

2017

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[A GUIDE TO COMPOSITION SCHEME UNDER GST]

Goods and Services tax (GST) has been identified as one of most important tax reform post-independence. It is a tax trigger, which will lead to business transformation for the industry.

A GUIDE TO COMPOSITION SCHEME UNDER GST

What is the Composition Scheme Under GST?

Section 9 of the GST law contains the provision with respect to the registration of a taxpayer under composition scheme. The basic principle underlying the composition scheme is to minimize the burden of compliance for small taxpayers. There are around 8 million taxpayers that are expected to be migrated from the current laws into the GST regime. However, many of these taxpayers will have limited turnover and may not have requisite resources and expertise to comply with all the procedures mentioned under the GST.

Accordingly, the government has come up with composition scheme wherein any taxpayer whose turnover is below Rs 50 lakhs can choose not to register as a normal taxpayer. Instead, he may choose to get registered as a taxpayer under composition scheme and pay taxes on his supplies at a nominal rate. However, he shall not be eligible to issue a tax invoice and cannot utilize the credit of input tax paid as a result thereof.

Goods and Services Tax is set to bring along a new regime of business compliance in India. Large organizations have the requisite resources and expertise to address these requirements. On the flip side, many startups and Small and Medium Enterprises (SMEs) may struggle to comply with these provisions. To resolve such scenarios, the government has introduced Composition Scheme under GST, which is merely an extension of the current scheme under VAT law.

When opting for the Composition Scheme under GST, a taxpayer will be required to file summarized returns on a quarterly basis, instead of three monthly returns (as applicable for normal businesses).

Benefits of Registering under GST Composition Scheme

Below are some of the prominent reasons why you should choose to get registered as a supplier under the composition scheme:

- **Limited Compliance:** A normal taxpayer is required to submit a minimum of three returns on monthly basis and one yearly consolidated return. Thus in a complete year, he is required to furnish 37 returns to the government, non-compliance of which will attract penalty. Further, to furnish these returns, a small supplier is bound to maintain detailed books of accounts and keep records of all transactions along with supporting documents. However, under the composition scheme, the taxpayer is required to furnish quarterly return only, and thus he need not worry on record keeping and can focus on his business more rather than being occupied in compliance procedures.
- **Limited Tax Liability:** Another benefit of getting registered under the composition scheme is that the tax rate for such taxpayer is nominal under the GST Law. The rate will not be more than 1% for manufacturer, 2.5% for restaurant sector and 0.5% for other traders of turnover.

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- **High Liquidity:** One of the major benefits of registering as a composition supplier is high fund availability in the business. A normal taxpayer will be required to pay output tax on his supplies at a standard rate and any credit of input is available only when his own supplier files a return online which shall reconcile with his own return. Thus a large chunk of his working capital will always remain blocked in the form of input credit. However for a supplier registered under the composition scheme, output liability will be nominal and he does not need to bother about return filing by his supplier.
- **Level Playing Field:** Just because a taxpayer has chosen to get registered under the composition scheme, it doesn't necessarily mean he is losing the competitive edge. Since the profit margin of a supplier in composition scheme is more than a large taxpayer, such supplier can outplay the economies of scale of large enterprises by offering competitive prices and have a better hold on the local market of supply. Thus composition scheme ensures the interest of small suppliers carrying out intrastate transactions and provides with a sustainable and competitive supply market.

Hence, it can be said that composition scheme will be a growth driver for small taxpayers who are carrying out intrastate transaction and not import-export of goods. If any taxpayer carries out interstate transactions or gets into import-export transaction then the benefit of composition scheme is not available to such taxpayer and such suppliers are required to get registered as a normal taxpayer.

