After studying this Chapter, you will be able to –

- explain the extent and commencement of CGST Act, IGST Act, SGST Act & UTGST Act.
- describe the provisions pertaining to levy and collection of CGST & IGST.
- identify and analyse the services on which tax is payable under reverse charge mechanism.
- understand and analyse the composition levy- eligibility for the same and conditions to be fulfilled.
1. INTRODUCTION

Power to levy tax is drawn from the Constitution of India. Introduction of GST necessitated the Constitutional amendment to enable integration of the central excise duty including additional duties of customs, State VAT and certain State specific taxes and service tax levied by the Centre into a comprehensive goods and services tax [Discussed in detail in Chapter-1: GST in India – An Introduction].

The very basis for the charge of tax in any taxing statute is the taxable event i.e the point on which the levy of tax gets attracted. As discussed earlier, the taxable event under GST is SUPPLY. CGST and SGST/UTGST are levied on all intra-State supplies of goods and/or services while IGST is levied on all inter-State supplies of goods and/ or services.

**Intra-State supply**

Where the location of the supplier and the place of supply of goods or services are in the same State/Union territory, it is treated as intra-State supply of goods or services respectively.
Where the location of the supplier and the place of supply of goods or services are in (i) two different States or (ii) two different Union Territories or (iii) a State and a Union territory, it is treated as **inter-State supply** of goods or services respectively.

### 2. RELEVANT DEFINITIONS

- **Central tax:** means the central goods and services tax levied under section 9 [Section 2(21) of the CGST Act].

- **Integrated tax:** means the integrated goods and services tax levied under the Integrated Goods and Services Tax Act [Section 2(58) of the CGST Act].

- **State tax:** means the tax levied under any State Goods and Services Tax Act [Section 2(104) of the CGST Act].

- **Goods:** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply. [Sec. 2(52) of CGST Act].

- **Exempt supply:** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply [Section 2(47) of CGST Act].

- **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 be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess [Section 2(6) of CGST Act].
### Business:

includes –

- **(a)** any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- **(b)** any activity or transaction in connection with or incidental or ancillary to (a) above;
- **(c)** any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction;
- **(d)** supply or acquisition of goods including capital assets and services in connection with commencement or closure of business;
- **(e)** provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be;
- **(f)** admission, for a consideration, of persons to any premises; and
- **(g)** services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- **(h)** services provided by a race club by way of totalisator or a licence to book maker in such club;
- **(i)** any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.

[Section 2(17) of CGST Act].

### Consideration:

in relation to the supply of goods or services or both includes:

- any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government,

- the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person.
but shall not include any subsidy given by the Central Government or a State Government.

However, a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply. [Section 2(31) of CGST Act].

**Person:** includes [Section 2(84) of CGST Act]-

**Recipient:** of supply of goods and/or services means-

(a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration,
(b) where no consideration is payable for the supply of goods, the 
person to whom the goods are delivered or made available, or to 
whom possession or use of the goods is given or made available, 
and

(c) where no consideration is payable for the supply of a service, the 
person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be 
construed as a reference to the recipient of the supply and shall include 
an agent acting as such on behalf of the recipient in relation to the 
goods or services or both supplied. [Section 2(93) of CGST Act]

_reverse charge_: means the liability to pay tax by the recipient of supply of 
goods or services or both instead of the supplier of such goods or services 
or both under section 9(3)/9(4), or under section 5(3)/5(4) of the IGST Act 
[Section 2(98) of CGST Act].

_services_: means anything other than goods, money and securities but 
includes activities relating to the use of money or its conversion by cash 
or by any other mode, from one form, currency or denomination, to 
another form, currency or denomination for which a separate 
consideration is charged. [Section 2(102) of CGST Act]

_supplier_: in relation to any goods or services or both, shall mean the 
person supplying the said goods or services or both and shall include an 
agent acting as such on behalf of such supplier in relation to the goods 
or services or both supplied. [Section 2(105) of CGST Act]

_taxable supply_: means a supply of goods and/or services which is 
chargeable to tax under CGST Act. [Section 2(108) of CGST Act]

_non-taxable supply_: means a supply of goods or services or both which 
is not leviable to tax under CGST Act or under IGST Act. [Section 2(78) of 
CGST Act]

_taxable person_: means a person who is registered or liable to be 
registered under section 22 or section 24. [Section 2(107) of CGST Act]

It is important to note that even an unregistered person who is liable to be 
registered is a taxable person. Similarly, a person not liable to be registered, 
but has taken voluntary registration and got himself registered is also a 
taxable person.
Section 22 enumerates the persons liable to be registered under CGST Act and section 24 lists the persons liable to be registered compulsorily under the said law. The said sections and the concept of taxable person thereto has been discussed in detail in Chapter 7 – Registration.

3. EXTENT & COMMENCEMENT OF GST LAW

(i) **Central Goods and Services Tax Act, 2017** extends to the whole of India* [Section 1 of the CGST Act].

*It is pertinent to note that the CGST Act applies to the State of Jammu and Kashmir also.

**India**: “India” means-

- territory of India as referred to in article 1 of the Constitution
- its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976
- the air space above its territory and territorial waters

[Section 2(56) of CGST Act].
(ii) **State GST law** of the respective State/Union Territory with State Legislature [Delhi and Puducherry]** extends to whole of that State/Union Territory.

