

SURESH K. MITTAL & ASSOCIATES

COMPOSITION LEVY EXPLAINED



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CONDITION TO AVAIL THE SCHEME:

Turnover in the preceding financial year 75 Lacs or less
(Vide notification No 08/2017 dated 27th June, 2017, limit have been increased from 50 Lacs to 75 Lacs except some states*)

RATES:

- * For manufacturing (1% + 1%)
- * For restaurants (2.5% + 2.5%)
- * For others (0.5% + 0.5%)

* See next slide

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SURESH K. MITTAL & ASSOCIATES**Whether Composition Dealer is liable to pay tax under RCM?**

- ▶ As per section 10(1), **Notwithstanding anything to the contrary** contained in this Act, but
- ▶ **subject to the provisions of sub-sections (3) and (4) of section 9**
- ▶ a registered person
- ▶ whose **aggregate turnover** in the **preceding financial year** did not exceed seventy fifty lakh rupees* , may opt to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed

* GST Council has increased the amount from Rs. 50.00 Lakh to Rs.75.00 Lakh by notification 08/2017 dated 27th June, 2017

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IN THE FOLLOWING STATES THE AGGREGATE TURNOVER IN THE PRECEDING FINANCIAL YEAR SHALL NOT EXCEED RS. 50 LACS:

1. Arunachal Pradesh,
2. Assam,
3. Manipur,
4. Meghalaya,
5. Mizoram,
6. Nagaland,
7. Sikkim,
8. Tripura,
9. Himachal Pradesh

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Persons not eligible to opt composition scheme

Supplier of services except restaurant service

Inter-state supplier of goods

Supplying goods through e-commerce operator

Who is engaged in making any supply of goods which are not leviable to tax under this act

Manufacturers of such goods as may be notified

SURESH K. MITTAL & ASSOCIATES**Manufacturers of goods not eligible for composition scheme**

S. No.	Classification (Tariff item / Chapter)	Description
1.	2105 0000	Ice cream and other edible ice, whether or not containing cocoa.
2.	2106 9020	Pan Masala
3.	Chapter 24	Tobacco and manufactured tobacco substitutes

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TAX ON TAXABLE SUPPLY OR TOTAL SUPPLY??

Composite Dealers to pay tax **only on Taxable Supply OR Total Turnover including exempted supply.**

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Vodafone IN 6:31 PM
GST@GoI
1,163 Tweets

Tweets Tweets & replies Media Likes

 **GST@GoI**  @askGST_GoI · 11m
Replying to @cacsvijay
Only taxable sales. twitter.com/cacsvijay/stat...

Ca Vijay @cacsvijay
@askGST_GoI In composition scheme 1% tax levied on whole sales or only taxable sales under gst

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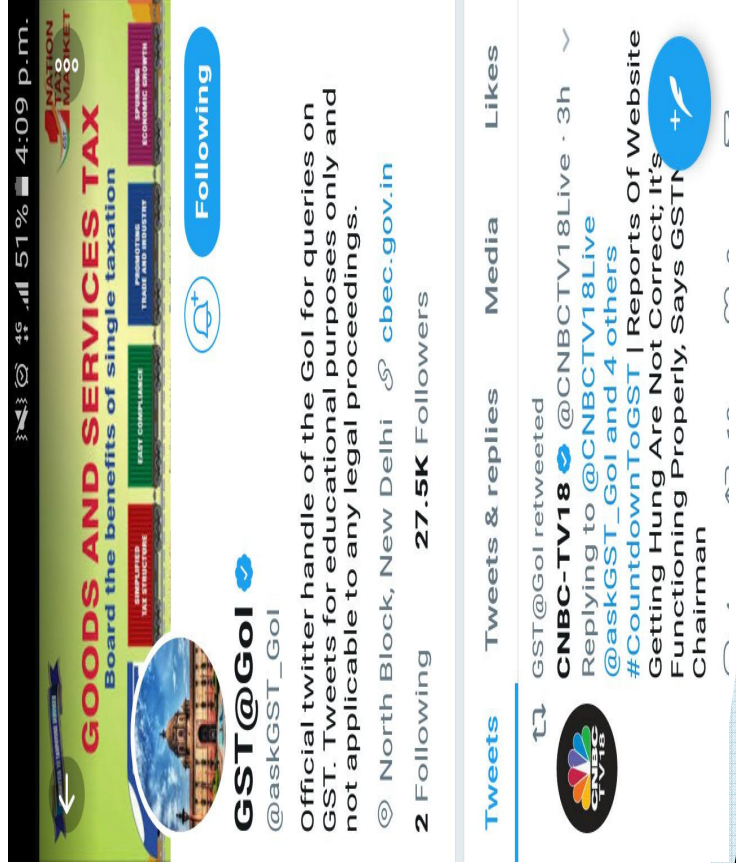
BUT AS PER MY VIEW: Tax should be calculated on Total Turnover

