

SYNOPSIS

9. Levy and collection

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9. Levy and collection

9.1 Central goods and services tax shall be levied on intra-State supplies of goods or services or both and paid by the taxable person.

Section 9(1) imposes CGST on supplies classified as intra-State supplies, subject to subsection (2). It excludes alcoholic liquor for human consumption and un-denatured extra neutral alcohol or rectified spirit used to manufacture such liquor. Tax is calculated on the value determined under section 15 at the rate notified by the Government on the Council's recommendations, subject to a maximum CGST rate of 20%, and collected in the prescribed manner. Example: A registered dealer makes a taxable intra-State supply with a value of ₹10,000 determined under section 15. If the applicable notified CGST rate is 9%, the CGST payable is ₹900. Any applicable State GST is separate.

9.2 Central tax on the specified petroleum products shall be levied from the date notified by the Government on the Council's recommendation.

Section 9(2) covers petroleum crude, high-speed diesel, petrol, natural gas and aviation turbine fuel. It makes the commencement of central tax on their supply dependent on a Government notification issued on the recommendation of the GST Council. The provision itself does not fix the commencement date. For example, if the Government, on the Council's recommendation, notifies 1 April of a particular year as the commencement date for natural gas, central tax on its supply becomes leviable from that date.

9.3 The recipient shall pay tax on supplies notified for reverse charge.

Section 9(3) empowers the Government, acting on the recommendation of the GST Council, to notify specific categories of goods or services (or both) for which the normal rule — that the supplier pays the tax — is reversed,

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shifting the liability onto the recipient instead. This mechanism, known as "reverse charge," is typically used where the supplier is unregistered, difficult to tax directly, or where policy considerations (such as widening the tax base or plugging revenue leakage) make it more efficient to collect tax from the recipient. Once a category of supply is notified under this provision, the recipient steps into the shoes of the supplier for all purposes of the Act — meaning obligations such as tax payment, invoicing, and compliance that would ordinarily fall on the supplier now fall on the recipient, as if the recipient were themselves making a taxable outward supply. For example, when a registered company avails legal services from an individual advocate, the Government has notified this category under reverse charge — so instead of the advocate charging and depositing GST, the recipient company itself must calculate, pay, and report the CGST directly to the Government, and comply with the Act as though it were the supplier of those services.

**9.4 Notified classes of registered recipients shall pay GST under reverse charge on specified supplies received from unregistered suppliers.**

Section 9(4) of the CGST Act empowers the Government, acting on the recommendations of the GST Council, to notify a specific class of registered persons who must discharge tax liability on a reverse charge basis when they receive specified categories of goods or services from unregistered suppliers. Ordinarily, under the forward charge mechanism, the supplier of goods or services is liable to collect and pay tax. This sub-section reverses that liability in identified situations — shifting the obligation from the unregistered supplier (who, being unregistered, cannot lawfully collect GST) to the registered recipient. Once notified, the recipient is treated, for all purposes of the Act, as though he himself were the person liable to pay tax on that supply — meaning he must self-assess the tax, pay it directly to the Government, and comply with all attendant obligations such as invoicing and returns, just as a supplier would. This mechanism prevents revenue leakage that would otherwise occur when unregistered persons supply goods or services outside the tax net, and it also extends the reach of GST compliance to transactions that would otherwise escape taxation. For example, if the Government notifies that registered real estate promoters must pay tax on reverse charge basis for construction services received from

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unregistered contractors, then a builder in Patna procuring such services from an unregistered local contractor would himself be liable to compute and pay the GST due, rather than the unregistered contractor, even though the contractor is the actual supplier of the service.

9.5 The electronic commerce operator must pay tax on notified categories of intra-State services supplied through it, as if it were the supplier.

Section 9(5) creates a deeming fiction shifting the incidence of tax liability from the actual service supplier to the electronic commerce operator (ECO), for specific categories of services notified by the Government on the recommendation of the GST Council. Once a service category is so notified, the ECO is treated, for all purposes under the Act, as though it were itself the supplier liable to pay tax — even though the underlying service is actually rendered by a third party using the ECO's platform. This mechanism (commonly seen with services like cab aggregation, hotel accommodation booked through apps, or housekeeping services) ensures tax collection is anchored to the platform operator, who is typically better organized and easier to regulate than numerous small individual suppliers. The provision also addresses situations where the ECO itself is not physically present in India: in that case, any person representing the ECO in the taxable territory becomes liable to pay the tax; and if the ECO has neither a physical presence nor a representative in India, it must appoint a person in the taxable territory specifically for the purpose of paying tax, and that appointed person becomes liable. For example, if the Government notifies "passenger transportation services by radio-taxi" as a category under this sub-section, and a ride is booked through an app-based aggregator connecting a rider and driver within the same State, the aggregator (not the individual driver) becomes liable to pay CGST on that fare, as if it were the supplier of the transportation service itself.

