

COMPOSITION UNDER GOODS AND SERVICES TAX



COMPOSITION LEVY

Composition levy is a tax wherein a lump sum amount as a percentage of turnover is paid as tax in lieu of tax payable at normal rates.

If composition levy is opted than the person is liable to pay tax on turnover at the rate prescribed for composition.

Person eligible for composition

(1) The person is a registered person.

(2) The person is not engaged in making following supplies:

(i) Not engaged in the supply of services other than supplies referred to in *Clause (b) of Paragraph 6 of Schedule-II;

Clause (b) of Paragraph 6 of Schedule-II refers to:

Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

Thus, if a person is engaged in supply of services referred to in Clause (b) of Paragraph 6 of Schedule-II, he is eligible to opt for composition.

- (ii) Supply of goods which are not leviable of tax under this Act;
- (iii) Inter-state outward supplies of goods;
- (iv) Supply of goods through an electronic commerce operator who is required to collect tax under section 52;
- (v) He is not a manufacturer of such goods as may be notified on recommendation of the Council.
- (vi) Aggregate turnover during the preceding financial year did not exceed Rs. 50 lacs or prescribed limit.

TURNOVER LIMIT

Rs. 50 Lakh rupees in the preceding financial year

Powers of the government to increase the limit of 50 lakh to such higher amount not exceeding one crore rupees.

Aggregate turnover

As per section 2(6) of the CGST Act, 2017 means *value of all:*

- (i) taxable supplies;
- (ii) exempt supplies;
- (iii) export of goods or services or both;
- (iv) inter-state supplies of persons having the same Permanent Account Number (to be computed on all India basis)

Exclusions

- (i) Value of inward supplies on which tax is payable on reverse charge basis;
- (ii) central tax, state tax, union territory tax, integrated tax and cess.

Thus, the aggregate turnover shall be calculated on all India Basis and shall be aggregated for all persons having same Permanent Account Number.

CALCULATION OF AGGREGATE TURNOVER

Aggregate turnover of a person having same PAN shall be arrived at as follows:

1. Aggregate following supplies of goods or services or both of a person on all India basis i.e. in all of the states and union territories in India:

(i) Value of all taxable supplies (other than where tax is payable on reverse charge);

(ii) Value of exempt supplies;

(iii) Exports of goods and/or services

(iv) Value of inter-state supplies

2. Exclude the value of inward supplies on which tax is payable on reverse charge basis u/s 9(3) and 9(4) in each state or deduct such supplies if included in sl.1 above.

3. Deduct Taxes viz. central tax, state tax, union territory tax, integrated tax, if any, charged under the CGST Act, SGST Act, UTGST Act and the IGST Act and included in any of the supplies stated in Sl.1 above.

ALL REGISTERED TAXABLE PERSON HAVING SAME PAN TO OPT FOR COMPOSITION

Proviso to sub-section (2) of section 10 requires that if several registered taxable persons have same Permanent Account Number issued under the Income Tax Act, 1961 the permission to opt for composition levy shall be granted only if all the registered taxable persons having the same Permanent Account Number opt to pay tax under composition levy.

RATE OF COMPOSITION LEVY

S.No	Person	*Rate of composition
1.	In case of manufacturer	1%
2.	*In case of supplies referred in Clause (b) of Paragraph 6 of Schedule-II	2 ½ %
3.	Other supplies (other than in Sl.2 above)	½ %

SUPPLIES REFERRED IN CLAUSE (B) OF PARAGRAPH 6 OF SCHEDULE-II

(b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

DISQUALIFICATIONS FOR COMPOSITION SCHEME

Not to collect tax

No input tax credit

Automatic exit from composition levy if aggregate turnover during a financial year exceeds Rs. 50 lakh

Consequences for wrong option for composition

Liable to pay the amount of tax payable under section 9 and also a penalty equal to the amount of tax payable in terms of section 73 or 74 of the Act.

INTIMATION OF COMPOSITION OPTION REGISTERED UNDER AN EXISTING LAW (OTHER THAN ISD AND DEDUCTING TAX AT SOURCE)

Person eligible to intimate composition option

Every person registered under an existing law and granted registration on provisional basis under sub-rule (1) of Registration Rule-16 is eligible to intimate the option to pay tax by composition levy under Rule-1 of composition Rules.

