

## Chapter 10: Composition Levy

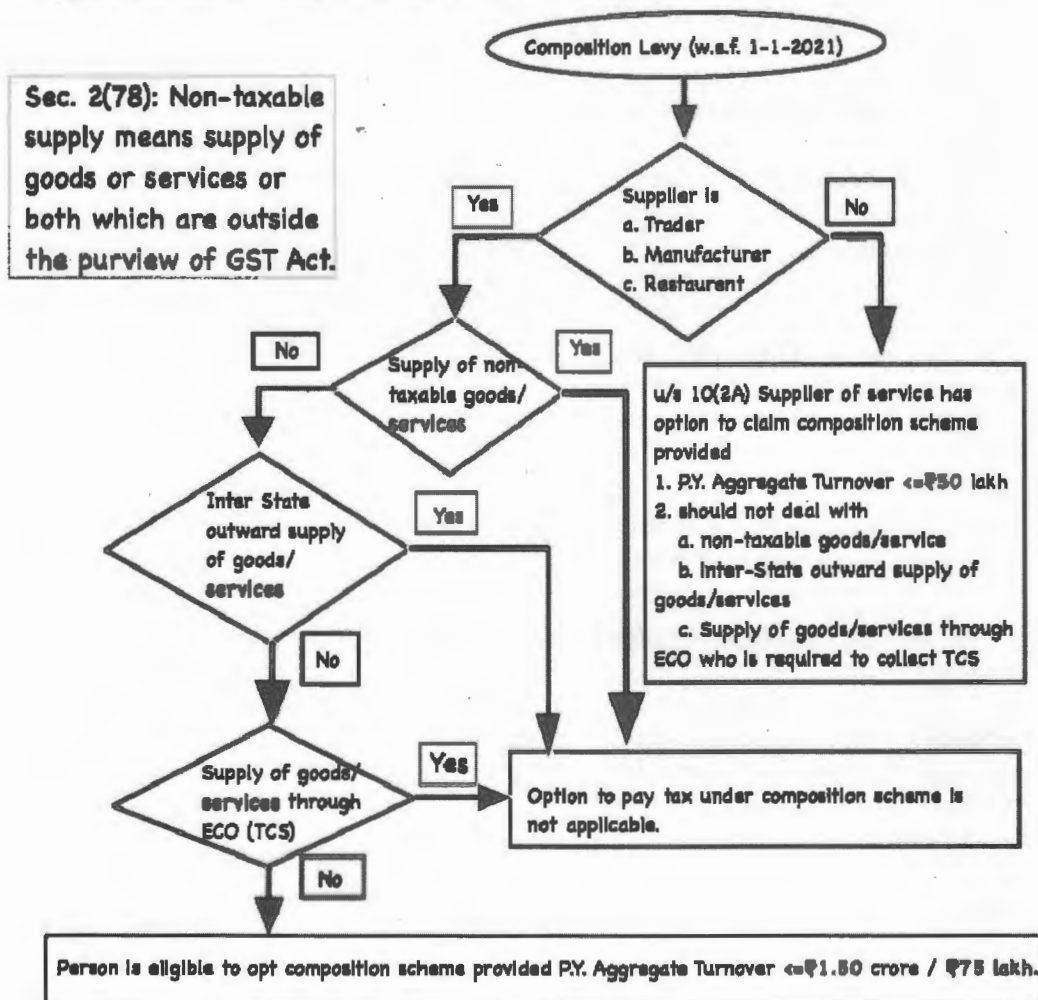
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### 10.0 Composition Scheme

The Government of India provides for simplified and easy of doing business scheme for payment of taxes and filling of returns to certain categories of taxable person. As a result, such taxable person is not required to maintain elaborate records and filing detailed returns. Section 10 of the CGST Act, provides for composition levy to such person.

### 10.1 Person eligible for Composition Levy u/s 10 of CGST



**For the purpose of determination of 10% of turnover in a State or UT in the preceding financial year or ₹5,00,000 whichever is higher:**

**w.e.f. 1-8-2019, explanation inserted with regard to turnover:—**

the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or UT.

*Example:* Ram & Co. being a trader of cell phones registered under GST in the State of Tamil Nadu and furnished the following information relating to preceding financial year:

Particulars	Value (₹ in lakhs)
Intra-State supply of taxable goods	120
Intra-State supply of exempted goods	10
Intra-State Supply of taxable services	5
Intra-State supply of exempted services	3
Interest earned on deposits/loans/advances	15.50

Whether Ram & Co. is eligible for composition scheme in the current financial year?

**Answer:**

Aggregate turnover of Ram & Co. of Ram & Co. in the preceding financial year:

Particulars	Value (₹ in lakhs)	Remarks
Intra-State supply of taxable goods	120	Addable into the aggregate turnover
Intra-State supply of exempted goods	10	-do-
Intra-State Supply of taxable services	5	-do-
Intra-State supply of exempted services	3	
Interest earned on deposits/loans/advances	Nil	Not addable into the aggregate turnover
Aggregate turnover	138	Not exceeded ₹150 lakh.

**Value of services not exceeded 10% of turnover or ₹5,00,000 whichever is higher:**

Value of taxable output supply of service = ₹5 lakh

Add: value of exempted output supply of service = ₹3 lakh

Total value of services = ₹8 lakh

Supply of service as % on turnover =  $(₹8 \text{ lakh} / ₹138 \text{ lakh}) \times 100 = 5.80\%$

Permissible limit:

10% of turnover = ₹13.80 lakh (i.e. ₹138 lakh x 10%)

w.e.f. 1-8-2019, Interest earned on deposits/loans/advances shall not be taken into account for determining the value of turnover in a State or UT.

