



***CHAPTER 5***

***COMPOSITION***

***SCHEME***

**CHAPTER OVERVIEW**

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### 1. BENEFITS OF COMPOSITION SCHEME

- a) Bring simplicity and to reduce the compliance cost for the small taxpayers.
- b) Optional for the suppliers and not mandatory
- c) Eligible person opting to pay tax under this scheme can pay tax at fixed % of his “**turnover**” every “**quarter**”, instead of paying tax at normal rate [5/12/18/28%].
- d) Suppliers need not worry about classification of their goods or services or both, applicable GST rates
- e) Suppliers are not required to raise any tax invoice, but simply need to issue a **BILL OF SUPPLY** wherein no tax will be charged from the recipient.

### 2. WHO CAN OPT FOR THE COMPOSITION SCHEME [SECTION 10(1)]

A registered person, whose “**aggregate turnover**” in the preceding FY does not exceed ₹ 1.5 cr., may opt to pay an amount calculated at prescribed rates during the current FY, *in lieu of the tax payable by him under Section 9(1)*.

The turnover limit for composition levy shall be ₹ 75 lakhs for 8 Special Category States mentioned as under:

Arunachal Pradesh	Sikkim
Manipur	Tripura
Meghalaya	Uttarakhand
Mizoram	
Nagaland	

\*In case of Assam, Himachal Pradesh and Jammu and Kashmir, the turnover limit will be ₹ 1.5 cr.

### 3. HOW TO COMPUTE AGGREGATE TURNOVER

While computing the threshold limit of ₹ 1.5 crore/75 lakhs, inclusions and exclusions from aggregate turnover are as follows:

INCLUSIONS	EXCLUSIONS
<b>Value of outward supplies</b>	CGST/ SGST/ UTGST/ IGST/ CESS
Taxable Supplies	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
Exempt supplies	
Exports	
Inter-state supplies	
of persons having the <b>same PAN</b> be computed <b>on all India basis</b>	Value of inward supplies on which tax is payable under reverse charge



**Example:** A dealer 'X' has two offices in Delhi. In order to determine whether 'X' is eligible to avail benefit of the composition scheme, turnover of both the offices would be taken into account and if the same does not exceed ₹ 1 crore, X can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions)

**\*Note:** The value of exports and inter-State supplies might be relevant only while determining the aggregate turnover of the **preceding FY**. These values are **not relevant for determining the aggregate turnover of the current FY** in which the composition supplier has opted for composition levy as he is not permitted to make inter-State supplies and exports in the said FY.

#### 4. RATES OF TAX UNDER COMPOSITION SCHEME

S No.	Category of registered persons	CGST RATE	LEVY ON
1	Manufacturers, other than manufacturers of <i>ice cream, pan masala, tobacco, aerated water, fly ash bricks or fly ash aggregates, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles</i>	0.5 %	Turnover in State/UT
2	Suppliers making supplies referred to Para 6(b) of Schedule II [i.e. supply by way of or as part of any service or of goods, being food or any other article for human consumption or any drink] <b>[Restaurant services]</b>	2.5 %	
3	Any other suppliers (example traders)	0.5%	Turnover of taxable supplies of goods & services in State/UT

#### Points to be remembered:

- The above rates are specified u/r 7 of the CGST Rules, 2017. An equivalent amount of SGST is also payable.
- For traders, **exempted supplies would not be added** in the turnover for the purpose of levy of tax.
- "**Aggregate turnover**" of preceding FY is relevant for the purpose of determining eligibility to avail composition scheme, the tax has to be paid @ rates on the 'turnover' (or 'turnover of taxable supplies', as the case may be) in a particular tax period.