10. Composition levy

10.1 An eligible registered person shall have the option to pay composition tax at the prescribed rate instead of the normal levy.

Section 10(1) introduces the Composition Scheme, an optional simplified tax payment mechanism designed to ease the compliance burden on small

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taxpayers. Instead of computing and paying tax at the regular rates applicable under Section 9(1) on every supply, an eligible registered person may choose to pay tax at a much lower, flat percentage of turnover, without the need to maintain detailed invoice-wise records of output tax and input tax credit. Eligibility is tied to aggregate turnover in the preceding financial year not exceeding fifty lakh rupees, though the Government is empowered to raise this threshold up to one crore fifty lakh rupees on the Council's recommendation. The rate of composition tax varies by category of supplier: up to 1% for manufacturers, up to 2.5% for suppliers of restaurant-type services under Schedule II, and up to 0.5% for other suppliers (mainly traders) — all calculated on turnover in the State or Union territory, rather than on individual transaction value. The scheme also permits limited incidental supply of services (other than restaurant services) up to 10% of turnover or five lakh rupees, whichever is higher, so that a manufacturer or trader is not disqualified merely for occasionally rendering ancillary services. Importantly, this option is subject to conditions and restrictions prescribed by rules, and is available only "notwithstanding anything to the contrary" in the Act but "subject to" sub-sections (3) and (4) of Section 9 — meaning it does not override reverse charge liabilities. For example, a small furniture manufacturer in Patna with an aggregate turnover of thirty lakh rupees in the preceding year may opt to pay composition tax at 1% of turnover instead of the regular CGST/SGST rate (say 18%) that would otherwise apply on each sale of furniture, thereby paying a flat, simplified tax and avoiding invoice-level GST computation — provided he also does not exceed the permitted incidental services threshold and satisfies other prescribed conditions.

10.2 A registered person satisfying the prescribed conditions shall be eligible to opt for the composition scheme.

Section 10(2) lays down the eligibility conditions that a registered person must satisfy to exercise the composition option available under Section 10(1). These conditions operate cumulatively — failure to satisfy even one disqualifies the person from the scheme. First, the person must not be primarily engaged in the supply of services, except to the limited extent permitted under Section 10(1)'s second proviso (incidental services up to 10% of turnover or five lakh rupees). Second, he must not deal in any goods

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or services that are non-taxable under the Act, such as alcohol for human consumption. Third, he must not make any inter-State outward supply, since the composition scheme is confined strictly to intra-State trade, given its simplified, low-compliance character. Fourth, he must not supply services through an e-commerce operator required to collect tax at source under Section 52, since such transactions carry their own separate compliance and reporting mechanism incompatible with composition simplicity. Fifth, he must not be a manufacturer of goods specifically notified by the Government (such as ice cream, pan masala, or tobacco), as these are excluded on account of high revenue leakage risk. Sixth, where several registered persons share a common PAN (i.e., multiple registrations of the same entity across States or business verticals), all of them must opt for composition together — none may remain under regular taxation while others opt in, ensuring uniform treatment across the same legal entity. Finally, the person must be neither a casual taxable person (one supplying goods/services occasionally in a State without a fixed place of business) nor a non-resident taxable person, since both categories are inherently transient and unsuited to the year-long compliance simplification the scheme offers. For example, a trader in Patna dealing only in locally sourced stationery, selling exclusively within Bihar, not selling through Amazon or Flipkart, and not manufacturing any notified goods like pan masala, would be eligible to opt for composition. However, if the same trader begins supplying stationery to a buyer in Jharkhand (an inter-State supply), he would instantly become ineligible and would have to exit the scheme and pay tax under the regular provisions of Section 9.

