

**Answer:**

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1 crore (As per amendment- the limit has been changed to Rs. 1.5 crore) [₹ 75 lakhs in case of special category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme vide section 10 of CGST Act, 2017.

*However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in the supply of services other than restaurant services. (As per amendment)*

1. In the given case, since M/s Handsome and Likemi Company is engaged in supply of health and fitness service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.

2. The Answer will remain the same i.e., M/s. Handsome & Likemi Company will not be eligible to opt for composition scheme even with the change in the turnovers.

3. Where more than one registered person is having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, M/s. Handsome and Likemi Company will not be able to opt for composition scheme only for mobile phone showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of health and fitness service is ineligible for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

**Question 4**

RTP Nov '19

a. Chanchal started providing beauty and grooming services and inaugurated "Care & Care Beauty Centre" in Janak Puri, Delhi on 01st April, 20XX. She opted to pay tax under Notification No. 2/2019 CT (R) dated 07.03.2019 in the said financial year.

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was ₹ 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.

b. Care & Care Beauty Centre wishes to opt for composition scheme 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%.

**Answer:**

a. Notification No. 2/2019 CT (R) dated 07.03.2019 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 up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the



purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

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 (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter		30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakhs [(70-50) lakh]	3,60,000
<b>Total tax payable</b>			<b>5,40,000</b>

b. No, Care & Care Beauty Centre cannot opt for composition scheme 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 5

RTP May '21

"Wedding Bells", a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023: -

S. No.	Quarter	Amount (₹ in lakh)
1	April, 2023-June, 2023	20
2	July, 2023-September, 2023	30
3	October, 2023-December, 2023	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?

**Answer:**

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, 2020 - June, 2020 quarter [₹ 20 lakhs] shall be excluded. On next ₹ 30 lakh [turnover of July, 2023 - September, 2023 quarters], 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, 2023 - June, 2023 quarter), are included.

By the end of July, 2023 - September, 2023 quarters, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 - September, 2023 quarters 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:-

	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 23 - June, 23	-	20	-
2	July, 23-September, 23	6%	30	1.8
3	October, 23 -December, 23	18%	40	7.2

### Question 6

PYQ Nov'19

Mr. Zafar of Assam, provides the following information for the preceding financial year 2022-23. 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. 2023-24. (₹' in lakh)



Particulars	Amount
Value of taxable outward supplies (out of above, ₹10 lakh was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹30 lakh received as interest on loans & advances).	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00
All the amounts are exclusive of GST.	

6 Marks

Answer:

Computation of aggregate turnover of Mr. Zafar for FY 2022-23 for the purpose of eligibility of composition levy scheme

Particulars	Amount in Lakhs
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50
Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, 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, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme.]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	5
Aggregate turnover for determining eligibility for composition scheme	95

A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed ₹1.5 crore in the preceding financial year provided, he is not engaged in inter-State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2019-20, Mr. Zafar is eligible to opt for composition levy for FY 23-24 since his aggregate turnover does not exceed ₹1.5 crore in FY 2022-23.

### Question 7

CS Exec. (P) Dec., 2020

Examine the correctness or otherwise of the following statements in accordance with the provisions of GST Act, 2017 and support your answer by giving brief reasons:

- The composition scheme will not be an optional scheme.
- A taxable person having same PAN can opt to pay tax under composition scheme by seeking separate registration for branches.
- A taxable person will be eligible to opt for composition scheme only for one out of the three or more business verticals.
- Composition scheme can be availed, where the taxable person effects inter-State supplies.