Or

₹5 lakh

Whichever is higher

Therefore, the value of service upto ₹ 13.80 lakh can be supplied by Ram & Co.

In the given case supply of services (excluding interest earned on deposits/loans/advances) did not exceed the permissible limit and hence, Ram & Co. is eligible for composition scheme in the current financial year

**w.e.f. 1-4-2019 Extension in the limit of threshold of aggregate turnover for availing Composition Scheme to ₹1.5 crores:**

The Central Government vide Notification No. 14/2019-Central Tax, dated 7th March, 2019 notified that an eligible registered person, whose aggregate turnover in the preceding financial year **did not exceed ₹1.5 Crores**, may opt to pay tax under Composition scheme. However, the said aggregate turnover shall be **₹75 lakh** in case of persons registered under following States: —

1. Arunachal Pradesh
2. Manipur
3. Meghalaya
4. Mizoram
5. Nagaland

6. Sikkim
7. Tripura
8. Uttarakhand

### 10.2 Aggregate turnover as per Section 2(6) of CGST Act, 2017:

The term “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 Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Aggregate turnover includes	Aggregate turnover excludes
The value of exported goods/services	Inward supplies on which the recipient is required to pay tax under Reverse Charge Mechanism (RCM).
Exempted goods/services or both which attracts nil rate of tax or wholly exempt from tax and includes non-taxable supply.	<ul style="list-style-type: none"> <li>• Central tax (CGST),</li> <li>• State tax (SGST),</li> <li>• Union territory tax and</li> <li>• Integrated tax (IGST)</li> </ul>
Inter-State supplies between distinct persons having same PAN	<ul style="list-style-type: none"> <li>• Compensation Cess</li> </ul>
Supply on own account and on behalf of principal.	

#### Important points:

- (i) The turnover will be computed PAN wise.
  - (ii) The partner and partnership firm will have different PAN Nos. Thus, the turnover of the partner and partnership firm will not be aggregated.
  - (iii) The HUF and individual coparcener of the family have different PAN Nos. Hence, turnover of Karta of HUF in his individual capacity and turnover of Karta as a Karta of HUF will not be aggregated.
  - (iv) Supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in section 143 of the CGST Act, 2017, and the value of such goods shall not be included in the aggregate turnover of the registered job worker. It will be included in the turnover of turnover of principal.
  - (v) For the purposes of computing aggregate turnover of a person for determining his eligibility to pay tax under this section, the expression ‘**aggregate turnover**’ shall include the value of supplies made by such person from the 1st day of April of a financial year upto 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 in so far as the consideration is represented by way of interest or discount.
  - (vi) For the purposes of determining the **tax payable** by a person under this section, the expression turnover in State or turnover in Union territory’ shall not include the value of following supplies, namely
    - (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act
- and**
- (ii) exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

### 10.3 Persons not entitled to avail Composition Scheme:

The Section 10(2) of the CGST Act, 2017 specifies the benefit of composition scheme shall not be granted if a taxable person is:

- (a) engaged in the supply of services (other than restaurant and outdoor catering service), except supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding **10%** of turnover in a State or Union territory in the preceding financial year or **₹5,00,000**, whichever is higher;
- (b) engaged in making any supply of goods which are not leviable to tax under this Act;
- (c) engaged in making any inter-State outward supplies of goods;
- (d) engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
- (e) a manufacturer of such goods as may be notified by the Government on the recommendations of the Council:

**Example 1:** M/s X Ltd. being a manufacturer of laptops has five factories in Chennai, Salem, Coimbatore and Madurai.

Place	P.Y. Turnover ₹ in lakhs (Including Taxes @ 18%)
Chennai I	57.91
Salem	12.00
Coimbatore	8.00
Madurai	30.00
Chennai II	43.60
Total	151.51

M/s X Ltd is eligible for composition levy in the current year.

**Answer:** Aggregate turnover =  $151.51 \times 100/118 = ₹128.39831$  lakhs

**Note:** Since, Aggregate turnover in the preceding financial year does not exceed ₹1.50 crore and hence, M/s X Ltd. is eligible for Composition Scheme.

**Example 2:** M/s Y Ltd. being a trader of laptops has two units in Chennai and in Mumbai.

Place	P.Y. Turnover ₹ in lakhs (Excluding taxes)
Chennai	52.00
Mumbai	12.00

You are required to answer the following:

- M/s Y Ltd is eligible for composition levy in the current year.
- If so, M/s Y Ltd can opt composition scheme for Chennai location and normal scheme for Mumbai.
- Need to give separate intimations for opting composition scheme in each State.

**Answer:**

- Yes. M/s Y Ltd is eligible to avail the composition scheme in both the States namely Tamil Nadu and Maharashtra.  
Since, M/s Y Ltd. has same PAN, and his aggregate turnover does not exceed ₹1.50 crore is eligible for composition levy, even though the company has multiple registrations under GST.
- No. M/s Y Ltd cannot opt composition scheme for one location normal scheme for another location.  
Where more than one registered person are having the same Permanent Account Number (issued under the Income-tax Act, 1961), the registered person shall not be eligible to opt for the scheme under sub-section (1) of Section 10 of CGST Act, 2017 unless all such registered persons opt to pay tax under that sub-section.
- Intimation to opt composition scheme in respect of any place of business in any State or Union Territory shall be deemed to be intimation in respect of all other places of business registered on the same Permanent Account Number (PAN).

**Example 3:** M/s X & Co., sells electrical cables, motors and wires. Company also undertake repair of switches, motor sets. Turnover during preceding financial from sale of goods is ₹59 lakhs, whereas repairing unit is ₹1 lakh. M/s X & Co., is eligible for composition scheme. Advice.