Drawbacks of Registering under the GST Composition Scheme

1. **Limited Territory for Business:** A taxpayer registered under the composition scheme is barred from carrying out inter-state transactions and cannot offer import-export of goods and services. Thus, he is compelled to carry out only intra-state transactions and this limits the territory of his business. Furthermore, this section is in contradiction of "One nation One tax" as this section limits the benefit only to the boundary of the state.
- **No Credit of Input Tax:** There has been no provision of input credit on B2B transactions. Thus, if any taxable person is carrying out business on B2B model, such person will not be allowed the credit of input tax paid from the output liability. Also, the buyer of such goods will not get any credit on tax paid, resulting in price distortion and cascading. This will further result in a loss of business as a buyer registered as a normal taxpayer will not get any credit when buying from a person registered under composition scheme. Eventually, such buyers might avoid purchases from a taxpayer under composition scheme.
- **No Collection of Tax:** Though the rate of composition tax is kept very nominal at 0.5%, 1% or 2.5%, a taxpayer under composition scheme is not allowed to recover such tax from his buyer, as he is not allowed to raise a tax invoice. Consequently, the burden of such tax is kept on the taxpayer himself and this has to be paid out of his own pocket. Thus the fundamental principle of limited compliance and tax burden on small taxpayer is defeated here.

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- **Penal Provision:** Another provision which is heavily debated is the penal provision for a taxpayer under composition scheme. As per the GST Law, if the taxpayer who has previously been given registration under composition scheme is found to be not eligible for the composition scheme or if the permission granted earlier was incorrectly granted, then such taxpayer will be liable to pay the differential tax along with a penalty which can extend up to the amount of total tax liability i.e 100%. On analysis of this provision, it can be fairly said that if a small taxpayer who has limited knowledge of tax laws and compliances makes any mistake under composition scheme, he shall be liable to pay tax at the standard rate on his total turnover along with a penalty which will be equal to the total tax liability.
- **Electronic Commerce out of scope:** One of the major industries which has flourished in recent times, is the e-commerce in India. There have been numerous companies who are into e-commerce, some of them have turnover into crores, however many of them are still at nascent stage and have not achieved breakeven as well. Such units carry out their business online through internet and supply across states. Since they are into inter-state supplies they are not eligible for composition scheme and thus the benefit of this section has been kept away from them. This is further in contradiction with the government vision of “Digital India” and “Startup India” which are aimed to promote the startup ecosystem and a digital experience for Indian citizens.
- Not applicable to the supplier supplying goods through E-commerce

Composition scheme is considered instrumental in enabling small taxpayers to reduce the burden of compliance. However, under the current scenario a small taxpayer has to act very consciously if he chooses to get registered under the composition scheme.

Q1. Who can opt for Composition Scheme?

Ans. Businesses dealing only in goods can only opt for composition scheme. Services providers have been kept outside the scope of this scheme. However, restaurant sector taxpayers may also opt for the scheme.

This holds true if your annual turnover is below Rs 50 Lakhs.

Q2. What is the tax rate applicable on a composition dealer?

Ans. A registered taxpayer, who is registered under the Composite Scheme will pay tax at a rate not more than 1% for manufacturer, 2.5% for restaurant sector and 0.5% for other suppliers of turnover.

Q3. Must a Composition Dealer maintain detailed records?

Ans. No, a dealer registered under composition scheme is not required to maintain detailed records as in the case of a normal taxpayer.

Q4. Do Composition Dealers have the option to avail Input Tax Credit?

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Ans. No, a Composition Dealer is not allowed to avail input tax credit of GST paid to their supplier.

Q5. Can a Composition Dealer issue Tax Invoice?

Ans. No. Since a Composition Dealer is not allowed to avail input tax credit, such a dealer cannot issue a tax invoice as well. A buyer from composition dealer will not be able to claim input tax on such goods.

Q6. Which returns are required to be filed by a taxable person registered under Composite Scheme?

Ans. The taxable person is required to furnish only one return i.e. GSTR-4 on a quarterly basis and an annual return in FORM GSTR-9A.

Q7. Is liability to pay taxes under Reverse Charge Mechanism covered under the Composite Scheme?

Ans. Any tax payable under Reverse Charge Mechanism will not be covered under the scheme. These taxes will be liable to be paid as a normal tax payer.

Q8. Can a Composition Dealer collect composition tax separately?

Ans. No, a Composition Dealer is not allowed to collect composition tax from the buyer.

Q9. What is the threshold limit to be eligible for Composition Scheme?

Ans. Any dealer whose aggregate turnover in a financial year does not exceed Rs. 50 Lakh can opt for composition scheme

Q11. Can a dealer involved in interstate supplies opt for Composition Scheme?