(v) Composition tax can be collected from the customers. 5 Marks

Answer:

Correct/Incorrect	Reason
Incorrect	Composition scheme as stated in section 10 of CGST Act is an OPTIONAL scheme.
Incorrect	A registered person cannot opt for Composition scheme if its other unit i.e., branch is paying tax as per normal levy under GST. Hence, a taxable person having same PAN cannot opt to pay tax under composition scheme by seeking separate registration for branches.
Incorrect	A registered person cannot opt for Composition scheme if its other unit i.e. branch is paying tax as per normal levy under GST.
Incorrect	A registered person should not be engaged inter alia in inter-State taxable supplies in order to be eligible to opt for composition scheme.
Incorrect	Composition tax cannot be charged separately and hence, it cannot be collected from the customers. Composition Tax is to be paid at specified percentage of the turnover in the state.



## Multiple Choice Questions

<p><b>Question 1</b> <span style="float: right;"><b>MTP Oct'19</b></span></p> <p>Which of the following is not eligible for opting composition scheme under GST?</p> <p>a) M/s ABC, a firm selling garments having annual turnover of Rs. 78 lakhs.</p> <p>b) A startup company operating restaurant in Delhi having an annual turnover of Rs. 98 lakhs.</p> <p>c) A courier service company operating solely in Mumbai having annual turnover of Rs. 90 lakhs.</p> <p>d) A trader selling grocery items having an annual turnover of Rs. 95 lakhs.</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p><b>Question 2</b> <span style="float: right;"><b>MTP Oct'19</b></span></p> <p>Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs 1 crore in preceding FY, in Uttar Pradesh?</p> <p>(a) A person supplying restaurant services</p> <p>(b) A person supplying restaurant services and earning bank interest</p> <p>(c) A person supplying restaurant services and warehousing of rice</p> <p>(d) A person supplying restaurant services and warehousing of processed tea</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p><b>Question 3</b> <span style="float: right;"><b>MTP Oct'19</b></span></p> <p>Can a registered person opting for composition scheme collect GST on his outward supplies?</p> <p>a) Yes, in all cases</p> <p>b) Yes, only on such goods as may be notified by the Central Government</p> <p>c) Yes, only on such services as may be notified by the Central Government</p> <p>d) No</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p><b>Question 4</b> <span style="float: right;"><b>MTP April'19 &amp; March'19</b></span></p> <p>Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?</p> <p>a) Services supplied by arbitral tribunal to business entity</p> <p>b) Sponsorship provided to any partnership firm</p> <p>c) Sponsorship provided to anybody corporate</p> <p>d) None of the above</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p><b>Question 5</b> <span style="float: right;"><b>MTP March'19</b></span></p> <p>Rama Ltd. has provided following information for the month of September:</p> <p>(i) Intra-State outward supply Rs. 8,00,000/-</p> <p>(ii) Inter-State exempt outward supply Rs. 5,00,000/-</p> <p>(iii) Turnover of exported goods Rs. 10,00,000/-</p> <p>(iv) Payment made for availing GTA services Rs. 80,000/- Calculate the aggregate turnover of Rama Ltd.</p> <p>(a) Rs. 8,00,000/-</p> <p>(b) Rs. 23,80,000/-</p> <p>(c) Rs. 23,00,000/-</p> <p>(d) Rs. 18,00,000/-</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>



## Question 6

MTP May'19

Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs? 1 crore in preceding FY, in Uttar Pradesh?

- a) A person supplying restaurant services
- b) A person supplying restaurant services and earning bank interest
- c) A person supplying restaurant services and warehousing of rice
- d) A person supplying restaurant services and warehousing of processed tea.

  
  
  


## Question 7

MTP Oct'19

GST is payable by recipient of services in the following cases: -

- (i) Services provided by way of sponsorship to ABC Ltd.
  - (ii) Services supplied by a director of Galaxy Ltd. to Mr. Krishna.
  - (iii) Services by Department of Posts by way of speed post to MNO Ltd.
  - (iv) Services supplied by a recovering agent to SNSP Bank
- a) & (iii)
  - b) & (iv)
  - c) & (iii)
  - d) (ii) & (iv)

  
  
  

**Amendment:**

As per amendment Services by Department of Posts by way of speed post has been removed from exemptions and will now have GST applicable on RCM basis by the recipient of services) Hence as per this amendment the answer can be (a) as well. Hence the GST is payable by recipient of services for (i), (iii) & (iv).

