Summary of Composition Scheme

What is Composition Scheme under GST?

It is an Optional Scheme under GST in which a registered taxpayer, whose aggregate turnover does not exceed **Rs 75 lakh(Rs 50 Lakh for North Eastern States)** in the preceding financial year can pay tax at Flat rates i.e.

Rate (%)	SGST/UTGST(%)	CGST(%)	TOTAL(%)
Traders	0.5	0.5	1.0
Manufacturer	1.0	1.0	2.0
Restaurant Business	2.5	2.5	5.0

Persons who cannot opt for Composition Scheme

- Who is engaged in **INTER-STATE** supply.
- Who is engaged in supply of goods through **E-Commerce** and liable to collect Taxes.
- Who is a manufacturer of **tobacco** and manufactured tobacco substitutes, **pan-masala** and **ice-cream**, and other edible ice, whether or not containing cocoa.
- Who is engaged in **supply of Services** except Restaurant services.
- Who is engaged in supply of goods which are not leviable to tax under GST.

NOTE: If a person has different business segments under Same PAN then, he has to opt for all business segments. Example: If a person has different business segments like: Groceries, Restaurant and Electronics business then he can opt for this scheme for of all 3 businesses or none of them.

Features of Composition Scheme:

i. **INVOICE:** Any taxable person opting for this scheme cannot raise a Tax invoice.
ii. **RETURN:** Quarterly return (GSTR – 4) needs to be filed unlike normal taxpayer who has to file 3 returns monthly.
iii. **PLACE OF SUPPLY:** This scheme applies only to INTRA-STATE supplies.
iv. **TAX COLLECTION:** Person cannot collect taxes on the supplies from his buyer .
v. **INPUT TAX CREDIT:** Credit of Input tax on outward liability is not allowed moreover Buyer of such goods will also not get credit of tax paid in a B2B transaction.
vi. **LIMITED BUSINESS:** Any taxpayer registered under this scheme is not allowed to carry its business outside his state of its registration.

Disclaimer: The above provisions are based on self understanding of law till date and there can be changes to above provisions.

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