Maharashtra GST Act, 2017 extends to whole of the State of the Maharashtra.

**State: includes a Union territory with Legislature [Section 2(103) of the CGST Act].

(iii) **Integrated Goods and Services Tax Act, 2017** extends to the whole of India* [Section 1 of the IGST Act].

*It is pertinent to note that the IGST Act applies to the State of Jammu and Kashmir also.

(iv) **Union Territory Goods and Services Tax Act, 2017** extends to the Union territories** of the Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu, Chandigarh and other territory, i.e. the Union Territories without State Legislature [Section 1 of the UTGST Act].

**Union territory:** means the territory of—

(a) the Andaman and Nicobar Islands;

(b) Lakshadweep;

(c) Dadra and Nagar Haveli;

(d) Daman and Diu;
(e) Chandigarh; and
(f) other territory.

Explanation—For the purposes of this Act, each of the territories specified in sub-clauses (a) to (f) shall be considered to be a separate Union territory [Section 2(114) of CGST Act].

Our discussion in this Study Material will principally be confined to the provisions of CGST and IGST laws as the specific State GST laws are outside the scope of syllabus.

4. **LEVY & COLLECTION OF CGST & IGST [SECTION 9 OF THE CGST ACT & SECTION 5 OF THE IGST ACT]**

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<tr>
<th>STATUTORY PROVISIONS</th>
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<td><strong>Section 9</strong></td>
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<td><strong>Sub-section</strong></td>
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<tr>
<td>(1)</td>
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<td>(2)</td>
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<tr>
<td><strong>INDIRECT TAXES</strong></td>
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<tr>
<td>---------------------------------------------------------------</td>
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<tr>
<td>charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.</td>
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<td><strong>(4)</strong></td>
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<td><strong>(5)</strong></td>
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</tbody>
</table>

**ANALYSIS**

Central Goods and Services Tax (CGST) shall be levied on all intra-State supplies of goods or services or both.
3.11 CHARGE OF GST

The tax shall be **collected** in such manner as may be prescribed and shall be paid by the taxable person. However, intra-State supply of alcoholic liquor for human consumption is outside the purview of CGST.

**Value for levy:** Transaction value under section 15 of the CGST Act.

**Rates of CGST:** Rates for CGST are rates as may be notified by the Government on the recommendations of the GST Council [Rates notified are 0%, 0.125%, 1.5%, 2.5%, 6%, 9% and 14%]. Maximum rate of CGST will be 20%.

On **inter-State supplies** of goods and/or services, Integrated Goods and Services Tax (IGST) is **levied** on the **transaction value** under section 15 of the CGST Act\(^1\). Since alcoholic liquor for human consumption is outside the purview of GST law, IGST is also not leviable on the same. IGST is approximately the sum total of CGST and SGST/UTGST. Maximum rate of IGST will be 40%.

However, CGST/IGST on supply of the following items has not been levied immediately. It shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:

- petroleum crude
- high speed diesel
- motor spirit (commonly known as petrol)
- natural gas and
- aviation turbine fuel

**Tax payable on supply of goods or services or both under Reverse charge**

CGST/IGST shall be **paid by the recipient** of goods or services or both, on reverse charge basis, in the following cases:

- Supply of goods or services or both, **notified by the Government** on the recommendations of the GST Council.

\(^1\) **Goods imported into India:** For the goods imported into India, the IGST shall be levied and collected as per the section 3 of the Custom Tariff Act, 1975 i.e. the additional duty shall be as per the Custom Tariff Act, 1975 and the value shall also be determined as per the said Act. This aspect will be discussed in detail at the Final Level.
Supply of taxable goods or services or both by an unregistered supplier to a registered person.

All the provisions of the CGST/IGST Act shall apply to the recipient in the aforesaid cases as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. Let us first understand the concept of reverse charge mechanism:

Generally, the supplier of goods or services is liable to pay GST. However, under the reverse charge mechanism, the liability to pay GST may be cast on the recipient of the goods or services. **Reverse charge** means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply.

There are two types of reverse charge scenarios provided in law.

(i) First is dependent on the nature of supply and/or nature of supplier. This scenario is covered by section 9(3) of the CGST/SGST (UTGST) Act [as discussed in preceding paras]. Similar provisions are contained under the IGST law.

(ii) Second scenario is covered by section 9(4) of the CGST Act where taxable supplies by any unregistered person to a registered person are covered. Similar provisions are contained under the IGST law. Said provisions are deferred till 30.09.2019.

Corresponding provisions are included under the charging section 5 of the IGST Act.

It is important to note that GST being an indirect tax, burden of the tax has to be ultimately passed on to the recipient. Under reverse charge also, the burden to pay GST is on the recipient, but the compliance requirements, i.e. to obtain registration under GST, deposit tax, filing returns with the Government, etc. has been shifted from supplier to recipient.

Goods and services notified under reverse charge mechanism are as follows:

A. **Supplies of goods taxable under reverse charge, i.e. the goods where tax is payable by the recipient:** Goods like cashewnuts [not shelled/peeled], bidi wrapper leaves, tobacco
leaves, supply of lottery, silk yarn, used vehicles, seized and confiscated goods, old and used goods, waste and scrap, raw cotton, etc. are taxable under reverse charge, i.e. recipient is liable to pay tax.

