

COMPOSITION LEVY

MULTIPLE CHOICE QUESTIONS

- Which of the following is not included in aggregate turnover?
 - Exempt supplies of goods or services or both
 - Export of goods or services or both
 - Inter-State supply of goods or services or both
 - Value of inward supplies on which tax is paid under reverse charge
- XYZ & Company a trader of goods has opted for composition scheme having an aggregate turnover of ₹ 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
 - Nil
 - ₹ 5,00,000
 - ₹ 10,00,000
 - ₹ 12,00,000
- Mr. X a manufacturer of Pan-masala in Maharashtra who makes only intra-State sales, records an aggregate turnover of ₹ 145 lakhs in the preceding financial year. He wishes to opt for the composition levy. Is he eligible for the same?
 - Yes, as his aggregate turnover during the preceding financial year does not exceed ₹ 1.5 crore
 - Yes, as he does not make any inter-state supply
 - No, as Pan-masala manufacturer is not eligible to opt for composition scheme.
 - Both (a) and (b)
- Mr. A of Gujarat has started a shoe manufacturing business, procuring the raw materials from his friend residing in Bombay and intending to supply the finished goods within Gujarat. He wishes to opt for composition scheme. Advise him whether he can do so.
 - Yes, if his aggregate turnover is preceding financial year does not exceed ₹ 1.5 crore
 - No, as he is making inter-state purchases
 - Yes, as there is no restriction on inter-state purchases
 - Both (a) and (c)
- Mr. X, a businessman of Delhi has a restaurant in South Delhi and has a ready-made garment shop and a foot-wear shop in other parts of Delhi. He wishes to opt for composition scheme as his aggregate

turnover during the preceding financial year did not exceed ₹ 1.5 crore. Can he do so?

- (a) He cannot opt for the composition scheme as he is engaged in supply of restaurant services.
- (b) He can opt for composition scheme for businesses other than the restaurant business.
- (c) He can opt for composition scheme as the restaurant service is specifically eligible for this scheme.
- (d) He cannot opt for composition scheme as he is running more than one business.

6. Which of the following statements is true for composition scheme—

- (a) The option for composition scheme lapses with effect from the first day of the financial year though the aggregate turnover exceeded the threshold limit during the last month of the financial year.
- (b) Input tax credit cannot be availed under composition scheme.
- (c) A taxable person having more than one business separately registered, can opt for normal scheme for one business and composition scheme for the rest.
- (d) A composition scheme supplier can issue tax invoice to his customers.

7. Mr. X registered in Rajasthan has following businesses – Intra-State supply of goods (turnover ₹150 lakhs) and Extending of loans and advances (interest earned ₹ 30 lakhs) in FY 2024-25. Can he opt for Composition scheme for FY 2025-26?

- (a) No, as he is engaged in supply of services being extending of loans and advances.
- (b) No as his aggregate turnover is ₹ 180 lakhs which exceeds the threshold limit of ₹ 150 lakhs.
- (c) Yes, as his aggregate turnover does not exceed ₹ 150 lakhs as in determining the aggregate turnover, the value of supply of any exempt services by way of extending deposits and loans the consideration of which is earned by way of interest is not taken into account.
- (d) No, as aggregate turnover exceeds ₹ 1 crore.

8. Which of the following conditions or restrictions are applicable for composition scheme —

- (1) the person opting for composition scheme is neither a casual taxable person nor a non-resident taxable person
 - (2) he is not engaged in the manufacture of pan masala, ice-cream and tobacco
 - (3) he shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.
- (a) (1) and (2)
 - (b) (1) and (3)
 - (c) (2) and (3)
 - (d) (1), (2) and (3)

9. A Ltd., is a manufacturing concern in Pune. In financial year 2024-25 total value of supplies including inward supplies taxed under reverse charge basis are ₹ 1,52,60,000 (exclusive of taxes). The break-up of supplies are as follows:

Particulars	(₹)
Intra-State supplies made under forward charge	75,00,000
Intra-State supplies of Nil rated goods	18,00,000
Interest earned on deposits	25,00,000
Intra-State supplies which are wholly exempt u/s 11 of CGST Act, 2017	32,00,000
Value of inward supplies on which tax payable under reverse charge mechanism	2,60,000

Can A Ltd. opt for composition scheme in Financial Year 2025-26.