## Question 8

MTP Nov'21

Rama Ltd. has provided following information for the month of September: Intra-State outward supply ₹ 8,00,000. Inter-State exempt outward supply ₹5,00,000 Turnover of exported goods ₹ 10,00,000. Payment made for availing GTA services ₹80,000. Calculate the aggregate turnover of Rama Ltd.

- (a) ₹8,00,000
- (b) ₹ 23,80,000
- (c) ₹ 23,00,000
- (d) ₹ 18,00,000

  
  
  


## Question 9

RTP May'20

Which of the following services are notified under section 9(3) of CGST Act, 2017 or section 5(3) of IGST Act, 2017 the tax on which shall be paid on reverse charge basis by the recipient of such supply:

- (i) Supply of security services provided by a person other than a body corporate to a composition taxpayer
- (ii) Services supplied by an insurance agent to insurance company located in taxable territory
- (iii) Supply of services by way of renting of hotel accommodation through e-commerce operator.
- (iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons.

Choose from the following options:

- (a) (i) & (ii)
- (b) Only (ii)

  
  
  



- (c) (i), (ii), (iii)  
(d) (i) & (iv)

**Question 10**

RTP Nov '20

C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for ₹ 15,00,000 (exclusive of GST). The applicable GST rate on these goods is 12%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 57,300 and SGST of ₹ 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 29,520. GST liability of C & Co. for the fourth quarter of the financial year is-

- (a) CGST ₹ 7,500 & SGST ₹ 7,500  
(b) CGST ₹ 3,180 & SGST ₹ 32,700  
(c) CGST ₹ 32,700 & SGST ₹ 3,180  
(d) Nil

**Question 11**

RTP Nov '20

XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹ 9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context:

- a) GST of ₹ 450 is payable by XX on reverse charge basis.  
b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.  
c) Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.  
d) GST of ₹ 450 is payable by the GTA.

**Question 12**

RTP May '20

Mr. Dev Anand is engaged in providing services of facilitating sale and purchase of securities to various clients. He is also engaged in trading of securities. His turnover details are as follows:

Trading of securities ₹ 40,00,000/-  
Brokerage on account of facilitating transactions in securities ₹ 30,00,000/-

You are required to ascertain aggregate turnover of Mr. Dev Anand under GST:

- (a) ₹ 30,00,000/-  
(b) ₹ 40,00,000/-  
(c) ₹ 70,00,000/-  
(d) ₹ NIL



**Question 13**

CS Execu.

M/s Vishu Megamart, a store located and registered under GST in Rajasthan, has come out with big discount offers at the time of Diwali on various gift items. In order to attract more customers, it has decided to supply a gift pack containing 5 packets of Jeerarams Namkeen (200 gram each) taxable @ 12%, 1 packet of Roasted Smoked Almonds (100 gram) taxable @ 18%, 1 packet of Cournville Chocolate (50 mg) taxable @ 28% and 1 bottle of Teal Fresh Juice (1 litre) taxable @ 18% in a single basket for a single price of Rs. 1,000.

State the type of supply and the tax rate applicable on the same.

- (a) Composite supply; tax rate of the principal item, i.e. Namkeen @18%  
 (b) Composite supply; highest tax rate out of all items, i.e. 28% applicable to chocolates  
 (c) Mixed supply; tax rate of principal item, i.e. Namkeen @18%  
 (d) Mixed supply; highest tax rate out of all items, i.e. 28% applicable to chocolates

  
  
  

**Question 14**

CS Execu.

Which of the following persons can opt for the composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017, in the State of Delhi?

