GST- Goods and Service Tax

Composition Scheme

Presentation # 03

GST Composition Scheme

Composition Scheme is for small taxpayer who seek for simplified version of the tax structure. GST has following advantage for such taxpayers;

1. Person(taxpayer) who is eligible for composition has option to choose composition scheme.
2. Composition tax payers do not need to file any statement of outward or inward supplies.
4. They have to file a quarterly return in Form GSTR-4 by the 1st of the month after the end of the quarter. They also have to give details of their purchases detail in their quarterly return itself, most of which will be auto populated.
5. A person who has opted for composition scheme, and later if do not remain eligible and becomes regular taxpayer can avail ITC. ITC in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax is available.
5. The threshold ***is Rs. 50 Lakhs of aggregate turnover*** in financial year.
6. ‘Aggregate Turnover’ means ‘Value of all supplies (taxable and non-taxable supplies + Exempt supplies + Exports) and it excludes Taxes levied under CGST Act, SGST Act and IGST Act, Value of inward supplies + Value of supplies taxable under reverse charge of a person having the same PAN.

Recipients who are registered under composition schemes would be liable to pay tax under reverse charge.

GST - Composition Scheme (Non Applicability)

A person meeting following criteria can only be covered under composition scheme;

1. The aggregate turnover do not crosses Rs. 50 Lakhs in financial year.
2. Composition scheme is applicable subject to the condition that the taxable person does not affect interstate supplies.
3. He is neither a casual taxable person nor a non-resident taxable person;
4. The goods held in stock by him on the appointed day have not been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State.
5. The goods held in stock by him have not been purchased from an unregistered person and where purchased, he pays the tax under reverse charge.;
6. He shall pay reverse tax on goods or services or both notified under specific category of goods or services received.
7. He was not engaged in the manufacture of goods as notified during the preceding financial year;
8. He shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him; and
9. 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.

GST - Composition Scheme Effects

A person covered under Composition Scheme will have following effect under GST regime;

1. The taxable person under composition scheme is restricted from collecting tax. It means that a composition scheme supplier cannot issue a tax invoice.
2. Customer who buys goods from taxable person who is under composition scheme is not eligible for composition input tax credit (because a composition scheme supplier cannot issue a tax invoice instead he can issue bill of supply)
3. A supplier covered under Composition Scheme can issue "Bill of Supply" containing the following:
   a) Name, address and GSTIN of the supplier;
   b) A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash symbolised as "-" and "/"respectively, and any combination thereof, unique for a financial year;
   c) Date of its issue;
   d) Name, address and GSTIN or UIN, if registered, of the recipient;
   e) HSN Code of goods or Accounting Code for services;
   f) Description of goods or services or both;
   g) Value of supply of goods or services or both taking into account discount or abatement, if any; and
   h) Signature/digital signature of the supplier or his authorized representative

GST - Rate of Tax on Composition Levy

A registered person under Composition Scheme has to pay tax at the specified rate as under;

Sr.No	Generic Nature of Business	Category of registered persons	Rate of Tax	SGST	CGST	TOTAL
1	Manufacturing	Manufacturers, other than manufacturers of such goods as may be notified by the Government	1.00%	1.00%	1.00%	2.00%
2	Works Contract Services	"Works Contract" which means a contract for building, construction, fabrication,completion, erection, installation, fitting out, improvement, modification, repair,maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is Involved in the execution of such contract.	2.50%	2.50%	2.50%	5.00%
3	Food and Catering Services	supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.	2.50%	2.50%	2.50%	5.00%
4	Supply of Goods	Any other spplier eligible for composition levy.	0.50%	0.50%	0.50%	1.00%

Composition tax payers will need to pay tax on quarterly basis.

GST - Opting under Composite Scheme

Any person who has been granted registration on a provisional basis, prior to appointed date, but not later than thirty days after the said day shall electronically file an intimation (if filed after the appointed day, shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day):

Intimation in Part B of **Form-GST REG-01** or **Form-GST CMP-01/02**

or

Furnish information **Form-GST ITC-3** or **Form-GST CMP-03**

1. The option to pay tax under Composition Scheme shall be effective from the appointed date where the intimation is filed in form GST CMP-01 or GST REG-01.
2. The option to pay tax under Composition Scheme shall be effective from the beginning of the financial year, where the intimation is filed by registered person in form GST CMP-02.
3. The registered person paying tax under section 10 may not file a fresh inti mation every year and he may continue to pay tax under the said section s ubject to the provisions of the Act and these rules.

GST - Exit From Composite Scheme

Taxpayer may exit from the composite scheme under following conditions;

1. If the taxpayers fails to satisfy any of the condition including exceeding aggregate turnover of Rs 50 lakhs in a financial year.
2. If the taxpayer intends to withdraw from the composition scheme he can do so by filing an application in FORM GST CMP-04.
3. If the person receives show cause notice in FORM GST CMP-05 THEN he has to reply to the notice in FORM GST CMP-06, the proper Officer shall issue an order in FORM GST CMP-07 within 30 days of receipt of reply, either accepting or denying his option of coverage under Composite Scheme.

A person who ceases /withdraws to be covered under Composite Scheme has to do as under;

1. Has to furnish 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 by him on the date on which the option is withdrawn or denied, within 30 days.
2. A person exiting in respect of any place of business in any State or Union territory, shall be deemed to be exiting in all other places of business registered on the same PAN.

GST - Penal Consequences

The penal consequences if a taxable person violates the condition and is not eligible for payment of tax under the Composition scheme.

1. Taxable person who was not eligible for the composition scheme would be liable to pay tax, interest and in addition he shall also be liable to a penalty equivalent to the amount of tax payable.

GST - Composition Scheme Comparison

Sr.No	Points of distinction	Regular Taxpayer	Composition Scheme
1	Threshold limit of aggregate turnover	Rs 20 lakhs	Rs 50 lakhs
2	Manner of issuing document for supplying of goods and services.	Tax Invoice	Bill of Supply
3	Eligible for Input Tax Credit - ITC	Yes	No
4	Liable for Payment of Tax Liability	Yes (on scheduled rates, monthly)	Yes (scheduled lower rates, Quarterly)
5	Eligible for collecting tax from customer.	Yes	No
6	Details of outward supplies -GSTR1	10th day of succeeding month	Not Applicable
7	Details of inward supplies -GSTR2	15th day of succeeding month	Not Applicable
8	Details of Details of ITC availed, ITC utilized etc. and discharge of tax and other statutory liabilities -GSTR3	20th day of succeeding month	Not Applicable
9	Consolidated details in Quarterly return -GSTR4	Not Applicable	18th day of succeeding month of the Quarter.
10	Annual Return GSTR-8	31st December following the end of the financial year	

CMA Prakash Mishra

prakash@pmishra.in

Disclaimer: The information contained herein is provided to generate a basic understanding of the GST provision and may not be complete, error & omission is expected. Please consult before taking your decisio n/action based on the information given through this presentations.