**Answer:** Yes.

Since, supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding 10% of turnover in a State or Union territory in the preceding financial year or ₹5,00,000, whichever is higher

Therefore, the benefit of composition scheme will be extended to M/s X & Co.

Working Note:

Value of service =  $₹1 \text{ L}/60 \text{ L} \times 100 = 1.67\%$

**Example 4:** Mr. A is a paper merchant own 5,000 sq ft., shop at Chennai. Mr. A offered extra space available in their shop to supplier to put up their advertisement. His turnover in the previous year from sale of goods ₹20 lakhs and advertising services ₹2 lakhs. Mr. A is eligible for composition scheme in the current year

**Answer:** Yes.

Value of service = ₹2 L/₹22 L x 100 = 9.09%

Mr. A being a paper merchant whose supply of services do not exceed 10% of total supply or ₹5 L whichever is higher. Hence, the benefit of composition scheme is allowed.

**Example 5:** Hotel King Pvt., Ltd. provider of restaurant services in New Delhi. They also serve beer, whisky and so on. Turnover in the preceding previous year is ₹67 lakhs. Hotel King Pvt. Ltd. is eligible for composition scheme in the current year.

**Answer:** Hotel King Pvt. Ltd., is not eligible for composition scheme. Since they are supplying the product, which is not levied to GST (namely beer, whisky called as non-taxable supply).

**Example 6:** Mr. C of Chennai is a retailer dealing with cell phones. He supplies goods to the person located in Chennai and Pondicherry. Aggregate turnover in the preceding financial year is ₹45 lakhs. Mr. C wants to opt for composition scheme in the current financial year.

**Answer:** No. When the person makes inter-State supply of goods benefit of composition scheme is prohibited. Therefore, Mr. C will not be entitled to the benefit of composition scheme.

**Example 7:** Peter England is a trader who sells his ready-made clothes online on Amazon India (an Electronic Commerce Operator). He received an order for ₹12,00,000 in the previous year. Peter England also supplied goods from there out lets. Aggregate turnover of the company in the previous year was ₹21,00,000.

Peter England is eligible for composition scheme.

**Answer:** No. Peter England engaged in making supply of goods through an electronic commerce operator who is required to collect tax at source under section 52 of CGST Act, 2017. Hence, Peter England is not eligible for composition scheme.

**Example 8:** Hot Breads Pvt. Ltd is the supplier of bakery products registered in the current financial year (2017-18) w.e.f. 1st Oct. 2017. In the month of Oct. 2017 total taxable supplies ₹88 lakhs.

Answer the following:

- Company is eligible for Composition Scheme?
- If so company wants to pay tax @1% being a trader. However, the Deputy Commissioner of Central Tax contended that the assessee is liable to pay tax @5% under the Food and Restaurant Services category? Advise.

**Answer:**

- Hot Breads Pvt. Ltd. is eligible for composition levy in the current year.
- The supply of food and restaurant services category is the only service included under the composition scheme. For a business to be categorised as food and restaurant services, there needs to be an element of service involved.

In the given case, supply of bakery products, there is only a supply of goods i.e. food items but there is no element of supply of service. Hence supply of bakery products is eligible to pay GST @1%, under the Traders category and not Food and Restaurant Services category.

Therefore, department contention is not correct.

**Example 9:** Hotel King Pvt. Ltd. is a registered person under GST. P.Y. turnover was ₹100 lakhs. Applicable GST 18%. Inputs cost ₹7,80,000 (exclusive of GST 18%). Profit margin is 40% on cost. Find the invoice price and advice the best option to pay tax if any. There is no opening balance and closing balance for the tax period.

**Answer:**

Composition Levy		Normal provision		
Particulars	Value in ₹	Particulars	Value in ₹	
Cost of inputs	7,80,000	Cost of inputs	7,80,000	
Add: GST 18% on inputs	1,40,400	Add: GST 18% on inputs	Not cost	
Total cost	9,20,400	Total cost	7,80,000	
Add: Profit margin 40%	3,68,160	Add: Profit margin 40%	3,12,000	
Invoice Price	12,88,560	Add: GST 18% CGST & SGST	1,96,560	
CGST 2.5%	32,214	Invoice Price	12,88,560	
SGST 2.5%	32,214		CGST 9%	SGST 9%
Total GST liability	64,428	Output tax	98,280	98,280
		Less: ITC	-70,200	-70,200
		Let Liability	28,080	28,080
		Total Tax is ₹56,160		

**Advise:**

Normal scheme is economical.

**Example 10:** Prem is running a consulting firm and also a fancy store in the State of Karnataka and registered under the same PAN number. Turnover of the fancy store is ₹65,00,000 and receipt of consultancy firm is ₹10,00,000 in the preceding financial year.

You are required to provide answers with supporting explanatory note for each answer to the following questions:

- (i) Is Prem eligible for composition scheme under CGST Act?
- (ii) Whether it is possible for Prem to opt composition scheme only for fancy store?
- (iii) If prem is running a restaurant with turnover of ₹65,00,000 instead of consultancy firm as well as a fancy store, would he be eligible for composition scheme?