**B. Supply of services taxable under reverse charge, i.e. the services where tax is payable by the recipient:** Notification No. 13/2017 CT (R) dated 28.06.2017 as amended has notified the following categories of supply of services wherein whole of the CGST shall be paid on reverse charge basis by the recipient of services:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Category of supply of service</th>
<th>Supplier of service</th>
<th>Recipient of Service</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Supply of services by a <strong>Goods Transport Agency (GTA)</strong> in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or</td>
<td><strong>Goods Transport Agency (GTA) who has not paid CGST @ 6%</strong> [Please refer the analysis given subsequently.]</td>
<td>(a) Any factory registered under or governed by the Factories Act, 1948; or (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any co-operative society established by or under any law; or (d) any person registered under the CGST Act or the IGST Act or</td>
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### INDIRECT TAXES

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<td>(d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or</td>
<td>(e) any body corporate established, by or under any law; or</td>
<td>the SGST Act or the UTGST Act; or</td>
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<tr>
<td>(e) any body corporate established, by or under any law; or</td>
<td>(f) any partnership firm whether registered or not under any law including association of persons; or</td>
<td>(e) any body corporate established, by or under any law; or</td>
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<td>(f) any partnership firm whether registered or not under any law including association of persons; or</td>
<td>(g) any casual taxable person; located in the taxable territory.</td>
<td>(f) any partnership firm whether registered or not under any law including association of persons; or</td>
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<tr>
<td>(g) any casual taxable person.</td>
<td>[Hereinafter referred as Specified recipients]</td>
<td>(g) any casual taxable person; located in the taxable territory.</td>
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<tr>
<td><strong>2. Services supplied by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly.</strong></td>
<td><strong>An individual advocate including a senior advocate or firm of advocates.</strong></td>
<td><strong>Any business entity located in the taxable territory.</strong></td>
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<tr>
<td><strong>“Legal service” means any service provided in relation to advice, consultancy or</strong></td>
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3. **Services supplied by an arbitral tribunal to a business entity.**

   - An arbitral tribunal.
   - Any business entity located in taxable territory.

4. **Services provided by way of sponsorship to any body corporate or partnership firm.**

   - Any person.
   - Any body corporate or partnership firm located in the taxable territory.

5. **Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding,**

   - (1) renting of immovable property, and
   - (2) services specified below-
     - (i) services by the Department of Posts by way of speed post, express parcel post, life

   - Central Government, State Government, Union territory or local authority.
   - Any business entity located in the taxable territory.
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<td>insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority; (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.</td>
<td></td>
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<tr>
<td><strong>5A</strong></td>
<td><strong>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</strong></td>
<td><strong>Central Government, State Government, Union territory or local authority</strong></td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td><strong>Services supplied by a director of a company or a body corporate</strong></td>
<td><strong>A director of a company or a body corporate</strong></td>
</tr>
</tbody>
</table>
### CHARGE OF GST

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<td>3.</td>
<td><strong>Company/ body corporate</strong></td>
<td><strong>Body corporate</strong></td>
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<tr>
<td>7.</td>
<td><strong>Services supplied by an insurance agent</strong></td>
<td><strong>An insurance agent</strong></td>
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<tr>
<td>8.</td>
<td><strong>Services supplied by a recovery agent</strong></td>
<td><strong>A recovery agent</strong></td>
</tr>
<tr>
<td>9.</td>
<td><strong>Supply of services by an author, music composer, photographer, artist or the like</strong></td>
<td><strong>Author or music composer, photographer, artist, or the like</strong></td>
</tr>
</tbody>
</table>

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10. **Supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI)**

11. **Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or non-banking financial company (NBFCs).**

⚠️ All the above services have also been notified for reverse charge under IGST Act. In addition to them, two additional services are also included for IGST purposes relating to which will be dealt at the Final level.

**For purpose of this notification,**

(a) **The person who pays or is liable to pay freight for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the service for the purpose of this notification.**

(b) **Body Corporate:** has the same meaning as assigned to it in clause (11) of section 2 of the Companies Act, 2013.
As per section 2(11) of the Companies Act, 2013, body corporate or corporation includes a company incorporated outside India, but does not include—

(i) a co-operative society registered under any law relating to co-operative societies; and

(ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.

(c) the business entity located in the taxable territory who is litigant, applicant or petitioner, as the case may be, shall be treated as the person who receives the legal services for the purpose of this notification.

(d) the words and expressions used and not defined in this notification but defined in the Central Goods and Services Tax Act, the Integrated Goods and Services Tax Act, and the Union Territory Goods and Services Tax Act shall have the same meanings as assigned to them in those Acts.

(e) Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm.

(f) Insurance agent means an insurance agent licensed under section 42 of the Insurance Act, 1938 who receives agrees to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance [Section 2(10) of the Insurance Act, 1938].

(g) Renting of immovable property means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property.
**Person liable to pay tax on GTA service**

Under GTA service, the person who pays or is liable to pay freight for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the person who receives the service for the purpose of this notification.

