COMPOSITION SCHEME ON SERVICE SECTOR

Introduction-

GST Council in its very first meeting of year 2019, gives compliance relaxation to service provider/supplier, (having turnover upto 50 lakhs) by proposing GST Composite Scheme for Service providers at rate of 6%. As per **32nd GST Council Meeting** held on 10th Jan 2019, Service Providers can opt into the Composition Tax Scheme, and the Government has set the threshold turnover for service providers at Rs. 50 lakhs to be eligible for this scheme.

GST Council also introduced one annual GST Return and Quarterly Tax payment under the above said Composition Scheme. Council has mentioned in there meeting of 2019 that amendment for Composition scheme shall be effective from 01 April 2019.

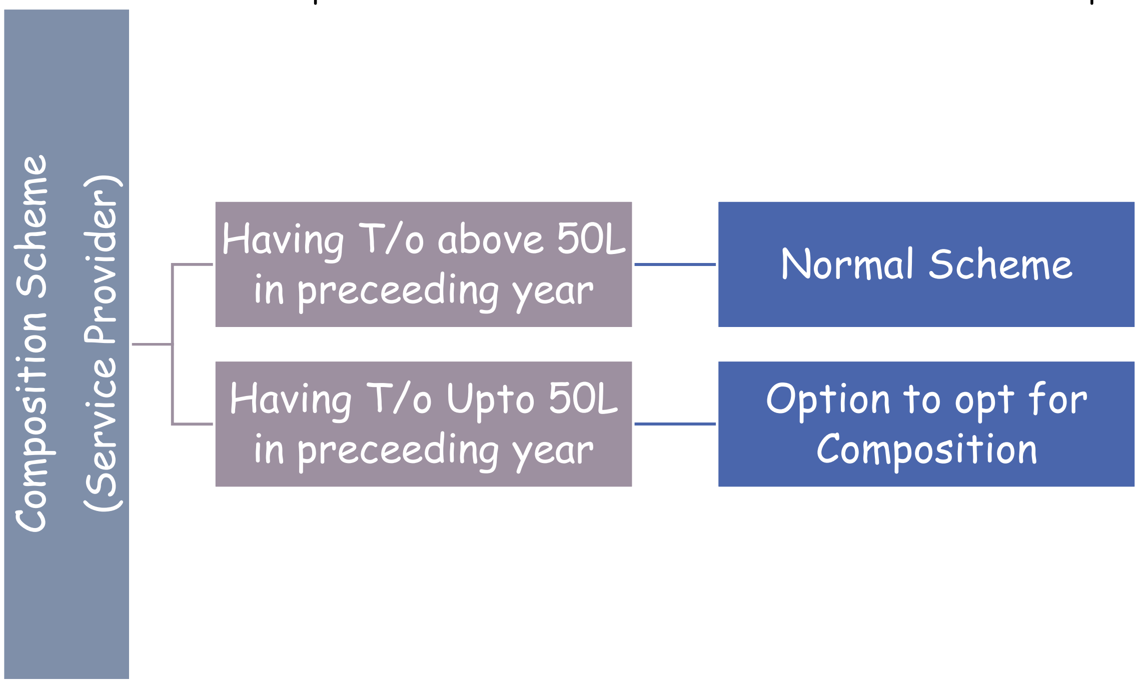

Fig-1.1

1. **ELIGIBILITY & REGISTRATION UNDER SCHEME**- As Explained in Fig 1.1, Service Provider having Turnover in preceding year upto 50 Lakh is eligible to opt for Composition Scheme.
   To opt for Composition Scheme a taxpayer has to file GST CMP-02 with the government. This can be done online by logging into the GST Portal.
   In case business in new and afresh registration is obtained, Taxpayer can opt for composition scheme at time of registration in FORM GST REG- 01.

   NOTE- Supplier of restaurant related services cannot opt for Composition Scheme.

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2. RATE OF TAX AND INVOICING-

RATE OF TAX UNDER COMPOSITION SCHEME FOR SERVICES			
	SGST	CGST	IGST
SERVICES EXCEPT RESTAURANT SERVICE	3%	3%	6%
RESTAURANT SERVICE	2.5%	2.5%	5%

The said scheme shall be applicable to both service providers as well as suppliers of goods and services, who are not eligible for the presently available composition scheme for goods. A composition scheme shall be made available for suppliers of services (or mixed suppliers) with a tax rate of 6% (3% CGST + 3% SGST)
A composition dealer cannot issue a 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.

3. PAYMENT OF TAX AND RETURN FILING- ANNAUALLY

PAYMENT OF TAX

- QUATERLY PAYMENT
- ALONG WITH SIMPLE DECLARATION

RETURN

- ANNAULY
- Annual return GSTR-9A

The GST payment to be made by a composition dealer comprises of the following:

- GST on supplies made.

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- Tax on reverse charge

A dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of the quarter. Also, an annual return GSTR-9A has to be filed by 31st December of next financial year.

REFER PRESS NOTE- http://www.cbic.gov.in/resources//htdocs-cbec/press-release/Press-release-MSME-10012019.pdf

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