

Composition Scheme



Section 2(6):- Aggregate Turnover

means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- exports of goods or services or both and
- inter-State supplies of persons having the same PAN, to be computed on all India basis

but excludes central tax, State tax, Union territory tax, integrated tax and cess

For the purposes of computing turnover of a person for determining his eligibility to pay tax under this section for Sec 10(1) & 10(2A), **aggregate turnover** shall include the value of supplies made by such person from the 1st day of April of a financial year up to the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances is so far as the consideration is represented by way of interest or discount.

Section 2(112):- Turnover in State or "Turnover in Union Territory

means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and
- exempt supplies made within a State or Union territory by a taxable person,
- exports of goods or services or both and
- inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person

but excludes central tax, State tax, Union territory tax, integrated tax & cess.

turnover in State or turnover in Union territory shall not include the value of following supplies, namely:

- supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act; and
- interest or discount on deposits, loans or advances.

2(47) : Exempt Supply

means a supply of any goods or services or both

- which attracts nil rate of tax or
- which may be wholly exempt from tax
- includes non-taxable supply

Procedure- Composition Scheme

Procedure:-Rule-3 Intimation by UR= Pay tax under Composition levy in part B of FORM- GST REG-01.(Considered only after grant of reg.)
 Intimation by RP= Electronically file an intimation in FORM-CMP-02, prior to commencement of FY, for which option exercised.
 Any intimation i.r.o. any place of business in a State/UT= deemed to be an intimation i.r.o. all other place of business registered on same PAN.

Rule-4 Effective date= 1st april of the FY for which such option is exercised.

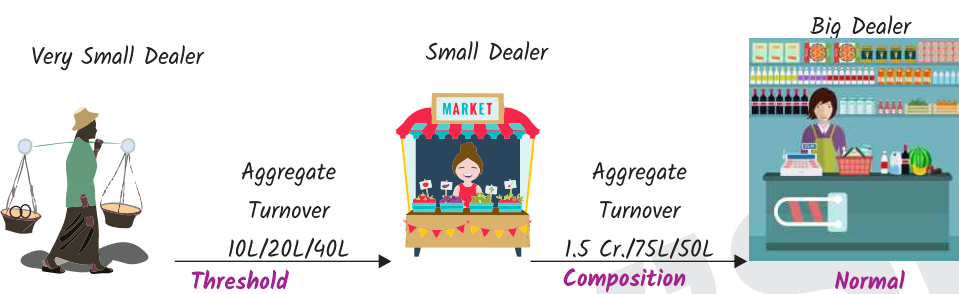
Rule-6 Validity of Composition Scheme = Till person continues to fulfill conditions u/s 10(2)/(2A)/ Rule-5.

- If person ceases to fulfill above conditions= shall file intimation of opting out scheme in FORM GST CMP 04 (Within 7days)
- If person want to opt out voluntarily= shall file intimation in FORM GST CMP 04 before such withdrawal.
- After withdrawal he shall issue tax invoice & allowed to avail ITC i.r.o.stock held by him as on date.

Rule-62 File statement- Quarterly till 18th of month following the quarter.(CMP-08)
 File Return (GSTR-4)- Annually till 30th April of the following year.

Rule-80 File Return (GSTR-9A)- Annually

Analysis - Threshold, composition & Normal Scheme



Assessee	Threshold			Composition			Normal		
	Mfg	Trader	SP	Mfg	Trader	SP	Mfg	Trader	SP
	✓	✓	✓	✓	✓	✓	✓	✓	✓

Tax benefits	No Tax Payable	Tax is payable @ Composite Rate	Tax is payable @ Normal Rate
Registration	Not required	Compulsory	Compulsory
GST Invoice	Not required	Bill of supply	Tax invoice
GST Records	Not required	Limited Extent	As prescribed under this Act
ITC	Not required	NO	Yes
GST Return	Not required	1) GSTR -4, GSTR - 9A Annually 2) Quarterly Statement - CMP-08 3) Payment of Tax - Quarterly	GSTR -1, 2 & 3, Monthly Quarterly for notified category

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GST Rate under Composition Scheme

Rule- 7 = Rates:-

Categories of RP	CGST	SGST	Total	Basis for Calculation
a- Manufacturer	0.5%	0.5%	1%	Turnover in State/UT (T.S. + Exempt+ Nil rate)
b- Catering & Restaurant	2.5%	2.5%	5%	Turnover in State/UT
c- Trader	0.5%	0.5%	1%	Turnover of taxable SOG & SOS in the State/UT (Only Taxable Supply of SOG & SOS)
d- R.P. not eligible u/s 10(1) & (2), but eligible for 10(2A)	3%	3%	6%	Turnover of SOG & SOS in the State/UT (T.S. + Exempt+ Nil rate)

Both are Optional Scheme.
 Special Category States= Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh & Uttarakhand.

Sec 10

Sec 10(1)- Applicability:

- Applicable to 'R.P.', whose Aggregate T/o in PFY is not exceeding:-
 - 75 lakhs- For special category states (Other than H.P./Assam/J&K)
 - 150 lakhs- all other states (including H.P./ Assam / J&K)

Proviso 2 to Sec 10(1)- Marginal Service

- Provided that a Manufacturer/Catering & Restaurant / Trader- May supply services of value upto 10% of T/o in a State / UT in P.F.Y or ₹ 5 Lakhs whichever is higher. (limit is statewise)

Note - while calculating T/o in State/UT above, excludes interest on loans/adv. etc.

