Composition Scheme


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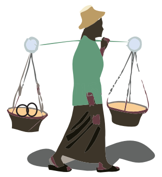
Analysis - Threshold, composition & Normal Scheme

Very Small Dealer



Aggregate Turnover 10L/20L/40L →
Threshold

Small Dealer

Aggregate Turnover 1.5 Cr./75L/50L →
Composition

Big Dealer

Normal

	Very Small Dealer	Small Dealer	Big Dealer
Assessee	Mfg ✓ Trader ✓ SP ✓	Mfg ✓ Trader ✓ SP ✓	Mfg ✓ Trader ✓ SP ✓
Tax benefits	No Tax Payable	Tax is payable @ Composite Rate	Tax is payable @ Normal Rate
procedure benefit			
Registration	Not required	Compulsory	Compulsory
GST Invoice	Not required	**Bill of supply**	**Tax invoice**
GST Records	Not required	Limited Extent	As prescribed under this Act
ITC	Not required	NO	Yes
GST Return	Not required	1) GSTR -4, GSTR - 9A Annually 2) Quarterly Statement - CMP-08 3) Payment of Tax - Quarterly	GSTR -1, 2 & 3, Monthly Quarterly for notified category

GST Rate under Composition Scheme

Rule- 7 = Rates:-

Categories of RP	CGST	SGST	Total	Basis for Calculation	
a- Manufacturer	0.5%	0.5%	1%	Turnover in State/UT	(T.S. + Exempt + Nil rate)
b- Catering & Restaurant	2.5%	2.5%	5%	Turnover in State/UT	
c- Trader	0.5%	0.5%	1%	Turnover of taxable SOG & SOS in the State/UT	Only Taxable Supply of SOG & SOS
d- R.P. not eligible u/s 10(1)&(2), but eligible for 10(2A)	3%	3%	6%	Turnover of SOG & SOS in the State/UT	(T.S. + Exempt+ Nil rate)

➲ Both are Optional Scheme.

➲ Special Category States = Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh & Uttarakhand.

Sec 10

Sec 10(1)- Applicability: Manufacturer + Trader+ Restaurant etc.

Eligibility : Agg. T/O of P.F.Y. of R.P. does not exceeds

Normally - 150 lakhs (including Assam + H.P. + J/K)

Special Category State(SCS) - 75 lakhs (Other than Assam + H.P. + J/K)

C.F.Y - Compostiton levy upto Agg. T/O 150L/75L

Marginal Supply of services = Manufacturer/catering & restaurant/trader may supply services of value upto 10% of T/O in state of P.F.Y. or 5 Lakhs. Which ever is higher (limit is state wise).

Note:- Turnover excludes interest on loan & advances

Sec 10(2)- Eligibility Conditions-

a) person opting for the scheme u/s 10(1) (Manufacturer/ Catering & Restaurant / Trader) **cannot supply any service** (Taxable / exempt), except as allowed in proviso 2 to sec 10(1). (Limit is statewise)

b) Not engaged in SOG/SOS, which are **Non-taxable** under GST Act.

c) Not engaged in making any **inter-state outward** SOG/SOS

d) Not engaged in SOS, **through an ECO**, collecting TCS u/s 52.

e) Not a **manufacturer of Notified Goods***.

f) Neither a **CTP nor NRTP**

*[Notified Goods= Ice cream & other edible ice / Pan Masala / Aerated water/ tobacco & tobacco substitutes, Fly ash bricks, Fly ash aggregates, fly ash blocks]

Proviso to Sec. 10(2) : Scheme would be applicable for all businesses having registrations under same PAN of the conditions required to opt for composition scheme.

Sec 10(2A)

Sec 10(2A) - Applicability : -

Applicable to RP whose Agg. T/o in P.F.Y is not exceeding ` 50 Lakhs

Person is not eligible to opt u/s/ 10(1)(2)

(predominantly for service provider)

Sec 10(2A)- Eligibility Conditions -

a) Not engaged in SOG or SOS, which are **Non-taxable** under GST Act.

b) Not engaged in making any **inter-state outward** SOG or SOS

c) Not engaged in SOS, **through an ECO**, collecting TCS u/s 52

d) Not a manufacturer of **Notified Goods***.

e) Neither a **CTP nor NRTP**

Proviso to sec. 10(2A)- Same

Sec. 10(3):- Eligibility Criteria for composition scheme:-

➲ Option availed by RP u/s 10(1)/(2A) - shall lapse w.e.f. the day on which his Aggregate T/o during a FY exceeds 150 lakhs/ 75 Lakhs/ 50 lakhs, as the case may be.

Sec. 10(4):- Other Conditions:-

➲ Composition dealer cannot collect tax on outward supplies.

➲ Composition dealer will not be eligible to claim ITC.

➲ Composition dealer cannot issue tax invoice, but issue Bill of supply.