3 Marks (CA Final (New) May 2018)

**Answer:**

- (i) As per section 10(2)(a) of CGST Act, 2017 if a taxable person is engaged in the supply of services (other than restaurant and outdoor catering service) is not eligible for Composition Scheme under CGST Act, 2017 except supply of services (other than restaurant and outdoor catering service), of value not exceeding 10% of turnover in a State or Union territory in the preceding financial year or ₹5,00,000, whichever is higher;  
10% of ₹75,00,000/- is ₹7,50,000/- which is exceeded the permissible limit.  
Therefore, Prem is not eligible for composition scheme.
- (ii) If a business is ineligible to opt for composition, then all other business registered under the same PAN shall automatically ineligible for the composition scheme. So Prem is not eligible for composition scheme only for fancy store.
- (iii) Restaurant services and fancy store are eligible for the composition scheme provided the aggregate turnover does not exceeds ₹1.50 crore.  
Hence, Prem is eligible for Composition Scheme. Since, his aggregate turnover is ₹130 lakhs (i.e. not more than ₹1.50 crore).

**Example 11:**

Example: M/s ABC & Co., made the following supplies during the month of October 20XX:

- (a) Restaurant, mobile dealership and textile manufacturing unit.
- (b) Rework, in the following restaurant, supply of mobile through an ecommerce operator.

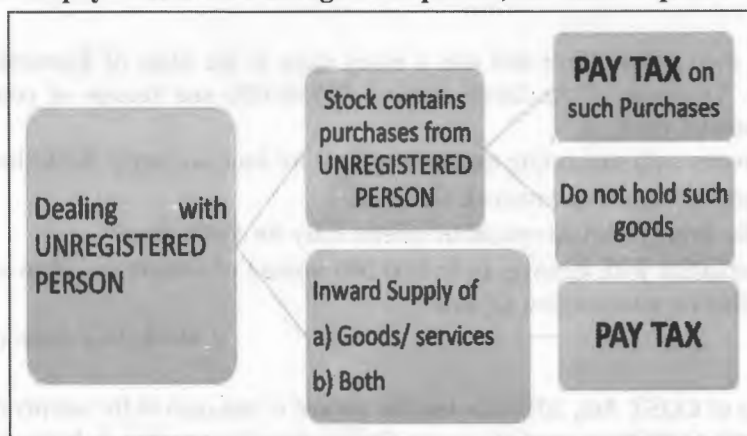
**Answer:**

- (a) Yes. M/s ABC & Co., is eligible for composition scheme in the current year
- (b) No. M/s ABC & Co., is not eligible for composition scheme in the current year

**10.4 Conditions and Restrictions for Composition Levy (Rule 5 of Chapter II of the CGST Rules, 2017):**




- (a) The person opting for the scheme must neither be a casual taxable person nor a non-resident taxable person.
- (b) The goods held in stock by him on the appointed day have not been—
  - purchased in the course of inter-State trade or commerce or
  - imported from a place outside India or
  - received from his branch situated outside the State or
  - from his agent or principal outside the State, where option is exercised under rule 3(1) of the CGST Rules, 2017 (i.e. who opted composition scheme at the time of migrating into GST).
- (c) The goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under reverse charge (i.e. Section 9(4) of CGST).
- (d) He shall pay tax as per normal rates, in case of inward supply of goods and services or both received under Section 9(3) or (4) of CGST Act, 2017. These sub-sections provide for payment of tax by recipient of goods or services.

Where the taxpayers deal with unregistered person, tax must be paid or not stock must be held.


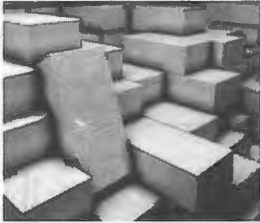





- (e) He was not engaged in the manufacture of goods as notified u/s 10(2)(e) of the CGST Act, 2017 during the preceding financial year.

The registered person shall not be eligible to opt for composition levy under clause (e) of sub-section (1) of section 10 of the said Act if such person is a manufacturer of the following goods:

S. No.	Tariff item, sub-heading, or heading or Chapter	Description
1	2105 00 00 	Ice cream and other edible ice, whether or not containing cocoa.
2	2106 90 20 	Pan masala
3	24 	All goods, i.e. Tobacco and manufactured tobacco substitutes



S. No.	Tariff item, sub-heading, or heading or Chapter	Description
4	2202 10 10 	w.e.f. 1-10-2019 AERATED WATER
5	6815 	w.e.f. 1-4-2022 NT No. 14/2019 dated 7.3.2019 Fly ash bricks or fly ash aggregate with 90% or fly ash content; Fly ash blocks
6	6901 00 10 	w.e.f. 1-4-2022 NT No. 14/2019 dated 7.3.2019 Bricks of fossil meals or similar siliceous earths
7	6904 10 00 	w.e.f. 1-4-2022 NT No. 14/2019 dated 7.3.2019 Building Bricks
8	6905 10 00 	w.e.f. 1-4-2022 NT No. 14/2019 dated 7.3.2019 Earthen or roofing tiles

a registered person making **supplies** of the above goods is also not eligible to pay concessional tax under the said notification (i.e. traders who deals with above goods are eligible for composition scheme).

a registered person making **supplies** of the above goods is also not eligible to pay concessional tax under the said notification (i.e. in the case of **Gulab Singh Chauhan** (GST AAR Madhya Pradesh) held that preparation of Gutka in the Pan Shop is akin to manufacture on account of the process of preparation being that of mixing of different bought out ingredients and the resultant product having a distinct name and use. Thus the preparation of Gutka at the Pan Shop for sale is covered in the Second Proviso of Notification No. 14/2019-CT. In the Table given in Notification No. 14/2019-CT both Pan Masala and goods covered under Chapter 24 are listed as goods for which composition cannot be obtained).

- (f) Mandatory display on invoices of the words "composition taxable person, not eligible to collect tax on supplies".
- (g) Mandatory display of the words "Composition Taxable Person" on every notice and signboard displayed at a prominent place.

