

GOODS & SERVICE TAX (GST)

FREQUENTLY ASKED QUESTION ON COMPOSITION SCHEME

1. Who can opt for composition scheme?

Ans. A taxpayer whose turnover did not exceed upto Rs 1.5 crore can opt for Composition Scheme. In case of Special Category of States / UTs, the limit is now Rs 75 lakh.

2. Who can not opt for composition scheme?

Ans. The following people can not opt for the scheme-

- Manufacturer of ice cream, pan masala, or tobacco
- A person making inter-state supplies
- A casual taxable person or a non-resident taxable person
- Businesses which supply goods through an e-commerce operator

3. What are the conditions for availing Composition Scheme?

Ans. The following conditions must be satisfied in order to opt for composition scheme:

- No Input Tax Credit can be claimed by a taxpayer opting for composition scheme
- The taxpayer cannot supply goods not taxable under GST such as alcohol.
- The taxpayer has to pay tax at normal rates for transactions under the 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 bill of supply and 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.
- As per the TSGST (Amendment) Act, 2018, a manufacturer or trader can now also supply services to an extent of ten percent of turnover, or Rs.5 lakhs, whichever is higher. This amendment will be applicable from the 1st of Feb, 2019.

4. How can a taxpayer opt for composition scheme?

Ans. To opt for composition scheme a taxpayer has to file Form GST CMP-02 with the government. This can be done online by logging into the GST Portal.

This intimation should be given at the beginning of every Financial Year by a taxpayer wanting to opt for Composition Scheme.

5. Can a person paying tax under the composition scheme issue a tax invoice under GST?

Ans. No. He can issue a bill of supply in lieu of tax invoice.

6. How will the aggregate turnover be computed for the purpose of composition scheme?

Ans. Aggregate turnover will be computed on the basis of turnover on an all India basis and will include value of all taxable supplies, exempt supplies and exports made by all persons with same PAN, but would exclude inward supplies under reverse charge as well as Central, State/Union Territory and Integrated taxes and Cess.

7. Can the option to pay tax under composition levy be exercised at any time of the year?

Ans. No. The option is required to be given electronically in FORM GST CMP-02, prior to the commencement of the relevant financial year.

8. In case a person has registration in multiple states, Can he opt for payment of tax under composition levy only in one state and not in other state?

Ans. The option to pay tax under composition scheme will have to be exercised for all States.

9. Can supplier of Services opt for composition levy?

Ans. No, the only exception being supplier of restaurant services.

But supplies of goods or services or both upto an Aggregate Turnover of Rs.50 lakh made on or after the 1st day of April in any financial year, by a registered person may opt for composition scheme. This option come into force on the 1st day of 2019 and rate of tax 3% CGST & 3% SGST.

10. Are monthly returns required to be filed by the person opting to pay tax under the composition scheme?

Ans. No. Such persons need to electronically file quarterly returns in Form CMP-08 on the GST common portal by the 18th of the month succeeding the quarter. For example, return in respect of supplies made during July, 2017 to September, 2017 is required to be filed by 18th October, 2017.