**10.2A An eligible registered person with preceding-year aggregate turnover not exceeding ₹50 lakh shall have the option to pay tax under the alternative composition scheme.**

Section 10(2A) extends the benefit of composition-style taxation to a class of persons who cannot qualify under sub-sections (1) and (2) — primarily service providers (other than restaurant services) whose supplies exceed the limited incidental threshold permitted therein, such as small independent professionals, consultants, or service-based businesses. This is essentially a special composition scheme for suppliers of services, introduced to extend the compliance ease of composition taxation beyond goods-suppliers and

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restaurant operators. Like the standard scheme, eligibility is capped at an aggregate turnover of fifty lakh rupees in the preceding financial year, and the rate of tax is prescribed but capped at a maximum of 3% of turnover in the State or Union territory. The conditions attached mirror those in sub-section (2): the person must not deal in non-taxable supplies, must not make inter-State outward supplies, must not supply through an e-commerce operator liable to collect tax at source under Section 52, must not be a notified manufacturer or supplier of notified services excluded by the Government, and must not be a casual or non-resident taxable person. As with the regular scheme, where multiple registrations exist under the same PAN, all such registered persons must opt in together for any one of them to avail the scheme. In effect, this sub-section plugs the gap left by sub-sections (1) and (2), which primarily served manufacturers, traders and restaurant-service suppliers, by bringing small independent service providers within a comparable simplified tax regime. For example, a freelance graphic designer operating solely within Bihar, with an annual turnover of twenty lakh rupees, providing services only to clients within the State and not through any online platform like Upwork or Fiverr (which would require TCS collection), may opt to pay tax at a prescribed rate (say up to 3%) of turnover under Section 10(2A), instead of paying regular CGST/SGST at 18% on his professional services — provided he is not a notified excluded service supplier and satisfies the other stipulated conditions.

10.3 The composition option shall lapse from the day the registered person's aggregate turnover exceeds the prescribed limit.

Section 10(3) provides for the automatic termination of the composition scheme — whether availed under sub-section (1) (for manufacturers, traders and restaurant-service suppliers) or sub-section (2A) (for other service suppliers) — the instant the registered person's aggregate turnover during the financial year crosses the threshold specified under sub-section (1), currently fifty lakh rupees (or the higher notified limit, up to one crore fifty lakh rupees, where applicable). This lapse is not contingent on any application, order, or intimation by the tax authorities — it operates by operation of law, automatically, from the very date on which the turnover exceeds the specified limit. This reflects the rationale that the composition

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scheme is intended only for small taxpayers, and once a person's business grows beyond the specified threshold, continued eligibility for the simplified, low-compliance tax regime is not appropriate. From the date of such lapse, the registered person becomes liable to pay tax under the regular provisions of Section 9(1), and must also comply with all consequential obligations — such as issuing proper tax invoices, availing input tax credit prospectively, and filing returns under the normal scheme. For example, a small trader in Patna who opted for the composition scheme with an expected turnover of forty lakh rupees finds that, due to an unexpectedly large festive-season order, his cumulative turnover reaches fifty-five lakh rupees by December in that financial year. From the very day his turnover crosses fifty lakh rupees, his composition option lapses automatically, and all his supplies thereafter must be taxed under the regular CGST/SGST provisions of Section 9(1), even though he had not filed any request to exit the scheme.

**10.4 A composition taxable person shall bear the tax without collecting it from recipients and shall forgo input tax credit.**

Section 10(4) imposes two fundamental restrictions on a composition taxpayer, both flowing directly from the nature of the scheme as a simplified, flat-rate alternative to regular GST. First, since the composition tax is a charge on the supplier's own turnover rather than a tax passed on transaction-by-transaction to the recipient, the composition dealer is barred from collecting any tax separately from his customers — unlike a regular taxpayer, who charges CGST and SGST/IGST on the invoice and collects it from the buyer. This means the tax burden under composition is absorbed by the supplier himself as a cost of doing business, calculated as a percentage of turnover, rather than passed downstream. Second, because the composition scheme dispenses with the detailed invoice-matching and credit-chain mechanism central to regular GST, a composition taxpayer is also disentitled from claiming input tax credit on his purchases — even though he still pays GST to his own suppliers when procuring goods or services. This breaks the credit chain at the composition dealer's level, meaning any tax paid by him on inputs becomes a cost embedded in his pricing rather than a creditable amount. These two restrictions together are the price of the scheme's administrative simplicity: lower compliance and a

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flat, easy-to-calculate tax rate, in exchange for foregoing both tax-collection ability and credit benefits. For example, if a small trader registered under composition sells goods worth one lakh rupees to a customer, he cannot add GST separately on the invoice and collect it from the customer — the one lakh rupees is treated as inclusive of his liability, which he pays at the prescribed composition rate out of his own margin. Simultaneously, if he purchased raw materials worth twenty thousand rupees and paid GST of thirty-six hundred rupees to his supplier, he cannot claim that thirty-six hundred rupees as input tax credit; it simply becomes part of his cost of goods.