#### 10.5 Effective date for opting composition Scheme:

Assessee filing intimation	Effective date of composition levy
Form GST CMP-01	Appointed Date
Registered person	Beginning of financial year
Form GST REG-01	Effective date shall be from the date fixed under Rule 10(2) or Rule 10(3) of Chapter III of CGST Rules, 2017.



Assessee filing intimation	Effective date of composition levy
	<p>Rule 10(2) provides that if person has applied for registration within 30 days from the date when he is liable to obtain registration, the effective date is when he is liable to be registered.</p> <p><b>Example:</b> If a person is liable to be registered on 1st Oct. 2017 and he has applied for registration on 17th Oct. 2017, the date of registration will be 1st Oct 2017. As a result, effective date of registration for composition levy is 1st Oct 2017.</p> <p>Rule 10(3) provides that the applicant has submitted an application for registration after the expiry of 30 days from the date of his becoming liable to registration; the effective date of registration shall be the date of the grant of registration.</p> <p><b>Example:</b> If a person is liable to be registered on 1st Oct. 2017 and he has applied for registration on 17th Nov. 2017. Registration granted on 20th Nov. 2017.</p> <p>The effective date of registration will be the date of grant of registration (i.e. 20th Nov. 2017). As a result, effective date of registration will be effective date for opting for composition scheme (i.e. 20th Nov 2017).</p>

**Summary:**

**Example 1:** If a person is liable to be registered on 11th Oct. 2017 and he has applied for registration on 17th Oct. 2017, what is the effective date of registration for composition levy.

**Answer:** Effective date of registration for composition levy is 11th Oct. 2017.

**Example 2:** A person is liable to be registered on 1st Oct. 2017 and he has applied for registration on 17th Nov. 2017. Registration granted on 20th Nov. 2017.

What is the effective date of registration if he wants to opt composition levy?

**Answer:** The effective date of registration will be the date of grant of registration.

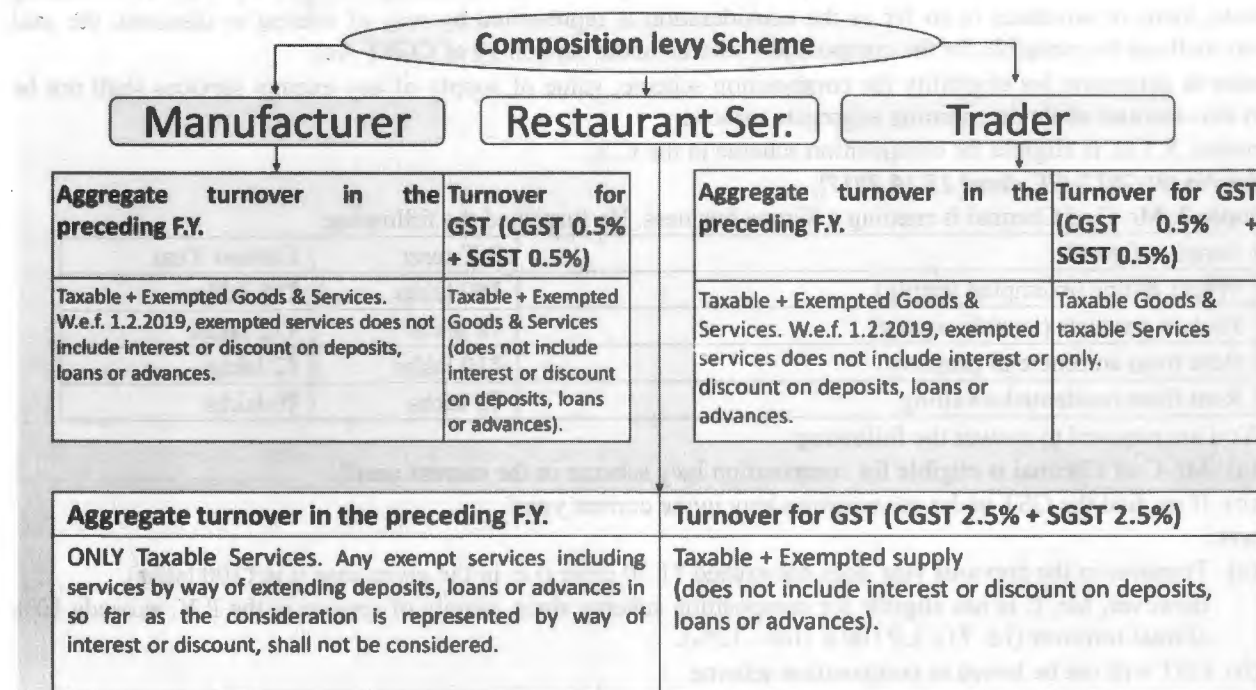
As a result, effective date of registration will be effective date for opting for composition scheme (i.e. 20th Nov., 2017) provided no discrepancies found.