GTA services are taxable:

(i) **@ 5%** (2.5% CGST+2.5% SGST/UTGST) provided GTA has not taken the Input Tax Credit (ITC) on goods and services used in supplying GTA service or

(ii) **@ 12%** (6% CGST+6% SGST/UTGST) provided GTA pays GST under **forward charge**. There is no restriction on availing ITC on goods and services used in supplying GTA service by GTA.

---

**Recipient of GTA service**

*Person who pays or is liable to pay freight*

**Person liable to pay tax under GTA service**

- **GST is payable @ 5%**
  - Recipient is one of the **Specified Recipients**
    - **Reverse charge**
      - Person liable to pay GST is such recipient
  - Recipient is other than **Specified Recipients**
    - Exempt from GST
      - [vide Notification No. 12/2017 CT (R) dated 28.06.2017 – Refer Chapter 4 – Exemptions from GST - for details]  

- **GST is payable @ 12%**
  - **Forward charge**
    - Person liable to pay GST is GTA

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Tax payable by the electronic commerce operator on notified services

Electronic Commerce Operators (ECO) display products as well as services which are actually supplied by some other person to the consumer, on their electronic portal. The consumers buy such goods/services through these portals. On placing the order for a particular product/service, the actual supplier supplies the selected product/service to the consumer. The price/consideration for the product/service is collected by the ECO from the consumer and passed on to the actual supplier after the deduction of commission by the ECO.

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on intra-State supplies of which shall be paid by the electronic commerce operator (ECO) if such services are supplied through it. Few services have been so notified. For instance, service by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle.

GST Rates prescribed for various goods: Broadly, six rates of CGST have been notified for goods, viz., 0.125%, 1.5%, 2.5%, 6%, 9% and 14%. Some items have been kept at Nil rate. SGST/UTGST at the equivalent rate is also leviable. With regard to IGST, broadly six rates have been notified for goods, viz., 0.25%, 3%, 5%, 12%, 18% and 28%.

GST Rates prescribed for various services: Broadly, four rates of CGST have been notified for services, viz., 2.5%, 6%, 9% and 14%. Equivalent rate of SGST/UTGST will also be levied. For IGST, four rates have been notified for services, viz., 5%, 12%, 18% and 28%. For certain specified goods and services, nil rate of tax has been notified.

---

2 Detailed provisions relating to Electronic Commerce Operator shall be discussed at Final level.

3 Students may refer the CBIC website for the complete Schedule of CGST Rates for goods, for knowledge purposes.

4 Students may refer the CBIC website for the complete Schedule of IGST Rates for goods for knowledge purposes.
A new **Scheme of Classification of Services**\(^5\) has been devised wherein the services of various descriptions have been classified under various sections, headings and groups.

Each group consists of various Service Codes (Tariff). Chapters referred are the Chapters of the First Schedule to the Customs Tariff Act, 1975\(^6\).

**Notification No. 11/2017 CT (R) dated 28.06.2017** has notified the different rates of the CGST to be levied on the intra-State supplies of services subject to the condition(s) specified therein, if any. Specific rates have been prescribed for various services.

For instance, as already discussed, tax rate prescribed for GTA service is 5% (CGST @ 2.5% and SGST @ 2.5%) subject to the condition that credit of input tax charged on goods or services used in supplying the service has not been taken. Similarly, tax rate for restaurant service is 5% without any input tax credit\(^7\). **Services not covered under any specific heading are taxed at the rate of 18% (CGST @ 9% and SGST @9%).**

**Classification of cut pieces of fabrics under GST (Unstitched Salwar Suits)**

It has been represented that before becoming readymade articles or an apparel, the fabric is cut from bundles or thans and sold in that unstitched state. The consumers buy these sets or pieces and get it stitched to their shape and size. Fabrics are classifiable under chapters 50 to 55 of the First Schedule to the Customs Tariff Act, 1975 on the basis of their constituent materials.

*Mere cutting and packing of fabrics into pieces of different lengths from bundles or thans, will not change the nature of these goods and such pieces of fabrics would continue to be classifiable under the respective heading as the fabric* [Circular No. 13/13/2017 GST dated 27.10.2017].

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\(^5\) Students may refer the Scheme of Classification of Services from CBIC website for knowledge purposes.

\(^6\) The provisions relating to Customs Act and Customs Tariff Act will be discussed at Final Level.

\(^7\) GST rate on supply of food and/or drinks by the Indian Railways or IRCTC (Indian Railways Catering and Tourism Corporation Ltd.) or their licensees, whether in trains or at platforms (static units), will be 5% without ITC.
### 5. COMPOSITION LEVY [SECTION 10 OF THE CGST ACT]

