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कोम्पोजीसन स्कीम के फायदे और नुकसान

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COMPOSITION SCHEME UNDER GST

By
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Composition Scheme

is a simple and easy scheme under GST for taxpayers.

Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover.

This scheme can be opted by any taxpayer whose turnover is less than Rs. 1.5 crore.

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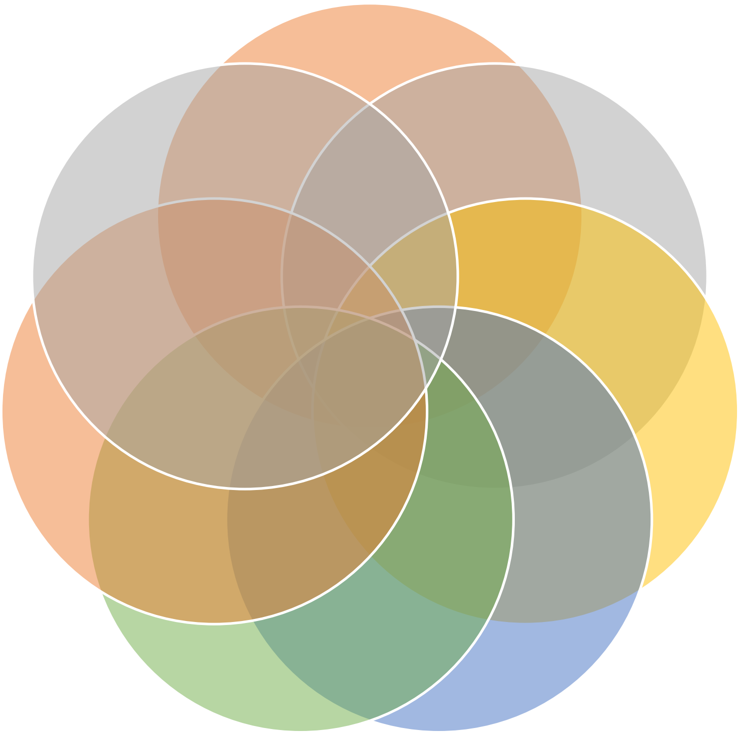
How can a taxpayer opt for composition scheme?



Who cannot opt for Composition Scheme?

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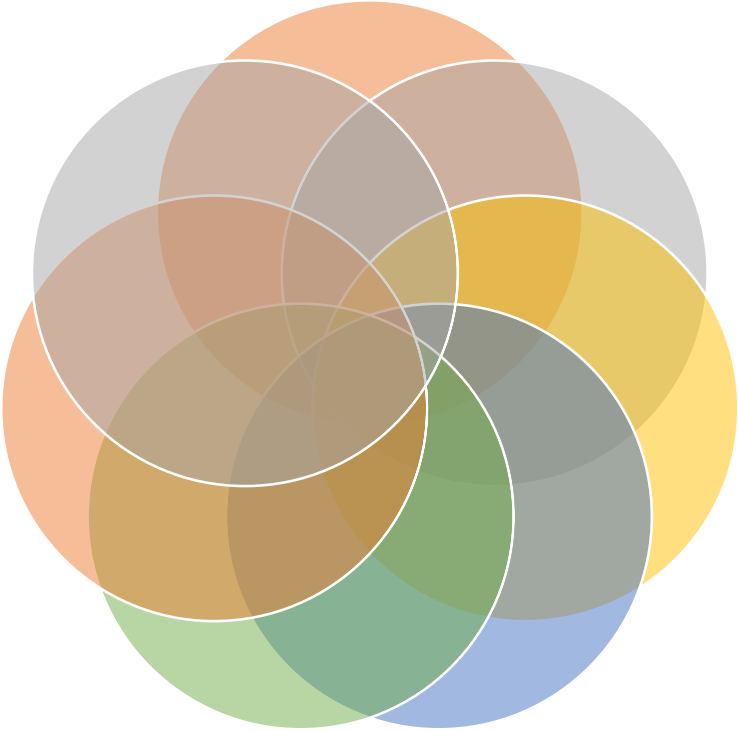


