

CHAPTER – 3 LEVY AND COLLECTION

To learn

SECTION 9 OF CGST ACT 2017

COMPOSITION SCHEME (SECTION 10)

**“FAILURE IS SUCCESS
IF WE LEARN FROM IT.”**

Success is no accident.
It is
hard work,
perseverance,
learning,
studying,
sacrifice
and most of all,
love of what you are
doing
or learning to do.

“Teachers can open
the door, but you
must enter it
yourself.” –

SECTION 9 OF CGST ACT 2017

GST SECTION 9(1) of CGST ACT

CGST will be levied and collected on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption.

GST SECTION 5(1) OF IGST ACT

IGST will be levied and collected on all inter-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption. IGST also be levied on import of goods.

- 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
- INTER STATE SUPPLY - Where the location of the supplier and the place of supply of goods or services are in –
 - 1) two different States or
 - 2) two different Union Territories or
 - 3) A State and a Union territory,

It is treated as inter-State supply of goods or services respectively

- Maximum GST rate not exceeding 40% (i.e. CGST 20% and SGST 20%) on ALL INTRA-STATE SUPPLIES of goods or services.
- Maximum IGST rate not exceeding 40% on ALL INTER-STATE SUPPLIES of goods or services.
- Section 9(2) GST will be levied on the supply of:
 - Petroleum crude,
 - High speed diesel,
 - Motor spirit (commonly known as petrol),
 - Natural gas and
 - Aviation turbine fuel

Shall be levied with effect from such date as may be notified by the Government of India on the recommendation of the GST Council

- Section 9(3)-the Government may, on the recommendation of the GST Council, may notify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis
- REVERSE CHARGE*- means the liability to pay tax is on recipient of supply of goods or services or both instead of supplier
- Section 9(4) of the CGST Act, 2017,

- The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both
 - received from an **unregistered supplier**, pay the tax on reverse charge basis as the recipient of such supply of 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 such supply of goods or services or both
- Section 9(5) of the CGST Act, 2017,
 - Electronic Commerce Operator (ECO) is liable to pay tax. Or
 - Any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax provided ECO not located in taxable territory. Or
 - Where an ECO does not have a representative in the taxable territory, such ECO shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.
 - RATES OF GST –

FOR GOODS-

- (RATE OF CGST -0, 0.125, 1.5, 2.5, 6, 9, 14 %)
- (RATE OF SGST -0, 0.125, 1.5, 2.5, 6, 9, 14%)
- (RATE OF IGST -0, 2.5, 3, 5, 12, 18, 28%)

FOR SERVICES-

- (RATE OF CGST - 2.5, 6, 9, 14%)
- (RATE OF SGST - 2.5, 6, 9, 14%)
- (RATE OF IGST - 5, 12, 18, 28%)

COMPOSITION SCHEME (SECTION 10)

APPLICABLE FOR SUPPLY OF GOODS ONLY

1) INTRODUCTION –

- The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to prescribed limit.
- ➡ The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers
- ➡ This scheme is optional scheme, not a mandatory scheme .

2) ELIGIBILITY –

- ➡ scheme is applicable for all types of goods supplied by registered person (at one PAN CARD)
- ➡ A registered person whose aggregate turnover** in preceding financial year shall not exceeds 1.5 crore / 75 lakhs (in special states*) will be eligible to opt composition scheme.
- ➡ Special states*-

Arunachal Pradesh	Mizoram
Uttarakhand	Nagaland
Manipur	Sikkim
Meghalaya	Tripura

- ➡ Aggregate turnover includes** - Value of all outward supplies
 - Taxable supplies & not taxable Supplies (including Exempt & nil, zero rate also)
 - Exports

Of persons having the same PAN be computed on all India basis

Excludes-

- CGST/ SGST/ UTGST/ IGST/Cess
- Value of inward supplies on which tax is payable under reverse *charge*
- Interest on deposit, loan, Advances

NOTE – 1) AGGREGATE T/O FOR STATE OR UNION TERRITORY IS SAME)

2) Turnover of current financial years shall also not exceed 1.5 crore / 75 lakhs for special states

5) Rates of composition scheme

SUPPLIES	CGST	SGST	TOTAL
MANUFACTURERS other than manufacturers of, i.e. ice cream, pan masala and tobacco.	0.5*	0.5*	1%*
RESTAURANT SERVICES	2.5*	2.5*	5%*
Other supply of GOODS	0.5*	0.5*	1%*

% of aggregate turnover*

6) Composition scheme can also be taken if marginal supply of is also supplied with goods

This specified (marginal) value of services* not exceeding -

(A) 10% of the turnover in a State/Union territory in the preceding financial year

or

(B) 5 lakh,

Whichever is higher

7) NON ELIGIBLE PERSONS {SECTION 10(2)}-

a) Supplier of services (except Restaurant services & some exceptions)

b) Supplier of goods which are NON TAXABLE under CGST, SGST, UTGST ACT (only goods)

c) INTER STATE SUPPLIES OF GOODS (only goods)

d) Supply of goods through E- COMMERCE OPERATION

NOTE – NO RESTRICTION on composition supplier to procure goods from inter-state as also to make inter-state inward & outward of supply of services

Example -1) Mr “A” (Registered person in MP) purchased goods from UP & sold in MP

Example -2) Mr “A” (Registered person in MP) purchased goods from UP & sold in PUNJAB.