- No, as this scheme is applicable only to individuals and not to company
- No, as its aggregate turnover exceeds ₹ 1,50,00,000
- Yes, as its aggregate turnover does not exceed ₹ 1,50,00,000
- No, as it is receiving inward supplies chargeable to tax under reverse charge mechanism

10. XYZ Ltd. is having two factories – the one in Rajasthan is manufacturing readymade garments and another factory located in Gujarat is engaged in manufacture of auto components.

The turnover details for Financial Year 2024-25 are as under :

Particulars	(₹)
Intra-State supply of ready - made garments in Rajasthan	28,00,000
Intra-State supply of auto components in Gujarat	18,00,000
Total Value of taxable supplies	46,00,000

The company wants to opt for composition scheme for the factory in Rajasthan and tax at normal rates in Gujarat. Advise.

- Yes, XYZ Ltd. can opt for composition scheme in Rajasthan and regular tax in Gujarat as it does not make any interstate supplies.
- No, if one opts for regular scheme in one registered place, others become ineligible for composition levy.
- Yes, as the aggregate turnover of XYZ Ltd. does not exceed ₹ 1.5 crore.
- No, as the turnover of factory in Rajasthan exceeds ₹ 20,00,000.

11. Sagar & Co. is engaged in supplying management consultancy services in Rajasthan. In the preceding financial year, it has a turnover of ₹ 45 lakh from the management consultancy service. Further, it has also earned a bank interest of ₹ 10 lakh from the fixed deposits. Sagar & Co. wishes to opt for Composition levy under Section 10(2A) of the CGST Act, 2017 in the current year. You are required to advise Sagar & Co. on the same.

- No, as its aggregate turnover in the preceding financial year exceeds ₹ 50 lakhs.
- No as Sagar and company is also providing exempt services hence it cannot opt for Composition levy u/s 10(2A) of the CGST Act, 2017.
- Yes, as in computing the aggregate turnover in order to determine the eligibility of Sagar & Co. for Composition scheme, value of supply of exempt services being bank interest shall not be taken into account. Thus, the aggregate turnover of Sagar & Co. is ₹ 45 lakh.

(d) No, as service suppliers cannot opt for Composition levy u/s 10(2A) of the CGST Act, 2017

12. Madhur traders, a trading concern has opted for composition scheme in F.Y. 2024-25, it furnishes you with following details of supplies made for the quarter ending on June 2024. Determine the composite tax liability.

Particulars	(₹)
Intra-State taxable supply	28,00,000
Intra-State exempt supply	18,00,000
Aggregate turnover	46,00,000

- (a) Since Madhur traders is a trading concern, hence it will be liable to pay tax @ 1% of the turnover of taxable supplies of goods in the state. Hence, composite tax liability shall be 1% of ₹ 28,00,000 i.e. ₹ 28,000 (₹ 14,000 CGST and ₹ 14,000 SGST)
- (b) Since Madhur traders is a trading concern, hence it will be liable to pay tax @ 1% of the aggregate turnover in the state. Aggregate turnover being ₹ 46,00,000 and composition tax being 1% of ₹ 46,00,000 i.e. ₹ 46,000 (₹ 23,000 CGST and ₹ 23,000 SGST)
- (c) Since Madhur traders is a trading concern, hence it will be liable to pay tax @ 2% of the turnover of taxable supplies of goods in the state. Hence composite tax liability shall be 2% of ₹ 28,00,000 i.e. ₹ 56,000 (₹ 28,000 CGST and ₹ 28,000 SGST)
- (d) Since Madhur traders is a trading concern, hence it will be liable to pay tax @ 2% of the aggregate turnover in the state. Aggregate turnover being ₹ 46,00,000 and composition tax being 2% of ₹ 46,00,000 i.e. ₹ 92,000 (₹ 46,000 CGST and ₹ 46,000 SGST)