What are the returns to be filed by a composition dealer

What are the disadvantages of Composition Scheme

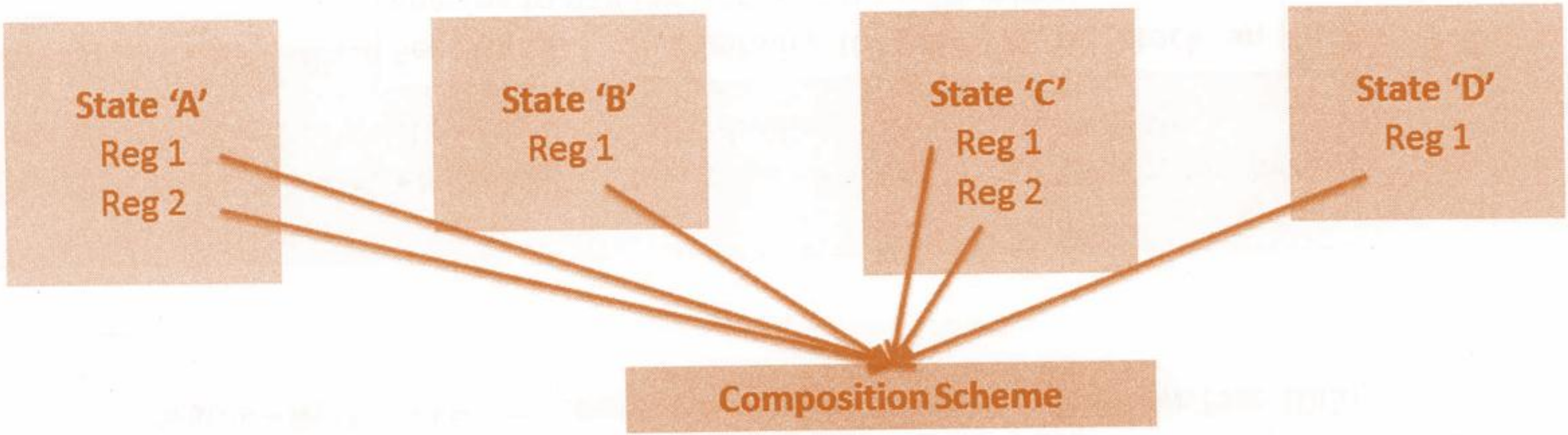
1. Who can opt for Composition Scheme

- A taxpayer whose turnover is below Rs 1.5 crore* can opt for Composition Scheme.
- In case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75* lakh.
- Turnover of all businesses registered with the same PAN should be taken into consideration to calculate turnover
- Turnover defined as ' **Turnover of taxable supplies of goods'.**

(i) Arunachal Pradesh	(vi) Nagaland
(ii) Assam	(vii) Sikkim
(iii) Manipur	(viii) Tripura
(iv) Meghalaya	(ix) Himachal Pradesh
(v) Mizoram	

Composition Levy: Uniform adoption

Composition scheme shall be adopted uniformly by all registered person having same PAN [Proviso to Sec 10(2)]



2. Who can not opt for Composition Scheme

- Taxpayer supplying exempt supplies.
- Supplier of services other than restaurant related services
- Manufacturer of ice cream, pan masala, or tobacco
- Casual taxable person
- non-resident taxable person
- Businesses which supply goods through an e-commerce operator

3. What are the conditions for availing Composition Scheme?

No Input Tax Credit can be claimed by a dealer opting for composition scheme

The taxpayer cannot make any inter-state supply of goods.

The dealer cannot supply GST exempted goods

Taxpayer has to pay tax at normal rates for transactions under Reverse Charge Mechanism

If a taxable person has different segments of businesses (such as textile, electronic accessories, groceries, etc.) under the same PAN, they must register all such businesses under the scheme collectively or opt out of the scheme.

3. What are the conditions for availing Composition Scheme?

The taxpayer has to mention the words ‘composition taxable person’ on every notice or signboard displayed prominently at their place of business.

The taxpayer has to mention the words ‘composition taxable person’ on every bill of supply issued by him.

Those supplying goods can provide services of upto Rs. 5 lakh,

4. How can a taxpayer opt for composition scheme?

- To opt for composition scheme a taxpayer has to file GST CMP-02 .
- This can be done online by logging into the GST Portal.
- This intimation should be given at the beginning of every Financial Year by a dealer wanting to opt for Composition Scheme.

5. How Should a Composition Dealer raise bill?

- A composition dealer cannot issue tax invoice.
- This is because a composition dealer cannot charge tax from their customers.
- They need to pay tax out of their own pocket.
- Hence, the dealer has to issue a Bill of Supply.

- The dealer should also mention "composition taxable person, not eligible to collect tax on supplies" at the top of the Bill of Supply.

6. What are the GST rates for a composition dealer?

Composition Scheme – Applicable GST Rate			
Type of Business	CGST	SGST	Total
Manufacturer and Traders (Goods)	0.5%	0.5%	1.0%
Restaurants not serving alcohol	2.5%	2.5%	5%
Service Providers are not eligible for Composition Scheme			

7. How should GST payment be made by a composition dealer?

- GST Payment has to be made out of pocket for the supplies made.
- The GST payment to be made by a composition dealer comprises of the following:

- GST on supplies made.
- Tax on reverse charge
- Tax on purchase from unregistered dealer.

8. What are the returns to be filed by a composition dealer?

- A dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of the quarter.
- An annual return GSTR-9A has to be filed by 31st December of next financial year.
- not required to maintain detailed records.

9. What are the advantages of Composition Scheme?

- Lesser compliance
- (returns, maintaining books of record, issuance of invoices)
- Limited tax liability
- High liquidity as taxes are at a lower rate

10. What are the disadvantages of Composition Scheme?

A limited territory of business. The dealer is barred from carrying out inter-state transactions	No Input Tax Credit available to composition dealers	The taxpayer will not be eligible to supply exempt goods or goods through an e-commerce portal.

Composition Levy: Other provisions

The day on which Aggregate turnover during a financial year exceeds Rs. 75 lakhs {Specified category States – Rs. 50 Lakhs} → **Composition scheme stands withdrawn** [Sec 10(3)]

Composition dealer cannot enter into credit chain → Neither can collect tax from the recipient on supplies made by him nor shall be entitled to any credit of input tax [Sec 10(4)]

Sec 18(1)(c) → Eligibility to avail ITC on stock on ceasing to pay tax under Composition levy

Proper officer has reasons to believe that taxable person was not eligible for Composition scheme → **Such registered person to pay** → **Tax** + **Penalty** → **To be determined under Sec 73 or 74 i.e. determination of tax not paid/short paid in non-fraud case or fraud case**