#### STATUTORY PROVISIONS

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<th>Composition levy</th>
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<td>Sub-section</td>
<td>Particulars</td>
</tr>
<tr>
<td>(1)</td>
<td>Notwithstanding anything to the contrary contained in this Act but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, but not exceeding,—</td>
</tr>
<tr>
<td>a</td>
<td>one per cent. of the turnover in State or turnover in Union territory in case of a manufacturer</td>
</tr>
<tr>
<td>b</td>
<td>two and a half per cent. of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and</td>
</tr>
<tr>
<td>c</td>
<td>half per cent. of the turnover in State or turnover in Union territory in case of other suppliers</td>
</tr>
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<td></td>
<td>subject to such conditions and restrictions as may be prescribed.</td>
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<tr>
<td></td>
<td>Provided that the Government may, by notification, increase the said limit of fifty lakh rupees to such higher amount, not exceeding one crore rupees, as may be recommended by the Council.</td>
</tr>
<tr>
<td>(2)</td>
<td>The registered person shall be eligible to opt under sub-section (1), if—</td>
</tr>
<tr>
<td>(a)</td>
<td>he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II</td>
</tr>
<tr>
<td>(b)</td>
<td>he is not engaged in making any supply of goods which are</td>
</tr>
</tbody>
</table>
### INDIRECT TAXES

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>not leviable to tax under this Act</td>
</tr>
<tr>
<td>(c)</td>
<td>he is not engaged in making any inter-State outward supplies of goods</td>
</tr>
<tr>
<td>(d)</td>
<td>he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and</td>
</tr>
<tr>
<td>(e)</td>
<td>he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council</td>
</tr>
</tbody>
</table>

Provided that where more than one registered persons are having the same Permanent Account Number (issued under the Income-tax Act, 1961), the registered person shall not be eligible to opt for the scheme under sub-section (1) unless all such registered persons opt to pay tax under that sub-section.

(3) The option availed of by a registered person under sub-section (1) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under sub-section (1).

(4) A taxable person to whom the provisions of sub-section (1) apply shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

(5) If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 shall, mutatis mutandis, apply for determination of tax and penalty.

### ANALYSIS

#### Overview of the Scheme

The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. Small taxpayers with an
aggregate turnover in a preceding financial year up to ₹ 1 crore shall be eligible for composition levy.

Suppliers opting for composition levy need not worry about the classification of their goods or services or both, the rate of GST applicable on the same, etc. They are not required to raise any tax invoice, but simply need to issue a Bill of Supply [Discussed in detail in Chapter-8: Tax Invoice, Credit and Debit Notes] wherein no tax will be charged from the recipient.

At the end of a quarter, the registered person opting for composition levy would pay a certain specified percentage of his turnover of the quarter as tax, without availing the benefit of input tax credit.

Persons making inter-State supplies of goods/making supplies of goods through e-commerce operators who are required to collect tax at source shall not be eligible for composition scheme. The provisions relating to composition levy are contained in section 10 of CGST Act, 2017 and Chapter-II [Composition Rules] of Central Goods and Services Tax (CGST) Rules, 2017. The said rules have been incorporated at the relevant places.

**Turnover limit for Composition Levy [Section 10(1)]**

Section 10 of the CGST Act provides the turnover limit of ₹ 50 lakh for composition levy. However, proviso to section 10(1) empowers the Government to increase the said limit of ₹ 50 lakh upto ₹ 1 crore, on the recommendation of the Council.

In view of said power of the Government to increase the turnover limit for Composition Levy as granted by proviso to section 10(1), the turnover limit for Composition Levy for CGST and SGST purposes for all eligible registered persons has been increased from ₹ 50 lakh to ₹ 1 crore vide Notification No. 8/2017 CT dated 27.06.2017 as amended.

However, the said notification further stipulates that the turnover limit for composition levy shall be ₹ 75 lakh in respect of 9 of the Special Category States namely:
**INDIRECT TAXES**

### Special Category States

<table>
<thead>
<tr>
<th>Arunachal Pradesh</th>
<th>Mizoram</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>Nagaland</td>
</tr>
<tr>
<td>Manipur</td>
<td>Sikkim</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>Tripura</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td></td>
</tr>
</tbody>
</table>

*In case of Uttarakhand and Jammu and Kashmir, the turnover limit will be ₹1 crore.*

In other words, if the aggregate turnover of a supplier in a State/UT other than Special Category States (except Uttarakhand and Jammu and Kashmir) is upto ₹1 crore in the preceding financial year, said supplier is eligible for composition scheme.

**While computing the threshold limit of ₹1 crore, inclusions in and exclusions from ‘aggregate turnover’ are as follows**

<table>
<thead>
<tr>
<th><strong>Includes</strong></th>
<th><strong>Excludes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of all outward supplies</td>
<td>--CGST</td>
</tr>
<tr>
<td>--Taxable supplies</td>
<td>--SGST</td>
</tr>
<tr>
<td>--Exempt supplies</td>
<td>--UTGST</td>
</tr>
<tr>
<td>--Exports</td>
<td>--IGST</td>
</tr>
<tr>
<td>--Inter-State supplies of persons having the same PAN be computed on all India basis.</td>
<td>--Cess</td>
</tr>
<tr>
<td></td>
<td>--Value of inward supplies on which tax is payable under reverse charge.</td>
</tr>
</tbody>
</table>

A dealer ‘X’ has two offices in Delhi. In order to determine whether ‘X’ is eligible to avail benefit of the composition scheme, turnover of both the offices would be taken into account and if the same does not exceed ₹1 crore, X can opt to
avail the composition levy scheme (subject to fulfilment of other prescribed conditions).

**Who can opt for the composition levy scheme? [Section 10(1) read with rule 7]**

A registered person, whose aggregate turnover in the preceding FY does not exceed ₹ 1 crore, may opt to pay an amount calculated at the prescribed rates [mentioned in table below] during the current FY, in lieu of the tax payable by him.

