

## TEST 5 COMPOSITION SCHEME

Q -1	<p>Explain the following in accordance with the provisions of GST act, pertaining to composite scheme:-</p> <ul style="list-style-type: none"><li>i. Can I registered person, who purchases goods from a taxable person paying tax under the composition scheme, avail credit of tax paid on purchases made from the composition dealer?</li><li>ii. Can a person paying tax under the composition scheme issue a tax invoice under GST?</li><li>iii. Are monthly returns required to field by the person opting to pay tax under the composition scheme?</li><li>iv. Can a person who has opted to pay tax under the composition scheme avail the input tax credit on his inward supplies?</li></ul>									
SOLUTION	<ul style="list-style-type: none"><li>a) No, as the composition dealer cannot collect tax paid by him and outward supplies from his customers, the registered person making purchases from a taxable persons paying tax under the composition scheme cannot avail the credit.</li><li>b) No, he shall issue a bill of supply in lieu on tax invoice.</li><li>c) No, such persons need to electronically file quarterly returns in form GSTR-4 on the GSTN common portal by the 18 th of the month succeeding the quarter. For example return in respect of supplies made during july 2017 to September 2017 is required to be field by 18 October 2017.</li><li>d) As per section 10(4), any taxable person opting to pay tax under the composition scheme cannot enter the credit chain &amp; thus cannot avail credit on his inward supplies.</li></ul>									
Q 2	<p>ABC Ltd. Is a manufacturing company located in Bangalore. During the financial year 2020-21 total value of supplies including inwards supplies tax under revere charge basis are 1,54,00,000. The breakup of supplies is as follows:-</p> <ul style="list-style-type: none"><li>1) Intra state supplies to goods chargeable to nil rate of GST - 2500000</li><li>2) Intra state supplies made under forward charge 8500000</li><li>3) Intra state supplies of goods exempted under section II of CGST act 1900000</li><li>4) Inward supplies of goods on which tax is payable under RCM 2500000</li></ul> <p>Explain whether ABC is eligible to opt for composition scheme in financial year 2020-21.</p>									
SOLUTION	<p>As per section 10(1) of CGST act, a registered person, whose aggregate turnover is the preceding financial year does not exceed 1.5 Crore may opt for payments of tax under the composition scheme (notification number 46/2017of central tax).</p> <p>Computation of aggregate turnover for the above case :-</p> <table><tr><th>Sr.no</th><th>Particulars</th><th>Amount in₹</th></tr><tr><td>1</td><td>Supplies chargeable to nil rate of GST</td><td>25,00,000</td></tr><tr><td>2</td><td>Supplies made under forward charge</td><td>85,00,000</td></tr></table>	Sr.no	Particulars	Amount in₹	1	Supplies chargeable to nil rate of GST	25,00,000	2	Supplies made under forward charge	85,00,000
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	3	Supplies of goods under exempted category	19,00,000
	4	Inward supplies of goods on which tax is payable under RCM (to be excluded)	Nil
	Total supply		1,29,00,000
	Since, the aggregate turnover does not exceed 1,50,00,000 during the preceding financial year i.e 2020-21, thus ABC Ltd. Shall be eligible to opt for composition scheme for the financial year 2020-21.		
<b>Q-3</b>	<p>Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed 1.5 cr;</p> <ol style="list-style-type: none"> <li>1) Pankaj is engaged in providing legal services in Rajasthan and is registered in the same state.</li> <li>2) Vikas manufacturer has registered offices in Punjab and Haryana and supplies goods in neighbouring states.</li> <li>3) Can supplier of services opt for composition levy?</li> <li>4) Can a person paying tax under composition scheme make supplies of goods to SEZ?</li> </ol>		
<b>SOLUTION</b>	<ol style="list-style-type: none"> <li>1) A Supplier of services engage in the supplies other than the supplies referred to in clause( b) of paragraph 6 of schedule II of CGST act that is supply by way of or as part of any service or in any other manner what so ever of goods being food or any other article for human consumption or any drink is not eligible for composition levy since Pankaj provides legal services he is not eligible for composition scheme. Even as per NT 2/2019 he is nit eligible as TO of last year exceeds 50 Lkajs.</li> <li>2) A registered person engage in making interstate outward supplies of goods cannot opt for composition Levy thus Vikas manufacturers is not eligible for composition levy</li> <li>3) As per section 10(2) (a) person engaged in supply of services shall not be eligible to opt for composition however an exception is given to category of supplies referred to in clause (b) of Para 6 of schedule II.</li> <li>4) No, as per section 10 (2) who supplies to who supplies to SEZ from domestic tariff area will be treated as interstate supply and as per one of the eligibility condition which states that a person pain Tax under composition scheme cannot make interstate outward supply of goods thus for making supplies to an SEZ unit a person needs to take registration as a regular taxpayer</li> </ol>		
<b>Q 4</b>	<p>Ankur Ltd is a manufacturing company located in Karnataka, has been registered under composition scheme furnishes the following information for the financial year 2020-21. It requires you to determine its composition tax liability and total tax liability. In financial year 2020-21 total value of supplies including inward supplies taxed under reverse charge basis are 82,00,000. The breakup of supplies is as follows-</p> <ol style="list-style-type: none"> <li>1) Intra state supplies of auto spares 'v' units chargeable to 12% GST - 24,00,000</li> <li>2) Intra state supplies of auto supplies 'X' unit chargeable to 5% GST-</li> </ol>		