Ans. No, Composition Scheme is available only for **intra-state supplies**. If a dealer is involved in inter-State supplies, then he cannot opt for the scheme.

Q12. What are the penalties applicable on Composition Dealer in case of any default in tax payment?

Ans. If the tax administration has reason to believe that a composition dealer has wrongly availed the benefit under the composition scheme, then such a person shall be liable to pay all the taxes which he would have paid under the normal scheme. Also, he will be liable to pay a penalty equivalent to an amount of tax payable. This penalty will not be levied without giving a show cause notice to the dealer.

Q13. What are the transition provisions if a business transits from Composition Scheme under current regime to Regular Taxation under GST?

Ans. Taxpayers registered under composition scheme under the current regime will be allowed to take credit of input held in stock, or in semi-finished goods or in finished goods on the day immediately preceding the date from which they opt to be taxed as a regular tax payer.

Q14. What are the conditions for availing input credit on stock lying at the time of transition?

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Ans. Following are the conditions which must be addressed by the taxpayer to avail credit on input at the time of transition from composition scheme to the normal scheme:

1. Such inputs or goods are intended to be used for making taxable supplies under GST law.
2. Taxpayer was eligible for CENVAT Credit on such goods under the previous regime, however, couldn't claim it being under composition scheme.
3. Such goods are eligible for input tax credit under GST regime.
4. The taxpayer has legal evidence of input tax paid on such goods.
5. Such invoices were issued within a period of 12 months from GST applicable date.

Q15. What is the treatment for input credit availed when transitioning from normal scheme to Composition Scheme?

Ans. When switching from normal scheme to composition scheme, the taxpayer shall be liable to pay an amount equal to the credit of input tax in respect of inputs held in stock on the day immediately preceding the date of such switchover. The balance of input tax credit after payment of such amount, if any lying in the credit ledger shall lapse.

COMPOSITION RULES

1. Intimation for composition levy

(1) Any person who has been granted registration on a provisional basis under sub-rule (1) of rule 16 and who opts to pay tax under section 10, shall electronically file an intimation in FORM GST CMP-01, duly signed, on the **Common Portal**, either directly or through a Facilitation Centre notified by the Commissioner, prior to the appointed day, but not later than thirty days after the said day, or such further period as may be extended by the Commissioner in this behalf:

Provided that where the intimation in FORM **GST** CMP-01 is filed after the appointed day, the registered person shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day.

(2) Any person who applies for registration under rule may give an option to pay tax under section 10 in Part B of FORM GST REG-01, which shall be considered as intimation to pay tax under the said section.

(3) Any registered person who opts to pay tax under section 10 shall electronically file an intimation in FORM GST CMP-02, duly signed, on the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner prior to the commencement of the financial year for which the option to pay tax under the aforesaid section is exercised and shall furnish the statement in FORM GST ITC-3 in accordance with the provisions of sub-rule (4) of rule ITC.9 within sixty days from the commencement of the relevant financial year,

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(4) Any person who files an intimation under sub-rule (1) to pay tax under section 10 shall furnish the 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 under the said section, electronically, in FORM GST CMP-03, on the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner, within sixty days of the date from which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf.

(5) Any intimation under sub-rule (1) or sub-rule (3) in respect of any place of business in any State or Union territory shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.

2. Effective date for composition levy

(1) The option to pay tax under section 10 shall be effective from the beginning of the financial year, where the intimation is filed under sub-rule (3) of rule 1 and the appointed date where intimation is filed under sub-rule (1) of the said rule.

(2) The intimation under sub-rule (2) of rule 1 shall be considered only after grant of registration to the applicant and his option to pay tax under section 10 shall be effective from the date fixed under sub-rule (2) or (3) of rule Registration.3.

