



Chapter 2 - Charge of GST

Part A - ICAI TYK

- 1) Panini Private Limited, Jaipur, agrees to sponsor a sports event organized by Pink City Club in Jaipur. Panini Private Limited has paid an amount of ₹ 5,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Private Limited. Examine who is the person liable to pay tax in the given case.

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

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

- 2) Arpan Singhania is an executive director in Narayan Limited, Haryana. The company paid him the sitting fee amounting to ₹ 25,000, for the month of January. Further, salary was paid to Arpan Singhania amounting to ₹ 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law. Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of ₹ 2 lakh. Discuss the person liable to pay GST in each of the supplies involved in the given case.

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

Salary paid to director - As per Circular No.140/10/2020 GST dated 10.06.2020, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS under section 192 of the Income-tax Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Therefore, in the given case, the salary received by Arpan Singhania of ₹ 1.5 lakh is not liable to GST.

Services provided by Tapasya & Associates - Tapasya & Associates have rendered certain professional services to Narayan Limited. The fact that Arpan Singhania is a partner in Tapasya &

Associates and a director in Narayan Limited does not have any impact on the taxability of the professional services supplied by Tapasya & Associates to Narayan Limited. The professional services provided by Tapasya & Associates to Narayan Limited are liable to GST under forward charge and thus, supplier - Tapasya & Associates - is liable to pay GST on the same.

- 3) Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the financial year 2022-23.

His turnover for current FY ₹ 80 lakh and is expected to achieve ₹ 130 lakh in financial year 2023-24. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in financial year 2023-24.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 1st April of financial year 2023-24 and wants to enjoy the benefits of composition scheme under GST. Advise Mr. Rajbeer and his son Karan.

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

In the given case, M/s. Rajbeer & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in the financial year 2023-24 since its aggregate turnover in financial year 2022-23 (viz. ₹ 80 lakh) does not exceed ₹ 1.5 crore.

If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Rajbeer & Sons, the sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be obtained.

In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 5 lakh (10% of aggregate turnover of last year or ₹ 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in financial year 2023-24.

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

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

Oct - Dec

₹ 20 lakh

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

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

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

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

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

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

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

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

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

5) Examine whether the suppliers are eligible for composition levy under Section 10 in the following independent cases in the beginning of financial year 2023-24.

- (a) Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing and supplying computer systems. Its aggregate turnover in the financial year 2022-23 is ₹ 125 lakh. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in Punjab in the financial year 2023-24.
- (b) M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of ₹ 112 lakh in the financial year 2022-23. In view of the growing customer demand, it will also start intra-State trading of juices in Delhi from financial year 2023-24.
- (c) Sitaram Associates, registered in Sikkim, is engaged in running a restaurant chain 'Veg Kitchen' in the State. It has a turnover of ₹ 73 lakh in the financial year 2022-23. In the financial year 2023-24, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services from financial year 2023-24.
- (d) Deepti Services Ltd., registered in Uttarakhand, is exclusively providing intra-State hair styling services. It has turnover of ₹ 34 lakh in the financial year 2022-23.

Will your answer be different, if Deepti Services Ltd. also start intra-State supply of beauty products along with providing hair styling services in the financial year 2023-24?

Sol: As per section 10(1), the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

- (i) Manufacturers,
- (ii) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- (iii) Any other suppliers eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Further, the registered person should not be engaged in making any inter-State outward supplies of goods or services.

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

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

- (a) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 for Jalandhar (Punjab) is ₹ 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme in financial year 2023-24 as its aggregate turnover is less than ₹ 1.5 crore in the financial year 2022-23 and it is making intra-State supplies. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Thus, Technology Enterprises can supply repair services up to a value of ₹ 12.5 lakh [10% of ₹125 lakh] in the financial year 2023-24.
- (b) In the given case:-
- (i) the turnover in the preceding year is less than the eligible turnover limit under composition scheme under sub-sections (1) and (2) of section 10 for Delhi, i.e. ₹ 1.5 crore.
 - (ii) the supplier is engaged in providing restaurant service which is an eligible supply under said composition scheme.
 - (iii) the supplier wants to engage in trading of goods which is also an eligible supply under said composition scheme.

