CHAPTER - 4

COMPOSITION SCHEME

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01. Sec 2(6) read with Explanation 1 to Sec 10:- Aggregate Turnover for composition scheme

MCQ 04.01.01.00

Mrs. Reena is a consultant. She has provided the following details relating to services provided and received by her:

1. Supply of management consultancy services for ₹ 5,00,000 p.a.
2. Supply of accounting services for ₹ 2,00,000 p.a.
3. Renting of immovable property for residential purposes for ₹ 10,000 p.m.
4. Management consultancy services provided to a hospital for ₹ 50,000 one time
5. Services provided to a client outside India for ₹ 50,000 p.m.
6. Services received from a lawyer for ₹ 1,00,000

Note: Assume that amounts given above are exclusive of GST, wherever applicable.

What shall be her aggregate turnover for the financial year under GST provided her aggregate turnover during previous financial year was ₹ 24 lakh? **[Study Mat] [CA Final MTP April 23]**

a. ₹ 9,10,000 b. ₹15,70,000
c. ₹ 14,70,000 d. ₹ 8,20,000

[Hint-Refer sec 2(6), Aggregate T/o= ₹5,00,000 + ₹2,00,000+₹1,20,000+₹50,000+₹6,00,000, Legal service will be excluded as inward supply taxable under RCM]

MCQ 04.01.02.00

Shah Beedi Company (P) Ltd. is a manufacturer of cigarettes. It has been registered under GST in the State of West Bengal.

The turnover of the company from the current financial year is ₹ 90,00,000. The excise duty paid on the cigarettes removed is ₹ 10,00,000. CGST and SGST paid on the cigarettes is ₹ 18,00,000 each which was charged separately in the invoices.

The company also recovered actual freight of ₹ 5,00,000 from the buyers on the supply of cigarettes so made during the current financial year and also charged CGST/ SGST thereon. The company paid tax @ 5% under reverse charge while availing the services of GTA of ₹ 5,00,000.

Compute the aggregate turnover of Shah Beedi Company (P) Ltd. Assuming that the amounts given above are exclusive of GST. **[Study Mat]**

a. ₹ 90,00,000 b. ₹ 1,00,00,000
c. ₹ 1,18,00,000 d. ₹ 1,05,00,000

[Hint- 1) Refer Sec 2(6), Aggregate T/O = ₹90,00,000 + ₹10,00,000 + ₹5,00,000, Here, taxes /cess under GST law are excluded & not excise duty. Inward supply taxable under RCM are excluded.

2) Freight=Amount recovered from buyers will be added also as per sec 15(2)(c).]

MCQ 04.01.03.00

Kwality Bells Private Limited, registered under GST in Chennai, Tamil Nadu, provided following outward supplies in the current year:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State supplies	40,00,000	15,00,000
Inter-State supplies (2RS)	30,00,000	10,00,000
Supply of goods procured from China directly from China to UK without such goods entering into India	20,00,000	-
Supply of goods imported from UK, in high seas, to a local vendor by way of endorsement of documents of title to the goods before clearance for home consumption	5,50,000	6,00,000

Compute the aggregate turnover of Kwality Bells Private Limited under GST law for the current year. **[CA Final RTP May 22][CA Final MTP Series 1 Nov 23]**

a. ₹ 95,00,000 b. ₹ 1,26,50,000
c. ₹ 1,20,50,000 d. ₹ 1,15,00,000

[Hint:- 1) Refer sec 2(6) & note that all outward supplies are added & inward supply taxable under RCM are not added.

2) High sea sale & supply from China to UK are not treated as supply.]

02. Sec 10(1) read with Rule 7: Eligibility Criteria for Composition Scheme & taxability

MCQ 04.02.04.00

Eligibility criteria for composition scheme depends on the aggregate turnover of:

a. P.F.Y b. C.F.Y
c. None of the above d. Both a & b above

[Hint- Eligibility criteria depends upon both the years, in P.F.Y to know whether scheme is eligible or not in C.F.Y, and in C.F.Y for paying tax under composition scheme.]

