



SBS AND COMPANY LLP
CHARTERED ACCOUNTANTS

ONE PAGE

on

Composition Scheme

1. What is Composition Scheme under GST?

Composition scheme under GST is an optional levy provided to the manufacturers, traders and Restaurants to opt for composition scheme whose aggregate turnover in the previous financial year does not exceed Rs. 100 Lakhs which leads to reduction of compliances for small scale businesses i.e. maintenance of books of accounts, issuance of invoices, furnishing of returns etc and to pay a fixed percentage of turnover as tax in lieu of paying taxes at higher rate. In case of suppliers located in special category states, the turnover limit to opt for composition scheme is Rs. 75 lakhs.

2. Are there any conditions to be satisfied apart from threshold limit to opt for this scheme?

Yes. In addition to the threshold limit, following are the additional conditions to be satisfied to opt for this scheme:

- The goods held-in-stock as on 01.07.2017 should not have been procured in the course of inter-state trade or commerce or procured from a branch, agent/principal situated outside the State or imported from outside the State.
- The supplier should not be engaged in supply of services other than restaurant services.
- The supplier should not be engaged in making any supply of goods which are not leviable to tax under GST Act;
- The supplier should not be engaged in making any inter-State outward supplies of goods;
- The supplier should not be engaged in making any supply of goods through an e-commerce operator
- The supplier should not be a manufacturer of such goods as may be notified as ineligible for composition scheme viz. ice cream and other edible ice, pan masala and tobacco products.
- Not a casual taxable person or a non-resident taxable person

3. What are the additional conditions to be satisfied by entities having more than one place of business?

Under GST, single registration can be obtained for multiple place of businesses having same PAN in same State. When place of business is in different state then separate registration is required in each of the states in which such place of businesses is located. Such registered persons having same PAN shall not be eligible to opt for composition scheme unless all of them opt to pay tax under the composition scheme.

4. What is the rate at which GST is required to be paid by a tax payer opting for composition scheme?

The rate prescribed for the taxpayers opted to pay tax under this scheme are as follows.

S. No	Category of registered persons	CGST Rate	SGST Rate	Total rate
1	Manufacturer	1%	1%	2%
2	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	2.5%	2.5%	5%
3	Others (including traders)	0.5%	0.5%	1%



5. Can a composition tax payer be entitled to recover GST at the above rates separately from the recipient of supply?

No. The supplier opted to pay tax under composition scheme shall not be entitled to collect the tax amount separately from the recipient of supplies.

6. What is procedure to be followed to opt for composition scheme?

Any person who has been granted registration on a provisional basis (i.e. migration from existing regime to GST) and who opts to pay tax under composition scheme, shall electronically file an intimation in FORM GST CMP-01.

However, an unregistered person can make an application for registration under GST and can simultaneously opt for composition scheme by duly filing in Part-B of Form GST REG-1.

For the FY 2017-18, a registered taxable person has given an option to adopt composition scheme by filing FORM GST CMP-02 at any time on or before 31.03.2018. Such tax payer can pay tax under the composition scheme from the first day of the month succeeding the month in which the intimation under FORM GST CMP-02 is filed. Up to the month in which such intimation is filed, the registered taxable person is required to pay tax as per the applicable regular rates of tax. If such registered taxable person is left with any ITC, then the same shall be lapsed. Composite scheme is required to be opted for

7. Can composition tax payer entitled to claim ITC on inputs, capital goods and input services received?

As the composition tax payer is paying the tax at a fixed percentage of turnover as tax in lieu of standard rate of tax, they shall not be eligible either to avail credits or pass on such composition tax. Any cost incurred towards CGST, SGST and IGST shall be added to the cost of goods or service so procured.

8. Can a composition tax payer issue a tax invoice to allow the recipient of supply to claim ITC?

No. Composition tax payer is not eligible to raise a tax invoice. Instead he shall issue a document called 'Bill of Supply' for supplies made. He shall mention the words 'Composition Taxable Person Not Eligible to Collect Tax on Supplies' at the top of the bill of supply issued by him. The corresponding recipient of supply is barred from ITC.

9. What is frequency of tax payment and returns to be filed by a Composition tax payer?

Suppliers opted for composition scheme should make payment and file a quarterly return in Form GSTR- 4 within 18 days from end of the quarter to which the return relates furnishing all the outward supplies made during the quarter. Annual return must be filed in Form GSTR-9A by 31st December of the subsequent Financial Year. However, the GSTR-4 to be filed for the quarter July to September 2017 has been extended from 18.10.2017 to 24.12.2017.



10. When does a composition tax payer gets disqualified from the scheme? What are the consequences upon such disqualification?

Composite tax payer shall become disqualified from the Composition scheme if the aggregate turnover during the FY exceeds Rs. 100 Lakhs or has made interstate outward supplies. Upon such disqualification, he will be liable to pay tax at the regular rates by claiming ITC. He shall also file an intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days of the occurrence of such event. However, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods (reduced by the percentage points) on the day immediately preceding the date from which he becomes liable to pay tax at the regular rates.

11. Is a composition tax payer required to pay tax under reverse charge for supplies received by him?

Yes. Composition tax payer is also required to pay tax as applicable at normal rates for the supplies procured by him for which tax is payable by recipient under reverse charge.

12. Are there any changes expected in composition scheme under GST?

The following changes are recommended by GST Council in their 23rd meeting held on 10.11.2017. The recommendations are going to be implemented soon by amending the law and issuing notifications.

- Uniform composition rate of 1% for manufacturers and traders
- Annual turnover limit for eligibility to composition scheme shall be increased to Rs. 1.5 crores.
- No disqualification or no ineligibility to composition scheme if the composition tax payer is engaged in providing services up to Rs. 5 lakhs per annum.