3. Conditions and restrictions for composition levy

(1) The person exercising the option to pay tax under section 10 shall comply with the following conditions:

(a) he is neither a casual taxable person nor a non-resident taxable person;

(b) 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, where the option is exercised under sub-rule (1) of rule 1;

(c) the goods held in stock by him have not been purchased from an unregistered person and where purchased, he pays the tax under sub-section (4) of section 9;

(d) he shall pay tax under sub-section (3) or sub-section (4) of section 9 on inward supply of goods or services or both received from un-registered persons;

(2) The person referred to in sub-rule (1) shall be liable to pay tax under sub-section (1) of section 9 from the day he ceases to satisfy any of the conditions mentioned in section 10 or these rules and shall issue tax invoice for every taxable supply made thereafter and he shall also file an intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days of occurrence of such event.

(3) The registered person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in FORM GST CMP-04, duly signed, electronically on the Common Portal.

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(4) Where the proper officer has reasons to believe that the registered person was not eligible to pay tax under section 10 or has contravened the provisions of the Act or these rules, he may issue a notice to such person in FORM GST CMP-05 to show cause within fifteen days of the receipt of such notice as to why option to pay tax under section 10 should not be denied.

(5) Upon receipt of reply to the show cause notice issued under sub-rule (4) from the registered person in FORM GST CMP-06, the proper officer shall issue an order in FORM GST CMP-07 within thirty days of receipt of such reply, either accepting the reply, or denying the option to pay tax under section 10 from the date of option or from the date of the event concerning such contravention, as the case may be.

(6) Every person who has furnished an intimation under sub-rule (2) or filed an application for withdrawal under sub-rule (3) or a person in respect of whom an order of withdrawal of option has been passed in FORM GST CMP-07 under sub-rule (5), may electronically furnish at the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner, 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 by him on the date on which the option is withdrawn or denied, within 30 days, from the date from which the option is withdrawn or from the date of order passed in FORM GST CMP-07, as the case may be.

(7) Any intimation for withdrawal under sub-rule (2) or (3) or denial of the option under sub-rule (5) in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.

5. Rate of tax of the composition levy

The category of registered persons, eligible for composition levy under section 10 and these rules, specified in column (2) of the Table below shall pay tax under section 10 at the rate specified in column (3) of the said Table:

S.No.	Category of registered persons	Rate of tax
1	Manufacturers, other than manufacturers of such goods as may be notified by the Government	one per cent.
2	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II	two and a half per cent.
3	Any other supplier eligible for composition levy under section 10 and these rules	half per cent.

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SCHEDULE-II

[See Section 7]

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

1. Transfer

- a. any transfer of the title in goods is a supply of goods;
- b. any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;
- c. any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.

2. Land and Building

- a. any lease, tenancy, easement, licence to occupy land is a supply of services;
- b. any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.

3. Treatment or process

Any treatment or process which is applied to another person's goods is a supply of services.

4. Transfer of business assets

- a. where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person;
- b. where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services;
- c. where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless—
the business is transferred as a going concern to another person; or
the business is carried on by a personal representative who is deemed to be a taxable person.

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5. Supply of services

The following shall be treated as supply of service, namely:—

- (a) renting of immovable property;
- (b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.

Explanation - For the purposes of this clause—

- (1) the expression "competent authority" means the Government or any authority authorised to issue completion certificate under any law for the time being in force and in case of non-requirement of such certificate from such authority, from any of the following, namely:—
 - (i) an architect registered with the Council of Architecture constituted under the Architects Act, 1972; or
 - (ii) a chartered engineer registered with the Institution of Engineers (India); or
 - (iii) a licensed surveyor of the respective local body of the city or town or village or development or planning authority;
- (2) the expression "construction" includes additions, alterations, replacements or remodelling of any existing civil structure;
- (c) temporary transfer or permitting the use or enjoyment of any intellectual property right;
- (d) development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software;
- (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act; and
- (f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

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6. Composite supply

The following composite supplies shall be treated as a supply of services, namely:—

- (a) works contract as defined in clause (119) of section 2; and
- (b) 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.

