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GST Registration based on Profit Margin

If you are a small dealer and your total taxable supply of goods is under Rs.50 lakh per annum. Then you have to assure yourself about your Profit Margin.

Profit Margin >= 6%	Profit Margin < 6%
Take registration under Composite Scheme	Take registration under Normal Scheme

Let assume your turnover is Rs. 40 lakh p.a.

E.g.1 : Suppose your profit margin is 6%

Sale : Rs. 40,00,000/-
Tax on Composite Scheme@1% : Rs. 40,000/-

Then Purchase is (40,00,000/106*100) : Rs. 37,73,585/-
Then Profit amount is : Rs. 2,26,415 (40,00,000 – 37,73,585)
Tax payable under Normal scheme@18% : Rs. 40,755/- (18% of 2,26,415)
Benefit of Composite Scheme* : Rs. 755/- (40,000 – 27692)

E.g.2 : Suppose your profit margin is 4%

Sale : Rs. 40,00,000/-
Tax on Composite Scheme@1% : Rs. 40,000/-

Then Purchase is (40,00,000/104*100) : Rs. 38,46,154/-
Then Profit amount is : Rs. 1,53,846 (40,00,000 – 38,46,154)
Tax payable under Normal scheme@18% : Rs. 27,692/- (18% of 1,53,846)
Benefit of Normal Scheme** : Rs. 12,308/- (40,000 – 27692)

*If your profit margin is higher than 6% then benefits is more in Composite Scheme.
** If your profit margin is less than 6% then benefits is more in Normal Scheme.