

GST COMPOSITION SCHEME

Composition Scheme is a simple and easy scheme under GST for small taxpayers. Small taxpayers can pay GST at a fixed rate of turnover. This scheme can be opted by any taxpayer whose turnover is less than Rs.1.5 crore (Rs.75 lakh for certain states).

Advantages: The following are the advantages of registering under composition scheme:

- Lesser compliance (returns, maintaining books of record, issuance of invoices)
- Limited tax liability
- High liquidity as taxes are at a lower rate

Disadvantages: Below are the disadvantages of registering under GST composition scheme:

- A limited territory of business since the dealer is barred from carrying out inter-state transactions
- No Input Tax Credit available to composition dealers
- Not eligible to supply exempt goods
- Not eligible to supply goods through an e-commerce portal

Eligibility for the Scheme: A taxpayer whose turnover is below Rs 1.5 crore can opt for Composition Scheme. In case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75 lakh. Turnover of all businesses carried under the same PAN should be taken into consideration to calculate turnover.

The following conditions must be satisfied in order to opt for the scheme:

- No Input Tax Credit can be claimed by a dealer opting for composition scheme.
- The dealer cannot supply GST exempted goods.
- 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 notice or 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.
- A manufacturer or trader can now also supply services to an extent of 10% of turnover, or Rs.5 lakhs, whichever is higher.

The following people cannot 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

How to Opt for the scheme: To opt for composition scheme a taxpayer has to file GST CMP-02 with the government. This intimation should be given at the beginning of every Financial Year by a dealer wanting to opt for Composition Scheme.

Issue of 'Bill of Supply' by composition dealer: A composition dealer cannot issue a tax invoice because a composition dealer cannot charge tax from their customers. They need to pay tax out of their own pocket. Hence, the dealer has to issue a Bill of Supply. The dealer should also mention "composition taxable person, not eligible to collect tax on supplies" at the top of the Bill of Supply.

GST rates for a composition dealer: Following are the rate of tax on turnover applicable for composition dealers:

Type of Business	CGST %	SGST %
Manufacturer and Traders (Goods)	0.5%	0.5%
Restaurants not serving alcohol	2.5%	2.5%
Other Service Providers	3%	3%

GST Payment: The GST payment to be made by a composition dealer comprises of the following:

- GST on supplies made
- Tax on reverse charge
- Tax on purchase from an unregistered dealer

GST Returns: A dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of the quarter. Also, an annual return GSTR-9A has to be filed by 31st December of next financial year.

Maintenance of Records: A dealer registered under composition scheme is not required to maintain detailed records.

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