



Composition Scheme Under GST

Law ,Rules & Forms

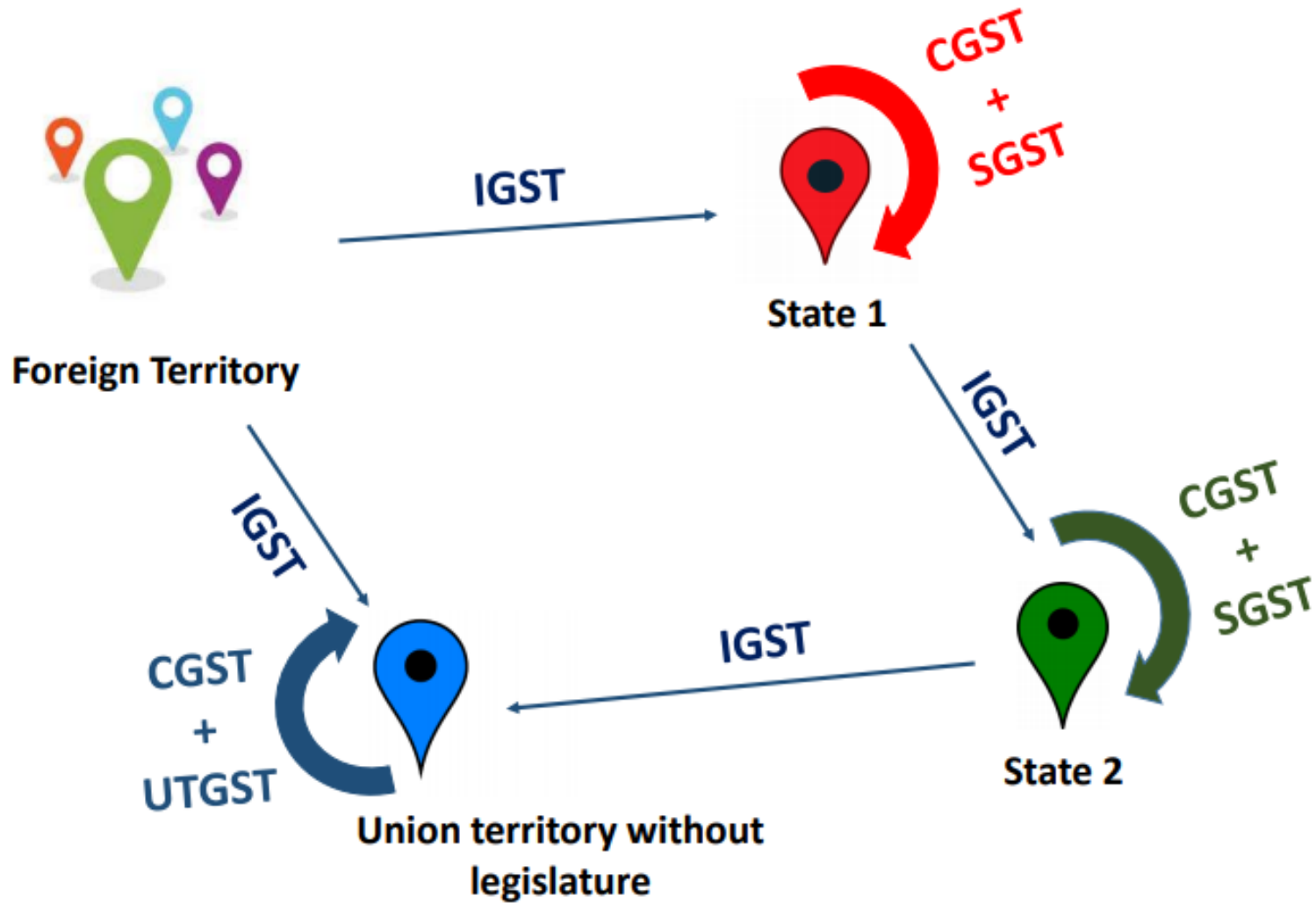
What is GST?

Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition.

In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.



GST Types



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What is Composition Scheme?



A scheme under which there is an option to pay tax at lower rate than the normal rate. Many startups and Small and Medium Enterprises (SMEs) may struggle to comply with these provisions of this act therefore under this provision, compliance burden is reduced.

Who can opt for Composition Scheme?

Person having eligible turnover of:-

- For North eastern states, H.P. and Sikkim : upto 75 Lacs
- For Other states: upto 1 Crore

Turnover to be seen for previous financial year.

When can option be availed?

1. He is not making any interstate supply
2. He is not engaged in services other than specified hereunder
3. He is not an ecommerce operator

What is the rate of tax to be paid?

