

Composition Scheme Under GST

GST is a very simple, trouble free compliance for small taxpayer. It is a voluntary and optional scheme. Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover. This scheme can be opted by any taxpayer whose turnover is less than Rs. 1.5 crore.

Contents

- ▶ Eligible assessee
- ▶ Condition for obtaining composition scheme
- ▶ Procedure for composition scheme
- ▶ Procedure for composition scheme
- ▶ GST rate for composition dealer
- ▶ Returns to be filed by a composition dealer
- ▶ Benefits of composition scheme
- ▶ Disadvantage of composition scheme
- ▶ Bill of Supply

Eligible assessee

- ▶ A taxpayer whose turnover is below Rs 1 crore can opt for Composition Scheme. In case of North Eastern states - and Himachal Pradesh, the limit is now Rs 75 lakh

Condition for obtaining composition scheme

- ▶ No Input Tax Credit can be claimed by a dealer opting for composition scheme
- ▶ The taxpayer cannot make any inter-state supply of goods.
- ▶ The dealer cannot supply GST exempted goods
- ▶ Taxpayer has to pay tax at normal rates for transactions under Reverse Charge Mechanism
- ▶ If a taxable person has different segments of businesses (such as textile, electronic accessories, groceries, etc.) under the same PAN, they must register all such businesses under the scheme collectively or opt out of the scheme.
- ▶ The taxpayer has to mention the words 'composition taxable person' on every notice or signboard displayed prominently at their place of business.
- ▶ The taxpayer has to mention the words 'composition taxable person' on every bill of supply issued by him.

Procedure for composition scheme

- ▶ The assessee has to file GST CMP-02 with the govt. This can be done by logging into GST portal. This intimation should be given at the beginning of every Financial Year by a dealer wanting to opt for Composition Scheme

GST rate for composition dealer

| Types of business | CGST | SGST | TOTAL |
|--------------------------------|------|------|-------|
| Manufacturer and trader | 0.5% | 0.5% | 1.00% |
| Restaurant not serving alcohol | 2.5% | 2.5% | 5.00% |

Returns to be filed by a composition dealer

- ▶ A dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of the quarter. Also, an annual return GSTR-9A has to be filed by 31st December of next financial year.
- ▶ Also, note that a dealer registered under composition scheme is not required to maintain detailed records.

Benefits of composition scheme

- ▶ lesser compliance
- ▶ limited tax liability

Disadvantage of composition scheme

- ▶ No Input Tax Credit available to composition dealers
- ▶ The taxpayer will not be eligible to supply exempt goods or goods through an e-commerce portal

Bill of Supply

- ▶ A taxable person opting for the scheme has to issue bill of supply as he is not eligible to issue taxable invoice under GST. He has to mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of every bill of supply issued by him.

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