Composition Scheme under GST

What is a Composition Scheme?

Composition levy scheme is an optional scheme available for small **taxable person**. The purpose of this scheme is to reduce compliance cost of small taxpayers.

Who are eligible for composition scheme?

- A registered taxable person whose aggregate turnover is up to **Rs.1.5crore** (**Rs.75 lakh** in case of special category states viz Arunachal Pradesh, Mizoram, Tripura, Manipur, Nagaland, Meghalaya, Sikkim and Uttarakhand) in the **preceding financial year** (Section 10(1) of CGST Act,2017).
- A normal taxpayer supplying services and/or mixed supplies having aggregate turnover of preceding financial year up to Rs.50 lakhs (Section 10(2A) of CGST Act, 2017).

Who cannot opt for Composition Scheme?

- Taxpayers making inter-state supply ;
- Suppliers of **non-taxable goods;**
- **Manufacturer** of pan masala, tobacco, ice cream and aerated water;
- Casual taxable person and a Non-Resident taxable person
- A person who supplies goods through E-commerce operator.

What is the rate of Composition Tax?

A taxpayer registered under composition scheme has to pay an amount equal to certain fixed percentage of under mentioned rate on his annual turnover as tax to the government:

S. No.	Eligible Person	Rate of tax	
1.	Manufacturer	0.5% CGST of the **turnover** in the State or Union territory	0.5% SGST of the **turnover** in the State or Union territory
2.	Restaurant Services	2.5% CGST of the turnover in the State or Union territory	2.5% SGST of the turnover in the State or Union territory
3.	Other suppliers	0.5% CGST of **taxable turnover** in the State or Union territory	0.5% SGST of **taxable turnover** in the State or Union territory
4.	Registered person eligible to pay tax under section 10(2A)	3% CGST of **turnover** in the State or Union territory	3% SGST of **taxable turnover** in the State or Union territory

General points

- Composition scheme is applicable for all transactions of registered person with **same PAN.**
- Option to pay Composition tax **lapses** if aggregate turnover exceeds Rs.1.5crore/Rs.75 Lakh.
- Composition tax cannot be collected from the recipients.
- Composition dealer cannot avail **Input Tax Credit (ITC)**.

- Customers are **not entitled** to take credit of Composition tax.
- Composition scheme is not applicable for tax payable under **Reverse Charge Mechanism (RCM)**.
- Composition dealer shall issue **bill of supply** instead of tax invoice.

What are the intimation requirements and the effective date for Composition levy?

- Intimation in form **GST CMP-01** shall be filed electronically prior to the appointment date, but not later than **30 days** after the said day by a person who has been granted registration on a provisional basis under rule 24(1)(b).
  Provided that where the intimation is filed after the appointment day, the registered person shall issue bill of supply for the supplies made after the said day and shall not collect any tax from the appointed day.
- Any person who is not registered and applies for registration may give an option to pay tax under Composition scheme in Part B **of Form GST REG-01** from the effective date of registration , which shall be considered as an intimation to pay composition tax.
- Any registered person who opts to pay tax u/s 10 shall electronically file intimation in Form **CMP-02**, prior to the commencement of the FY.
- ITC declaration is to be furnished within 60 days from the commencement of the relevant FY.
- One intimation application is applicable for all places under the same PAN.

What are the Forms and manner of submission of statements and return?

- Every registered person paying tax under section 10 shall make **payment quarterly** in Form **GST CMP-08**, by **18th day** of the month succeeding such quarter and shall furnish a **return** in **Form GSTR-4** for every FY or part of the FY, **on or before 30th day of April** following the end of such FY.
- A person paying tax u/s 10 shall furnish the annual return electronically in **Form GSTR-9A** by 31st December from the end of such FY (optional to file).