	36,00,000 3) Inward supplies on which tax payable under RCM (GST rate 12%) - 6,40,000 4) Intra state supplies wholly exempt under section ii of CGST Act - 15,60,000																																				
SOLUTION	<p><b>The composite tax liability of Ankur Limited shall be as under</b> in case of manufacture 1% of turnover in state (all taxable supply, exempt supply ,export supply,)</p> <p><b>1) Computation of turnover in state and composite tax for financial year 2020-21:-</b></p> <table><tr><th>Sr.no</th><th>particulars</th><th>₹</th></tr><tr><td>1</td><td>Intra-state supplies of auto spares V units</td><td>24,00,000</td></tr><tr><td>2</td><td>Intra-state supplies of auto Square X units</td><td>36,00,000</td></tr><tr><td>3</td><td>Inward supplies on which tax payable under RCM (GST rate 12%)</td><td>NIL</td></tr><tr><td>4</td><td>Intra-state supplies fully exempt under section 2 of CGST act</td><td>15,60,000</td></tr><tr><td></td><td>Turnover in state</td><td>75,60,000</td></tr><tr><td></td><td>Rate of composite tax cgst 0.5% + sgst 0.5%</td><td>1%</td></tr><tr><td></td><td>Total composite tax</td><td>75,600</td></tr></table> <p><b>2) Tax payable under reverse charge basis:-</b></p> <table><tr><th>Sr.no</th><th>Particulars</th><th>₹</th></tr><tr><td>1</td><td>inward supplies on which tax payable under RCM</td><td>6,40,000</td></tr><tr><td>2</td><td>rate of GST</td><td>12%</td></tr><tr><td>3</td><td>tax payable under RCM</td><td>76,800</td></tr></table> <p>Therefore total tax payable by Ankur Limited is 15 2400 composite tax + tax payable under RCM</p>	Sr.no	particulars	₹	1	Intra-state supplies of auto spares V units	24,00,000	2	Intra-state supplies of auto Square X units	36,00,000	3	Inward supplies on which tax payable under RCM (GST rate 12%)	NIL	4	Intra-state supplies fully exempt under section 2 of CGST act	15,60,000		Turnover in state	75,60,000		Rate of composite tax cgst 0.5% + sgst 0.5%	1%		Total composite tax	75,600	Sr.no	Particulars	₹	1	inward supplies on which tax payable under RCM	6,40,000	2	rate of GST	12%	3	tax payable under RCM	76,800
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Q 5	<p>Mr P registered in Hyderabad, who is selling goods for Telangana to Tamil Nadu. Turnover of Mr P is 73 lakhs in the preceding financial year. Whether Mr P is eligible for composition?</p> <p>Whether your answer will change if Mr P is making purchase from Tamil Nadu and selling goods in Telangana .</p>																																				
SOLUTION	<p>Mr. P is not eligible for composition as he is making interstate outward supply if Mr. P is making purchase is from Tamilnadu then he is eligible for composition skin as there is restriction on outward interstate supply not on invert inward state supply.</p>																																				
Q 6	<p>Hyundai Service Center registered under GST in the state of Maharashtra provides can servicing to various customers at intra - state level. The turnover of preceding financial year (PFY) 2018 - 2019 was Rs.45 lakhs and turnover of 1<sup>st</sup> quarter of current financial year (CFY) 2019 - 2020 was Rs.48 lakhs which includes Rs.30 lakhs from provision of service and Rs.18 lakhs from sale of goods such as spare parts.</p> <p>i. State whether Hyundai Service Center can opt for composition scheme in (FY) 2019 - 2020</p> <p>ii. Determine the tax liability under N / M 2 / 2019 (Normal tax rates for goods</p>																																				

- 12% and for services - 18%, tax rate under composition scheme - 6%)

**SOLUTION**

**Legal Provision:** As per N / N 2 / 2019 CT (R) dt. 7/3/2020, any registered person making intra - state supplies of good or services upto Rs.50 lakhs in preceding financial year can opt for composition scheme for first supplies of goods or service or both upto an aggregate turnover of Rs.50 lakhs made on or after 1<sup>st</sup> day of April in current financial year and such supplies will be liable to GST @ 6% (CGST - 3% & SGST - 3%) provided other conditions have been satisfied as laid down in the said notification.