10.5 A taxable person who pays composition tax despite being ineligible shall be liable for the tax due and a penalty determined under the applicable statutory procedure.

Section 10(5) provides the consequence for wrongful or ineligible availment of the composition scheme. Where the proper officer has reason to believe that a taxable person paid tax under sub-section (1) or (2A) despite not satisfying the eligibility conditions laid down in sub-section (2) or (2A) — for instance, by exceeding the turnover threshold, making inter-State supplies, or dealing in notified excluded goods — such person becomes liable not merely to pay the actual tax due under the regular provisions of the Act, but also to a penalty. Significantly, the determination of such tax and penalty is not left to an ad hoc process; instead, it follows the same procedural machinery as prescribed under Sections 73, 74, or 74A — the provisions governing determination of tax not paid, short paid, or erroneously refunded, whether by reason of fraud, wilful misstatement, or otherwise. This ensures that wrongful availment of composition benefits is treated with the same procedural rigour and safeguards (such as show-cause notice, opportunity of hearing, and time limits) as any other case of tax evasion or short payment, rather than being dealt with informally. The two Explanations clarify computational aspects relevant to determining eligibility and turnover: Explanation 1 clarifies that "aggregate turnover" for eligibility purposes includes supplies made from 1st April of the financial year up to the date the person becomes liable for registration, but excludes exempt interest/discount income from deposits, loans, or advances. Explanation 2 clarifies that for computing the actual tax payable under

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composition, "turnover in State or Union territory" excludes both pre-registration supplies and such exempt interest-based income. For example, if a trader in Patna continued paying composition tax at 1% even after his turnover crossed fifty lakh rupees in October, and the proper officer discovers this during a departmental audit, the trader would be liable to pay the differential regular GST (say at 18%) on all supplies made after the threshold was crossed, along with penalty, with the entire matter processed following the procedure under Section 73 or 74, just as it would be for any other case of short payment or evasion of tax.

## **11. Power to grant exemption from tax**

### **11.1 The Government may grant full or partial exemption from GST in the public interest.**

Section 11(1) confers upon the Government a discretionary power to grant exemption from GST, whether wholly or partially, in respect of specified goods or services. The exercise of this power is subject to certain built-in safeguards: first, the Government must be satisfied that the exemption is necessary "in the public interest" — a standard that ensures the power is not exercised arbitrarily but for larger socio-economic considerations, such as reducing the tax burden on essential goods, promoting specific sectors, or providing relief during exigencies. Second, the exemption can only be granted on the recommendation of the GST Council, reflecting the cooperative federalism structure underlying GST, where neither the Centre nor the States can unilaterally alter the tax base without the Council's concurrence. Third, the exemption must be notified formally, specifying the goods or services covered, the extent of exemption (absolute or conditional), and the effective date from which it applies. The exemption may be "absolute" — meaning no conditions attached — or "conditional," meaning it applies only if specified conditions (such as end-use, nature of buyer, or specific purpose) are fulfilled. This power allows the Government the flexibility to calibrate the tax structure dynamically, without needing to amend the Act itself each time relief is considered necessary, since notifications can be issued and withdrawn far more swiftly than statutory amendments. For example, if the Government, based on the Council's recommendation, is satisfied that healthcare should be made more affordable, it may issue a notification exempting life-saving drugs from

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GST altogether (an absolute exemption), or it may exempt hotel accommodation services below a certain declared tariff only if specified conditions relating to room tariff are satisfied (a conditional exemption) — in both cases, the exemption takes effect from the date specified in the notification itself, and not automatically from the date of the Council's recommendation.