#### Examples:

##### 1. Tax is not payable on exempted turnover by other suppliers

Taxpayer 'Bholaram' is a trader, who has opted for composition levy for goods, of both taxable and exempted goods. It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹ 115 lakhs (₹ 85 lakh + ₹ 30 lakhs). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakhs [A1 - ₹ 15 lakhs (₹ 5



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lakhs from sale of taxable goods and ₹ 10 lakhs from sale of exempted goods) and A2 - ₹ 20 lakhs (₹ 10 lakhs from sale of taxable goods and ₹ 10 lakhs from sale of exempted goods)]. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

Retail Showroom	Location	Turnover in previous FY (₹)	Taxable turnover in 1 <sup>st</sup> Quarter	Total Tax (1%)
A1	Punjab	85 lakhs	5 lakhs	5,000
A2	Rajasthan	30 lakhs	10 lakhs	10,000
<b>Total</b>		115 lakhs	15 lakhs	15,000

**Note:** A supplier, other than manufacturer and restaurant service provider, has to pay tax @ 1% (CGST+SGST) of the **turnover of only taxable supplies** of goods and services in the State.

### 2. Tax is payable on turnover in state by manufacturers

Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 115 lakhs (₹ 85 lakhs + ₹ 30 lakhs). Turnover of units A1 and A2 in the first quarter of current financial year is ₹ 5 lakhs and ₹ 10 lakhs respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

Retail Showroom	Location	Turnover in previous FY (₹)	Turnover in 1 <sup>st</sup> Quarter of this FY (₹)	Total Tax (1%) (₹)
A1	UP	85 lakhs	5 lakhs	5,000
A2	MP	30 lakhs	10 lakhs	10,000
<b>Total</b>		115 lakhs	15 lakhs	15,000

## 5. WHO IS NOT ELIGIBLE FOR COMPOSITION SCHEME [Section 10(2)]

Following persons shall **not be eligible** for composition scheme.

- (i) Making **inter-State** outward supplies of goods or services
- (ii) Supplier of **services** other than supplier of restaurant services
- (iii) Making any supply of ~~goods or~~ **services through e-commerce operators** who are required to collect tax at source
- (iv) Supplier of goods or services which are **not taxable** under the CGST Act/SGST Act/ UTGST Act.
- (v) Manufacturer of ice-cream; pan masala; tobacco; aerated water; Fly ash bricks or fly ash aggregate; Fly ash blocks; Bricks of fossil meals or similar siliceous earths; Building Bricks; Earthen or roofing tiles
- (vi) Casual Taxable Person or Non-resident Taxable Person

**No restriction on Composition Supplier to procure goods from inter-State suppliers**

**Example:** ABC Industries, a manufacturer in Mumbai, is engaged in supply of goods in Mumbai as well as Chennai (i.e. inter-State supply of goods). Here, ABC Industries cannot enter into the composition scheme as it is effecting inter-State supply of goods i.e. Chennai.

**Reverse charge provisions u/s 9(3) and 9(4) is applicable on persons opting for composition scheme**

**6. Composition scheme taxpayers permitted to render services “other than restaurant services” upto a specified limit [Second proviso to Section 10(1)]**

A registered person opting for composition scheme to supply services [other than restaurant services] of specified value. This specified value is value not exceeding:

- a) 10% of the ‘turnover in a State/UT’ in the preceding financial year; or
- b) ₹ 5,00,000

whichever is **higher**.

A registered person opting for composition scheme can supply services [other than restaurant services] whose turnover is:

- (a) Turnover upto ₹ 50 lakhs in the preceding financial year - upto a **maximum value of ₹ 5 lakhs**.
- (b) Turnover more than ₹ 50 lakhs and upto ₹ 1.5 crore in the preceding financial year - **maximum value of 10%** of the turnover in a State/UT in the preceding financial year.

**Example:** Ramsewak has opted for composition scheme in the current financial year. His aggregate turnover in preceding FY is ₹ 60 lakhs. In current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

- (a) 10% of ₹ 60 lakh, i.e. ₹ 6 lakh or
- (b) ₹ 5 lakh,

whichever is higher. Thus, he can supply services upto a value of ₹ 6 lakh in current FY.

**Explanation to second proviso [Finance Act 2019]**

For the purpose of second proviso, the value of exempt **supply of services** by way of **extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount**, shall not be taken into account in computing value of **turnover in a state/UT**.