Thus, M/s. Siddharth & Sons is eligible for composition scheme under sub-sections (1) and (2) of section 10 from the financial year 2023-24.

- (c) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 for Sikkim is ₹ 75 lakh in the preceding financial year. However, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for said composition scheme. Thus, Sitaram Associates cannot opt for composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2023-24.

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

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

- (d) A service provider can opt for the composition scheme under sub-sections (1) and (2) of section 10 only if he is engaged in supply of restaurant services. Said scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since Deepti Services Ltd. is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme under sub-sections (1) and (2) of section

10 even though its turnover in the financial year 2022-23 is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since Deepti Services Ltd. is not eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 and its aggregate turnover in the financial year 2022-23 does not exceed ₹ 50 lakh, Deepti Services Ltd. is entitled to avail benefit of composition scheme under section 10(2A) in the financial year 2023-24.

Further, the answer will remain the same even if Deepti Services Ltd. also start supplying beauty products alongwith providing hair styling services in the financial year 2023-24 since it fulfils the conditions laid down for availing the benefit of composition scheme under section 10(2A). It can avail the benefit of composition scheme under section 10(2A) till the time its aggregate turnover in the financial year 2023-24 doesn't exceed ₹ 50 lakh.

- 6) B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme. B & D Company has furnished the following details with respect to its turnover (exclusive of taxes):

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

The extract of the only bill book maintained by the firm showed the following details-

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	1 st October	2,00,000	3,000	2,03,000
2307	1 st October	1,36,000	2,250	1,38,250
2308	2 nd October	67,000	39,250	1,06,250
2309	3 rd October	58,750	33,750	92,500
2310	5 th October	1,00,000	-	1,00,000
2311	6 th October	94,000	6,000	1,00,000
2312	6 th October	-	17,000	17,000
2313	8 th October	50,000	6,000	56,000

2314	9 th October	60,000	9,000	69,000
2315
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Further, B & D Company paid freight of ₹ 1,40,000 to Goods Transport Agency during the period April to October. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported between 11th to 20th day of the month.

All the above amounts are exclusive of taxes, wherever applicable. Compute the GST liability (ignoring ITC provisions) of B & D Company for the period April to October under composition scheme under sub-sections (1) and (2) of section 10 showing calculations for each quarter separately.

Note: Make suitable assumptions wherever required. Rate of CGST and SGST on service of transportation of goods by GTA is 2.5% each wherein GTA has not opted to pay tax itself. Stock is valued at cost price.

Sol: As per section 10(3) read with Notification No.14/2019 CT dated 07.03.2019 as amended, the option availed by a registered person to pay tax under composition scheme under sub-sections (1) and (2) of section 10 shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6), aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 3rd October [aggregate of both taxable and exempt turnover from 1st April to 3rd October, i.e. ₹ 1,50,05,000 (₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹ 92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6). The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [Notification No. 13/2017 CT (R) dated 28.06.2017 as amended].

Thus, the firm will have to pay tax under regular scheme (Section 9) from 3rd October.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 1st April to 2nd October, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39].

Further, since the firm is trading in goods, tax will be payable @ $\frac{1}{2}\%$ [Effective rate - 1% ($\frac{1}{2}\%$ CGST + $\frac{1}{2}\%$ SGST)] of the turnover of taxable supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7].

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

Particulars	Qtr. Ended 30 th June (₹)	Qtr. Ended 30 th Sept. (₹)	Qtr. Ended 30 th Dec. (₹)
Turnover of 'P' (Taxable Supplies)	60,00,000	50,00,000	4,03,000[2,00,000+ 1,36,000+ 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2,015
SGST @ 0.5% [B1]	30,000	25,000	2,015
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [(140000/7) *3]	60,000 [(140000/7) *3]	Nil [Paid on 10 th day for goods transported between 11 th to 20 th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	31,500	26,500	2,015
Total SGST [B1 + B2]	31,500	26,500	2,015
Total CGST liability for the period from 1st April to 2nd October			60,015 [31,500 + 26,500 + 2015]

Total SGST liability for the period from 1st April to 2nd October	60,015 [31,500 + 26,500 + 2015]
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7) Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the financial year 2022-23, it had a turnover of ₹ 140 lakh from the restaurant service. Further, it had earned the bank interest of ₹ 20 lakh from the fixed deposits in said financial year. You are required to advise Shubhlaxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2023-24.

