5,00,000
(7)	Intra State Supplies of Goods Y chargeable @ 18% GST	30,00,000

Also determine composition tax liability if A Ltd. is a trader.

Solution:

The composition tax liability of A Ltd. shall be as under-

(1) Computation of Aggregate Turnover and composite tax (amount in Rs.):

Particulars	**Manufacture**	**Trader**
(1) Intra State Supplies of Goods X chargeable @ 5% GST	30,00,000	30,00,000
(2) Intra State Supplies of goods which are chargeable to GST at Nil rate	18,00,000	
(3) Intra State supply of services chargeable with 5% GST	6,00,000	6,00,000
(4) Interest earned on fixed deposits with banks [WN-2]		
(5) Intra State Supplies which are wholly exempts u/s 11 of CGST Act, 2017	2,40,000	
(6) Value of inward supplies which tax payable under RCM (GST Rate 5%) (not to be included)	Nil	Nil
(7) Intra- State supplies of goods Y chargeable @ 18% GST	30,00,000	30,00,000
Aggregate turnover	86,40,000	66,00,000
Rate of composite tax	1%	1%
Total Composite tax	86,400	66,000

(2) Tax payable under reverse charge basis (amount in Rs.)

Value of inward supplies on which tax payable under RCM	5,00,000	5,00,000
Rate of GST	5%	5%
Tax payable under RCM	25,000	25,000
Total Tax liability[A+B]	1,11,400	91,000

Working Note:
As per Second proviso to Section 10(1) to provide that a composition supplier may supply services of value not exceeding 10% of the turnover in the preceding financial year in a State or Union Territory or ₹5 lakh whichever is higher. Thus, A Ltd. can supply services to the extent of 10% of ₹120 lakhs i.e. ₹12 lakhs.
According to Explanation to Section 10(1), for the purposes of second proviso, the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory. Since the value of services provided excluding interest earned on deposits is ₹6,00,000 which is within the limit of ₹12 lakhs, hence A Ltd. is eligible for composition scheme.
(2) According to Explanation 2 to Section 10, 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 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.

Question: 23

Mr. A, a retailer who keeps no inventories, presents the following estimated information for the year -
(1) Purchases of goods: ₹50 lakhs (GST @ 5%)
(2) Sales (at fixed selling price inclusive of all taxes): ₹60 lakhs (GST on sales @ 5%) Discuss whether he should opt for composition scheme if composite tax is 1% of turnover.
Expenses of keeping detailed statutory records required under the GST Laws will be ₹1,20,000 p.a., which shall get reduced to ₹50,000 if composition scheme is opted for. Other expenses are ₹3,00,000 p.a.

Solution:

The cost to the ultimate consumer under two schemes is as under-

Particulars	**Normal GST Scheme (Rs.)**	**Composition Scheme (Rs.)**
Cost of goods sold (No credit under composition scheme, hence, cost of goods sold will be higher)	50,00,000	52,50,000
Add: Costs of maintaining records	1,20,000	50,000
Add: Normal Expenses	3,00,000	3,00,000
Total Costs	54,20,000	56,00,000
Sales (inclusive of all taxes)	60,00,000	60,00,000
Less: Tax (GST = ₹60 lakh * 5 = 105); (composite Tax = ₹60 lakh * 1%)	2,85,714	60,000
Sales (net of taxes)	57,14,286	59,40,000
Profit of the dealer (Sales, net of taxes – Total Costs)	2,94,286	3,40,000

It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.

Question: 24 **[ICAI Mat] [MTP Sept 2025]**

Manmohan Enterprises has two registered places of business in Delhi. Its aggregate turnover in the preceding financial year for both the places of business is ₹120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, for one of the places of business for the current financial while continuing paying under normal levy for other. You are required to advice Manmohan Enterprises whether he can do so?