As per Section 10(1), an amount is calculated at prescribed percentage of the **TURNOVER** in State or turnover in Union territory.

Section 2(112) defines “Turnover in State” or “Turnover in Union territory” 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) **and exempt supplies made within a State or Union territory** by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, ~~integrated tax and cess.~~

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Although official twitter handle of GST has also clarified, these answers are only for educational purposes only.



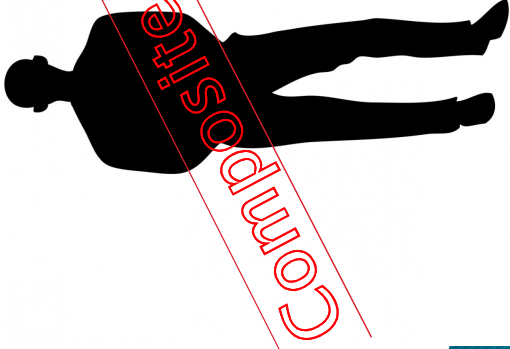
SURESH K. MITTAL & ASSOCIATES**Transition from Composition to Regular Dealers**

A registered person, who was paying tax under Composition Scheme, shall be **entitled to take**, in his electronic credit ledger, **credit** of eligible duties **in respect of inputs held in stock** on the appointed day subject to the following conditions:

- a) Such inputs or goods are used making taxable supplies;
- b) The said registered person is not paying tax under section 10;
- c) The said registered person is eligible for input tax credit on such inputs;
- d) The said registered person is in possession of invoice or other prescribed documents evidencing payment of duty under the existing law in respect of inputs; and
- e) Such invoices or other prescribed documents were issued not earlier than 12 months immediately preceding the appointed day.

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MIGRATION FROM APPOINTED DATE

- 
- The goods held in stock by him on the appointed day have **not been purchased in the course of inter-State trade or imported from a place outside India or received from his branch** or from his agent or principal outside the State, where the option is exercised under sub-rule (1) of rule 1;
 - the goods held in stock by him have **not been purchased from an unregistered supplier** and where purchased, he pays the tax under sub-section (4) of section 9 ;

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CONDITIONS TO FOLLOW UNDER THIS SCHEME

- 
- The Person who opt to pay tax under composition scheme **cannot collect tax.**
 - All persons with **same PAN shall opt to pay or not to pay** under composition scheme.
 - During the year if **aggregate turnover exceeds limit specified**, shall pay tax u/s 9 from that day.
 - If one who was not eligible for scheme but opted same, he shall be liable to pay penalty u/s 73 or 74, besides tax under other provisions of Act

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CONDITIONS TO FOLLOW UNDER THIS SCHEME



- Composite Dealer – Neither a casual taxable person nor a non resident person
- RP 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; and
- RP shall mention the words “Composition taxable person” on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.

