

## COMPOSITION SCHEME UNDER GST

Every tax administration aims towards timely recovery of taxes, filing of returns, simplified generation and maintenance of records, invoices, and other documents. Such elements are often a challenge for many start-ups and Small and Medium Enterprises (SMEs) businesses. To overcome this shortcoming, a new regime has been introduced under GST law to be called as **Composition Scheme**. GST Composition Scheme is a voluntary and optional scheme available to a registered taxpayer who fulfils the terms and conditions prescribed for this scheme.

Under the scheme, a registered taxable person, whose aggregate turnover\* does not exceed Rupees One crore Fifty lakh (Rupees Seventy Five lakh for the following states Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand) in the preceding financial year is eligible to opt this scheme.

### GST rates applicable on composition dealer:

S. No.	Eligible Person	Rate of tax
1.	Manufacturer (other than manufacturers of such goods as may be notified by the Government) #	1% (0.5% CGST + 0.5% SGST/ UTGST) of the turnover in the state or union territory**
2.	Restaurant Service	5% (2.5% CGST + 2.5% SGST/ UTGST) of the turnover in the state or union territory**
3.	Other suppliers	1% (0.5% CGST + 0.5% SGST/ UTGST) of the turnover of taxable supplies of goods and services in the state or union territory**

**“Aggregate Turnover”** means aggregate value of all outward supplies viz. taxable/exempt/zero rated(exports) and inter-state supplies but excludes any tax paid under GST law i.e. CGST/SGST/UTGST/IGST/Cess or inward supplies on which tax is payable under reverse charge.

\* Aggregate turnover should be taken for all businesses registered with the same PAN to be computed on all India basis.

\*\* Aggregate turnover should be taken for each GST Number within a state or union territory.

### Ineligibility under composition scheme

A registered person is not eligible to opt for composition scheme if he is engaged in

- the supply of services other than restaurant services (point 2 in above table). However, a person who opts to pay tax under composition scheme may supply services (other than restaurant services) of value not exceeding ten percent of turnover in a state or union territory in the preceding financial year or rupees five lakhs, whichever is higher. **(Proviso to section 10(1) of CGST Act 2017)**
- making any supply of goods which are not taxable under GST Act.

- making any inter-State outward supplies of goods (there is no restriction on composition supplier to procure goods from inter-state suppliers).
- making any supply of goods through an electronic commerce operator who is required to collect tax at source and
- # manufacture of such goods as may be notified by the Government on the recommendations of the Council i.e. ice-cream and other edible ice whether or not containing cocoa, aerated waters, pan masala and tobacco and manufactured tobacco substitutes during the preceding financial years.

### Other Conditions of Composition Scheme

- Input Tax Credit cannot be claimed by person opting for composition scheme.
- Composition dealer is prohibited to supply goods exempted under GST Act.
- Normal provisions of GST shall be applied, for transactions attracting liability to pay tax under reverse charge,
- Option to avail composition scheme shall apply on all the registrations having same PAN on all India basis i.e. a person cannot take registration for one state under composition scheme.
- Composition Dealer will issue **“Bill of supply”** instead of **“Tax Invoice”** and shall mention the words **“Composition Taxable Person, not eligible to collect tax on supplies”** on such Bill of Supply. Tax is not to be shown separately in the bill.
- It is mandatory to mention **“Composition Taxable Person”** on every notice and Signboards at prominent places including his principal place of business and every additional place of business.

**Filing Requirements** - A composition dealer shall furnish electronically a statement in form **GST CMP-08** containing details of payment of self-assessed tax for every quarter or part of the quarter by 18<sup>th</sup> day of the month succeeding such quarter and a return in form **GSTR 4** for every financial year or part of the financial year on or before 30<sup>th</sup> day of April, following the end of such financial year.



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