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ALL ABOUT COMPOSITION SCHEME UNDER GST (SECTION 10)

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- **What is composition levy under GST?**

  Ans. The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to Rs. 1.5 Crores (Rs. 75 lakhs in case of a few States). The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. Moreover, it is optional and the eligible person opting to pay tax under this scheme can pay tax at a prescribed percentage of his turnover every quarter, instead of paying tax at normal rate.

- **What is the specified rate of composition levy?**

  Ans:

  - Manufacturers, other than manufacturers of such goods as may be notified by the Government (Ice cream, Pan Masala, Tobacco products, etc.) : 1% (.50% Central tax plus .50% State tax) of the turnover.
  - Restaurant Services: 5% (2.5% Central tax plus 2.5% SGST) of the turnover.
  - Traders or any other supplier eligible for composition levy: 1% (0.5% Central tax plus 0.5% State tax) of the turnover of taxable supplies.

- **What is the eligibility category in opting for composition levy? Which are the Special Category States in which the turnover limit for Composition Levy for Central tax and State tax purpose shall be Rs. 75 lakhs?**

  Ans : Composition scheme is a scheme for payment of GST available to small taxpayers whose aggregate turnover in the preceding financial year did not cross Rs. 1.5 Crores. In the case of the following States the limit of turnover is Rs. 75 lakhs:-

  (*i*) Arunachal Pradesh, (*ii*) Manipur, (*iii*) Meghalaya, (*iv*) Mizoram, (*v*) Nagaland, (*vi*) Sikkim, (*vii*) Tripura, (*viii*) Uttarakhand.

- **Who are the persons not eligible for composition scheme?**

  Ans : Following persons are not allowed to opt for the composition scheme:

  (*a*) a casual taxable person or a non-resident taxable person;

  (*b*) Suppliers whose aggregate turnover in the preceding financial year crossed Rs. 1.5 Crores ;

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(*c*) Supplier who has purchased any goods or services from unregistered supplier unless he has paid GST on such goods or services on reverse charge basis;

(*d*) Supplier of services, other than restaurant service;

(*e*) Persons supplying goods which are not taxable under GST law;

(*f*) Persons making any inter-State outward supplies of goods;

(*g*) Suppliers making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and

(*h*) A manufacturer of following goods:

- Chapter 2105 00 00 : Ice cream and other edible ice, whether or not containing cocoa.
  - Chapter 2106 90 20 : Pan masala
  - Chapter 24 : Tobacco and manufactured tobacco substitutes.
- **When will a person opting for composition levy pay tax & file Return files ?**

  Ans : A person opting for composition levy will have to pay tax on a quarterly basis before 18th of the month succeeding the quarter during which the supplies were made.(in Form CMP-08). The said persons shall furnish a return for every financial year or, as the case may be, part thereof in FORM GSTR-4 of the Central Goods and Services Tax Rules, 2017, on or before the 30th day of April following the end of such financial year.
- **A person availing of composition scheme during a financial year crosses the turnover of Rs.1.5 Crores /75lakhs during the course of the year, i.e., he crosses the turnover of Rs.1.5 Crores/75lakhs in December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e., till 31st March?**

  Ans. No, the option to pay tax under composition scheme lapses from the day on which his aggregate turnover during the financial year exceeds the specified limit (Rs. 1.5 Crores/Rs. 75 lakhs). He is required to file an intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days from the day on which the threshold limit has been crossed. However, such person shall be allowed to avail of the input tax credit in respect of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him and on capital goods held by him on the date of withdrawal and furnish a statement within 30 days of withdrawal containing the details of such stock held in FORM GST ITC-01 on the common portal.

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- **How will the aggregate turnover be computed for the purpose of composition?**

  Ans. Aggregate turnover will be computed on the basis of turnover on an all India basis and will include value of all taxable supplies, exempt supplies and exports made by all persons with same PAN, but would exclude inward supplies made under reverse charge as well as central, State/Union Territory and Integrated taxes and cess.

  As per Removal of Difficulty Order No. 01/2017-Central Tax dated 13.10.2017, in computing his aggregate turnover in order to determine his eligibility for composition scheme, value of supply of any exempt services including services by way of extending deposits, loans or advances, in sofar as the consideration is represented by way of interest or discount, shall not be taken into account.

- **Can a person who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies?**

  Ans. No. A taxable person opting to pay tax under the composition scheme is out of the credit chain. He cannot take credit on his input supplies. When he switches over from composition scheme to normal scheme, eligible credit on the date of transition would be allowed.

- **Can a registered person, who purchases goods from a taxable person paying tax under the composition scheme, avail credit of tax paid on purchases made from the composition dealer?**

  Ans. A taxable person paying tax under composition scheme shall not collect any tax from the recipient on supplies made by him as per section 10(4) of the CGST Act, 2017. The Composition dealer will issue "Bill of Supply" for supply made by him. Bill of Supply issued by him shall only show total amount receivable for supply. Bill of Supply is not an eligible supporting document for booking ITC. So, the recipient will not be eligible for credit on purchases made from Composition dealer.

- **Can a person paying tax under the composition scheme issue a tax invoice under GST?**

  Ans. No, he can issue a bill of supply in lieu of tax invoice.

- **What is the form in which an intimation for payment of tax under composition scheme needs to be made by the taxable person?**

  Ans. The intimation is to be filed electronically in FORM GST CMP- 01 or FORM GST CMP- 02.

- **Can a person making application for fresh registration under GST opt for composition levy at the time of making application for registration?**

  Ans. Yes, such persons can give the option to pay tax under the composition scheme in Part B of FORM GST REG-01. This will be considered as an intimation to pay tax under the composition scheme.

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