PERSON NOT ELIGIBLE TO INTIMATE COMPOSITION OPTION

(i) A non-resident taxable person,

(ii) A person supplying online information

and data base access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, a person required to deduct tax at source under section 51 and a person required to collect tax at source under section 52 are not eligible to intimate registration in terms of Rule 1(1) of Composition Rules as these persons are not eligible for grant of provisional registration.[Sub-rule (1) of Rule-1 of Registration Rules]

OBLIGATION FOR PERSON HAVING PROVISIONAL REGISTRATION

To intimate composition option electronically

Form to intimate option - FORM GST CMP-01. [Sub-rule (1) of Rule-1 of Composition Rules]

Time limit to intimate composition option - 30 days from the appointed day. [Sub-rule (1) of Rule-1 of Composition Rules]

Extension of time to file composition intimation – if allowed to file within extended time

Conditions: (i) not to collect tax from the appointed day.

(ii) issue only bill of supply for supplies made on and after the appointed day. [Proviso to Sub-rule (1) of Rule-1 of Composition Rules]

Furnish details of stock etc.

furnish following details:

Details of stock – held on the day preceding the date from which he opts to pay tax under section 10.

[Sub-Rule 4 of Rule 1 of the Composition Rules]

Inward supplies from unregistered persons – held in stock on the day preceding the date from which he opts to pay tax under section 10.

Form of submission of details of stock and inward supplies FORM GST CMP-03

Time period to furnish details of stock and inward supply – within 60 days from the date from which composition levy is exercised

To submit details of outward and inward supplies and return

(i)Details of outward and inward supplies;

(ii)Return under rule 1, rule 2 and rule 3 relating to the period during which the person was liable to furnish such details and returns.

The registered person shall submit above details and returns till the due date of furnishing the return for the month of September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier.

Intimation of place of business

COMPOSITION INTIMATION BY NEW REGISTRANT

Form of making composition option

Any person making application for registration under Registration Rule-1 may give composition option in PART-B of FORM GST REG-01.

The intimation shall be treated as option to pay tax by composition.

EFFECTIVE DATE OF COMPOSITION

Effective date shall be from either of the dates:

(i) where application is made with 30 days from becoming liable.

Date on which the person becomes liable to registration.

(ii) where the application is made after 30days from becoming liable to registration

The date of grant of registration.

PERSON ELIGIBLE TO INTIMATE COMPOSITION

(i) Every person who is liable to be registered under sub-section (1) of section 25

Persons liable for registration under section 22 or persons to be compulsorily registered under section 24 of the CGST Act, 2017 are referred in sub-section (1) of section 25.

(ii) Every person seeking registration under subsection (3) of section 25

It refers to persons not liable for registration but get themselves registered voluntarily.

PERSONS NOT ELIGIBLE TO INTIMATE COMPOSITION

- (i) A non-resident taxable person;
- (ii) A person supplying online information and data base access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act;
- (iii) A person required to deduct tax at source under section 51;
- (iv) A person required to collect tax at source under section 52)

Form for intimation of composition

Form GST CMP-03

Time period to furnish composition option

Within a period of 60 days from the commencement of the financial year.

Effective date of composition

The composition shall be from the beginning of the financial year. [Sub-Rule (1) of Rule-2 of Composition Rules]

COMMON CONDITION FOR COMPOSITION

Casual taxable person, non-resident taxable person are not eligible

Stock held need to comply with conditions

Goods held in stock by him on the appointed day have not been purchased:

- (i) In the course of inter-State trade or commerce; or
- (ii) Imported from a place outside India; or
- (iii) Received from his branch situated outside the State; or
- (iv) Received from his agent or principal outside the State.

Stock held must not be of purchases where tax paid under section 9(4)

Composition person pays tax under sub-section (3) or (4) of section 9

Not engaged in manufacture of notified goods

Not engaged in the manufacture of goods as notified under clause (e) of sub-section(2) of section 10, during the preceding financial year.

Use of words on top of bills of supply

“Composition taxable person, not eligible to collect tax on supplies”

Use of specified words on every notice or sign board etc.

“Composition taxable person” on every notice or sign board displayed at a prominent place at his principal place of business and at every additional place or places of business.

Not required to file composition option every year

Composition remains valid till a person complies with all conditions

Liability to pay tax under section 9 for not complying with all conditions of composition

To file intimation for withdrawal from composition

FORM GST CMP-04 within seven days of occurrence of such event

Application for withdrawal from composition

Application in FORM GST CMP-04

Thank You

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Chartered accountants

Gstindiasolution.com

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011-41004685, 9717031061

info@gstindiasolution.com

indiangstlaw@gmail.com