7. Supply of Goods

The following shall be treated as supply of goods, namely:—

Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration

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GST Composition Forms

FORM NO.	DESCRIPTION
GST CMP-01	Intimation to pay tax under section 10 (composition levy) (Only for persons registered under the existing law migrating on the appointed day)
GST CMP-02	Intimation to pay tax under section 10 (composition levy) (For persons registered under the Act)
GST CMP-03	Intimation of details of stock on date of opting for composition levy (Only for persons registered under the existing law migrating on the appointed day)
GST CMP-04	Intimation/Application for withdrawal from composition Levy
GST CMP-05	Notice for denial of option to pay tax under section 10
GST CMP-06	Reply to the notice to show cause
GST CMP-07	Order for acceptance / rejection of reply to show cause notice

FORM GST CMP-01

Any person who has been granted registration on a provisional basis under sub-rule (1) of rule Registration.17 and who opts to pay tax under section 10, shall electronically file an intimation in FORM GST CMP-01, duly signed or verified through electronic verification code (EVC), on the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner, prior to the appointed day, but not later than thirty days after the said day, or such further period as may be extended by the Commissioner in this behalf

FORM GST CMP-02

Any registered person who opts to pay tax under section 10 shall electronically file an intimation in FORM GST CMP-02, duly signed or verified through EVC, on the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner prior to the commencement of the financial year for which the option to pay tax under the aforesaid section is exercised and shall furnish the statement in FORM GST ITC-3 in accordance with the provisions of sub-rule (4) of rule ITC.9 within sixty days from the commencement of the relevant financial year...

FORM GST CMP-03

Any person who files an intimation under sub-rule (1) to pay tax under section 10 shall furnish the 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 under the said section, electronically, in FORM GST CMP-03, on the Common Portal, either directly or through a Facilitation Centre notified by the Commissioner, within sixty days of the date from which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf

FORM GST CMP-04

The registered person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in FORM GST CMP-04, duly signed or verified through EVC, electronically on the Common Portal.

FORM GST CMP-05

Where the proper officer has reasons to believe that the registered person was not eligible to pay tax under section 10 or has contravened the provisions of the Act or these rules, he may issue a notice to such person in FORM GST CMP-05 to show cause within fifteen days of the receipt of such notice as to why option to pay tax under section 10 should not be denied.

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FORM GST CMP-06

Upon receipt of reply to the show cause notice issued under sub-rule (4) from the registered person in FORM GST CMP-06, the proper officer shall issue an order in FORM GST CMP-07 within thirty days of receipt of such reply, either accepting the reply, or denying the option to pay tax under section 10 from the date of option or from the date of the event concerning such contravention, as the case may be

Form GST CMP -01

[See Rule -----]

Intimation to pay tax under section 10 (composition levy)

(Only for persons registered under the existing law migrating on the appointed day)

1. GSTIN / Provisional ID		
2. Legal name		
3. Trade name, if any		
4. Address of Principal Place of Business		
5. Category of Registered Person < Select from drop down>		
1.	Manufacturers, other than manufacturers of such goods as notified by the Government	☐
(ii)	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II	☐
(iii)	Any other supplier eligible for composition levy.	☐
6. Financial Year from which composition scheme is opted		2017-18
7. Jurisdiction	Centre	State
8. Declaration – I hereby declare that the aforesaid business shall abide by the conditions and restrictions specified for payment of tax under section 10.		
9. Verification I _____ hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom. Signature of Authorized Signatory Name Place Date Designation / Status		

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Form GST CMP -02

[See Rule----]

Intimation to pay tax under section 10 (composition levy)

(For persons registered under the Act)

1. GSTIN		
2. Legal name		
3. Trade name, if any		
4. Address of Principal Place of Business		
5. Category of Registered Person < Select from drop down>.		
(i) Manufacturers, other than manufacturers of such goods as may be notified by the Government		☐
(ii) Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II		☐
(iii) Any other supplier eligible for composition levy.		☐
6. Financial Year from which composition scheme is opted		
7. Jurisdiction	Centre	State
8. Declaration – I hereby declare that the aforesaid business shall abide by the conditions and restrictions specified for paying tax under section 10.		
9. Verification I _____ hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom. Signature of Authorized Signatory Name Designation / Status Place Date		

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Form GST –CMP-03

[See Rule----]

Intimation of details of stock on date of opting for composition levy

(Only for persons registered under the existing law migrating on the appointed day)

1. GSTIN		
2. Legal name		
3. Trade name, if any		
4. Address of Principal Place of Business		
5. Details of application filed to pay tax under section 10	(i) Application reference number (ARN)	
	(ii) Date of filing	
6. Jurisdiction	Centre	State