Further, assuming that in the financial year 2023-24, its turnover is ₹ 130 lakh from the supply of restaurant services and ₹ 10 lakh from the supply of farm labour in Maharashtra. It has also earned the bank interest of ₹ 30 lakh from the fixed deposits. Compute the tax payable by Shubhlaxmi Foods in the financial year 2023-24.

Sol: As per section 10(1) read with Notification No. 14/2019 CT dated 7.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in a State/Union Territory in the preceding year or ₹ 5 lakh, whichever is higher [Second proviso to section 10(1)].

Although exempt services are included in determining the value of turnover in a State or Union territory, explanation to section 10(1) clarifies that for the purposes of second proviso to section 10(1), the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.

Further, the exempt services are also included in the aggregate turnover [Section 2(6)]. However, explanation 1 to section 10 excludes value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount from aggregate turnover.

In this backdrop, in the given case, the aggregate turnover of Shubhlaxmi Foods in the financial year 2022-23 is ₹ 140 lakh (since bank interest of ₹ 20 lakh from the fixed deposits will not be taken into account for computing aggregate turnover). Resultantly, it is eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2023-24.

Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e. 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the financial year 2023-24. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit.

Further, tax payable @ 5% ($2\frac{1}{2}\%$ CGST+ $2\frac{1}{2}\%$ SGST) of the turnover in the State by Shubhlaxmi Foods in the financial year 2023-24 is as follows:

=5% of ₹ 1,40,00,000 [₹ 1,30,00,000 + ₹ 10,00,000]

[(Bank interest of ₹ 30 lakh from the fixed deposits is not considered while computing turnover in the State for determining the tax payable under composition scheme (In terms of explanation 2 to section 10)]

= ₹ 7,00,000 [CGST = ₹ 3,50,000 and SGST = ₹ 3,50,000]

- 8) Bansal and Chandiook started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1st April in the current financial year. The firm specializes in providing audit services to banks in Rajasthan. It provided the following details of its turnover:

Quarter	Amount (in ₹)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

It crossed the threshold limit of ₹ 20 lakh on 1st August. Bansal and Chandiook wishes to opt to pay tax at concessional rate under section 10(2A). Examine whether the firm is eligible for this scheme in the current financial year? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?

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

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

Tax payable by the firm is as follows:

(i) Apr-Jun quarter: Tax payable by the firm in first quarter is nil since the firm's turnover [₹ 10 lakh] has not yet exceeded the threshold limit of ₹ 20 lakh (viz. the threshold limit applicable for registration in the State of Rajasthan).

(ii) July-Sep quarter: While computing the tax payable by the firm in second quarter, the turnover from 1st April to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold limit for registration	₹ 20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹ 60,000/-*

*CGST = ₹ 30,000 and SGST = ₹ 30,000

9) Mr. Prem is running a restaurant in New Delhi. In the financial year 2022-23, it has an aggregate turnover of ₹ 120 lakh from the restaurant services. In the financial year 2023-24, apart from restaurant service, he also wants to provide food delivery services to other small restaurants. He estimated the turnover of such services is upto ₹ 5 lakh.

Mr. Prem wishes to opt for composition scheme under sub-sections (1) and (2) of section 10 in the financial year 2023-24. You are required to advise him for same.

Sol: As per section 10(1) read with Notification No.14/2019 CT dated 07.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in a State/Union Territory in the preceding year or ₹ 5 lakh, whichever is higher.

In the present case, since the aggregate turnover of Mr. Prem was ₹ 120 lakh in financial year 2022-23 (i.e. it did not exceed ₹ 1.5 crore), he is eligible for composition scheme in the financial year 2023-24. Further, in the financial year 2023-24, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

10) M/s Heeralal and Sons, registered in Karnataka, has opted to avail the benefit of composition scheme under sub-sections (1) and (2) of section 10 from 1st April, 2024. It has furnished the following details for the quarter ended on 30th June, 2024.

