



Chapter 4

COMPOSITION LEVY

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01. Aggregate Turnover

Q1. Rapidmove Logistics Pvt. Ltd. (RLPL), a registered company in Pune, Maharashtra, is engaged in logistics, warehousing, goods transportation, insurance agency services, etc.

During the quarter April to June of current year, company undertook following transactions:

- 1. Logistics services provided to M/s Hanuman Enterprises, registered in Amravati, Maharashtra for ₹ 28,00,000 and to M/s Shiv Industries, registered in Gwalior, Madhya Pradesh for ₹ 20,00,000.**
- 2. Warehousing of vegetables provided to M/s Safal Farms registered in Solapur, Maharashtra & M/s Fresh Veggies registered in Vapi, Gujarat for ₹ 8,00,000 and ₹ 4,00,000 respectively.**

- 3. Sale of land to Mr. Amit in Pune for ₹ 1,20,00,000, excluding stamp duty of ₹ 2,50,000 being 2%.**
- 4. Supplied goods to its newly opened warehouse in Bengaluru Unit valued at ₹ 6,00,000 (exclusive of GST @18%).**
- 5. Supplied services of ₹2,00,000 as insurance agent to Live Insurance Ltd. (an Insurance Company in Pune itself).**
- 6. It paid sponsorship fees of ₹70,000 at seminar organized by Mr. Bansidas in Delhi.**

What would be the aggregate turnover of RLPL for the quarter April-June?

[ICAI Case 2 Sub-Q1- Modified] [ICAI Case 22 Sub-Q1- Similar] [ICAI Case 43 Sub-Q1- Similar]

- a) ₹ 1,88,00,000**
- b) ₹ 1,93,00,000**
- c) ₹ 1,82,00,000**
- d) ₹ 68,00,000**

[Reason: Refer Sec 2(6), Agg. T/o = ₹ 68,00,000.

- 1. Logistics services included - ₹ 28,00,000 + ₹ 20,00,000 = ₹ 48,00,000.**
- 2. Vegetable warehousing included - ₹ 8,00,000 + ₹ 4,00,000 = ₹ 12,00,000.**
- 3. Supply of goods to Bengaluru Unit (distinct person) included = ₹ 6,00,000.**
- 4. Sale of land is neither a supply of goods nor a supply of services as per para 5 of Sch III & thus, it is not included.**
- 5. Outward insurance agency services ₹2,00,000 taxable under RCM are included whereas inward supply of sponsorship service ₹70,000 taxable under RCM are not.]**

Q2. Mr. Raju, proprietor of Raju Stationery Mart registered under GST in Pune, Maharashtra, wants to opt for composition scheme for current year to reduce his compliance burden. His details for the preceding financial year was as follows:



| Particulars | Amount (₹ In lakhs) |
|----------------------------------|---------------------|
| Taxable supplies | 120 |
| Interest earned on deposits made | 20 |
| Other Exempt supplies | 15 |
| GST @ 5% | 6 |
| Total | 161 |

What will be the aggregate turnover of Raju Stationery Mart for opting for composition scheme? [ICAI Case 15 Sub-Q2]

- (a) ₹161 lakh
- (b) ₹155 lakh
- (c) ₹135 lakh
- (d) ₹141 lakh

[Reason: 1) Refer sec 2(6) - Agg. T/o. = ₹120 lakhs taxable supplies + ₹15 lakhs exempt supplies = ₹135 lakhs.

2) Explanation 1 to sec 10 says that Agg. T/o for composition shall exclude exempt supply of extending deposits against interest ₹20 lakhs.

3) Agg. T/o also excludes GST ₹6 lakhs.]

02. Sec 10(1): Eligibility Criteria for Composition Scheme

Q3. 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

[Reason:- 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]

Q4. M/s. Visali & Co, a Partnership firm, is a manufacturer of equipment's in Kerala. The firm had opted for composition levy under GST and it's turnover for quarter ending September was ₹ 14 lakh, out of which taxable supply amounted to ₹ 10 lakh and exempt supply amounted to ₹ 4 lakh. Compute the tax payable by the firm for the quarter ending September under CGST & SGST? [ICAI Case 47 Sub-Q4]

- (a) ₹ 5,000 each
- (b) ₹ 7,000 each
- (c) ₹ 10,000 each
- (d) ₹ 35,000 each

[Reason: Composition dealer shall pay @ 0.5% CGST & SGST each [total 1%] of t/o in State u/s 10(1). Tax liability under CGST & SGST each is ₹14 lakh (i.e. ₹10 lakh + ₹4 lakh) x 0.5% = ₹ 7,000 each.]