Sec. 10(5):-If PO believes that a taxable person has paid tax u/s 10(1)/(2A) despite not being eligible, such person shall- ➲ pay tax & penalty as per applicable provisions &

➲ sec 73/74 /74A shall be applicable.

Rule-5 Conditions/ restrictions:-

1) Title on Bill of Supply= "Composition Taxable person, not eligible to collect tax on supplies"

2) Display at business premise= "Composition Taxable Person"

3) Pay tax under RCM = Stock of URP held at the time of taking C.L.

Section 2(6):- Aggregate Turnover

means the aggregate value of
- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- exports of goods or services or both and
- inter-State supplies of persons having the same PAN, to be computed on all India basis

but excludes central tax, State tax, Union territory tax, integrated tax and cess

Explanation:- For the purposes of computing turnover of a person for determining his eligibility to pay tax under this section for Sec 10(1) & 10(2A), aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year up to the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances is so for as the consideration is represented by way of interest or discount.

Explanation 1 of Sec 10 [Aggregate Turnover]

P.F.Y. XX-YY] No Business

C.F.Y. Xy-YZ Composition Levy

Threshold

No Reg.

Therefore Agg T/O not exceeds ₹ 150L/ 75L/50L

Agg. T/o 20 L

Includes Agg. T/O

liable for Reg — 1.3 Cr [10(1)] — 55L [10(1) SCS] — 30 L [10(2A)]

150L/75L/50L

Sec 2(112):-Turnover in State" or "Turnover in UT

means the aggregate value of
- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and
- exempt supplies made within a State or UT by a taxable person,
- exports of goods or services or both and
- inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person

but excludes central tax, State tax, Union territory tax, integrated tax & cess.

turnover in State or turnover in Union territory" shall not include the value of following supplies, namely:
(i) supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act; and
(ii) interest or discount on deposits, loans or advances.

Explanation 2 of Sec 10 [Turnover in State]

P.F.Y. XX-YY] No Business

1st April

Threshold

UR

Composition = 1% (Sec 10(1)) 5% 6% (Sec 10 (2A))

Therefore Agg. T/O not exceeds ₹ 150L/ 75L/50L

20 L if does not includes in T.o in State i.e. no tax payable on this T/O

130L [10(1)]

55L [10(1) SCS]

30L [10(2A)]

Tax is payable only this T/o in State

2(47) : Exempt Supply

means a supply of any goods or services or both ➲ which attracts nil rate of tax or ➲ which may be wholly exempt from tax includes **non-taxable supply**

Procedure- Composition Scheme

Procedure:- Rule-3 Intimation by URP= Pay tax under Composition levy in part B of FORM- GST REG-01.(Considered only after grant of reg.)
Intimation by RP= Electronically file an intimation in FORM-CMP-02, prior to commencement of FY, for which option exercised.
Any intimation i.r.o. any place of business in a State/UT= deemed to be an intimation i.r.o all other place of business registered on same PAN.

Intimation for opting C.L.

If a person is UR

P.F.Y. | 20 L | C.F.Y.

UR

Sec 22: Need to apply for Reg. Form = REG - 01

PART A
- PAN

PART B
Opting for C.L
If is treated as intimation

If a person is already registered

P.F.Y. | C.F.Y.

R — 1st April — R

C.L. available

Intimation of C.L shall be given in form [CMPO2] before starting C.F.Y.
(It already registered, intimate before the start of C.F.Y.)

Rule-4 Effective date= 1st april of the FY for which such option is exercised.

Rule-6 * Validity of Composition Scheme = Till person continues to fulfill conditions u/s 10(2)/(2A)/ Rule-5.
- ➲ If person ceases to fulfill above conditions= shall file intimation of opting out scheme in FORM GST CMP 04 (Within 7days)
- ➲ If person want to opt out voluntarily= shall file intimation in FORM GST CMP 04 before such withdrawal.
- ➲ After withdrawal he shall issue tax invoice & allowed to avail ITC i.r.o. stock held by him as on date.

Rule-62 ➲ File statement- Quarterly till 18th of month following the quarter.(CMP-08)
➲ File Return (GSTR-4)- Annually till 30th June of the following year.

Rule-80 ➲ File Return (GSTR-9A)- Annually

Composition Levy

Interest / Discount on loan/Advertisement/Deposits

P.F.Y. | C.F.Y. | Sec 10(3) C.L. Lapsed

SOG — Upto

SOS

1) Agg. T/O [for deciding eligibility of C.L]	XX
Less: Interest / Discount	X
	XX
2) T/O in State [For Calculating marginal service]	XX
Less: Interest/ Discount	X
T/O in State	XX

3) T/O in State [For payment of GST]	XX
Less: Interest/ Discount	X
T/O in State (1%, 5%, 6%)	XX

4) Agg. T/O [150L/75L/50L]	XXX
Less: Interest/ Discount	X
Agg. T/O	XX

* Interest = Exempt Supply = On loan /Advances or deposits

* Discount = Exempt Supply = Cheque discounting / BOE discounting etc. [e.g. Money Discounting]