<table>
<thead>
<tr>
<th>S No.</th>
<th>Category of registered persons</th>
<th>Rate of tax*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacturers, other than manufacturers of such goods as may be notified by the Government, i.e. ice cream, pan masala and tobacco.</td>
<td>(\frac{1}{2}) %(^8) of the turnover in the State/Union territory**</td>
</tr>
<tr>
<td>2</td>
<td>Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II [Restaurant service]</td>
<td>2(\frac{1}{2}) %(^9) of the turnover in the State/Union territory**</td>
</tr>
<tr>
<td>3</td>
<td>Any other supplier eligible for composition levy under section 10 of CGST Act and Chapter-II [Composition Rules] of Central Goods and Services Tax (CGST) Rules, 2017</td>
<td>(\frac{1}{2}) %(^{10}) of the turnover of taxable supplies of goods in the State or Union territory**</td>
</tr>
</tbody>
</table>

**Turnover in State/turnover in Union territory** 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) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but

\(^{8}\) Effective rate 1% (CGST+ SGST/UTGST)

\(^{9}\) Effective rate 5% (CGST+ SGST/UTGST)

\(^{10}\) Effective rate 1% (CGST+ SGST/UTGST)
excludes central tax, State tax, Union territory tax, integrated tax and cess [Section 2(112) of the CGST Act, 2017].

**Intimation of opting for composition levy [Rules 3 & 4]**

(i) **Intimation by person applying for registration:** Any person who is not registered and applies for registration may give an option to pay tax under composition levy in Part B of the registration form, viz., FORM GST REG-01. The same shall be considered as an intimation to pay tax under Composition Levy. Such intimation shall be considered only after the grant of registration to the applicant and his option to pay tax under composition levy shall be effective from the date from which registration is effective.

(ii) **Intimation by a registered person:** A registered person who opts to pay tax under composition levy scheme shall electronically file an intimation in prescribed form on the Common Portal [www.gst.gov.in], prior to the commencement of the FY for which said option is exercised. He shall also furnish the statement in prescribed form in accordance with the provisions of rule 44(4) of CGST Rules, 2017 [Discussed in detail in Chapter 6 – Input Tax Credit] within 60 days from the commencement of the relevant FY. Any intimation in respect of any place of business in a State/UT shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.

**Details of stock to be furnished:** Any person who files such intimation shall furnish the details of:

- stock, including the inward supply of goods received from unregistered persons,
- held by him on the day preceding the date from which he opts for composition levy,
- electronically, in prescribed form, on the common portal,
- within a period of **90 days**
from the date on which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf.

The option to pay tax under composition levy shall be effective from the beginning of the FY.

**Conditions and restrictions for composition levy [Rule 5]**

Person opting for composition levy has to comply with the following conditions:

- he is neither a casual taxable person nor a non-resident taxable person [Concept of casual taxable person and non-resident taxable person has been discussed in detail in Chapter 7: Registration].
- the goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under reverse charge under section 9(4).
- he shall pay tax under section 9(3)/9(4) (reverse charge) on inward supply of goods or services or both.
- he was not engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY. The following goods have been hereby notified vide Notification No. 8/2017 CT dated 27.06.2017:

<table>
<thead>
<tr>
<th>Tariff item, subheading, heading or Chapter*</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2105 00 00</td>
<td>Ice cream and other edible ice, whether or not containing cocoa</td>
</tr>
<tr>
<td>2106 90 20</td>
<td>Pan masala</td>
</tr>
<tr>
<td>24</td>
<td>All goods, i.e. Tobacco and manufactured tobacco substitutes</td>
</tr>
</tbody>
</table>

* as specified in the First Schedule to the Customs Tariff Act, 1975

- 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; and
he shall mention the words “composition taxable person” on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.

Who are not eligible to opt for composition scheme? [Section 10(2)]

- Supplier of services other than supplier of food articles.
- Supplier of goods which are not taxable under the CGST Act/SGST Act/ UTGST Act.
- Supplier of inter-State outward supplies of goods.
- Person supplying goods through an electronic commerce operator.
- Manufacturer of icecream, panmasala and tobacco.

There is no restriction on Composition Supplier to procure goods from suppliers located in other States.

**Person providing exempted service is eligible for composition scheme**

(i) A person supplies goods and/or services referred to in clause (b) of paragraph 6 of Schedule II of the said Act (restaurant service) and also supplies any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, the said person shall not be ineligible for the composition scheme subject to the fulfilment of all other conditions specified therein.

(ii) Further, while computing aggregate turnover of such person in order to determine his eligibility for composition scheme, value of supply of any exempt services including 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 [Order No. 01/2017 CT dated 13.10.2017].

Validity of composition levy [Section 10(3) read with rule 6]

The option exercised by a registered person to pay amount under composition levy shall remain valid so long as he satisfies all the conditions mentioned in the said section and these rules.

The option to pay tax under composition scheme lapses from the day on which his aggregate turnover during the FY exceeds the specified limit (₹ 1 crore/ ₹ 75 lakh).

Such person is required to pay normal tax under section 9(1) from the day he ceases to satisfy any of the conditions prescribed for composition levy. He shall issue tax invoice for every taxable supply made thereafter.

