

COMPOSITION LEVY UNDER GOODS AND SERVICE TAX

(1) Who can opt for composition Levy?

A registered person whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees may opt to pay, in lieu tax at the normal rates, tax at such rate as prescribed under composition levy.

- Government may, by notification, increase the said limit of fifty lakh rupees to such higher amount, not exceeding one crore rupees, as may be recommended by the GST council.

(2) Following persons will not be eligible to opt the composition scheme even conditions as mentioned in serial number 1 are fulfilled by them.

- (a) He is engaged in making supply of services (i.e. service providers)
 - (b) He is engaged in making any supply of goods which are not leviable under the GST
 - (c) He is engaged in making any inter-state sales of goods
 - (d) He is engaged in making any supply of goods through an electronic commerce operator and is required to collect tax at source.
 - (e) He is a manufacturer of such goods as may be notified by the Government.
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- Where more than one registered persons are having same permanent account number (PAN), the registered person shall not be eligible to opt for Composition Levy unless all such registered persons opt to pay tax under the said composition levy.
 - Notwithstanding anything contained in serial number 2(a) above, a registered person engaged in any 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, may opt for composition Levy.

(3) Rate of tax under composition Levy

Sl. No.	Nature of activity of supplier	Rate of Tax
1	Manufacturer	1%
2	registered person engaged in any 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	2.5%
3	Other Suppliers	0.5%

(4) Ineligibility to collect tax and avail Input tax credit

The registered person who opts for composition levy shall not collect any tax from the recipient on supplies made by him nor shall be entitled to any credit of input tax.

(5) Ineligibility to continue under the Composition Levy

The registered person who has opted for composition levy, shall lapse to continue under the scheme with effect from the day on which aggregate turnover during a financial year exceeds the limit of fifty lakh rupees.

(6) Consequence for falsely taken benefit of Composition Levy

If the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty.

PROCEDURAL ASPECTS

(1) Intimation for composition levy

(i) Intimation by migrated persons registered under existing law

Any person registered under the existing law who has been granted registration on a provisional basis and who opts to pay tax under the scheme, 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.

(ii) Intimation at the time of making application for registration

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

(iii) Intimation by registered person

Any registered person who opts to pay tax under composition levy 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** accordingly within sixty days from the commencement of the relevant financial year.

A migrated registered person in point (i) above who files an intimation to pay tax under composition levy 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.

Any intimation in points (i) or (iii) above 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) Conditions and restrictions for composition levy

The person exercising the option to pay tax under composition levy 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 by a migrated person from the existing law;
- (c) the goods held in stock by him have not been purchased from an unregistered person and where purchased, he pays the tax on reverse charge basis as the recipient;
- (d) he shall pay tax on inward supply of goods or services or both received from unregistered persons on reverse charge basis as the recipient;
- (e) he was not engaged in the manufacture of such goods as may be notified by the Government on the recommendations of the GST council;

(f) 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

(g) 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.

- In point (b) above in case of migrated persons registered under existing law who are having stock of goods on the appointed day and such goods have been received on account of inter- state purchase or import from outside India or inter-state branch transfer or from his agent or principal outside the state can't exercise the option to pay tax under the composition levy. But once the existing stock of goods received on account of afore-mentioned means get exhausted such migrated persons may also opt for composition levy.
- The appointed day means the date on which the provisions of this Act shall come into force.
- The registered person paying tax under the composition levy may not file a fresh intimation every year and he may continue to pay tax under the scheme subject to fulfilling prescribed conditions.
- “Casual taxable person” means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.
- “Non-resident taxable person” means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

(3) Effective date for Composition Levy

- (i) The option to pay tax under composition levy shall be effective from the beginning of the financial year, where the intimation is filed by a registered person and the appointed date where intimation is filed by a migrated person registered under existing law.
- (ii) The intimation to opt the composition levy shall be considered only after grant of registration to the applicant.

(4) Validity of composition levy

- (i) The option exercised by a registered person to pay tax under composition levy shall remain valid so long as he satisfies all the prescribed conditions. Already described before.
- (ii) The person who ceases to satisfy one or more conditions to avail the composition scheme shall be liable to pay tax at the normal rate and shall issue tax invoice for every taxable supply made thereafter and he shall also file intimation for withdrawal from the scheme in **FORM GST CMP-04**, duly signed, electronically on the common portal within seven days of occurrence of such event.
- (iii) 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.
- (iv) Where the proper officer has reasons to believe that the registered person was not eligible to pay tax under composition levy or has contravened the provisions of the Act or 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 the composition scheme should not be denied.
- (v) Upon receipt of reply to the show cause notice 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 the scheme from the date of option or from the date of the event concerning such contravention, as the case may be.

(vi) Every person who has furnished an intimation of withdrawal or filed an application for withdrawal or a person in respect of whom an order of withdrawal of option has been passed in **FORM GST CMP-07**, 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.

(vii) Any intimation for withdrawal from the composition levy or denial of the option to pay tax under the scheme 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.