Solution:

A registered person with an aggregate turnover in a preceding financial year up to ₹1.5 crore is eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, in Delhi. Since the aggregate turnover of Manmohan Enterprises does not exceed ₹1.5 crore, it is eligible for composition levy in the current year. However, 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. Thus, Manmohan Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

Question: 25 **[ICAI Mat]**

Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹115 lakh (₹85 lakh + ₹30 lakh). Turnover of units A1 and A2 in the first quarter of current financial year is ₹5 lakh and ₹10 lakh respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

Solution:

Unit	Location	Turnover in previous FY	Turnover in 1st qtr of this FY	Total Tax (@1%)
A1	U.P.	₹85 lakh	₹5 lakh	₹5,000
A2	M.P.	₹30 lakh	₹10 lakh	₹10,000
Total		₹115 lakh	₹15 lakh	₹15,000

Question: 26 **[ICAI Mat]**

Taxpayer 'Bholaram' is a trader, who has opted for composition levy for goods, of both taxable and exempted goods. It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹115 lakh (₹85 lakh + ₹30 lakh). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹35 lakh [A1 – ₹15 lakh (₹5 lakh from sale of taxable goods and ₹10 lakh from sale of exempted goods) and A2 – ₹20 lakh (₹10 lakh from sale of taxable goods and ₹10 lakh from sale of exempted goods)].
Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

Solution:

Retail	Location	Turnover in previous FY	Turnover in 1st qtr of this FY	Total Tax (@1%)
A1	Punjab	₹85 lakh	₹5 lakh	₹5,000
A2	Rajasthan	₹30 lakh	₹10 lakh	₹10,000
Total		₹115 lakh	₹15 lakh	₹15,000

Note: A supplier, other than manufacturer and restaurant service provider, eligible for composition levy under section 10(1) & 10(2) has to pay tax @ 1% (CGST+ SGST) of the turnover of only taxable supplies of goods and services in the State.

Question: 27 **[ICAI Mat]**

Sultan & Sons, a partnership firm, based in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, only within the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹130 lakh. The firm wishes to opt for composition scheme under sub-sections (1) & (2) of section 10 in the current financial year. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss.
Note: Assume that Sultan & Sons is not engaged in manufacture of goods as notified under section 10(2)(e).

Solution:

The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to ₹1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Maharashtra. Further, such person must not be engaged in making any supply of goods or services which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods or services, for being eligible to pay tax under said scheme.
In the given case, the aggregate turnover of Sultan & Sons does not exceed ₹1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax, though exempted by way of notification. Therefore, it is eligible for composition levy under section 10(1) & 10(2) in the current year.

Question: 28 **[ICAI Mat] [MTP Nov 2021]**

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

Solution:

No. the option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year exceeds the specified limit (₹1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.
Every person who has furnished such an intimation, may electronically furnish at the common portal, 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, within a period of 30 days from the date from which the option is withdrawn.

Question: 29 **[ICAI Mat] [MTP Jan 2025]**

Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2), provided their turnover in preceding year does not exceed ₹1.5 crore:
(i) Mohan Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.
(ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States

Solution:

(i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, 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 are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
(ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Question: 30 **[ICAI Mat] [MTP May 2023] [MTP Jan 2025]**

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹120 lakh.
The firm also expects to provide repair and maintenance service of such appliances from the current financial year.
With reference to the provisions of the CGST Act, 2017, examine:
(i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
(ii) If yes, up to what amount, the services can be supplied?

Solution:

(i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).
The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.
However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.
Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.
(ii) The registered person opting for composition scheme, under section 10(1) and 10(2), 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, in the current financial year.
Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹12 lakh [10% of ₹120 lakh or ₹5 lakh, whichever is higher] in the current financial year.

TP: 12 Composition scheme for Goods and Services u/s. 10(2A)

Question: 31

Chanchal started providing beauty and grooming services and inaugurated "Care & Care Beauty Centre" in Janak Puri, Delhi on 01st April, 2025. She opted to pay tax under Section 10(2A) of the CGST Act, 2017 in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30 June, 2025 was 20 lakh. Further, for the half year ending 30th September, 2025, the turnover reached 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached 70 lakh by the end of October, 2025. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2025.
Care & Care Beauty Centre wishes to opt for composition scheme under Section 10(1) from the next financial year. You are required to advise it whether it can do so?
Note: Rate of GST applicable on such services is 18%.