### 7. New Composition scheme for mixed suppliers or supplier of services having aggregate turnover in preceding year upto ₹ 50 lakhs [Section 10(2A)]

Essentially, the composition scheme u/s 10(2A) is for small service providers like salon stylist, tailors, etc. This scheme provides an option to such suppliers to pay tax @ 6% of the turnover in the current financial year upto an aggregate turnover of ₹ 50 lakhs.

#### Who are the persons not eligible for composition scheme, but eligible under Section 10(2A)

A registered person whose **aggregate turnover** in the preceding financial year does not exceed ₹ 50 lakhs and:

- (i) who is **exclusively engaged in supplying services** other than restaurant services, [**Service providers**] or
- (ii) who is engaged in supply of services [other than restaurant services] along with supply of goods and/or restaurant services of value exceeding ₹ 5 lakh in current FY. [**Mixed suppliers**]

**Specified Conditions:** Supplies are made by a registered person, -

- (i) whose aggregate turnover in the preceding financial year was ₹ 50 lakhs or below;
- (ii) who is not eligible to pay tax under Section 10(1) of the said Act; [normal composition scheme]
- (iii) who is not engaged in **making any supply of goods or services which is not leviable to tax** under the said Act;
- (iv) who is not engaged in making **any inter-State outward supply of goods or services**;
- (v) who is neither a casual taxable person nor a non-resident taxable person;
- (vi) who is not engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source u/s 52; and
- (vii) who is not engaged in **manufacturing of prescribed goods or supplier of notified services**- Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated water, Fly ash bricks or fly ash aggregate; Fly ash blocks; Bricks of fossil meals or similar siliceous earths; Building Bricks; Earthen or roofing tiles

#### Key points to be remembered

- (i) The registered person shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.
- (ii) The registered person shall issue, instead of tax invoice, a bill of supply
- (iii) The registered person opting to pay CGST @ 3% u/s 10(2A) shall be liable to **pay CGST @ 3% on turnover in state/UT.**
- (iv) The registered person opting to pay tax u/s 10(2A) shall be liable to pay CGST on inward supplies on which he is liable to pay tax u/s 9(3) u/s 9(4) of said Act at the applicable rates. [**Reverse charge**]
- (v) Where more than one registered persons are having the same PAN, CGST on supplies by all such registered persons shall pay tax u/s 10(2A).



- (vi) Where any registered person who has availed of input tax credit opts to pay tax u/s 10(2A), he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as if the supply made u/s 10(2A) attracts the provisions of section 18(4) of the said Act and the rules made there-under and after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.;

**Inclusions and exclusions in Turnover [Explanation 1 and 2 to Section 10]**

- (a) For the purposes of computing **aggregate turnover** of a person for determining eligibility to pay tax, aggregate turnover, **[Explanation 1 to Section 10]**
- (i) **includes** the supplies from 01/04/XXXX to the date from which he becomes liable for registration under the said Act.
  - (ii) **not include** 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.
- (b) For the purpose of **determination of tax payable, turnover in state/UT shall not include following supplies: [Explanation 2 to Section 10]**
- (i) Supplies from 01/04/XXXX to the date from which he becomes liable for registration under the Act.
  - (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.

**Examples:**

1. Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch – B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two branches in last FY was ₹ 45 lakhs (₹ 25 lakh + ₹ 20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy u/s 10(2A) of the CGST Act, 2017 by 'Padmavati'.

**Solution:**

Branch	Location	Turnover in previous FY (₹)	Turnover in 1 <sup>st</sup> Quarter of this FY (₹)	Total Tax (6%) (₹)
B1	Delhi	25 lakhs	5 lakhs	30,000
B2	Haryana	20 lakhs	10 lakhs	60,000
<b>Total</b>		45 lakhs	15 lakhs	90,000



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2. A photographer 'Champak' has commenced providing photography services in Delhi from April this year. His turnover for various quarters till December is as follows:

April - June: ₹ 20 lakhs

July - Sept: ₹ 30 lakhs

Oct - Dec: ₹ 20 lakhs

Discuss whether he is eligible to opt for scheme u/s 10(2A)

### Solution:

In the given case, since Champak has started the supply of services in the current financial year, his aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, he is eligible for composition scheme for services. He becomes eligible for the registration when his aggregate turnover exceeds ₹ 20 lakhs. While registering under GST, he opts for composition scheme for services.