03. Proviso 2 to Sec 10(1): Marginal Services & Sec 10(2): Conditions For Composition Scheme

Q5. M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Outward Supply of the firm for July 20XX was ₹10 lakh. Out of which ₹ 2 lakh was supply of repairing services. In the preceding financial year, the firm was doing trading of taxable goods only with turnover of ₹ 100 lakhs. Aggregate turnover of the firm crossed ₹150 lakh on 25.09.20XX. Tax liability of Veena & Co. for the month of July 20XX is ₹_____each under CGST and SGST. [ICAI Case 37 Sub-Q1]

- (a) ₹5,000
- (b) ₹9,000
- (c) ₹10,000
- (d) ₹14,000

[Reason : 1) Refer 2nd proviso of sec 10(1), marginal service allowed in CFY = higher of ₹10% of t/o in state in PFY (₹100 lakhs) or ₹5 lakhs = ₹10 lakhs.

2) Here, since, repairing service ₹2 lakh is **within the limit**, composition scheme is available for July & thus, tax payable = **0.5 % [each CGST + SGST] of t/o of taxable supplies** (₹10 lakhs) of goods & services in the State = ₹5000 CGST & SGST each.]

Q6. Which of the following persons engaged in making intra-state supplies from Uttar Pradesh, as prescribed below, is not eligible for composition levy under sub-sections (1) and (2) of the CGST Act, 2017 even though their aggregate turnover does not exceed ₹ 1.5 crore in preceding FY? [MTP Mar 19 - Similar]

- a) A person supplying restaurant services
- b) A person supplying restaurant services and earning bank interest
- c) A person trading in ice cream
- d) A person supplying service of repairing of electronic items
- e) A person receiving any inter-state inward supplies of goods

f) A person making outward supply of exempted goods

[Reason: A supplier engaged in exclusively supplying services other than restaurant service is ineligible to opt composition levy u/s 10(1) & 10(2). It can opt u/s 10(2A), subject to conditions.]

04. Sec 10(2A): Eligibility Criteria for Composition Scheme mainly for SOS

Q7. Mr. Kumar started interior designing practice from January. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar got registered under GST w.e.f. 30th June as regular taxpayer. On 16th July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. What will be the tax liability of July month if Mr. Kumar is paying tax u/s 10(2A) of the CGST Act, 2017? [ICAI Case 46 Sub-Q5]



- (a) CGST Nil and SGST Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150

[Reason: 1) Refer sec 10(2A), RP shall pay tax @3% [Effective rate 6% (CGST+ SGST/UTGST)] of the t/o of supplies of goods and services in the State/UT, Mr. Kumar completed services on 22nd July and issued invoice on same day for ₹ 6,00,000. GST @ 6% = ₹ 36,000, i.e. CGST + SGST = ₹ 18,000 each.

2) Here, though Kumar is a regular tax payer, this sub-question is asking you to calculate liability as if he is a composition dealer u/s 10(2A) – to be noted.]

Q8. M/s. Delight Brothers, a partnership firm, is engaged in the restaurant business. It is registered under composition levy scheme u/s 10(1) of CGST Act during current financial year. The firm undertakes only intra-State supplies.

The turnover of the firm in the State for the month of April was ₹ 12,00,000 and the turnover of restaurant business for the current financial year amounted to ₹48,00,000.

From the beginning of next financial year, it will close down the restaurant business and will provide service of repairing of air conditioners. However, the firm wishes to continue with the Composition Scheme, if eligible. It is expecting turnover for the quarter ending June in next financial year to be ₹ 12,00,000.

[ICAI Case 26 Sub-Q1, 4 & 5] [ICAI Case 45 Sub-Q1- Merged]

i) Compute the tax liability of M/s. Delight Brothers for the month of April?

- (a) CGST & SGST of ₹ 6,000 each
- (b) CGST & SGST of ₹ 12,000 each
- (c) CGST & SGST of ₹ 30,000 each
- (d) CGST & SGST of ₹ 60,000 each

[Reason: As per sec 10(1) read with rule 7, composition tax for restaurant service provider

is 2.5% each for CGST and SGST. Thus, tax for April = 2.5% CGST & SGST each * ₹12 lakhs = ₹30,000 CGST & SGST each]

ii) Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?

- (a) M/s Delight Brothers can continue to avail composition levy scheme u/s 10(1) & 10(2) of CGST Act, 2017.
- (b) M/s Delight Brothers is not eligible to avail composition levy scheme u/s 10(1) & 10(2) of CGST Act, 2017.
- (c) M/s Delight Brothers is not eligible to avail composition levy scheme u/s 10(1) & 10(2), but can avail benefit of composition levy u/s 10(2A) of CGST Act, 2017.
- (d) M/s Delight Brothers can neither avail composition levy scheme u/s 10(1) & 10(2) nor u/s 10(2A) of CGST Act, 2017.