Solution:

Section 10(2A) of the CGST Act, 2017, provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST + SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹50 lakh made on/after 1st April in any financial year, subject to specified conditions.
According to 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.
Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of ₹50 lakh. The total tax payable by it is as under:-

Period	Tax Rate	Turnover (Rs.)	Tax liability (Rs.)
1st Quarter	Since turnover did not exceed ₹20 lakhs, it was not required to obtain registration. Hence, no tax was required to be paid	20 lakh	Nil
2nd Quarter	Effective rate is 6% (CGST + SGST/UTGST) as per section 10(2A) of the Act.	30 lakh [(50-20) lakh]	1,80,000
October, 2025	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

No, Care & Care Beauty Centre cannot opt for composition scheme under Section 10(1) from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

Question: 32 **[ICAI Mat] [RTP Nov 2019] [MTP Sept 2025]**

Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter- State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹45 lakh.
With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme in the current financial year (FY)? Is he eligible to avail benefit of composition scheme under Section 10(2A) of the CGST Act, 2017? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹35 lakh.
Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighboring State of Madhya Pradesh?

Solution:

Section 10(1) and 10(2) of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore (₹75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, if, inter alia, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy under Section 10(1) and 10(2) but he can avail

composition scheme under Section 10(2A) of the CGST Act, 2017.
Section 10(2A) has provided an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹50 lakh made on/after 1st April in any FY, subject to specified conditions.
Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under Section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹50 lakh and he is not eligible to opt for the composition scheme.
Thus, the amount of tax payable by him under Section 10(2A) is ₹2,10,000 [6% of ₹35 lakh].
A registered person cannot opt for Section 10(2A), if inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

Question: 33 **[ICAI Mat]**

Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch–B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two branches in last FY was ₹45 lakh (₹25 lakh + ₹20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹5 lakh and ₹10 lakh respectively. Compute the amount payable under composition levy under section 10(2A) of the CGST Act, 2017 by 'Padmavati'.

Solution:

Branch	Location	Turnover in previous FY	Turnover in 1st qtr of this FY	Total Tax (@6%)
B1	Delhi	₹25 lakh	₹5 lakh	₹30,000
B2	Haryana	₹20 lakh	₹10 lakh	₹60,000
Total		₹45 lakh	₹15 lakh	₹90,000

Question: 34 **[RTP May 2021]**

"Wedding Bells", a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2025-2026. It has provided the following details of turnover for the various quarters till December, 2025:-

S. No.	Quarter	Amount (₹ in lakh)
(i)	April, 2025 - June, 2025	20
(ii)	July, 2025 - September, 2025	30
(iii)	October, 2025 - December, 2025	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

Solution:

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹50 lakh in the preceding financial year for becoming eligible for composition levy for services.
Wedding Bells has started the supply of services in the current financial year (FY), thus, it's aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+

SGST/UTGST)] of the turnover of supplies of goods and services in the State.
Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds ₹20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.
The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹50 lakh.
However, for the purposes of determining the tax payable under composition scheme, the expression "turnover in State" shall not include the 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.
Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April, 2025 – June, 2025 quarter [₹20 lakh] shall not be included. On next ₹30 lakh [turnover of July, 2025 – September, 2025 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].
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 the 1st April of a FY up to the date of his becoming liable for registration.
Thus, while computing aggregate turnover for determining Wedding Bells'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 it becomes liable for registration under this Act (i.e. turnover of April, 2025 – June, 2025 quarter), are included.
By the end of July, 2025 – September, 2025 quarter, the aggregate turn over reaches ₹50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2025 – September, 2025 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
(i)	April, 2025 – June, 2025		20	
(ii)	July, 2025 – September, 2025	6%	30	1.8
(iii)	October, 2025 - December, 2025	18%	40	7.2