



Composition Scheme under GST

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Composition Scheme is a scheme given to small taxpayers to reduce their compliance burden

Scheme is optional in nature. Any taxpayer who opts for the scheme must give an intimation in Form GST CMP 02 at the beginning of the year.

Scheme once opted can be withdrawn at any time during the financial year. Once opted out of the scheme normal rules will apply from the date of opting out.

ELIGIBILITY TO OPT FOR COMPOSITION SCHEME

Any taxpayer whose turnover was less than Rs.1.5 crores during the previous financial year can opt for the scheme.

Scheme was initially available to suppliers of goods but from 01.02.2019 a manufacturer or trader can also supply services to an extent of 10% of turnover or Rs.5 lakhs whichever is higher

Who is not Eligible to opt for Composition Scheme?



**SERVICE
PROVIDER**

Other than the service provider of Restaurant and Catering Service

Makes any supply of goods which is not leviable to tax under the Act

Makes any inter-State outward supplies of goods

Makes any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52.

Any manufacturer of goods as may be notified on the recommendation of the council.

As per Notification No.8/2017-CT dated 27.06.2017 manufacturers of Ice Cream and other edible ice whether or not containing cocoa, Pan Masala, Tobacco and Manufactured Tobacco substitutes are not eligible for composition.

Conditions to be fulfilled for availing the benefits of Composition Scheme

He is neither a casual nor a non-resident taxable person.

Goods held by him on the appointed date are not purchased in the course of Interstate Trade or commerce or imported from outside India or received from a branch or a principal or agent situated outside the state.

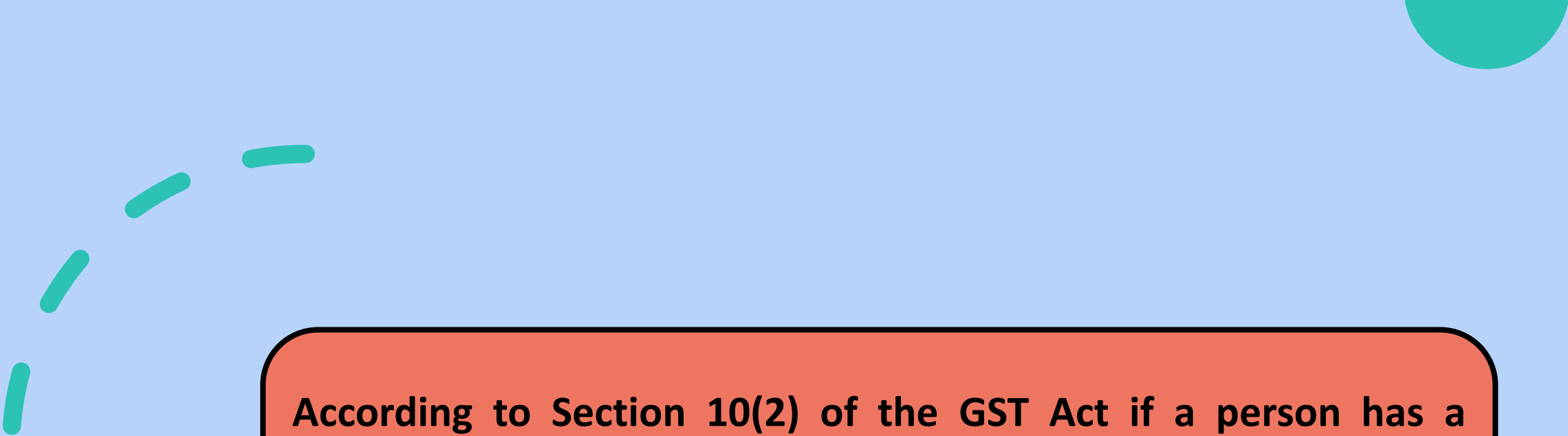
Goods have not been purchased from unregistered supplier and if purchased tax has been paid under revers charge.

He shall pay tax under section 9(3) and section 9(4) on inward supply of goods or services or both.

He was not engaged in the manufacture of goods mentioned under section 10(2)(e) during the preceeding financial year.

He shall mention “composition taxable person, not eligible to collect taxes on supplies” at the top of the bill of supply issued by him.

He shall mention “composition taxable person” on every notice, sign board displayed at the prominent place of business.



According to Section 10(2) of the GST Act if a person has a multiple registration on the same PAN number, the benefit of composition shall be availed for, under all the registration numbers.

Rate of Tax.

Type of Business	CGST	SGST	Total
Manufacturer & Traders of Goods	0.5%	0.5%	1%
Restaurants not serving Alcohol	2.5%	2.5%	5%
Service providers	3%	3%	6%

**Returns to be filed by a
Composition Dealer**

Forms

Due date

CMP-08 (Quarterly Statement)

18th of the month after
the end of the quarter

GSTR-4

30th April of next
Financial year

GSTR-9A (Annual Return)

31st December of the
next Financial year

Benefits of Registering under Composition Scheme

1. Lesser compliance

- A dealer under composition scheme is required to maintain fewer records/books of accounts.
- Under the composition scheme, the taxpayer is required to furnish quarterly return only.

2. Limited tax liability

Person taxed under Composite Scheme will be liable to pay tax at a rate not less than 2.5% for manufacturer and 1% in any other cases instead of a standard rate of 18%.

3. High Liquidity

Taxpayers under Composition Scheme will be liable to pay taxes at a lower rate resulting in lesser chunk on his working capital.

Drawbacks of Registering under Composition Scheme

Limited Territory of Business. Only intra-state transactions possible

Penal provisions harsh in case of any mistake by a dealer

Dealer cannot claim Input tax credit

Drawbacks

Dealer not eligible to supply goods through e-commerce

Dealer cannot supply non-taxable goods under GST

Dealer cannot charge or collect tax.

GST Composition Scheme Transition Provision for Input Tax Credit on switch to and fro

GST Composition Scheme transition provision provides for allowance of credit of eligible duties and taxes on inputs held in stock subject to certain conditions.

❖ Switch from Normal tax payer to Composition Scheme holder

- Taxpayer shall be liable to pay an amount equal to the credit of input tax in respect of inputs held in stock on the day immediately preceding the date of such switch over.
- The balance of input tax credit after payment of such amount, if any lying in the credit ledger shall lapse.

❖ Switch from Composite Scheme holder to Normal tax payer

Switching from composition scheme under current regime to normal tax payer under GST will attract transition provision and will be allowed credit of duties held in stocks as inputs or credit of value added Tax in respect of inputs and inputs contained in semi-finished or finished goods on the appointed date subject to the following conditions:

- Such inputs or goods are used or to be used for making taxable supplies
- Not being a composite scheme holder
- Being eligible to claim credit of taxes .
- The inputs were not such that credit was not admissible under the earlier law due to being mentioned in any schedule or otherwise
- Being in possession of invoice or document evidencing payment of duties under earlier laws w.r.t. inputs held in stock and semi-finished or finished goods
- Such invoices and/ or documents were issued maximum twelve months before the appointed date.