

18. X & Co., a partnership firm, is engaged in intra-state supply of goods and services in Bengaluru. Its turnover for the financial year 2018-19 and the first quarter of the financial year 2019-20 is given below –

|   | Financial year<br>2018-19 |                  |                    | First quarter :<br>April to June 2019 |                  |                  |
|---|---------------------------|------------------|--------------------|---------------------------------------|------------------|------------------|
|   | Taxable                   | Exempt           | Total              | Taxable                               | Exempt           | Total            |
| Supply of vegetable fertilizers manufactured by X & Co.   | 60,00,000                 | 20,00,000        | 80,00,000          | 16,00,000                             | 7,00,000         | 23,00,000        |
| Supply of plugs and sockets as a trader (manufactured by others)  | 30,00,000                 | —                | 30,00,000          | 9,00,000                              | 1,00,000         | 10,00,000        |
| Supply of food / drinks in a restaurant (restaurant services)   | 10,00,000                 | —                | 10,00,000          | 3,00,000                              | —                | 3,00,000         |
| Interest on loan/deposit (i.e., supply of services by way of extending deposits, loans or advances where consideration is represented by way of interest or discount) | —                         | 70,00,000        | 70,00,000          | —                                     | 17,00,000        | 17,00,000        |
| Supply of other services  | 9,00,000                  | 2,00,000         | 11,00,000          | 1,00,000                              | 6,00,000         | 7,00,000         |
| <b>Total</b>  | <b>1,09,00,000</b>        | <b>92,00,000</b> | <b>2,01,00,000</b> | <b>29,00,000</b>                      | <b>31,00,000</b> | <b>60,00,000</b> |

X & Co. wants to opt for Composition Scheme with effect from April 1, 2019.

Is it possible? If yes, find out the tax liability of it for the first quarter of 2019-20 under Composition Scheme.

Ans. The CGST Amendment Act, 2018 has amended Sec 10 (Composition Scheme) in following respect:

- 1) Eligibility limit of ATO of PY has been enhanced to 150 lakhs
- 2) Suppliers of goods can now provide services (other than restaurant and catering) upto certain limit.

Considering the amended provisions, answer to the given case is as discussed below:

**Status of X & Co.** = GST registered supplier – supplier of goods as well as supplier of services (exempt as well as taxable services)

**Eligibility**

- **ATO (PY)** = ATO for purposes of determination of eligibility for composition scheme shall be upto Rs 150 crore for a supplier located in Karnataka. ATO shall include all supplies (goods or services – taxable as well as exempt). However, in view of ROD order issued recently, exempt service by way of interest/discount shall be excluded from TO. Considering these provisions, TO of X & Co. for the PY shall be (80 + 30 + 10 + 11) = 131 lakhs. Since, ATO is not exceeding Rs 150 lakhs, he is eligible from viewpoint of ATO.
- **Permissible value of supply of services** = He being supplier of service (other than restaurant/catering), he shall be eligible for composition if his value of supply of such service is within limits specified in second proviso to Sec 10(1). The limit is higher of following two:
  - (a) 10% of TO (PY) – (in given case, 10% of 131 lakhs) = 13,10,000
  - (b) Rs 5,00,000.

Thus, in given case, applicable limit is Rs 13,10,000.

In terms of recently issued RoD order, exempt service by way of interest or discount shall not be counted in permissible limit. Those services can be provided in addition to above determined permissible limit.

Since his annual value of supplies of services (excluding exempt service by way of interest or discount) is = 7 lakhs is within permissible limit, he will remain eligible for composition scheme if opted by him.

Now, **composition tax liability of X & Co. for the quarter ending June 30, 2019 shall be arrived at considering composition rates as notified u/rule 7 of CGST Rules.** In terms of those rates, composition tax liability shall be as follows:

|  | Turnover of the first quarter of 2019-20 |          |           | GST Rate | Turnover for the purpose of Composition tax liability | Amount of GST | Component of GST liability |        |
|--|--|----------|-----------|----------|---|---------------|----------------------------|--------|
|  | Taxable                                  | Exempt   | Total     |          |   |               | CGST                       | SGST   |
| Supply of <b>goods manufactured</b> by X & Co.         | 16,00,000                                | 7,00,000 | 23,00,000 | 1%       | <b>All supplies</b> : Rs. 23,00,000                   | 23,000        | 11,500                     | 11,500 |
| Supply of food / drinks ( <b>restaurant services</b> ) | 3,00,000                                 | —        | 3,00,000  | 5%       | <b>All supplies</b> : Rs. 3,00,000                    | 15,000        | 7,500                      | 7,500  |
| Supply of <b>goods as a trader</b>                     | 9,00,000                                 | 1,00,000 | 10,00,000 | 1%       | <b>Taxable supplies</b> : Rs. 9,00,000                | 9,000         | 4,500                      | 4,500  |
| Supply of <b>other services</b>                        | 1,00,000                                 | 6,00,000 | 7,00,000  | 1%       | <b>Taxable supplies</b> : Rs. 1,00,000                | 1,000         | 500                        | 500    |
| Total  |  |          |           |          |   | 48,000        | 24,000                     | 24,000 |

Tax liability of X & Co. under Composition Scheme for the quarter ending June 30, 2019 is Rs. 48,000.