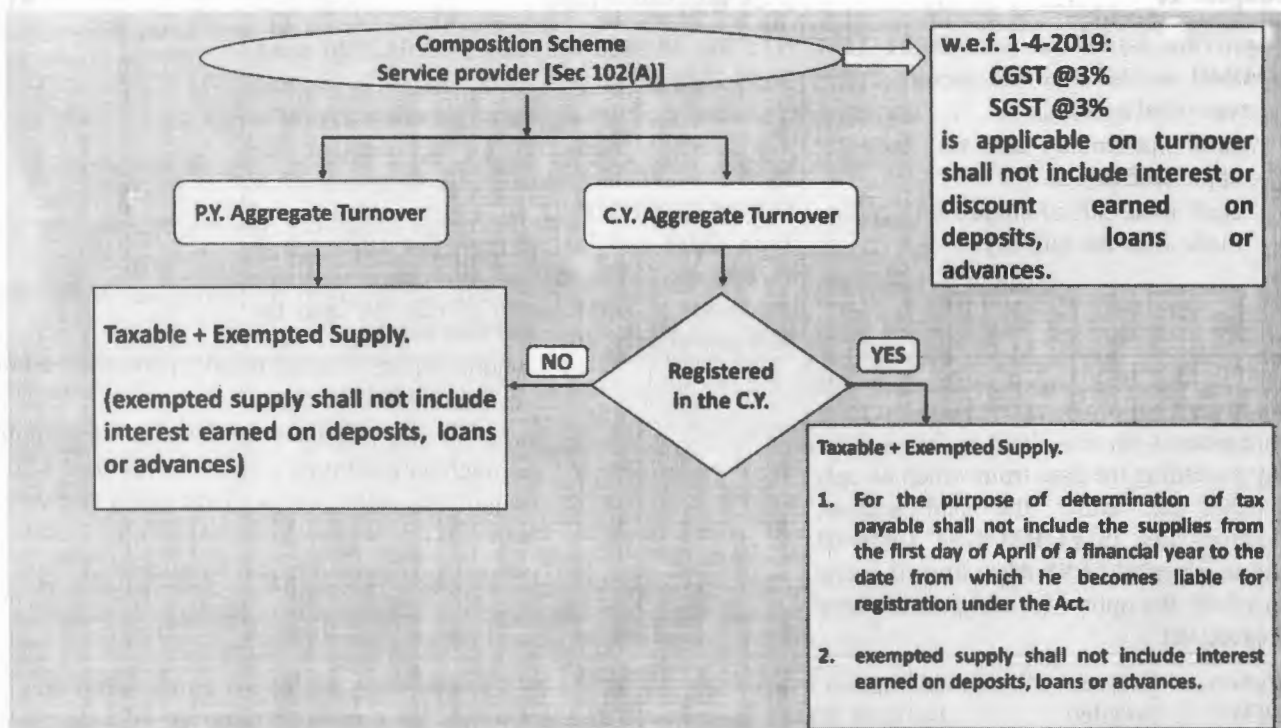
**Intimation for composition levy:**

Persons already registered under Pre-GST regime who opts to pay tax under section 10 (i.e. composition scheme)	Any registered person who opts to pay tax under section 10 of CGST Act, 2017 (i.e. composition scheme)	Any Persons who applied for registration
Shall electronically file an intimation in <b>FORM GST CMP-01</b> , prior to the appointed day, but not later than <b>30 days</b> after the said day, or such further period as may be extended by the Commissioner in this behalf:	<b>Switches from Normal Scheme to Composition Scheme:</b> shall electronically file an intimation in <b>FORM GST CMP-02</b> , prior to the commencement of the financial year for which the option to pay tax under the aforesaid section is exercised and shall furnish the statement in <b>FORM GST ITC-03</b> in accordance with the provisions of subrule (4) of rule 44 within a period of <b>60 days</b> from the commencement of the relevant financial year.	Option to pay tax under section 10 in Part B of <b>FORM GST REG-01</b> , which shall be considered as an intimation to pay tax under the said section.

where the intimation in <b>FORM GST CMP-01</b> is filed after the appointed day, the registered person <ul style="list-style-type: none"> <li>shall not collect any tax from the appointed day</li> <li>shall issue bill of supply for supplies made after the said day</li> </ul>	<b>NT. No. 30/2020-CT, dated 03.04.2020 w.e.f. 31.03.2020:</b> [Provided that any registered person who opts to pay tax under section 10 for the financial year 2020-21 shall electronically file an intimation in <b>FORM GST CMP-02</b> , on or before <b>30th day of June, 2020</b> and shall furnish the statement in <b>FORM GST ITC-03</b> in accordance with the provisions of sub-rule (4) of rule 44 upto the <b>31st day of July, 2020.</b> ]	
shall furnish the details of stock, including the inward supply of goods received from unregistered persons, held by him on the day preceding the date from which he opts to pay tax under the said section, electronically, in <b>FORM GST CMP-03</b> within a period of <b>90 days</b> from the date on which the option for composition levy is exercised		
<b>Section 10(3)</b>	<b>Lapse of Option</b> by Composition dealers	Option availed u/s 10(1)/(2A) by a composition dealer wrt composition levy shall stand lapsed wef date on which his aggregate turnover exceeds the specified limits. If such date falls between 20.3.20 to 30.06.2020, there shall be no extension for such person for switching to regular person.

### 10.6 Composition Rate of Tax





**Example 1:** X Ltd. supplier of following services:

Turnover during the P.Y.:

- restaurant services ₹90 lac
- Interest earned from loans ₹20 lac

Whether X Ltd. is eligible for composition scheme in the C.Y.

**Answer:** Restaurant service and also supplies any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, the said person shall not be ineligible for the composition scheme under section 10 of CGST Act.

In order to determine his eligibility for composition scheme, value of supply of any exempt services shall not be taken into account while determining aggregate turnover.

Therefore, X Ltd. is eligible for composition scheme in the C.Y.

[Order No. 01/2017-CT, dated 13.10.2017]

**Example 2:** Mr. C of Chennai is running a Kirana business. He furnished the following:

Supply of goods	P.Y turer	Current Year
Wheat & rice (exempted supply)	₹80 lakhs	₹88 lakhs
Packed products (taxable supply)	₹8 lakhs	₹12 lakhs
Rent from commercial property	₹10 lakhs	₹2 lakhs
Rent from residential dwelling	₹2 lakhs	₹6 lakhs

You are required to answer the following:

- (a) Mr. C of Chennai is eligible for composition levy scheme in the current year?
- (b) If so, find the GST under composition levy in the current year?