- (1) Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 75 lakhs.  
 (2) Registered person whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore.  
 (3) A person engaged in manufacture of pan masala, tobacco and manufactured tobacco substitutes.  
 (4) A person engaged in the manufacture of ice cream, other edible ice, whether or not containing cocoa.  
 (5) A person engaged exclusively in providing restaurant service.  
 (6) A person engaged exclusively in supply of medicines.

- (a) 1, 2, 3,5  
 (b) 1, 2,5,6  
 (c) 2, 3, 4, 5  
 (d) 3, 4,5,6

  
  
  

**Question 15**

CS Execu.

The turnover limit of Rs. 75 lakhs for composition scheme is not applicable to the state of -

- (a) Himachal Pradesh  
 (b) Assam  
 (c) Uttarakhand  
 (d) Both a&b

  
  
  

**Question 16**

CS Execu.

What is the rate applicable under CGST to a registered person being a manufacturer opting to pay taxes under composition scheme?

- (a) 0.5% of the turnover of taxable goods and services in the State or Union territory  
 (b) 0.5% of the turnover in the State or Union territory  
 (c) 5% of the turnover in the State or Union territory  
 (d) Manufacturer is not eligible for composition scheme

  
  
  



**Question 17**

CS Execu.

Can Composition scheme be availed if the registered person effects interstate supplies of goods?

- (a) Yes  
 (b) Yes, subject to prior approval of the Central Government and State government  
 (c) No  
 (d) Yes, subject to prior approval GST council

  
  
  

**Question 18**

CS Execu.

The following suppliers cannot opt for composition scheme

- (a) Inter-State supplier of goods;  
 (b) Person supplying goods through an electronic commerce operator  
 (c) Supplier of alcoholic liquor for human consumption  
 (d) All of the above

  
  
  

**Question 19**

CS Execu

XYZ & Company a trader of goods has opted for composition scheme having an aggregate turnover of Rs. 120 lakhs in preceding financial year. It wants to provide consultancy services in the current financial year. Determine the value of services it can provide to be eligible under the said scheme

- (a) Rs. 5,00,000  
 (b) Rs. 12,00,000  
 (c) Rs. 10,00,000  
 (d) Nil

  
  
  

**Question 20**

CS Execu

Suppose, One Taxable Person with same PAN having two businesses at Alwar and Ajmer and his Aggregate Turnover in a financial year does not exceed Rs. 150 lakhs. Can he opt composition levy of tax at Alwar and Normal Levy at Ajmer?

- (a) Yes  
 (b) No  
 (c) Up to an aggregate turnover of Rs. 150 lakhs at Alwar only  
 (d) Subject to the Discretionary power of the Proper Officer

  
  
  

**Question 21**

CMA Inter

In computation of aggregate turnover for composition levy, which of the following item should be excluded from the aggregate turnover?

- (A) The value of exported goods/services  
 (B) Inter-state supplies between distinct persons having same PAN  
 (C) Compensation Cess  
 (D) Supply on own account and on behalf of principal.

  
  
  



**Question 22**

CMA Inter

If a person is liable to be registered on 11th Oct 2017 and he has applied for registration on 17th Oct 2017, the effective date of registration for composition levy will be:

- (A) 17th Oct 2017
- (B) 11th Oct 2017
- (C) 11th Nov 2017
- (D) 17th Nov 2017


**Question 23**

CMA Inter

The turnover limit of Rs. 50 Lakh for composition scheme is not applicable to the state of

- (A) Himachal Pradesh
- (B) Assam
- (C) Uttarakhand
- (D) None of the above


**Question 24**

CMA Inter

A person of Tripura is eligible to opt for composition levy provided his previous year turnover (aggregate) exceeds Rs.75 lakh.

- a) True
- b) False
- c) Partly True
- d) Partly False


**Answers**

1	2	3	4	5	6	7	8	9	10
c	d	d	d	c	d	b	c	b	a
11	12	13	14	15	16	17	18	19	20
a	a	d	d	d	b	c	d	b	b
21	22	23	24						
c	b	c	b						

