



# Composition Scheme

# Composition Scheme

Composition levy is an **alternative method** of levy of tax for small taxpayers whose turnover is up to Rs. 100lakhs/Rs. 75 in case of special category states.

North east states include Assam, Mizoram, Manipur, Meghalaya, Tripura, Sikkim, Arunachal Pradesh, Nagaland Himachal Pradesh.



# Composition Scheme

- The option to pay tax under composition scheme will have to be exercised for **all states**.
- Aggregate turnover will be computed on the basis of **turnover on an all India basis**.
- **Aggregate turnover will include** value of all taxable supplies, exempt supplies and export made by all person with same PAN, but would exclude inward supplies under reverse charge as well as central, State/Union Territory and Integrated taxes and cess.

# Composition Scheme

- Eligible persons opting to pay tax under this scheme can pay tax at a **prescribed percentage** of his turnover every quarter: i) Manufacturers ,other than manufacturers of Ice cream, Pan Masala, Tobacco products - 2% ii) Restaurant Services – 5%, iii) Traders or any other supplier eligible for composition levy – 1%.
- Persons opting for composition levy will have to **pay tax on quarterly basis** before 18 of the month succeeding the quarter during which the supplies were made.
- Composition dealers need to electronically file **quarterly returns** in Form GSTR-4 by the 18th of the month succeeding the quarter.

# Composition Scheme – (Sec10)

- Notified suppliers like manufacturer of Ice Cream, edible ice, Panmasala, Tobacco Products cannot opt this scheme.
- Casual taxable person or a non-resident taxable person
- Businesses which supply goods through an e-commerce operator.
- Suppliers whose aggregate turnover in the preceding financial year crossed Rs. 100 lakhs.
- Persons making any inter- state outward supplies of goods.

# GST Rate for Composition Scheme

Composition Scheme – Applicable GST Rate			
Type of Business	CGST	SGST	Total GST
Manufacture	1%	1%	2%
Traders (Goods)	0.5%	0.5%	1%
Supplier of food or drinks for human consumption (without alcohol)	2.5%	2.5%	5%
Service Providers	Cannot opt for Composition Scheme		

# Conditions

- No Interstate Outward Supply of goods.
- Shall not collect tax.
- Issue Bill of Supply & Not tax invoice.
- No Input Tax Credit to those who purchase from him.
- Not engaged in Electronic Commerce.
- Not be engaged in Supply in services except Food & Drink Service.
- Write the Words “Composition Taxable Person” on every sign board etc.

# Conditions

- Write the words “**composition taxable person**” on every notice, sign board etc.
- Write the Words “**composition taxable person, not eligible to collect tax**” in every bill of supply.
- All registered person having the **same PAN** have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.
- Any intimation or **withdrawal for one unit** is applicable to others units of the same PAN.

# Conditions

- **Option lapses** if aggregate turnover exceed Rs. 100 lakhs.
- **Pay tax at regular rate** for purchase from unregistered dealers.
- Shall file **quarterly return** in GSTR4 on 18<sup>th</sup> of the month next to the quarter.
- From 2018-19 onwards file GSTCMP – 02 before the starting of the Financial year.
- **No need of renewal every year**, once availed composition scheme can continue till crosses 100lakhs.

# Conditions

- Where any registered person who has availed of ITC opts composition scheme shall pay an amount by way of debit in the electronic credit/cash ledger equivalent to the credit of in respect of inputs held in stock in form GST- ITC<sub>3</sub>.
- A composition tax payer who ceases that scheme can claim ITC on input good and capital goods after reducing the tax paid on such capital goods by 5 percent per quarter of a year or part thereof from the invoice date in form GST- ITC 01.

# Penal Consequences



- If a taxable person *violates the condition and is not eligible* for payment of tax under the Composition scheme.
- Liable to *pay Tax, Interest* and in addition he shall also be liable to a *penalty equivalent to the amount of tax payable.*

# Highlights

- Turnover limit is increased to Rs.1 crore from Rs. 75 lakhs.
- For special category states limit is increased to Rs. 75 lakhs except Uttaranchal and Jammu & Kashmir.
- This facility is available to both Migrated as well as new users.
- Person otherwise eligible for composition scheme but ineligible due to providing exempt service, are now eligible for Composition Scheme.

Thank  
you

