

**CORRECTION IN GST (8th Edition) PAGE NO. 55**  
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

**Example 2**

Mr. A applies for voluntary registration on 5th June and obtains registration on 22th June. Mr. A is eligible for ITC on inputs / semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

**Example 3**

Mr. X purchased goods vide invoice dated 01/07/2021 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in the year 2022-23 on 10/08/2022, in this case as per section 18(2) tax credit for the goods lying in the stock is not allowed because one year has elapsed from the date of invoice.

**Example 4**

Mr. X purchased goods vide invoice dated 01/03/2022 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in 2022-23 on 01/01/2023 and he applied for registration on 01/01/2023 and was granted registration on 10/01/2023, in this case as per section 16(4) tax credit for the goods lying in the stock is not allowed because time limit prescribed under 16(4) has elapsed.

**Illustration 2:** ABC Ltd. Started Business on 01/10/2021.

Purchased raw material ₹50,00,000 + CGST @ **12%** + SGST @ **12%** and also purchased plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

Turnover of the company crossed ₹40,00,000 on 10/01/2022 and company has taken registration on 10/01/2022 and at that time 50% of the raw material has been utilised.

Company had turnover ₹30,00,000 from 10/01/2022 to 31/01/2022 and rate of CGST @ 12% and SGST @ 12%.

Compute ITC /Output tax and Net Tax for Jan 2022

**Solution:**

	₹
Purchased raw material	50,00,000
Add: CGST @ <b>12%</b>	6,00,000
Add: SGST @ <b>12%</b>	6,00,000
Total	62,00,000
ITC allowed	
CGST (50%)	3,00,000
SGST (50%)	3,00,000
Plant & Machinery	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

As per Section 18 (1) (a) / Rule 40, no tax credit shall be allowed for capital goods.

**Output Tax**

Transaction Value	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

**Computation of Net Tax Payable**

	CGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000

	SGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)

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8. **As per Rule 5**, such person should be neither casual taxable person nor non - resident taxable person.
9. Such supplier shall mention the words “**composition taxable person not eligible to collect tax on supplies**” at the top of the bill of supply. (not allowed to issue tax invoice) and also mention “**composition taxable person**” on every notice or signboard displayed at the prominent place at his principal place of business and at every additional place or places of business.
10. Any person who is in the composition scheme may opt out of the scheme at any time and shall file an application in **CMP-04** and he will get shifted to normal scheme with immediate effect. He shall be required to submit ITC-01 for availing ITC **within 30 days** from the date of withdrawal. Such withdrawal shall be applicable to all the places in all the states/UTs.
11. **As per rule 62**, such person has to file quarterly statement in **CMP-08** instead of monthly return and also taxes is to be paid on **quarterly** basis within 18 days from the end of the quarter. Further composition dealer shall file an **annual return** upto 30th April following the end of the financial year in form **GSTR-4**.
12. such person can purchase either from same state or from some other state or from some other country but cannot sell to other state or to other country.
13. such person has to pay tax **out of his own** even with regard to supplies which are exempt from GST but in case of traders tax shall be payable only with regard to taxable supplies.
14. If person opting for composition scheme is taking supply of goods or services where reverse charge is applicable under section 9(3) or 9(4), shall pay tax in the normal manner.
15. For the purposes of computing **aggregate turnover** of a person for determining his eligibility to pay tax under this section, the expression "aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.
- Example:** Mr. X started trading in goods w.e.f. 01/04/2021 in Delhi and turnover of ₹ 40 lakh was achieved upto 30/06/2021. Turnover from **01/07/2021** to 31/01/2022 was ₹ 110 lakh. He earned interest on the loan given by him ₹ 5 lakh from 01/09/2021 to 31/12/2021, in this case he has to shift to **normal** scheme w.e.f. 01/02/2022 and turnover shall be 40 lakh + 110 lakh i.e. 150 lakh but it will not include interest of ₹ 5 lakh. His turnover in the state shall be considered to be 110 lakh for the purpose of charging tax under composition scheme.
16. For the purposes of determining the tax payable by a person under this section, the expression "**turnover in State or turnover in Union territory**" shall not include the value of following supplies, namely:—
- (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
  - (ii) exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. ]
- Example:** Mr. X started trading in goods w.e.f. 01/04/2021 in Delhi and turnover of ₹ 30 lakh was achieved upto 30/06/2021 and he earned interest of ₹ 10 lakh upto 30/06/2021. Turnover from 01/04/2021 to 31/01/2022 was ₹ 110 lakh. His turnover from 01/02/2022 to 15/02/2022 was ₹ 10 lakh. In this case registration is required on 30/06/2021 because interest will also be considered for the purpose of limit of registration but he will be shifted to composition scheme after 15/02/2022 because interest shall not be taken into consideration for the purpose of aggregate turnover for composition scheme. His turnover in the state shall be considered to be 120 lakh for the purpose of charging tax under composition scheme.
17. He is not engaged in making any supply which are not leviable to tax under this Act i.e. non taxable supply.