For determining his turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter [₹ 20 lakhs] shall be excluded as the value of supplies from 01/04 of a financial year up to the date when such person becomes liable for registration under this Act **are to be excluded for this purpose.**

On next ₹ 30 lakhs [turnover of July-Sept quarter], he shall pay tax @ 6% [3% CGST and 3% SGST], i.e. CGST ₹ 90,000 and SGST ₹ 90,000.

By the end of July-Sept quarter, his aggregate turnover reaches ₹ 50 lakhs.

Consequently, his option to avail composition scheme for services shall lapse by the end of July-Sept quarter and thereafter, he is required to pay tax at the normal rate of 18%. Thus, the tax payable for Oct-Dec quarter is ₹ 20 lakhs × 18%, i.e. ₹ 3,60,000.

### Effective date in case of denial of composition option by tax authorities

In case of denial of option to pay tax under composition levy by the tax authorities, it has been clarified that the effective date of such denial shall be from a date, including any retrospective date, as may be determined by tax authorities. **However, such effective date shall not be prior to the date of contravention of the provisions of the CGST Act/ CGST Rules [Circular No. 77/51/2018 GST dated 31.12.2018].**

**8. PROCEDURAL REQUIREMENTS****INTIMATION OF OPTING FOR COMPOSITION LEVY [RULES 3 & 4]**

Relevant Case	Particulars
<b>Persons granted registration on provisional basis u/r 24(1)(b) [Rule 3(1)] &amp; Rule 3(4)]</b>	<p>a) Electronically file an intimation in <b>FORM GST CMP-01</b> prior to the appointed day but not later than <b>30 days</b> from the appointed day, or such further period as may be extended by the Commissioner.</p> <p><b>Note:</b> <i>The registered person shall not collect any tax from the appointed day but shall <u>issue bill of supply</u> for supplies made after the said day in case the intimation in FORM GST CMP-01 is filed <u>after the appointed day</u>.</i></p> <p>b) Electronically furnish details of stock, including the inward supply of goods received from unregistered persons held by him on the day preceding the date from which he opts to pay tax in <b>FORM GST CMP-03</b>, within <b>90 days</b> from the date on which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf.</p> <p>c) Effective date of composition levy shall be effective from the “<b>appointed day</b>”. [Rule 4(1)]</p>
<b>Persons applying for fresh registration u/r 8(1) [Rule 3(2)]</b>	<p>a) Any person who applies for registration u/r 8(1) may give an option to pay tax under section 10 in <b>Part B of FORM GST REG-01</b>.</p> <p>b) It would be considered as deemed intimation for composition scheme.</p> <p>c) Intimation shall be considered only after <b>grant of registration to the applicant</b>.</p> <p>d) Effective from the date fixed under <b>Rule 10(2) / 10(3) (Refer Note 1 below)</b></p>
<b>Opting composition scheme before the beginning of FY [Rule 3(3)]</b>	<p>a) Any registered person who opts to pay tax under section 10 shall file electronically an intimation in <b>FORM GST CMP-02, prior to commencement of the FY</b> for which said option is exercised.</p> <p>b) A statement in <b>FORM GST ITC-03</b> shall be furnished in accordance with Rule 44(4) of CGST Rules, 2017 <b>within 90 days</b> from the commencement of the relevant FY.</p> <p>c) Effective date of composition levy shall be effective from “<b>beginning of the financial year</b>”. [Rule 4(1)]</p>



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### Note 1: Effective date for determining date of registration

Situation	Effective Date
Person has applied for registration within 30 days from date of liability to obtain registration [Rule 10(2)]	Date of liability of registration
Person has applied for registration after 30 days from date of liability to obtain registration [Rule 10(3)]	Date of the grant of registration

#### Illustration 1

If a person is liable to be registered on 11<sup>th</sup> Oct 2017 and he has applied for registration on 17<sup>th</sup> Oct 2017, what is the effective date of registration for composition levy.