Further, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

However, such person shall be allowed to avail the input tax credit in respect of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him and on capital goods held by him on the date of withdrawal and furnish a statement, within 30 days of withdrawal of the option, containing the details of such stock held in prescribed form on the common portal.

A person availing composition scheme during a financial year crosses the turnover of ₹ 1 crore on 9th of December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 1 crore, i.e. on 9th December in this case.

Composition scheme to be adopted uniformly by all the registered persons having the same PAN [Proviso to section 10(2)]

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.

A dealer ‘X’ has two offices in Delhi and is eligible for composition levy. If ‘X’ opts for the composition scheme, both the offices would pay taxes under composition scheme and abide by all the conditions as may be prescribed for the composition scheme.
**INDIRECT TAXES**

**Composition scheme supplier cannot collect tax [Section 10(4)]**

Taxable person opting for the composition scheme shall not collect tax from the recipient on supplies made by him. It implies that a composition scheme supplier cannot issue a tax invoice.

**Composition scheme supplier cannot enter into credit chain [Section 10(4)]**

Taxable person opting for the composition scheme is not entitled to any credit of input tax.

**Imposition of penalty in case of irregular availment of the composition scheme [Section 10(5) read with rule 6(4) and 6(5)]**

- If a taxable person has paid tax under the composition scheme though he was not eligible for the scheme, the person would be liable to penalty and the provisions of section 73 or 74 of the CGST Act shall be applicable for determination of tax and penalty.

- Further, where the proper officer has reasons to believe that the registered person was not eligible to pay tax under composition levy or has contravened the provisions of the Act/provisions of this Chapter, he may issue a show cause notice to such person in prescribed form.

- Upon receipt of the reply to such show cause notice from the registered person in prescribed form, the proper officer shall issue an order in prescribed form within 30 days of the receipt of such reply, either accepting the reply, or denying the option to pay tax under composition levy from the date of the option or from the date of the event concerning such contravention, as the case may be.

**ILLUSTRATION**

Taxpayer ‘A’ is a manufacturer having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 85 lakh (₹ 55 lakh + ₹ 30 lakh). Turnover of Unit A1 and A2 in the second quarter of this financial year was ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy by Taxpayer ‘A’.

**ANSWER**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Location</th>
<th>Turnover in previous FY</th>
<th>Turnover in 2nd quarter of this FY</th>
<th>Total tax (@1%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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3.33

### CHARGE OF GST

<table>
<thead>
<tr>
<th></th>
<th>U.P.</th>
<th>₹ 55 lakh</th>
<th>₹ 5 lakh</th>
<th>₹ 5,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>M.P.</td>
<td>₹ 30 lakh</td>
<td>₹ 10 lakh</td>
<td>₹ 10,000</td>
</tr>
<tr>
<td>Aggregate turnover</td>
<td>₹ 85 lakh</td>
<td>₹ 15 lakh</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 8. LET US RECAPITULATE

1. **Extent & Commencement of CGST Act/ SGST Act/ UTGST Act/ IGST Act**

<table>
<thead>
<tr>
<th>Applicability</th>
<th>CGST</th>
<th>SGST</th>
<th>UTGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>States of India</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Union Territories with State Legislature</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Union Territories without State Legislature</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

2. **Levy and collection of CGST/IGST**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levied on</td>
<td>Intra-State supplies of goods/services/both</td>
<td>Inter-State supplies of goods/services/both</td>
</tr>
<tr>
<td>Collected and paid by</td>
<td>Taxable person</td>
<td></td>
</tr>
<tr>
<td>Supply outside purview of tax</td>
<td>Alcoholic liquor for human consumption</td>
<td></td>
</tr>
<tr>
<td>Value for levy</td>
<td>Transaction value under section 15 of the CGST Act</td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>Rates as notified by Government.</td>
<td>IGST rate = CGST rate + SGST rate (more or less)</td>
</tr>
<tr>
<td></td>
<td><strong>Maximum rate of CGST will be 20%</strong></td>
<td><strong>Maximum rate of IGST will be 40%</strong></td>
</tr>
</tbody>
</table>
3.34 INDIRECT TAXES

<table>
<thead>
<tr>
<th>Supplies on which tax to be levied w.e.f. a notified date</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ petroleum crude</td>
</tr>
<tr>
<td>+ high speed diesel</td>
</tr>
<tr>
<td>+ motor spirit (commonly known as petrol)</td>
</tr>
<tr>
<td>+ natural gas and</td>
</tr>
<tr>
<td>+ aviation turbine fuel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax payable under reverse charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of goods or services or both, notified by the Government on the recommendations of the GST Council.</td>
</tr>
<tr>
<td>Supply of taxable goods or services or both by an unregistered supplier to a registered person</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax payable by the electronic commerce operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government may notify specific categories of services the tax on supplies of which shall be paid by electronic commerce operator (ECO) as if such services are supplied through it.</td>
</tr>
</tbody>
</table>

3. Composition levy [Section 10]

### Composition levy

- An option for specified categories of small taxpayers to pay GST at a very low rate on the basis of turnover.