FILING OF RETURNS FOR COMPOSITE DEALERS

- Taxable Person liable to pay tax under composition scheme shall file return of inward supply, tax payable, tax paid etc by 18th of the end of the Quarter.
- GSTR 4A & 4 For composition person shall contain
- Inward supplies invoice wise detail (whether interstate or intra, from RP) and consolidated detail of outward supplies
- Debit and Credit Notes Received

Annual Return



- A Person paying tax under composition scheme, shall file Annual Return in **GSTR-9A**.
- The Invoices shall be issued with prescribed particulars. In case of supply of < Rs. 200/- to **URP**, the supplier can issue a *consolidated invoice* at the close of each day

Availability of Credit

Ceases to pay tax under section 10



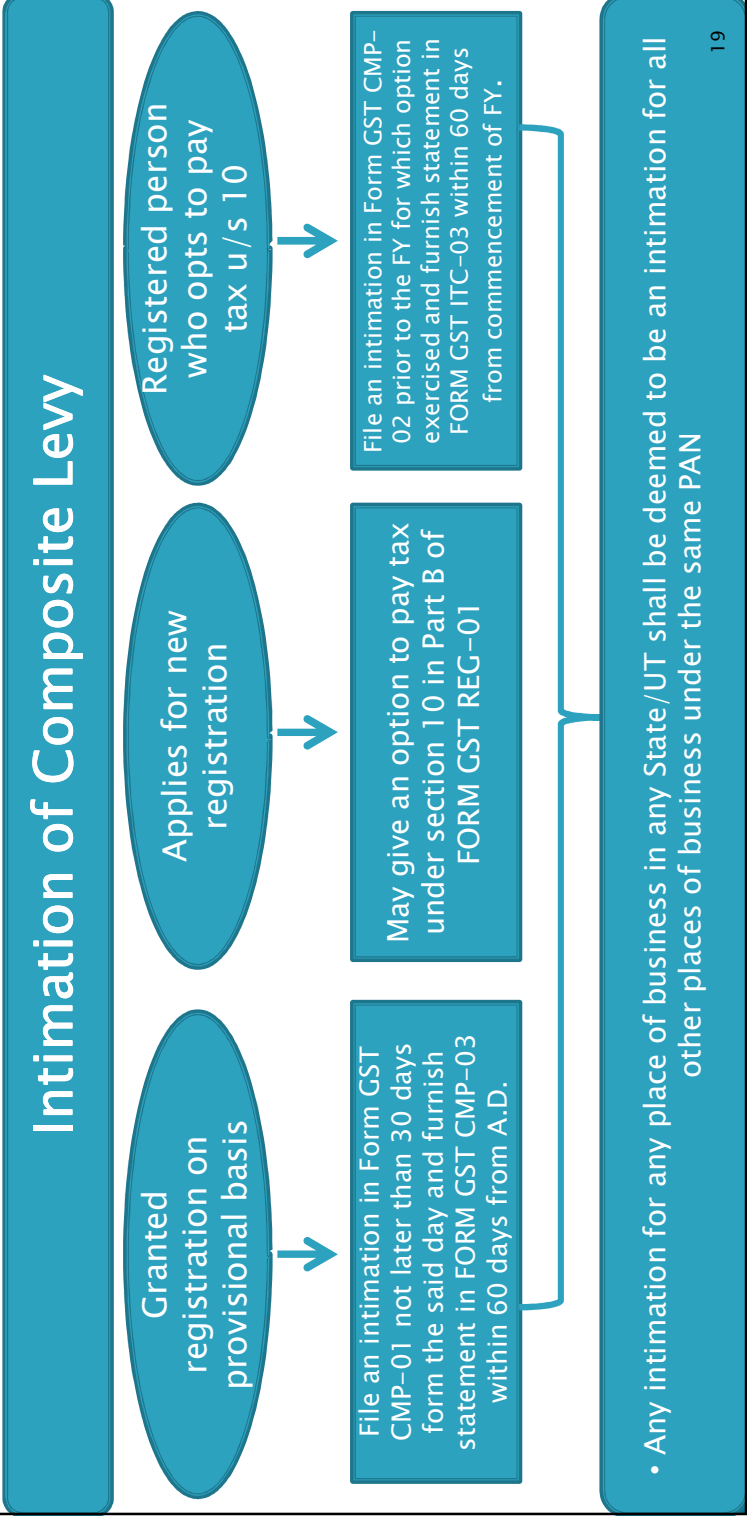
Entitled to take credit of input tax in respect of goods held in stock and on capital goods on date immediately preceding the date from which he becomes liable to pay tax under Section 9.