Sec 10(2)- Eligibility Conditions-

- person opting for the scheme u/s 10(1) (Manufacturer/ Catering & Restaurant / Trader) cannot supply any service (Taxable / exempt), except as allowed in proviso 2 to sec 10(1). (Limit is statewise)
- Not engaged in SOG/SOS, which are Non-taxable under GST Act.
- Not engaged in making any inter-state outward SOG/SOS
- Not engaged in SOS, through an ECO, collecting TCS u/s 52.
- Not a manufacturer of Notified Goods*.
- Neither a CTP nor NRTP

*[Notified Goods= Ice cream & other edible ice / Pan Masala / Aerated water/ tobacco & tobacco substitutes, Fly ash bricks, Fly ash aggregates, fly ash blocks]

Proviso to Sec. 10(2) : Scheme would be applicable for all businesses having registrations under same PAN of the conditions required to opt for composition scheme.

Sec. 10(3):- Eligibility Criteria for composition scheme:-

- Option availed by RP u/s 10(1)(2A) - shall lapse w.e.f. the day on which his Aggregate T/o during a FY exceeds 150 lakhs/ 75 Lakhs/ 50 lakhs, as the case may be.

Sec. 10(4):- Other Conditions:-

- Composition dealer cannot collect tax on outward supplies.
- Composition dealer will not be eligible to claim ITC.
- Composition dealer cannot issue tax invoice, but issue Bill of supply.

Sec. 10(5):-If PO believes that a taxable person has paid tax u/s 10(1)(2A) despite not being eligible, such person shall-

- pay tax & penalty as per applicable provisions &
- sec 73/74 shall be applicable.

Rule-5 Conditions/restrictions:-

- Title on Bill of Supply= "Composition Taxable person, not eligible to collect tax on supplies"
- Display at business premise= "Composition Taxable Person"

Sec 10(2A)

Sec 10(2A) - Applicability :-

- Applicable to "R.P.", whose Aggregate T/o in PFY is not exceeding - ₹ 50 lakhs
- & Person is not eligible to opt scheme u/s 10(1)(2) [Pre-dominantly for service provider]

Sec 10(2A)- Eligibility Conditions -

- Not engaged in SOG or SOS, which are Non-taxable under GST Act.
- Not engaged in making any inter-state outward SOG or SOS
- Not engaged in SOS, through an ECO, collecting TCS u/s 52
- Not a manufacturer of Notified Goods*.
- Neither a CTP nor NRTP

Proviso to sec. 10(2A)- Same

Implication of Interest or Discounting on loan/Adv./Deposits [Applicable for 10(1) & 10(2A)]

Agg. T/O of P.F.Y. [for deciding eligibility of composition levy]

Example:- Aggregate T/O of XYZ Ltd. in P.F.Y. is ₹152 Lakhs which includes interest on Loan/Adv./Deposits ₹ 3 lakhs. Whether composition levy is available in C.F.Y?
Ans :- Agg.T/O - 152L - 3L = 149 L Hence, XYZ Ltd. is eligible for composition Levy.

Agg. T/O of C.F.Y. [for deciding withdrawal of composition Levy in C.F.Y.]

Example:- XYZ Ltd. has opted composition levy in C.F.Y. [as T/O of P.F.Y. is less than 150L/75L/50L]. Till September of C.F.Y. Agg. T/O of XYZ Ltd. is ₹155 Lakhs which includes ₹10 lakhs for interest on loan /adv./deposits, state whether composition levy of XYZ Ltd. has lapsed in month of September or still it can pay tax under composition Levy?
Ans:- Agg. T/O - 155L - 10L = ₹145Lakhs
 Hence, XYZ Ltd. can still continue composition levy upto 5 lakhs after September.

T/O in State/UT [for calculation of composition Tax 1%, 5%, 6% under composition levy]

Example:- Manufacturer PQR Ltd. has opted for composition levy in C.F.Y. Its T/O of state in Maharashtra is 1st quarter (April-June) is includes

- Taxable supply of goods ₹20 Lakhs
- Taxable supply of service ₹2 Lakhs
- Exempt supply of service ₹1 Lakh
- Interest on Loan/Adv./Deposit ₹0.5 Lakhs

Calculate GST payable in 1st Quarter under composition levy
 Note :- Whatever service provided in 1st quarter is within marginal limit as per proviso 2
Ans:- GST payable = 1% [20+2+1L] = ₹23 lakhs Note:- Interest excluded

T/O of State/UT of P.F.Y for calculation of marginal limit of service under proviso 2 to 10(1) i.e. 10% of T/O in state or ₹ 5 lakhs

Example:- ABC Ltd. has turnover in state of Maharashtra in P.F.Y. is ₹80 lakhs. Turnover includes ₹ 7 lakhs for interest on loan/Adv./deposits. Whether ABC Ltd. is eligible for C.L. in C.F.Y. ? Also, what is the amount of marginal limit of service available in C.F.Y?
Ans:- 1) Agg. T/O = 80 Lakhs - 7 lakhs = 73 lakhs T/O in state only | branch] ABC Ltd. is eligible for composition levy in C.F.Y.
 2) Marginal limit of service = 73L X 10% or ₹ 5Lakhs = ₹ 7.3 Lakhs

For calculation of Marginal limit of service [10% of T/O in state of P.F.Y. or 5 lakhs, Which ever is higher]

Continuing the above Example of ABC Ltd. where marginal limit of C.F.Y for Supply of service = ₹ 7.3 lakhs In C.F.Y, till September ABC Ltd. made supply of goods of ₹ 75lakhs and supply of service ₹ 9 lakhs (includes interest ₹ 2 lakhs)
 Whether Composition Levy stands withdrawn in C.F.Y. or it will be continued?
Ans :- 1) Agg. T/O till Sep = 75L + (9L - 2L) = 82 Lakhs 2) Use of marginal limit of service = 9L - 2L = 7 Lakhs. Therefore ABC Ltd. can still continued composition Levy