**Answer:**

- (a) Turnover in the previous year does not exceed ₹1.50 crore (i.e. in the given case it is ₹100 lakhs).

However, Mr. C is not eligible for composition scheme since, supply of service in the P.Y. exceeds 10% of total turnover (i.e. ₹12 L/₹100 x 100 = 12%).

- (b) GST will not be levied as composition scheme.

### 10.7 Composition Scheme (latest amendment):

#### New scheme for supplier of services with a tax rate of 6% w.e.f April 1, 2019

The Central Government vide Notification No. 2/2019-Central Tax (Rate) dated 07th March, 2019 notified Composition scheme in case of **intra-State** supply of goods or services or both, at the rate along with the conditions specified below:

Description of supply	CGST Rate	Conditions
First supplies of goods or services or both upto an aggregate turnover of ₹50 lakhs made on or after the 1st day of April in any financial year, by a registered person.	3%	<p>1. Supplies are made by a registered person,—</p> <ul style="list-style-type: none"> <li>(i) whose aggregate turnover in the preceding financial year was ₹50 lakh or below;</li> <li>(ii) who is <b>not eligible</b> to pay tax under sub-section (1) of section 10;</li> <li>(iii) who is <b>not engaged</b> in making any supply which is <b>not leviable to tax</b>;</li> <li>(iv) who is <b>not engaged</b> in making any <b>inter-State</b> outward supply;</li> <li>(v) who is neither a casual taxable person nor a non-resident taxable person;</li> <li>(vi) who is not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52; and</li> <li>(vii) who is not engaged in making supplies of: <ul style="list-style-type: none"> <li>(a) Ice cream and other edible ice, whether or not containing cocoa.</li> <li>(b) Pan masala</li> <li>(c) Tobacco and manufactured tobacco substitutes</li> </ul> </li> </ul> <p>2. Where more than one registered persons are having same PAN, central tax on supplies by all such registered persons is paid at the given rate.</p> <p>3. The registered person <b>shall not collect any tax</b> from the recipient nor shall he be entitled to any credit of input tax.</p> <p>4. The registered person shall issue, instead of tax invoice, a bill of supply.</p> <p>5. The registered person shall mention the following words at the top of the bill of supply, namely:— ‘Taxable person paying tax in terms of Notification No. 2/2019-CT (Rate), dated 07.03.2019, not eligible to collect tax on supplies’.</p> <p>6. Liability to pay central tax at the rate of 3% on all outward supplies <b>notwithstanding any other notification issued</b> under section 9 or section 11 of said Act.</p> <p>7. Liability <b>to pay central tax on inward supplies</b> on reverse charge under sub-section (3) or sub-section (4) of section 9 of said Act.</p> <p><i>Explanation:</i> For the purposes of this notification, the expression “first supplies of goods or services or both” shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act but for the purpose of determination of tax payable under this notification shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.</p>

It may be noted that while computing aggregate turnover in order to determine eligibility of a registered person to pay central tax at the rate of 3%, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.

**Amendment in scheme for supplier of services with a tax rate of 6%:**

The Central Government vide Notification No. 9/2019-Central Tax (R), dated 29th March, 2019 has made following amendments in the Composition scheme in case of intra-State supply of goods or services or both:

- One more condition to avail the scheme has been provided where any registered person who has availed of input tax credit opts to pay tax under this notification, he shall pay an amount, by way of debit in the electronic credit or cash ledger, equivalent to the credit of ITC in respect of inputs held in stock and inputs contained in semi-finished or finished goods in stock and on capital goods as if the supply made under this notification attracts the provisions of section 18(4) of the Act and the rules made there-under and after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.
- Further explanation has been inserted to provide that the Central Goods and Services Tax Rules, 2017, as applicable to a person paying tax under section 10 of the said Act shall, mutatis mutandis, apply to a person paying tax under this notification.

*Example:* X & Co. being a supplier of taxable and exempted services registered under GST law in the State of Maharashtra and furnished the following information pertaining to the preceding financial year:

Particulars	Value (₹ in lakh)
Intra-State supply of taxable output services	22
Intra-State supply of exempted supplies	28
Interest earned on deposits/loans/advances	5

Turnover during 1st quarter of the current financial year of X & Co. is as follows:

Particulars	Value (₹ in lakh)
Intra-State supply of taxable output services	2
Intra-State supply of exempted supplies	8
Interest earned on deposits/loans/advances	5

Find the following:

- X & Co. is eligible to opt composition scheme in the current financial year?
- If so, find the CGST & SGST liability of X & Co. for the 1st quarter of the current financial year?

**Answer:**

**w.e.f. 1-8-2019**

- (1) For the purpose of computing aggregate turnover of a person for determining his eligibility to pay tax under section 10(2A) of CGST Act, 2017, shall not include the value of exempted supply of services provided by way of extending deposits, loans, or advances in so far as the consideration is represented by way of interest or discount.
- (2) For the purpose of determining the tax payable by a person under Section 10(2A) of the CGST Act, 2017 on "turnover" shall not include the value of exempt supply of services provided by way of extending deposits, loans, or advances in so far as the consideration is represented by way of interest or discount.