13. Mr. X started profession of Architect w.e.f. 01-04-2024. His value of intra-State taxable supplies upto 30th September 2024 was ₹ 20 lakh. He applied for registration on 1st October 2024 and opted for Composition scheme for service suppliers in registration application and was granted registration as per provisions of GST law. He made intra-State taxable supplies of ₹ 35 lakhs for the quarter ending 31-12-2024. You are required to determine his Composition tax liability u/s 10(2A) of the CGST Act, 2017 for the period 01-04-2024 to 31-12-2024. The rate of GST on architect services is 18%

- (a) ₹ 2,10,000
 (b) ₹ 3,30,000
 (c) ₹ 2,75,000
 (d) ₹ 2,70,000

14. Mr. X is a trader having establishments in state of Rajasthan and Uttarakhand. He can opt for composition scheme under GST law if his aggregate turnover in the preceding financial year does not exceed _____

- (a) ₹ 100 lakhs
 (b) ₹ 75 lakhs
 (c) ₹ 20 lakhs
 (d) ₹ 150 lakhs

15. Any registered person who opts to pay tax u/s 10 from the beginning of financial year shall furnish ITC declaration within _____ from the commencement of the relevant financial year.

- (a) 60 days
 (b) 30 days
 (c) 90 days
 (d) 120 days

16. Any registered person who opts for composition levy has to furnish a

declaration of stock within a period of _____ from the date on which the option for composition levy is exercised.

- (a) 60 days
- (b) 30 days
- (c) 90 days
- (d) 120 days

17. Mr. A of Udaipur (Rajasthan), has obtained a licence for supply of alcoholic liquor for human consumption. He also has two other business verticals separately registered – one manufacturing readymade garments and other manufacturing foot-wears. He wishes to avail the benefit of composition scheme for the latter two business verticals. Advise him in this regard.

- (a) Yes, he can opt for composition scheme for his ready-made garments and footwear businesses in case the aggregate turnover during the preceding financial year from these business does not exceed ₹ 1.5 crore. The business of supply of alcoholic liquor being outside the GST ambit shall not be considered for computing the aggregate turnover.
- (b) Yes, he can opt for composition scheme for his ready-made garments and footwear businesses in case the aggregate turnover during the preceding financial year from all the businesses including the business of supply of alcoholic liquor for human consumption does not exceed ₹ 1.5 crore.
- (c) No, Mr. A cannot opt for composition scheme for his readymade garments and footwear businesses. As per section 10(2) of the CGST Act, 2017 the supplier of goods which are not taxable under the CGST Act/ SGST Act/UTGST Act are not eligible to opt

for the composition scheme. Since, A is engaged in supply of alcoholic liquor as well, which is outside the ambit of GST, hence he cannot avail the benefit of composition scheme for any of his business.

- (d) Since all then businesses are separately registered, hence he can opt for composition scheme for any one or all.

18. Mr. A, has 3 business verticals, separately registered, in the state of Rajasthan – one for ready- made garments, other for footwear and the third one for imitation jewellery. He has been availing the benefit of composition scheme for all the three business verticals. However, during the financial year he has effected interstate sale in respect of ready-made garments business. He offers to pay normal tax u/s 9 for the ready-made garments business while avail the composition scheme for the remaining businesses. He seeks your opinion in this regard.

- (a) Since all the three business verticals are separately registered, hence the ineligibility of one to pay tax under composition scheme does not affect the others. Mr. A will be liable to pay normal tax for his ready-made garments business while the remaining two can continue under composition scheme.
- (b) Where any business vertical of a registered person, that has been granted separate registration, becomes ineligible to pay tax u/s 10, all the other business verticals of the said person shall become ineligible to pay tax under the said section. Hence, Mr. A cannot avail composition scheme benefit for any of his business verticals.
- (c) In order to avail the benefit of composition scheme, he has to obtain



a single centralised registration for all his business verticals.