- i. Hyundai Service Centre supply services along with goods at intra - state level to the ultimate recipient and the aggregate turnover does not exceeds Rs.50 lakhs in preceding financial year then it can opt for the composition scheme of 6%. Supply of goods or services upto first Rs.50 lakhs in current financial year shall be liable for GST @ 6% instead of the given rates of 12% and 18%. As the aggregate turnover of Hyundai Service Centre in 1<sup>st</sup> quarter of current financial year was Rs.48 lakhs, Hyundai Service Centre is eligible for levying GST @ 6% on entire turnover of Rs.48 lakhs.
- ii. The tax liability of Hyundai Service Centre for the 1<sup>st</sup> quarter of CFY is as follows:

Particulars	Turnover of Goods (Rs.)	Turnover of Service (Rs.)
Value of supply	18,00,000	30,00,000
CGST @ 3%	54,000	90,000
SGST @ 2%	54,000	90,000

**Note:** There is no restriction on supply of goods as per N / N / 2019 along with supply services.

**Author's Note:** If transactions are B2C then it is advisable that person must opt A composition scheme.

**Q 7**

M/s XYZ Pvt. Ltd. a manufacturer having the only registered place of business in the state of Maharashtra. Determine the eligibility to opt for composition scheme and also compute tax liability of M/s XYZ Pvt. Ltd. on the basis of following information assuming that total value of service provided by the company in Preceding Financial Year (PFY) is within the allowed limit of section 10(1) except interest and restaurant service.

	Particulars	PFY 2019 - 20 (Rs.)	1 <sup>st</sup> Qtr 2020 - 21 (Rs.)
1.	Value of taxable supply of goods	90.00 lacs	20.00 lacs
2.	Value of exempt supply of goods	20.00 lacs	5.00 lacs
3.	Value of taxable supply of service	5.00 lacs	1.00 lacs
4.	Value of exempt supply of service	3.00 lacs	0.50 lacs
5.	Value of supply of restaurant service	15.00 lacs	1.50 lacs
6.	Interest on loan / advances / deposits	4.00 lacs	1.20 lacs

Calculate GST payable under composition scheme for 1<sup>st</sup> quarter of CFY 2020 - 2021.

**SOLUTION**

**Legal Provision:** As per section 2(6) of CGST Act, 2017, aggregate turnover means the aggregate value of:

- All taxable supplies (other than inward supplies under RCM)
- Exempt Supplies
- Export of goods or service or both and
- Inter - state supplies of person having same PAN

To be computed on all India basis but it excludes central tax, state tax, union territory tax, integrated tax and cess.

**a. Calculation of aggregate turnover of PFY 2019 - 2020**

Particulars	Rs. In lacs
Value of taxable supply of goods	90.00
Value of exempt supply of goods	20.00
Value of taxable supply of service	5.00
Value of exempt supply of service	3.00
Value of supply of restaurant service	15.00
<b>Aggregate turnover</b>	<b>133.00</b>

**Note:** Interest on loan / advances / deposit shall not be considered for calculation of aggregate turnover.

**b. Calculation of value of supply of service to be allowed in CFY 2020 - 2021 as per CGST Amendment Act, 2018**

The applicable limit is 10% of turnover in state i.e. Rs.13.3 lakhs or Rs.5 lakhs whichever is higher.

Actual supply of service in CFY (taxable supply + exempt supply) = Rs.1.5 lakhs which is within limit.

**Note:** Interest on loan / advances / deposits not to be considered in above limit.

**c. Calculation of GST on supply of goods and services except restaurant service**

S. No.	Particulars	Rs.
1.	Value of taxable supply of goods	20,00,000.00
2.	Value of exempt supply of goods	5,00,000.00
3.	Value of taxable supply of service	1,00,000.00
4.	Value of exempt supply of service	50,000.00
		26,50,000.00
	CGST @ 0.5%	13,250.00
	SGST @ 0.5%	13,250.00
	<b>Total</b>	<b>26,76,500.00</b>

**d. Calculation of GST liability on restaurant service**

Particulars	Rs.
Value of supply	1,50,000.00
CGST @ 2.5%	3,750.00
SGST @ 2.5%	3,750.00
<b>Total</b>	<b>1,57,500.00</b>

**Note:**

- i. Manufacturer shall pay composition tax @ 1% of turnover in state which also includes nil rate and wholly exempt supply.
- ii. Author's opinion as per above order interest on loan to be excluded only from Aggregate turnover and not from Turnover in State. Hence it should be added for calculation of GST liability but still there is no clarification, hence, not taken for above calculation.