[Reason: A person engaged exclusively in supply of services (other than restaurant



service) is not eligible for the composition scheme u/s 10(1) & (2). But, u/s 10(2A), composition scheme is available to such person if Agg. t/o in PFY is up to ₹ 50 lakh (₹48 lakhs in this case).]

iii) Rate of GST (CGST+SGST) applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at minimum rate available & accordingly, the expected tax liability for the quarter ending June of next financial year under CGST and SGST would be _____?

- (a) 1%, ₹6,000 each
- (b) 5%, ₹30,000 each
- (c) 6%, ₹36,000 each
- (d) 18%, ₹1,08,000 each

[Reason: Refer sec 10(2A), person shall pay tax @3% [Effective rate 6% (CGST+SGST/UTGST)] of the t/o of supplies of goods and

services in the State/UT i.e. ₹12 lakhs*3% each = ₹36,000 CGST & SGST each]

05. Proviso to Sec 10(2) & 10(2A): Applicability of scheme to all RPs with same PAN

Q9. Kailash Furniture Store runs a furniture business with its registered office in Pune, Maharashtra under regular scheme. It has two units under a single GST registration both located in Pune. Besides these, it has two additional branches registered under the same PAN.

The branch in Jaipur, Rajasthan (M/s Mahadev Plywood) wants to opt for composition scheme because its aggregate turnover in the preceding financial year was ₹80 lakh and M/s Mahadev Plywood is also providing interior designing services to customers amounting ₹7 lakh during the year.

Whether M/s Mahadev Plywood can opt for composition scheme? [ICAI Case 14 Sub-Q2]

(a) No, because Kailash furniture store has opted normal scheme hence, if one registered person under same PAN opts for normal scheme others become ineligible for composition scheme.

(b) No, the value of services supplied by M/s Mahadev Plywood exceeds ₹5 lakh, therefore it is ineligible for the composition scheme.

(c) Yes, because M/s Mahadev Plywood has separate GST registration and is supplying services up to 10% of the turnover in preceding financial year.

(d) Yes, M/s Mahadev Plywood can definitely opt for composition scheme as its aggregate turnover in the preceding financial year does not exceed ₹1.5 crore. No other conditions need to be fulfilled.

[Reason: All RP having the same PAN have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. If T/o of a RP opting for composition



scheme is more than ₹ 50 lakh and upto ₹ 1.5 crore in PFY, he can supply services [other than restaurant services] in CFY upto a max 10% of t/o in a State/UT in PFY.]

Sec 10(4): Cannot collect the Tax as well as no ITC is available

Q10. 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 18% GST of ₹ 44,280. GST liability of C & Co. for the fourth quarter of the financial year is [RTP Nov 2020]

- (a) CGST ₹ 7,500 & SGST ₹ 7,500
- (b) CGST ₹ 4,770 & SGST ₹ 49,050
- (c) CGST ₹ 49,050 & SGST ₹ 4,770
- (d) Nil

[Reason: Tax payable u/s 10(1), being a trader = ₹15,00,000 * 0.5% CGST & SGST each = ₹7,500 CGST & SGST each. Composition dealer cannot avail ITC.]

06. Sec 10(3) read with rule 6: Validity of Composition Levy

Q11. M/s. Neelkanth & Co., a registered supplier under GST, is dealing in supply of taxable goods in Karnataka. The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 crore on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date. Neelkanth & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of

composition scheme by _____. [ICAI Case 33 Sub-Q1]

- (a) 9th May
- (b) 23rd May
- (c) 8th June
- (d) 7th July

[Reason: After filing application to withdraw from Composition levy, it is mandatory to file statement in FORM GST ITC-01 containing details of stock of inputs & inputs contained in semi-finished or finished goods held in stock on the date on which the option is withdrawn/ denied, **within 30 days from date from which option is withdrawn as per Rule 6(6).**]

07. Rule 62 & 80: Filing of Statements & Returns

- Q12.** 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

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

Answers:

| | |
|---------|---|
| 01 | d |
| 02 | c |
| 03 | b |
| 04 | b |
| 05 | a |
| 06 | d |
| 07 | c |
| 08(i) | c |
| 08(ii) | c |
| 08(iii) | c |
| 09 | a |
| 10 | a |
| 11 | c |
| 12 | d |