7. Stock of purchases made from registered person under the existing law

Sr. No	GSTIN/TIN	Name of the supplier	Bill/ Invoice No.	Date	Value of Stock	VAT	Central Excise	Service Tax (if applicable)	Total
1	2	3	4	5	6	7	8	9	10
1									
2									
Total									

8. Stock of purchases made from unregistered person under the existing law

Sr. No	Name of the Unregistered Person	Address	Bill/ Invoice No	Date	Value of Stock	VAT	Central Excise	Service Tax (if applicable)	Total
1	2	3	4	5	6	7	8	9	
1									
2									
Total									

9. Details of tax Paid	Amount	
	Debit entry no.	

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10. Verification

I _____ hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Signature of Authorized Signatory

Name

Place

Date

Designation / Status

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Form GST – CMP-04

[See Rule -----]

Intimation/Application for Withdrawal from Composition Levy

1. GSTIN				
2. Legal name				
3. Trade name, if any				
4. Address of Principal Place of business				
5. Category of Registered Person				
(iv)	Manufacturers, other than manufacturers of such goods as may be notified by the Government	☐		
(v)	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II	☐		
(vi)	Any other supplier eligible for composition levy.	☐		
6. Nature of Business				
7. Date from which withdrawal from composition scheme is sought		DD	MM	YYYY
8. Jurisdiction	Centre	State		
9. Reasons for withdrawal from composition scheme				
10. Verification I _____ hereby solemnly affirm and declare that the information given hereinabove is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom. Signature of Authorized Signatory Name Place Date Status Designation /				

Note – Stock statement may be furnished separately for availing input tax credit on the stock available on the date preceding the date from which composition option is withdrawn in **FORM GST ITC -01**.

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Form GST CMP- 05

[See Rule -----]

Reference No. << ... >>

<< Date >>

To

GSTIN

Name

Address

Notice for denial of option to pay tax under section 10

Whereas on the basis of information which has come to my notice, it appears that you have violated the conditions and restrictions necessary for availing of the composition scheme under section 10 of the Act. I therefore propose to deny the option to you to pay tax under the said section for the following reasons: -

1

2

3

....

¢ You are hereby directed to furnish a reply to this notice within fifteen working days from the date of service of this notice.

¢ You are hereby directed to appear before the undersigned on DD/MM/YYYY at HH/MM.

If you fail to furnish a reply within the stipulated date or fail to appear for personal hearing on the appointed date and time, the case will be decided ex parte on the basis of available records and on merits

Signature

Name of Proper Officer

Designation

Jurisdiction

Place

Date

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Form GST CMP - 06

[See Rule ----]

Reply to the notice to show cause

1.	GSTIN	
2.	Details of the show cause notice	Reference no. Date
3.	Legal name	
4.	Trade name, if any	
5.	Address of the Principal Place of Business	
6.	Reply to the notice	
7.	List of documents uploaded	
8.	Verification	I _____ hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom. Signature of the Authorized Signatory Date Place

Note –

1. The reply should not be more than 500 characters. In case the same is more than 500 characters, then it should be uploaded separately.
2. Supporting documents, if any, may be uploaded in PDF format.

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Form GST CMP-07

[See Rule -----]

Reference No. << >>

Date–

To

GSTIN

Name

Address

Application Reference No. (ARN)

Date –

Order for acceptance / rejection of reply to show cause notice

This has reference to your reply dated ----- filed in response to the show cause notice issued vide reference no. ----- dated ----- . Your reply has been examined and the same has been found to be satisfactory and, therefore, your option to pay tax under composition scheme shall continue. The said show cause notice stands vacated.

or

This has reference to your reply dated ----- filed in response to the show cause notice issued vide reference no. ----- dated ----- . Your reply has been examined and the same has not been found to be satisfactory and, therefore, your option to pay tax under composition scheme is hereby denied with effect from << >>> for the following reasons:

☐

<< text >>

☐

or

You have not filed any reply to the show cause notice; or

You did not appear on the day fixed for hearing.

Therefore, your option to pay tax under composition scheme is hereby denied with effect from << date >> for the following reasons:

<< Text >>