### Advantages

- Low rate of tax
- Hassel free simple procedures for such taxpayers
- Simple calculation of tax based on turnover
- A very simple quarterly return

### Composition Scheme - Procedure

<table>
<thead>
<tr>
<th>Category of persons</th>
<th>How to exercise option</th>
<th>Effective date of composition levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>New registration under GST</td>
<td>Intimation in the registration form</td>
<td>From the effective date of registration</td>
</tr>
<tr>
<td>Registered person opting for composition levy</td>
<td>Intimation in prescribed form</td>
<td>Beginning of the financial year</td>
</tr>
</tbody>
</table>
3.35

**Composition levy**

- **Conditions**
  - Aggregate Turnover (AT) ≤ ₹ 1 crore during the FY. In Special Category States, AT ≤ ₹ 75 lakh except Uttarakhand & J&K (≤ ₹ 1 crore).
  - Tax is not collected from recipient of supply
  - Input tax credit is not availed
  - Composition Scheme if availed shall include all registered persons having same PAN

- **Non-eligible supplies**
  - Supplier of services other than supplier of food articles.
  - Supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act.
  - Supplier of inter-State outward supplies of goods
  - Person supplying goods through an electronic commerce operator
  - Manufacturer of certain goods as may be notified by the Government

- **Conditions and restrictions**
  - He is neither a casual taxable person nor a non-resident taxable person.
  - Stock has not been purchased from an unregistered supplier, where purchased tax paid under reverse charge.
  - He shall pay tax under section 9(3)/9(4) (reverse charge) on inward supplies
  - He is not engaged in manufacturer of notified goods

Words "Composition taxable person, not eligible to collect tax on supplies" is mentioned at the top of the bill of supply.

Words "composition taxable person" displayed at prominent places.
3.36 INDIRECT TAXES

<table>
<thead>
<tr>
<th>Category of registered persons</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer</td>
<td>1 % (½% CGST + ½% SGST/UTGST)</td>
</tr>
<tr>
<td>Supplier of food</td>
<td>5 %</td>
</tr>
<tr>
<td>Traders</td>
<td>1 %</td>
</tr>
</tbody>
</table>

9. TEST YOUR KNOWLEDGE

1. What is the maximum rate of CGST prescribed under CGST Act?
   (a) 20%
   (b) 28%
   (c) 24%
   (d) 40%

2. Which of the following taxes levied on intra-State supply?
   (a) CGST
   (b) SGST/UTGST
   (c) Both (a) and (b)
   (d) IGST

3. What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Delhi?
   (a) ₹ 50 lakh
   (b) ₹ 75 lakh
   (c) ₹ 80 lakh
   (d) ₹ 1 crore

4. Which of the following is not included in aggregate turnover?
   (a) Exempt supplies of goods or services or both
   (b) Export of goods or services or both
   (c) Inter-State supply of goods or services or both
3. CHARGE OF GST

(d) Value of inward supplies on which tax is paid under reverse charge

5. IGST is levied on:
   (a) Inter-State supplies
   (b) Intra-State Supplies
   (c) Both (a) and (b)
   (d) None of the above

6. _________________ is levied on the import of goods and/or services.
   (a) IGST
   (b) CGST and SGST
   (c) CGST and UTGST
   (d) None of the above

7. The maximum rate of IGST can be:
   (a) 20%
   (b) 30%
   (c) 40%
   (d) None of the above

8. On supply of which of the following items, GST shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:
   (a) Petroleum crude
   (b) Alcoholic liquor for human consumption
   (c) Both (a) and (b)
   (d) None of the above

9. GST is payable by the recipient under reverse charge on:
   (a) Sponsorship services
   (b) Transport of goods by rail
   (c) Transport of passengers by air
   (d) All of the above

10. 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 Central Government to a registered business entity.

11. A person availing composition scheme in Haryana during a financial year crosses the turnover of ₹ 1 crore during the course of the year i.e. he crosses the turnover of ₹ 1 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March?

12. Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed ₹ 1 crore:

(i) Mohan is engaged in providing only legal services in Rajasthan and is registered in the same State.
(ii) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

13. Mohan Enterprises has two registered business verticals in Delhi. Its aggregate turnover for the preceding year for both the business verticals was ₹ 90 lakh. It wishes to pay tax under composition levy for one of the vertical in the current year while under normal levy for other vertical. You are required to advice Mohan Enterprises whether he can do so?

10. ANSWERS/HINTS
1. (a) 2. (c) 3. (d) 4. (d) 5. (a) 6. (a) 7. (c) 8. (d) 9. (a) 10. (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, 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.

11. No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme during the financial year exceeds the specified limit (₹ 1 crore). He is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days from the day on which the threshold limit has been crossed.

12. (i) A supplier of services engaged in the supplies other than the supplies referred to in clause (b) of paragraph 6 of Schedule II of CGST Act i.e. supply by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink, is not eligible for composition levy. Since Mohan provides legal services, he is not eligible for composition scheme.

(ii) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

13. A registered person with an aggregate turnover in a preceding financial year up to ₹ 1 crore is eligible for composition levy in Delhi. Since the aggregate turnover of Mohan Enterprises does not exceed ₹ 1 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, Mohan Enterprises either have to opt for composition levy for both the verticals or under normal levy for both the verticals.