#### Illustration 2

A person is liable to be registered on 1<sup>st</sup> Oct 2017 and he has applied for registration on 17<sup>th</sup> Nov 2017. Registration granted on 20<sup>th</sup> Nov 2017. What is the effective date of registration if he wants to opt composition levy.

**Intimation filed in respect of any place of business in any State/UT shall be deemed to be intimation for all other places of business registered on same PAN [Rule 3(5)]**



## 9. CONDITIONS & RESTRICTIONS FOR COMPOSITION LEVY [RULE 5]

Person opting for composition levy has to comply with the following conditions:

He is neither a casual taxable person nor a non-resident taxable person	Goods held in stock have not been purchased from unregistered supplier and where purchased, he pays tax under reverse charge u/s 9(4) ( <b>Refer Note</b> )
<b>CONDITIONS &amp; RESTRICTIONS</b>	
He shall pay tax u/s 9(3)/9(4) (reverse charge) on inward supply of goods or services or both	He was not engaged in manufacture of notified goods such as ice cream, pan masala and tobacco and related substitutes and aerated water

**Note:** This condition applies in case where a builder/promoter opting for composition scheme has the stock of the goods on which he is required to pay GST on reverse charge basis u/s 9(4) in one or more of the following cases:

- (i) Builder/promoter must purchase at least 80% of inputs and input services used in supplying the service, from **registered persons**. In case of shortfall, he's required to pay tax under reverse charge on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).
- (ii) Where cement is received from an unregistered person, promoter/builder has to pay tax on supply of such cement under reverse charge and
- (iii) GST on capital goods is payable by the promoter on reverse charge basis.

### OTHER RESTRICTIONS

- a) He shall mention words "**composition taxable person, not eligible to collect tax on supplies**" at the top of the bill of supply issued by him; and
- b) He shall mention the words "**COMPOSITION TAXABLE PERSON**" on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.
- c) Where the option is exercised under rule 3(1), the goods held in stock by him on the appointed day **have not been purchased:**
  - A. in inter-State trade or commerce or
  - B. imported from a place outside India or
  - C. received from his branch situated outside the State or
  - D. from his agent or principal outside the State.



**No fresh intimation required ever year and registered person may continue to pay tax under Composition scheme subject to conditions prescribed u/s 10**

### **10. VALIDITY OF COMPOSITION LEVY [SECTION 10(3) R/W RULE 6]**

- (i) The option exercised by registered person to pay tax under composition levy shall remain valid so long as he satisfies all the conditions mentioned in section and rules.
- (ii) The option to pay tax under composition scheme lapses from day on which his aggregate turnover during the FY exceeds specified limit (₹ 1 core/₹ 75 lakhs).
- (iii) Such person is required to pay normal tax u/s 9(1) from the day he ceases to satisfy any of the conditions prescribed for composition levy. He shall issue tax invoice for every taxable supply made thereafter.
- (iv) Further, he is required to file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within **7 days** of the occurrence of such event. Such application form is also required to be filed by registered person who intends to withdraw from composition scheme before withdrawal.

A statement in **FORM GST ITC-01** containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock on date of withdrawal/denial of option to be furnished in case of withdrawal from composition scheme within **30 days** from the date from which option is withdrawn or from date of order passed by proper officer in **Form GST CMP-07**. [Rule 6(6)]

- (v) However, such person shall be allowed to avail 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 of the option, containing the details of such stock held in prescribed form on the common portal.

**Example:** A person availing composition scheme during a financial year crosses turnover of ₹ 75 lakhs on 9<sup>th</sup> December. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 75 lakhs, i.e. on 9<sup>th</sup> December in this case.

### **OTHER IMPORTANT POINTS**

#### **1. Composition scheme to be adopted uniformly by all the registered persons having the same PAN**

All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, **others become ineligible for composition scheme**.

**Example:** A dealer 'X' has two offices in Delhi and is eligible for composition levy. If 'X' opts for the composition scheme, both the offices would pay taxes under composition scheme and abide by all the conditions as may be prescribed for the composition scheme.