- (d) It is at the option of Mr. A to either continue under the composition scheme or under the normal scheme. However, the option shall apply to all his business verticals.

19. A registered person can claim the benefit of Composition Scheme Section 10(2A) of the CGST Act, 2017 provided his aggregate turnover in the preceding financial year must not exceed _____

- (a) ₹ 150 lakhs
 (b) ₹ 75 lakhs
 (c) ₹ 20 lakhs
 (d) ₹ 50 lakhs

20. Mr. X a manufacturer of Fly ash bricks in Maharashtra who makes only intra state sales, records an aggregate turnover of ₹ 145 lakhs in the preceding financial year. He wishes to opt for the composition levy. Is he eligible for the same?

- (a) Yes, as his aggregate turnover during the preceding financial year does not exceed ₹ 1.5 crore
 (b) Yes, as he does not make any inter-state supply
 (c) No, as Fly ash bricks manufacturer is not eligible to opt for composition scheme.
 (d) Both (a) and (b)

21. Which of the following manufacturers is not eligible to opt for composition scheme u/s 10(1) of the CGST Act, 2017 :

- (i) Ice cream
 (ii) Pan masala
 (iii) Aerated Water

(iv) Tobacco and manufactured tobacco substitutes

(v) Fly ash bricks

(vi) Fly ash blocks

(vii) Bricks of fossil meals or similar siliceous earths

(viii) Building bricks

(ix) Earthen or roofing tiles.

(a) (i), (ii), (iii), (iv)

(b) (i), (ii), (iii), (ix)

(c) (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix)

(d) None of the above

22. Which of the following suppliers are not eligible to opt for composition scheme u/s 10(1) of the CGST Act, 2017 :

(i) supplier of goods or services which are not taxable under the CGST Act/SGST Act/UTGST Act;

(ii) an inter-State supplier of goods or services;

(iii) person supplying goods through an electronic commerce operator who is required to collect tax at source under Section 52;

(iv) person supplying services through an electronic commerce operator who is required to collect tax at source under Section 52;

(v) casual taxable person or a non-resident taxable person.

(a) (i), (ii), (iii), (iv)

(b) (i), (ii), (iii), (v)

(c) (i), (ii), (iv), and (v)

(d) (i), (ii), (iii), (iv)

ANSWERS TO MCQ'S

Question No.	Answer
1.	(d) "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. [Section 2(6)]
2.	(d) A person who opts to pay composition tax may supply services (other than. restaurant services) of value – (a) not exceeding 10% of turnover in a State or Union territory in the preceding financial year; or (b) ₹ 5,00,000, whichever is higher.
3.	(c) A manufacturer of Pan – masala is not eligible to opt for composition scheme.
4.	(d) A registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crores and is not engaged in inter- state supply of goods can opt for composition scheme. A composition supplier can make inter-state purchases.
5.	(c) Restaurant service suppliers can opt for composition scheme.
6.	(b) A composition supplier cannot avail input tax credit, hence all the statements except provided in option (b) are false.
7.	(c) In computing the aggregate turnover for determining the eligibility of composition scheme, the 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. Since in this case the aggregate turnover does not exceed ₹ 150 lakhs, hence he is eligible to opt for composition scheme.
8.	(d) All the conditions and restrictions specified above are applicable for composition scheme.
9.	(c) In computing the aggregate turnover for eligibility of composition scheme – the value of inward supplies tax is paid on reverse charge basis i.e. ₹ 2,60,000 and interest earned on deposits i.e. ₹ 25,00,000 shall not be taken into account.
10.	(b) As per Section 10(2) of the CGST Act, 2017, All registered persons having the same Permanent Account Number have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