MCQ 04.02.05.00 **Mr. P, a taxable person under GST, is carrying on business from different states such as Punjab, Maharashtra, Haryana & Assam. All the business premises are separately registered. The turnover in different states in P.F.Y. was as follows:**

Punjab - ₹5 lakhs, Maharashtra- ₹8 lakhs, Haryana – ₹10 lakhs, Assam – ₹76 lakhs. Which of the following statement is incorrect?

a. Mr. P can opt for Composition Scheme as the aggregate turnover on all India basis is below ₹ 1.5 Cr.
b. Mr. P cannot opt for composition scheme as turnover in Assam being special category state exceeds ₹ 75 lakhs
c. Both a & b above
d. None of the above

[Hint:- 1. Agg. T/o = ₹5 lakhs + ₹8 lakhs + ₹10 lakhs + ₹76 lakhs = ₹99 lakhs which is less than ₹ 1.5 Cr threshold as limit for Assam is ₹1.5 Cr]

MCQ 04.02.06.00

ABC Ltd., a trader has got itself registered in Delhi on 1.2.20XX in composition scheme. In the month of Aug'XX, it makes supply of taxable goods worth ₹ 3 lacs and exempted goods worth ₹ 1 lac. On what value, it shall pay the GST to the Government?

a. ₹ 1 lac b. ₹3 lacs
c. ₹4 lacs d. ₹2 lacs

[Hint:- Refer Sec 10(1) read with rule 7 where a trader pays tax on taxable t/o in state]

03. Proviso to Sec 10(1):- Marginal Services & Sec 10(2): Conditions for Composition Scheme & Rule 5

MCQ 04.03.07.00

Whether a restaurant serving alcohol along with other foods to its customers can opt for composition scheme under section 10(1) of CGST Act, 2017?

a. Yes, it can opt for Composition Scheme u/s 10(1) of CGST Act, 2017
b. No, it cannot opt for Composition Scheme u/s 10(1) of CGST Act, 2017

[Hint- Refer sec 10(1) & 10(2)(b) - here, alcohol for human consumption is non taxable supply]

MCQ 04.03.08.00

Can a person paying tax under composition scheme make supplies of goods to SEZ located in same State?

a. Yes, he can supply goods to SEZ
b. No, he cannot supply goods to SEZ
c. Yes, subject to prior approval of the Central Government
d. Yes, subject to prior approval of the concerned State Government

[Hint- Refer sec 10(2)(c) & 7(5)(b) of IGST Act]

MCQ 04.03.09.00

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 ₹ 75 lakh.
2) Registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 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. **[Study Mat]**

a. 1, 2, 3, 5 b. 1, 2, 5, 6
c. 2, 3, 4, 5 d. 3, 4, 5, 6

(Hint:- Refer Sec 10(1) & 10(2) conditions)

MCQ 04.03.10.00 Mr. Bajaj, a trader of electronic goods in Maharashtra, supplies goods to ultimate consumer at the intra-state level only. The turnover in state was ₹ 125 lakhs in preceding financial year whereas turnover of taxable supply of goods was ₹ 105 lakhs. State the limit upto which Mr. Bajaj can provide services under composition scheme of 10(1).

a. ₹ 5 lakhs
b. ₹ 10.5 lakhs
c. ₹ 12.5 lakhs
d. ₹ 10 lakhs

[Hint: Refer proviso to Sec 10(1), (Limit is upto 10% of turnover in state or ₹5,00,000, whichever is higher)]

04. Sec 10(2A): Eligibility Criteria for Composition Scheme & Conditions- specially for service providers

MCQ.04.04.11.00 Mr. Ram, a service provider registered in Maharashtra, wants to opt for composition scheme under sec 10(2A). The aggregate turnover of Mr. Ram in preceding financial year, 20XX-XY was ₹ 45 lakhs. In the current financial year Mr. Ram took the legal service from Mr. Vakil located in Indore and discharges the tax liability under reverse charge on such service. Identify whether Mr. Ram is eligible for composition scheme or not?

a. Eligible
b. Not eligible

[Hint: Refer Sec 10(2A), No restriction on RCM supplies]

05. Proviso to Sec 10(2) and 10(2A)

MCQ.04.05.12.00 Can a registered person opt for composition scheme only for one out of his 3 business verticals having same Permanent Account Number? [Study Mat]

a. Yes
b. No
c. Yes, subject to prior approval of the Central Government
d. Yes, subject to prior approval of the concerned State Government