**2. Composition scheme supplier cannot collect tax [Section 10(4)]**

Taxable person opting for the composition scheme shall not collect tax from the recipient on supplies made by him. It implies that a composition scheme supplier cannot issue a tax invoice.

**3. Composition scheme supplier cannot enter into credit chain [Section 10(4)]**

Taxable person opting for the composition scheme is not entitled to any credit of input tax.

**OTHER RELEVANT FORMS FILED UNDER COMPOSITION SCHEME**

<b>Issue of show cause notice by proper officer</b>	Show cause notice in <b>FORM GST CMP-05</b> issued by proper officer for denying composition option within <b>15 days</b> of the receipt of such notice as to why the option to pay tax under section 10 shall not be denied. <b>[Rule 6(4)]</b>
<b>Acceptance or rejection of reply filed against show cause notice</b>	<p>a) Reply to show cause notice in <b>FORM GST CMP-06</b> by registered person.</p> <p>b) Proper Officer shall issue an order in <b>FORM GST CMP-07</b> within <b>30 days</b> of the receipt of reply either accepting the reply or denying the option to pay tax under section 10 from the date of the option or from the date of the event concerning such contravention <b>[Rule 6(5)]</b></p>

**One intimation of withdrawal for any place of business in any State or Union territory shall be deemed to be an intimation for all other places of business on the same PAN [Rule 6(7)]**

**11. SUMMARY OF RELEVANT FORMS UNDER COMPOSITION SCHEME**

<b>Forms</b>	<b>Purpose</b>	<b>Due date</b>
<b>GST CMP-01</b>	To opt for scheme by provisional registration holder	Prior to appointed date or within 30 days of the said date
<b>GST CMP-02</b>	Intimation of willingness to opt for scheme by registered person	Prior to the commencement of Financial Year
<b>GST CMP-03</b>	Details of stock and inward supplies from unregistered person	within 90 days of exercise of option
<b>GST CMP-04</b>	Intimation of withdrawal from scheme	within 7 days of occurring of event
<b>GST CMP-05</b>	SCN on contravention of rules or Act, issued by Proper Officer	On contravention
<b>GST CMP-06</b>	Reply to show cause notice	Within 15 days
<b>GST CMP-07</b>	Issue of order	Within 30 days
<b>GST CMP-08</b>	Statement for payment of self-assessed tax	Quarterly basis till 18 <sup>th</sup> of the month succeeding the quarter



## COMPOSITION SCHEME

### **Imposition of penalty in case of irregular availment of composition scheme [Section 10(5) read with rule 6(4) and 6(5)]**

If a taxable person has paid tax under the composition scheme though he was not eligible for the scheme, the person would be liable to penalty and the provisions of section 73 or 74 of the CGST Act shall be applicable for determination of tax and penalty.

The proper officer may issue a show cause notice to such person in prescribed form where he has reasons to believe that the registered person was not eligible to pay tax under composition levy or has contravened provisions of the Act/provisions of this Chapter,

Upon receipt of the reply to such show cause notice from the registered person in prescribed form, the proper officer shall issue an order in prescribed form within 30 days of the receipt of such reply, either accepting the reply, or denying the option to pay tax under composition levy from the date of the option or from the date of the event concerning such contravention, as the case may be.

### **Special procedure to be followed by the electronic commerce operators in respect of supplies of goods through them by composition taxpayers [N/N 36/2023 CT dated 04//08/2023]**

A special procedure has also been laid down u/s 148 to be followed by ECO through which composition supplier supplies goods, vide N/N 36/2023 CT dated 04/08/2023.

N/N 36/2023 CT dated 04/08/2023 provides that ECO who is required to collect tax at source u/s 52 has been notified as the class of persons who shall follow the following special procedure in respect of supply of goods made through it by the composition suppliers, namely:

- (i) the ECO shall not allow any inter-State supply of goods through it by the said person;
- (ii) the ECO shall collect tax at source under section 52(1) in respect of supply of goods made through it by the said person and pay to the Government as per provisions of section 52(3); and
- (iii) the ECO shall furnish the details of supplies of goods made through it by the said person in the statement in **Form GSTR-8** electronically on the common portal.