

Facts to know about Composition Levy under GST

Facts about Composition scheme under Good and Services Tax:

The Government of India successfully rolled out the [Goods and Services](#) Act from July 2017 and also it tries to eliminate the cascading effects from Indirect taxes to pass the benefits to the ultimate consumers of Goods and Services.

The Goods and Services Tax Act urges to maintain the proper books of Accounts and follow the rules and regulations more prominent. Further the Goods and Services tax also gives some relaxation to the Small scale businesses who have the turnover of Rs.75 lakhs or below in the preceding financial year (Rs.50 Lakhs or below in specified states by the GST Act) can opt for the composition scheme under the GST Act. It is an optional scheme for the small scale business have the turnover mentioned above to get some relaxation from the stringent procedures.

Who cannot opt for this [Composition Scheme Under GST](#)?

1. Registered Business whose turnover crossed above Rs.75 lakhs in the previous financial year.
2. A casual taxable person
3. Manufacturers, Dealers, traders have an annual turnover of more than Rs.75 Lakhs
4. Manufacturers of Ice cream and other edible ice, Pan Masala, tobacco and manufactured tobacco substitutes.
5. Service Providers other than Restaurant services
6. Suppliers making supplies Inter State, Non-taxable goods or supplies through E-commerce and required to collect tax on supply.
7. Non-resident suppliers under GST
8. Persons purchased goods on Reverse charge mechanism from unregistered suppliers

How the turnover will be calculated for opting this scheme?

Turnover of the business to be an aggregate of all supplies made by the taxpayer on all over India basis (Inclusive of Freebies, Exempted services, Exported services, taxable services under a PAN) But excludes the supplies on RCM.

When the tax payer can opt for this composition scheme under GST?

It can be opted by filing form **GST CMP-02** online,

1. At the time of getting registered under GST Act or

2. Opt prior to the beginning of any financial year

What conditions to be followed after opting for composition scheme under GST?

1. The taxpayer who opted for composition scheme under GST can only issue bill of supply instead of Tax invoice
2. He has to mention in the bill of supply as "**composition taxable person, not eligible to collect tax on supplies**"
3. He should mention "**composition taxable person**" in the sign boards and notice boards at the principal place of business and all other additional business places.
4. Violating the Composition scheme attracts severe penalty and Interest.

What is the due date to pay tax under composition scheme?

The Taxpayer should pay the actual levy of tax on or before 18th of succeeding month followed by the quarter during the period of supply.

What form and when to be filed under composition scheme?

Form GSTR-4 has to be filed electronically on or before 18th of the succeeding month followed by the quarter during the period of supply which contains the turnover information and inward supplies of goods and services, tax payable to the relevant period on quarterly basis.

Is there any possibility to withdraw from this composition scheme?

Yes, the registered taxpayer can withdraw from the composition scheme by filing **form GST CMP-04**, further the option of Composition scheme or withdrawing from composition scheme under GST will apply to all the business activity handled by the taxpayer throughout India under one PAN. The taxpayer cannot withdraw the composition scheme only for a particular state or from a particular business activity.

When we can get the input tax credit under composition scheme?

Usually the Input tax Credit benefits not available for the taxpayer who opted for composition scheme under the GST. Any person can get the Input tax credit only when he crossed the turnover of Rs.75 Lakhs by filing a withdrawal form within 7 days from the day of crossing the maximum turnover or after filing voluntary withdrawal **form GST CMP-04** along with **FORM GST ITC-01** containing the details of stocks available at the time of withdrawal.

Whether reverse charge mechanism will apply under composition scheme?

Yes, Even opting under the composition scheme of GST, the taxpayer who purchase goods from unregistered dealer for their business purpose should pay the tax on specified rates as per the

GST laws and he cannot get the input tax benefits regarding to the payment of taxes on purchases of inputs under RCM.

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