CA. Kartik Joshi

GST as we all know is the Game changer has increased Number of Taxpayers Basically Small and Medium Enterprises but at the same time their compliance for SME was a big Challenge. In order to overcome the compliance burden, Composition Scheme has been introduced under GST whereby Taxpayer has to pay the GST at the lowest Rate.

## Eligibility for Composition Schemes:

Taxpayer with Turnover limit up to 1.5Cr (In case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75 lacs) can opt for Composition scheme voluntarily.

## Conditions to be fulfilled:

1. Only Supplier of Goods can opt for this Scheme with Service Provision up to Rs. 5lacs, (Exception is Restaurant Services up to 1.5 Cr)
2. No Inter-stateSales Transactions are allowed, but Taxpayer under Composition scheme is allowed to Purchase Inter- states.
3. No Input Credit will be allowed on Purchases.
4. Taxpayer is not allowed to Charge GST on Bill.
5. E-Commerce Operators, Service Providers, Exempted Supplies, Casual Taxable Person are not allowed to opt Composition Scheme.
6. Taxpayer with Same PAN will not be allowed to opt for Composition scheme in one state and Regular Scheme in Other state. Also Turnover Criteria of Rs. 1.5 Cr should be taken as a whole PAN based and not state-wise.
7. Taxpayer has to pay normal tax under RCM provisions.
8. Taxpayer has to mention “Composition Taxable Person” on every document and on Display board at Place of Business.
9. Taxpayer has to Issue “BILL OF SUPPLY” instead of “TAX INVOICE”.

## Registrations Process:

1.**Form GST CMP-1:** A business who has registered under earlier regime and who wanted to opt for Composition Scheme on migrating to GST.

2. **Form GST CMP -2:** This is applicable for those businesses that have registered under GST regime as a regular dealer and wanted to opt for

Composition Scheme. The intimation via this form needs to be done before the commencement of financial year.

3. **Form GST REG-1:** Business applying for fresh registration in GST, and wanted to opt for Composition Scheme, can provide the intimation while the submitting registration online.

## Returns Formalities under GST:

Taxpayer has to file Quarterly Returns GSTR-4 as per the due date specified and also an Annual Return GSTR-9A by 31st December of next Financial Year under Composition Scheme.

## Advantages:

1. Tax rates are lowest so the Tax liability is limited.
2. Less Compliance in comparison to regular scheme covering Monthly Returns, Maintaining Books and Invoice Issuance.

## Disadvantages:

1. No inter-state sales Allowed which limits the business growth.
2. No Input Credit allowed which increases Cost
3. Service Providers are not eligible to opt for this Scheme. (Except Restaurant Services)
4. GST payment is out of pocket expense as taxpayer can't charge GST on bill.
5. GST has to be paid on Purchases from Unregistered dealers.

## Updated Tax Rates from Notification issued on 01-01-2018

| Category of Persons | SGST | CGST | IGST |
|---|---|---|---|
| Manufacturers | 0.5% | 0.5% | 1% |
| Restaurant Service | 2.5% | 2.5% | 5% |
| Traders | 0.5% | 0.5% | 1% |

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