11.2 The Government may grant case-specific tax exemptions in the public interest under exceptional circumstances.

Section 11(2) provides for a case-specific exemption power, distinct from the general exemption power under sub-section (1). While sub-section (1) operates through a notification of general application, covering a class or category of goods or services described generally, sub-section (2) empowers the Government to grant exemption in an individual, particular case, through a special order rather than a general notification. This power can only be exercised where the Government is satisfied that the exemption is necessary in the public interest, on the Council's recommendation, and — critically — only "under circumstances of an exceptional nature," which must be expressly stated in the order itself. This last requirement acts as an important safeguard against misuse: unlike a general notification, which need not record specific reasons beyond public interest, a special order under sub-section (2) must disclose the exceptional circumstances justifying the case-specific relief, ensuring transparency and preventing arbitrary, ad hoc exemptions to select persons or transactions without accountability. This provision is typically invoked in rare situations — such as natural calamities, emergent humanitarian relief operations, or unique one-off transactions — where a general notification covering an entire class of goods or services would be inappropriate, but some specific relief is nonetheless warranted. For example, if a severe earthquake strikes a particular region and relief material is being imported or supplied by a specific charitable organisation for immediate disaster relief, the Government, satisfied that public interest so demands and on the Council's recommendation, may issue a special order under Section 11(2) exempting that specific organisation's supply of relief goods from GST, expressly recording the earthquake and consequent humanitarian urgency as the exceptional circumstance justifying such exemption — as opposed to a

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general notification exempting all disaster-relief goods for all suppliers, which would fall under sub-section (1) instead.

**11.3 The Government may insert clarificatory explanations within one year with effect from the original notification or order; registered suppliers shall collect no tax exceeding the effective rate under an absolute exemption.**

Section 11(3) empowers the Government to clarify, retrospectively, the scope or applicability of any exemption notification issued under sub-section (1) or special order issued under sub-section (2), where it considers such clarification necessary or expedient. This power must be exercised within one year from the date of issue of the original notification or order, and the clarifying explanation, once inserted, takes effect retroactively — that is, it is deemed to have always been part of the original notification or order from its inception, and not merely from the date the explanation itself is issued. This retrospective deeming fiction is significant: it prevents disputes and litigation arising from ambiguous wording in exemption notifications by allowing the Government to authoritatively settle the correct interpretation, while ensuring that the clarified meaning applies uniformly from day one, rather than creating two different interpretive periods (pre- and post-explanation). The accompanying Explanation to Section 11 independently clarifies an important consequence of an absolute exemption: where goods or services have been exempted absolutely (i.e., unconditionally) from the whole or part of tax, the registered person supplying such goods or services is barred from collecting tax in excess of the effective rate of tax applicable after such exemption — meaning he cannot charge and collect tax at the pre-exemption rate merely because he has the option to do so; he must pass on the benefit of the exemption to the recipient. For example, if the Government issued a notification in January exempting a certain category of educational services from GST, but ambiguity later arises as to whether the exemption also covers allied services like transportation provided by the same institution, the Government may, at any time within one year of the January notification, insert an explanation clarifying this scope; such explanation would be treated as if it had existed from the very date of the original January notification. Similarly, if a particular medicine is absolutely exempted from

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GST, the supplying pharmacist cannot charge and collect any GST on its sale merely because he wishes to, since the exemption is absolute and the effective rate is nil.

### **11A. Power not to recover goods and services tax not levied or short-levied as a result of general practice**

**The Government may waive central tax not levied or short-levied in accordance with a generally prevalent practice.**

Section 11A confers upon the Government a special power to regularise past non-levy or short-levy of central tax where such non-levy or short-levy arose not from any fault, evasion, or deliberate default by taxpayers, but from a bona fide practice that was generally prevalent across the trade or industry regarding the levy of tax on a particular supply. This provision recognises that ambiguities in the tax law or genuine differences in interpretation may sometimes lead an entire trade or sector to follow a common understanding — either treating a supply as non-taxable when it was in fact taxable, or applying a lower rate than what was actually leviable. If such practice is later found to be legally incorrect, strict enforcement demanding full recovery of the shortfall (often with interest and penalty) from every affected taxpayer would be inequitable, since the shortfall arose from a general, industry-wide practice rather than individual wrongdoing. Section 11A therefore empowers the Government, upon being satisfied that such a general practice existed and that supplies were liable to tax (or higher tax) than what was actually levied under that practice, to notify — on the Council's recommendation — that the tax which would otherwise have been payable but for the said practice shall not be recovered. This is essentially a statutory validation mechanism, granting relief to an entire class of taxpayers who acted in good faith reliance on a widely followed practice, rather than requiring case-by-case adjudication or waiver. For example, if it is found that across the industry, suppliers of a particular type of processed food product commonly treated their supply as exempt from GST due to genuine confusion in classification, and it is later clarified that such supply was actually taxable at 5%, the Government, satisfied that this was a generally prevalent practice, may issue a notification under Section 11A directing that the tax which ought to have been paid at 5% during the relevant period shall not be recovered from suppliers who followed that

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general practice, thereby granting them relief from retrospective tax demands arising out of no fault of their own.

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