



Notification No 01/2018 – Central Tax (CT), dated 01st Jan '18

Change in rate of tax for manufacturers under the composition scheme.

The rate of tax applicable to the traders and manufacturers under the composition scheme was different whereby, the traders were paying @ of 1% and the manufacturers were paying @ of 2%, of the turnover in the State. Thereby, a composition taxable person was required to pay GST on the value of exempt supplies as well.

However, in the 23rd GST Council meet held during Nov '17, it was decided that a uniform rate of tax of 1% would be made applicable for both the manufacturers and the traders and further that the traders would be paying such tax only on the supply of taxable goods.

The above were sought to be given effect to vide amendment of the notification No. 08/2017-Central Tax dated 27th Jun'17. Hence with effect from 01.01.2018, the amended rates of tax for suppliers registered under the composition scheme are as follows:

| Sl. No | Particulars | CGST Rate | SGST Rate |
|--------|---|-----------|-----------|
| 1. | Manufacturers | 0.5% | 0.5% |
| 2. | Service provider eligible for composition scheme (supply of food in terms of entry 6(b) of schedule II to the CGST Act) | 2.5% | 2.5% |
| 3. | Other suppliers | 0.5% | 0.5% |

Comments:

- An appreciated aspect about this notification is that it has been issued on 1st Jan '18 and not in the middle of a month whereby the industry would face practical issues in calculating the tax payable.
- The notification states that the 'other suppliers' (i.e. traders) would be required to pay only on the taxable supplies of goods. However, in terms of section 2(108) of the CGST Act, a taxable supply would include exempt supplies also as there is a levy on the exempted goods as well. Hence the wordings of the notification might not be actually executing the



decisions of the Council meet. It would be suggested to make suitable amendments to ensure that the traders pay tax on goods other than exempted or 'Nil' rated.

- c. The manufacturers and the service provider, eligible for the composition scheme, would have to pay tax on the exempted supplies as well.