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

Using the above information, calculate tax to be paid by the firm for quarter ended on 30th June, 2024 in following independent situations:

- (i) M/s Heeralal and Sons is a manufacturer
- (ii) M/s Heeralal and Sons is a trader

Sol: Computation of amount payable under composition scheme

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

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

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

= ₹ 32,000 [CGST = ₹ 16,000 and SGST = ₹ 16,000]

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

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

= 1% of ₹ 15,00,000

= ₹ 15,000 [CGST = ₹ 7,500 and SGST = ₹ 7,500]

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

	Particulars	₹
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services (by way of supply of security personnel) to ABC P. Ltd., a registered person under GST	60,000
(iii)	Provided security services (by way of supply of security personnel) to PSR Trust, an unregistered person under GST	1,00,000

(iv)	Provided renting of motor vehicle for transportation of passengers to Amaze Tours Ltd. and value of supply included cost of fuel	75,000
(v)	Provided renting of motor vehicle for transportation of passengers to Priti & Co., CA firm and value of supply included cost of fuel	40,000
(vi)	Availed representational service from PB and Co., a law firm towards a Consumer Court case	70,000

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

Sol: GST liability of M/s All-in-One

	Particulars	Value [Rs.]	CGST payable [Rs.]	SGST payable [Rs.]
A.	GST liability on outward supply			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]
(ii)	Security services (It is assumed that security services are the services provided by way of supply of security personnel.) to ABC P. Ltd., a registered person (It is assumed that ABC Pvt. Ltd. pays tax under section 9 of the CGST Act, 2017.) [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]	-	-	-
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]
(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]	-	-	-

(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]
Total GST liability on outward supplies			46,000	46,000
B. GST liability on inward supplies under reverse charge				
(vi)	Availed representational service from PB and Co, a law firm [Legal services provided by a partnership firm of advocates/ individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	70,000	-	-
GST liability on inward supplies under reverse charge			-	-

12) MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the financial year 2022-23 was ₹ 62 lakh. It wishes to opt for composition levy under sub-sections (1) and (2) of section 10 for one of the place of business in the financial year 2023-24 and wants to continue with registration under regular scheme and pay taxes at the normal rate for the other place of business. Both the places of business are having the same Permanent Account Number issued under the Income-tax Act, 1961. Can MN Ltd. do so? Explain with reason.

Sol: As per proviso to section 10(2), where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme under section 10(1) unless all such registered persons opt to pay tax under said composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under the Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

13) Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-State supplies of readymade garments. The aggregate turnover of Ranveer Industries in the financial year 2022-23 is ₹ 70 lakh. It has opted for composition levy under sub-sections (1) and (2) of section 10 in the financial year 2023-24 and paid tax for the April - June quarter of financial year 2023-24

under composition levy. The proper officer has levied penalty for wrongly availing the scheme on Ranveer Industries in addition to the tax payable by it. Examine the validity of the action taken by proper officer.

Sol: As per section 10(1), a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir], may opt for composition scheme.

However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in making any inter-State outward supplies of goods or services.

In the given case, since Ranveer Industries is engaged in making inter-State supplies of readymade garments, it is not eligible to opt for composition scheme in current year irrespective of its turnover not exceeding the threshold limit in the preceding FY.

Further, if the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax payable, be liable to a penalty and the provisions of section 73/74/74A shall, mutatis mutandis, apply for determination of tax and penalty.

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

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

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

April - June - ₹ 20 lakh

July - September - ₹ 100 lakh

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

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

You are required to compute the tax payable by Mr. Yash under GST law from the above information: (i) If he is a manufacturer (ii) If he is a trader.

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

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

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

(i) If Mr. Yash is a manufacturer

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

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

(ii) If Mr. Yash is a trader

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

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

Part B - PYQs/RTPs/MTPs

15) State 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 State Government to a registered business entity.

Sol. 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 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 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 excluding the ministry of railways (Indian Railways), State Government, Union territory/ local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, **GST is payable under reverse charge by the recipient - registered business entity.**

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