[Hint: Refer proviso to Sec 10(2) & 10(2A)]

06. Sec 10(3): Eligibility Criteria to remain in Composition Scheme

MCQ.04.06.13.00

Mr. A, a registered person under GST, opts for composition scheme u/s 10(1)of CGST Act, 2017 in current financial year as his aggregate turnover in preceding financial year was ₹ 95 lakhs. In CFY, his turnover crosses ₹ 1.5 cr. in the month of October. Will Mr. A continue to be in composition scheme in CFY also after crossing turnover ₹ 1.5 Cr?

a. Yes, composition scheme will be available in CFY
b. No, composition scheme will not be available in CFY
c. Yes, till the time the turnover is not exceeding ₹ 1.5 cr. & after that the composition scheme will be withdrawn
d. No, the composition scheme will be withdrawn by the end of the 1st quarter

[Hint :- Refer Sec 10(3)]

07. Sec 10(4): Cannot collect tax & no ITC available

MCQ.04.07.14.00 Can a registered person under Composition Scheme claim input tax credit? [Study Mat]

a. Yes
b. No
c. Input tax credit on inward supply of goods only can be claimed
d. Input tax credit on inward supply of services only can be claimed

[Hint: Refer Sec 10(4)]

MCQ.04.07.15.00 Can a registered person opting for composition scheme collect GST on his outward supplies? [Study Mat]

a. Yes, in all cases
b. Yes, only on such goods as may be notified by the Central Government
c. Yes, only on such services as may be notified by the Central Government
d. No

[Hint: Refer Sec 10(4)]

08. Rule 3 & 4: Intimation to Opt Composition Scheme & It's effective date

MCQ.04.08.16.00

Can the person operating in regular scheme shift to composition scheme in middle of the financial year?

a. Yes, he can shift

b. No, he cannot shift

[Hint:- Refer rule 3 & 4 - A registered person opting composition levy shall give intimation prior to the commencement of year for which option is to be exercised.]

MCQ.04.08.17.00

ABC Ltd., a person registered in composition scheme, operating in 4 different states has filed the withdrawal intimation in one State. Will this intimation be applicable to all places of business?

a. Yes, it will be applicable

b. No, it will not be applicable

c. Yes, but with prior permission of Central Government

d. No, but with prior permission of respective State Government

[Refer rule 3]

09. Other Rules: Rule 5, Rule 11(1)(b), Rule 62, Rule 80, etc.

MCQ.04.09.18.00

Which of the following statements is not correct for a tax payer who has opted for composition scheme?

a. A registered person supplying goods under the composition scheme shall issue a bill of supply.

b. Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 20th day of each month.

c. A composition dealer 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.

d. Last date for payment of liability towards tax, interest, penalty, fee or any other sum is 18th day of the month following each quarter.

[Hint:- Refer Rule 5 & Rule 62(1)(i)]

MCQ.04.09.19.00

Due date of filing GSTR 4 is:

a. 18th day of April following the end of such FY

b. 20th day of the succeeding quarter

c. 30th day of April following the end of such FY

d. 30th day of June following the end of such FY

[Hint-Refer rule 62(1)(ii) & Rule 80, GSTR-4 & GSTR-9A Both has to be furnished Annually]

10. Numerical: Calculation of Tax under Composition Scheme

MCQ.04.10.20.00 **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 18%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 85,950 and SGST of ₹ 85,950. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 44,280. GST liability of C & Co. for the fourth quarter of the financial year is- (CA Inter RTP Nov 2020, Study Mat)**

a. CGST ₹ 7,500 & SGST ₹ 7,500

b. CGST ₹ 4,770 & SGST ₹ 49,050

c. CGST ₹ 49,050 & SGST ₹ 4,770 .

d. Nil

[Hint: Refer point no.3 of Rule 7 (₹15,00,000*0.5% each=₹7,500)]

Answers:

04.01.01	c
04.01.02	d
04.01.03	a
04.02.04	d
04.02.05	b
04.02.06	b
04.03.07	b
04.03.08	b
04.03.09	b
04.03.10	c
04.04.11	a
04.05.12	b
04.06.13	c
04.07.14	b
04.07.15	d
04.08.16	b
04.08.17	a
04.09.18	b
04.09.19	d
04.10.20	a