11.	(c)	<p>As per Section 10(2A) of the CGST Act, 2017, a registered person can claim the benefit of this Com-position scheme provided his aggregate turnover in the preceding financial year did not exceed ₹ 50 lakh.</p> <p>In computing aggregate turnover in order to determine eligibility of a registered person to pay tax under this notification, 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.</p> <p>Thus, in computing the aggregate turnover in order to determine the eligibility of Sagar & Co. for Composition scheme, value of supply of exempt services being bank interest shall not be taken into account. Thus, the aggregate turnover of Sagar & Co. is ₹ 45 lakh (turnover from management consultancy services).</p> <p>From the aforesaid discussion, it can be inferred that Sagar & Co. is eligible for Composition scheme for service suppliers.</p>
12.	(a)	<p>Madhur Traders is a trading concern, hence it will be liable to pay tax @ 1% of the turnover of taxable supplies of goods and services in the State. Thus, the composite tax liability will be 1% of ₹ 28,00,000 = ₹ 28,000 (₹ 14,000 – CGST and ₹ 14,000–SGST). The value of exempt supply shall not be included for computation of GST liability of a trader.</p>
13.	(d)	<p>As per Section 10(2A) of the CGST Act, 2017, if registered person is eligible to take the benefit of this notification, he shall pay GST at the rate of 6% (3% CGST and 3% SGST/UTGST) on his aggregate turnover i.e. "First supplies of goods or services or both" upto ₹ 50 lakhs.</p> <p>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:—</p> <ul style="list-style-type: none"> ➤ 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 ➤ 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. <p>Thus, Mr. X is eligible to pay tax under this notification upto the turnover of ₹ 50 lakh. Hence, his tax liability is ₹ 30 lakhs @ 6% + ₹ 5 lakhs @ 18% = ₹ 2.70 lakhs.</p>
14.	(b)	<p>A person registered in Uttarakhand, whose aggregate turnover in the preceding financial year did not exceed ₹ 75 lakhs, will be eligible to opt for payment of tax under the composition scheme.</p>
15.	(a)	<p>Any registered person who opts to pay tax u/s 10 from the beginning of financial year shall furnish ITC declaration within 60 days from the commencement of the relevant financial year.</p>
16.	(c)	<p>Any registered person who opts for composition levy has to furnish a declaration of stock within a period of 90 days from the date on which the option for composition levy is exercised.</p>

17.	(c)	Supplier of goods which are not taxable under the CGST Act/ SGST Act/ UTGST Act are not eligible for composition scheme. Thus, suppliers of alcoholic liquor for human consumption are not eligible to opt for composition scheme.
18.	(b)	As per Section 10(2) of the CGST Act, 2017, 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. In this case since he becomes ineligible to opt for composition scheme.
19.	(d)	A registered person can claim the benefit of Composition Scheme Section 10(2A) of the CGST Act, 2017 provided his aggregate turnover in the preceding financial year must not exceed ₹ 50 lakhs.
20.	(c)	A manufacturer of Fly ash bricks is not eligible to opt for composition scheme.
21.	(c)	The manufacturers of— (i) Ice cream (ii) Pan masala (iii) Aerated Water (iv) Tobacco and manufactured tobacco substitutes (v) Fly ash bricks (vi) Fly ash blocks (vii) Bricks of fossil meals or similar siliceous earths (viii) Building bricks (ix) Earthen or roofing tiles are not eligible to opt for composition scheme.
22.	(c)	The following suppliers are not eligible to opt for composition scheme : (i) supplier of goods or services which are not taxable under the CGST Act/SGST Act/UTGST Act; (ii) an inter-State supplier of goods or services; (iii) person supplying services through an electronic commerce operator who is required to collect tax at source under Section 52; (iv) casual taxable person or a non-resident taxable person. Supplier of goods supplying goods through an electronic commerce operator who is required to collect tax at source under Section 52 are eligible to opt for composition scheme.