Opt to pay tax under section 10



Pay an amount by way of debit in electronic cash/credit ledger equivalent to the amount of ITC held in stock and capital goods reduced by such percentage points as maybe prescribed.

COMPOSITION RULES



Effective Date for Composition Levy

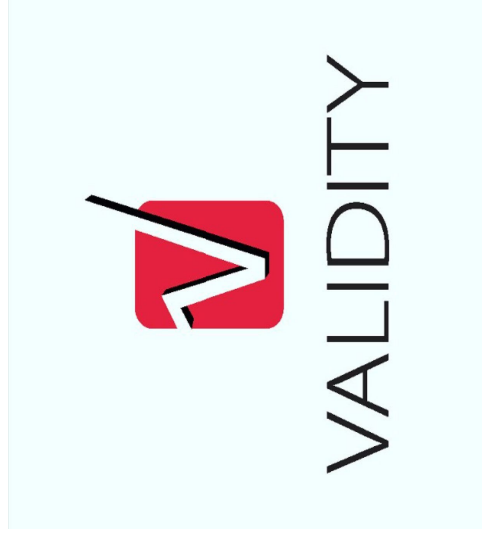
S. No.	Particulars	Effective Date
1.	Registration on provisional basis	Appointed day where intimation is filed
2.	Registered person who opts to pay tax under this scheme	Beginning of the financial year where intimation is filed
3.	New Registration	Sub-rule (2) or (3) of Rule 3 of Registration Rules and the intimation shall be considered only after grant of registration to the applicant.

Validity of Composition Levy



- a. The option exercised by a registered person to pay tax under section 10 shall remain valid so long as he satisfies all the conditions mentioned in the said section and these rules
- b. The person referred above shall be liable to pay tax from the day **he ceases to satisfy any of the conditions** mentioned in section 10 or these rules then he shall issue tax invoice for every taxable supply made thereafter and he shall also file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within seven days of occurrence of such event.
- c. The registered person **who intends to withdraw** from the composition scheme shall, before the date of such withdrawal, file an application in **FORM GST CMP-04**.

Validity of Composition Levy



- d. Where the proper officer has **reasons to believe** that the registered person was **not eligible to pay tax** under section 10 or has **contravened** the provisions of the Act or these rules, he may issue a notice to such person in **FORM GST CMP-05** to show cause **within fifteen days** of the receipt of such notice as to why option to pay tax under section 10 should not be denied.
- e. Upon **receipt of reply** to the show cause notice issued under sub-rule (4) from the registered person in **FORM GST CMP-06**, the proper officer shall issue an order in **FORM GST CMP-07** **within thirty days of receipt of such reply**, either accepting the reply, or denying the option to pay tax under section 10 from the date of option or from the date of the event concerning such contravention, as the case may be.

Validity of Composition Levy

- f. Every person who has furnished an intimation under sub-rule (2) or filed an application for **withdrawal** under sub-rule (3) or a person in respect of whom an **order of withdrawal** of option has been passed in FORM GST CMP-07 under sub-rule (5), may electronically furnish a statement in **FORM GST ITC-01** containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn or denied, **within 30 days**, from the date from which the option is withdrawn or from the date of order passed in FORM GST CMP-07, as the case may be.



Validity of Composition Levy

- g. Any intimation or application for withdrawal under sub-rule (2) or (3) or denial of the option to pay tax under section 10 in accordance with sub-rule (5) in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.



VALIDITY

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By : SURESH K. MITTAL & ASSOCIATES
Contact No. 9810375030
Mail ID: s_mca@rediffmail.com

5270960
Michael Filippo | Dreamstime.com