Person engaged in	CGST Rate (A)	SGST Rate (B)	Total Tax Rate (A+B)
Manufacturing	1%	1%	2%
Trading	0.5%	0.5%	1%
Restaurant Services (Without alcohol)	2.5%	2.5%	5%

Which returns are required to be filed by a taxable person registered under Composition Scheme?



The taxable person is required to furnish only one return i.e. GSTR-4 on a quarterly basis and an annual return in FORM GSTR-9A.

Analysis of CMP FORMS

There are 7 types of ITC forms under GST:-

S.No	Form No	Particulars
1	GST CMP – 1	Intimation to pay tax under section 10 (composition levy) (Only for persons registered under the existing law migrating on the appointed day)
2	GST CMP – 2	Intimation to pay tax under section 10 (composition levy) (For persons registered under the Act)
3	GST CMP – 3	Intimation of details of stock on date of opting for composition levy (Only for persons registered under the existing law migrating on the appointed day)
4	GST CMP – 4	Intimation/Application for withdrawal from composition Levy
5	GST CMP – 5	Notice for denial of option to pay tax under section 10
6	GST CMP – 6	Reply to the notice to show cause
7	GST CMP – 7	Order for acceptance / rejection of reply to show cause notice

Form GST CMP-01



The form is required to be filed in case of a person who has done migration from previous acts. Under this form, he will fill basic details to opt for paying tax under Composition scheme.

Form GST CMP-02

The form is required to be filed in case of a person who takes registration under this act. Under this form, he will fill basic details to opt for paying tax under Composition scheme.

Form GST CMP-03

This form is required to intimate the stock in case of a person who has done migration from previous acts and opts for Composition Scheme.

Stock details from Registered and Unregistered parties are to be shown separately.

Form GST CMP-04

To withdraw from Compositions scheme, you need to file this form.

Form GST CMP-05

Under this, notice of rejection to pay tax under composition scheme will be made.

Form GST CMP-06

Under this, you can file a reply to notice of rejection

Form GST CMP-07

Under this, final order of acceptance or rejection will be made.

Do Composition Dealers have the option to avail Input Tax Credit?

No, a Composition Dealer is not allowed to avail input tax credit of GST paid to their supplier.

Can a Composition Dealer issue Tax Invoices?

No. Since a Composition Dealer is not allowed to avail input tax credit, such a dealer cannot issue a tax invoice as well. A buyer from composition dealer will not be able to claim input tax on such goods.

Which returns are required to be filed by a taxable person registered under Composition Scheme?

The taxable person is required to furnish only one return i.e. GSTR-4 on a quarterly basis and an annual return in FORM GSTR-9A.

Is liability to pay taxes under Reverse Charge Mechanism covered under the Composition Scheme?

A Composition Dealer has to pay tax under Reverse Charge Mechanism wherever applicable. There is no exemption to a composition dealer here.

What are the penalties applicable on Composition Dealer in case of any default in tax payment?

If the tax administration has reason to believe that a composition dealer has wrongly availed the benefit under the composition scheme, then such a person shall be liable to pay all the taxes which he would have paid under the normal scheme. Also, he will be liable to pay a penalty equivalent to an amount of tax payable. This penalty will not be levied without giving a show cause notice to the dealer.

Can I opt for Composition Scheme in one year and regular in another?

Yes, this is possible. You can opt to switch between the Composition Scheme and the normal scheme based on your turnover. However, you will have to keep in mind that this will affect the way you issue invoices and file your returns.

Is it true that Composition Dealers can offer the same product at a lower price?

Yes, since composition dealers cannot charge GST on their sales, so the end consumer pays less money than usual. Composition dealers can also buy from unregistered dealers in order to keep their costs low.

THANK YOU

1. **Central Goods and Services Tax, 2017**
2. **Bare Law on GST by ICAI- IDT Department**
3. **Central Goods and Services Tax (CGST) Rules,2017**

Notified vide Notification No. 3 /2017-Central Tax (Dated 19th June 2017) and further as amended by

- Notification No. 7/2017-Central Tax (Dated 27th June 2017)
- Notification No. 10/2017-Central Tax (Dated 28th June 2017)
- Notification No. 15/2017-Central Tax (Dated 1st July 2017)
- Notification No. 17/2017- Central Tax (Dated 27th July 2017)
- Notification No. 22/2017-Central Tax (Dated 17th August 2017)
- Notification No. 27/2017-Central Tax (Dated 30th August 2017)
- Notification No. 34/2017-Central Tax (Dated 15th September 2017)
- Notification No. 36/2017-Central Tax (Dated 29th September 2017)
- Notification No. 45/2017-Central Tax (Dated 13th October 2017)
- Notification No. 47/2017-Central Tax (Dated 18th October, 2017)
- Notification No. 51/2017-Central Tax (Dated 28th October, 2017)
- **Notification No. 55/2017-Central Tax (Dated 15th November, 2017)**

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