8) Any person having same PAN have taken one registration under composition scheme then other registration shall also be taken in composition scheme (vis a versa)

Example-

Sr no.	registration	Normal scheme	Composition scheme
1	Footwear business		
2	Mobile sale		
3	Readymade garments		

9) If aggregate t/o exceeds 1.5crore/ 75 lakhs (in special states) then this option lapses

10) No GST shall be collected by registered person from customer if this scheme opts

11) Customer who has purchased goods from composition dealer he shall not be eligible to take ITC.

12) This scheme shall not be applicable to that supply, where the registered person has to pay tax under RCM basis.

13) A person shall not require to file fresh intimation every year for paying tax u/s 10 composition scheme

14) Conditions and restrictions for composition levy [Rule 5]

- The person opting for the scheme must neither be a casual taxable person nor a non-resident taxable person.
- The goods held in stock by him on the appointed day have not been –
 - purchased in the course of inter-state trade or commerce or
 - imported from a place outside India or
 - received from his branch situated outside the State or
 - From his agent or principal outside the State, where option is exercised under rule 3(1) of the CGST Rules, 2017 (i.e. who opted composition scheme at the time of migrating into GST).
- 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 (i.e. Section 9(4) of CGST).
- He shall pay tax as per normal rates, in case of inward supply of goods and services or both received under Section 9(3) or (4) of CGST Act, 2017.
- Mandatory display on invoices of the words "composition taxable person, not eligible to collect tax on supplies".
- Mandatory display of the words "Composition Taxable Person" on every notice and signboard displayed at a prominent place.
- *Manufacturers of INELIGIBLE GOODS* (i.e. Ice cream and other edible ice, whether or not containing cocoa, Pan masala All goods, i.e. Tobacco and manufactured tobacco substitutes, AERATED WATER)

NOTE: A registered person making supplies (i.e. trader) of the above goods is eligible to pay tax under composition scheme.

COMPOSITION SCHEME (SECTION 10)

APPLICABLE FOR SUPPLY SERVICES

➡ New scheme for supplier of services with a tax rate of 6% (CGST 3% & SGST 3%)

➡ ELIGIBILITY-

First supplies of goods or services or both upto an aggregate turnover of `50 lakhs made on or after the 1st day of April in any financial year, by a registered person.

➡ CONDITIONS-

Supplies are made by a registered person,—

(i) whose aggregate turnover in the preceding financial year was ` 50 lakh or below;

- (ii) who is not eligible to pay tax under sub-section (1) of section 10;
- (iii) Who is not engaged in making any supply which is not leviable to tax;
- (iv) who is not engaged in making any inter-State outward supply;
- (v) who is neither a casual taxable person nor a non-resident taxable person; (
- (vi) who is not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52; and
- (vii) who is not engaged in making supplies of:
 - (a) Ice cream and other edible ice, whether or not containing cocoa.
 - (b) Pan Masala
 - (c) Tobacco and manufactured tobacco substitutes

2. Where more than one registered persons are having same PAN, central tax on supplies by all such registered persons is paid at the given rate.

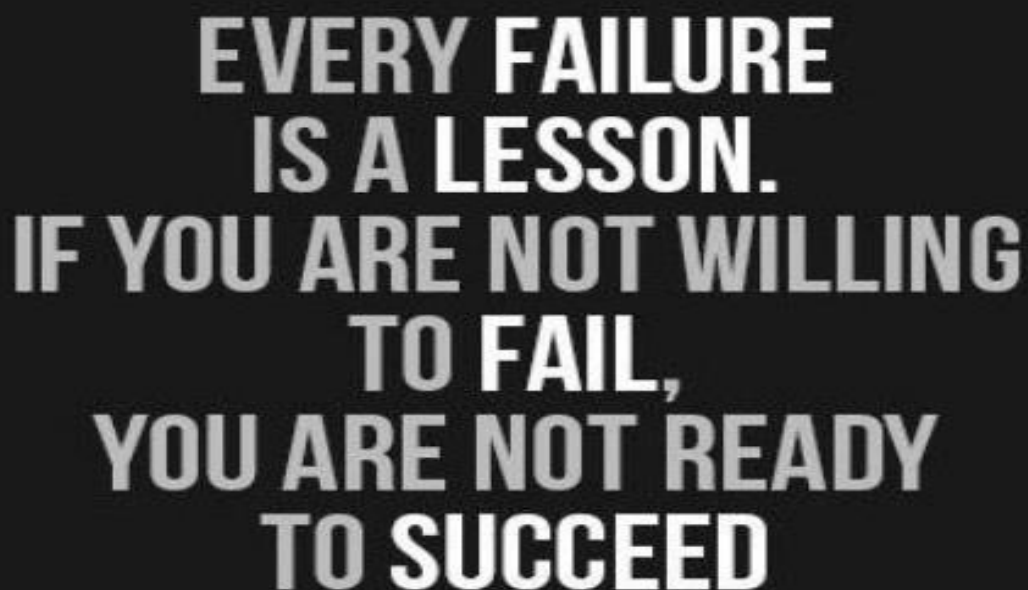
3. The registered person shall not collect any tax from the recipient nor shall he be entitled to any credit of input tax.

4. The registered person shall issue, instead of tax invoice, a bill of supply.

5. The registered person shall mention the following words at the top of the bill of supply, namely: - 'Taxable person paying tax in terms of Notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies'.

6. Liability to pay CGST at the rate of 3% & SGST on all outward supplies

7. Liability to pay central tax on inward supplies on reverse charge.



**EVERY FAILURE
IS A LESSON.
IF YOU ARE NOT WILLING
TO FAIL,
YOU ARE NOT READY
TO SUCCEED**