In the given case turnover in the preceding financial year is as follows:

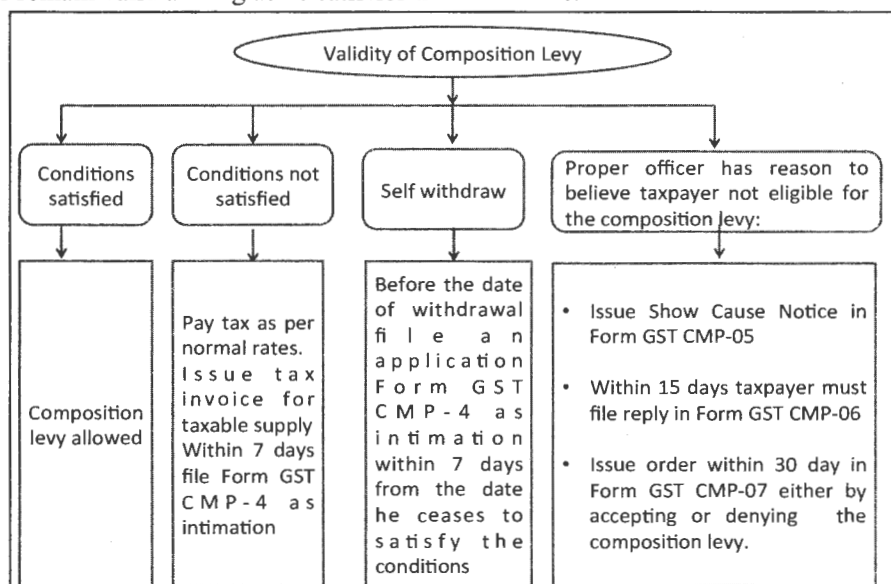
Particulars	Value (₹ in lakh)
Intra-State supply of taxable output services	22
Intra-State supply of exempted supplies	28
Aggregate turnover	50

- Since, aggregate turnover in the preceding financial year did not exceed ₹50 lakh, X & Co. may opt to pay tax under composition scheme in the current financial year.
- GST liability of X & Co., during the 1st quarter of the current financial year:

Particulars	Value (₹ in lakh)
Intra-State supply of taxable output services	2
Intra-State supply of exempted supplies	8
Aggregate turnover	10
CGST 3% on ₹10 lakh	0.30
SGST 3% on ₹10 lakh	0.30

### 10.8 Validity of Composition Levy

As per Rule 6 of Chapter II of CGST Rules, 2017 provides that option exercised by the person to pay tax on composition basis remain valid as long as he satisfies the conditions.



### 10.9 Various Forms for Composition levy assessee:

#### Composition Scheme Rules under GST-Compliance

Sl. No.	Form Required	Purpose	Due date
1.	Form GST CMP-01	To opt for scheme by provisional registration holder	Prior to appointed date or within 30 days of the said date
2.	Form GST CMP-02	Intimation of willingness to opt for scheme by registered person	Prior to the Commencement of Financial Year
3.	Form GST CMP-03	Details of stock and inward supplies from unregistered person	Within 90 days of excise of option
4.	Form GST CMP-04	Intimation of withdrawal from scheme.	Within 7 days of occurring of event. Details of stock and capital goods, are required to file in FORM GST ITC-01 within 30 days of occurring of event.
5.	Form GST CMP-05	SCN on contravention of rules or Act, issued by Proper Officer	On contravention
6.	Form GST CMP-06	Reply to show cause notice	Within 15 days
7.	Form GST CMP-07	Issue of order	Within 30 days
8.	Form GST CMP-08	w.e.f. 1-4-2019: Details of payment of self-assessed tax	18th day of the month succeeding such quarter

The amended rule 62 whose heading has been changed to “Form and manner of submission of statement and return” provides as under:

- (i) Every registered person paying tax under section 10 or paying tax by availing the benefit of Notification No. 02/2019-CT (R), dated 07.03.2019 shall electronically furnish -
  - (a) a statement in the prescribed form (i.e. w.e.f. 1-4-2019 FORM GST CMP-08) containing details of payment of self-assessed tax, for every quarter (or part of the quarter), by 18th day of the month succeeding such quarter; and
  - (b) a return (GSTR 4) for every financial year (or part of the financial year), on or before 30th day of April following the end of such financial year.
- (ii) Every registered person furnishing the statement under sub-rule (1) shall discharge his liability towards tax or interest payable by debiting the electronic cash ledger.
- (iii) The return furnished under sub-rule (1) shall include the- (a) invoice wise inter- State and intra-State inward supplies received from registered and un-registered persons; and (b) consolidated details of outward supplies made.



- (iv) A registered person who has opted to pay tax under section 10 or by availing the benefit of Notification No. 02/2019-CT(R), dated 07.03.2019 from the beginning of a financial year shall, where required, furnish the details of outward and inward supplies and return under rules 59, 60 and 61 relating to the period during which the person was liable to furnish such 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.

Here, the person shall not be eligible to avail ITC on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme or paying tax by availing the benefit of Notification No. 02/2019-CT(R), dated 07.03.2019.

- (v) A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish a statement in the prescribed form for the period for which he has paid tax under the composition scheme till the 18th day of the month succeeding the quarter in which the date of withdrawal falls and furnish GSTR 4 for the said period till the 30th day of April following the end of the financial year during which such withdrawal falls.
- (vi) A registered person who ceases to avail the benefit of Notification No. 02/2019-CT(R), dated 7.03.2019, shall, where required, furnish a statement in the prescribed form for the period for which he has paid tax by availing the benefit under the said notification till the 18th day of the month succeeding the quarter in which the date of cessation takes place and furnish GSTR 4 for the said period till the 30th day of April following the end of the financial year during which such cessation happens.

[Notification No. 20/2019-CT, dated 23.04.2019]