



# ALL ABOUT COMPOSITION SCHEME UNDER GST

**CA. SACHIN KUMAR JAIN**  
Senior Partner, Sachin K Jain & Co.

## Target Industry Sector:

Section 10 of CGST Act, 2017 specifies the basic requirement towards eligibility and applicability of the Composition scheme. Intent of this scheme is to facilitate small Business personnel towards payment of taxes, periodicity of filing simple returns and less burden of Books of Accounts maintenance. One lacuna with the scheme proposed under GST about this scheme is towards its restriction imposed on the Business boundary to be within the state registered. Accordingly, small business people can't compete across the nation by getting registration under composition. If they have to do so, regular registration is the only choice available by making the level playing field at par with other persons registered. Currently, every manufacturer or a restaurant or a trader have been facilitated to opt for this scheme on the basis of the threshold limit eligible.

Recent Central council 23rd discussion has given some relaxation for entry/compliance under the composition scheme which is yet to be notified.

## Eligibility:

Current provisions prescribed a limit of ₹1 crore as the threshold limit for eligibility of Composition scheme as per Notification 46/2017 Central Tax Others. Such person, whose Turnover during a Financial year should be within the limit specified as per Section 10 of CGST Act, 2017

**The above threshold limit for composition scheme has increased to ₹ 1.5 crores.**

## Terms & Conditions – Reference Chapter II of CGST Rules, 2017

Furnishing details of stock prior to the day opting for Composition along with Inward supply of goods received from Unregistered Person held in the stock for payment of Tax under Section 9(4) Reference to Notification 38/2017 CTR dtd:13.10.2017 gives a relief from above provision of purchases made from Un Registered person Composition scheme applicable either from the commencement of Financial Year or from the date opted in Form GSTCMP-02

- Cannot opt for Casual Taxable Person nor a Non-Resident Taxable person
- Closing stock held on the Appointed day have not been purchased in the course of Inter-State Trade or commerce or Imported from place outside India or received from a branch situated outside state
- Tax shall be paid on Inward Supply as per Section 9(3) on goods or services
- Not a Manufacturer of goods notified as per Section 10(2)(e) [not yet notified]
- Shall issue a Bill of Supply for the Supply of Goods/Services
- Bill of Supply shall carry "composition taxable person, not eligible to collect tax on supplies"

Currently few items not eligible if undertaken for Manufacture are as below:

Tariff Heading	Description
21050000	Ice cream and other edible ice, whether or not containing coca
21069020	Pan masala
24	All goods

Validity under composition shall expire if the Registered Person fails to comply with the Rules as per above or Section 10

Rates currently in vogue for Composition scheme are as below:

Category	Rate	Revised Rate after 23 <sup>rd</sup> Meeting
Manufacturer	2%	1%
Restaurant	5%	5%
Other supplies	1%	1%

### Returns filing & Payment of Tax:

A registered person opting for Composition scheme shall file his periodical return in form GSTR04. As per the latest notification 59/2017 dated: 15.11.2017 has extended the time period for filing the return for the Quarter ending on September 2017 shall be 24.12.2017.

Section 39 of the Act stipulates payment of Tax by a person Registered under Composition should be made within eighteen days from the end of the quarter relevant to which a return to be filed in the form GSTR04.

**As per notification dated 01.01.2018, turnover in case of traders has been defined as 'Turnover of taxable supplies of goods'.**

### Books of Accounts:

Section 35 of the CGST Act, 2017 read with Rule 56 of CGSTR Rules, 2017 refers to the relevant Books of Accounts to be Maintained and the specific time period of their retention at the Principal Place of Business.

Relaxation has been provided to the Composition Registered person from maintenance of Stock records in respect of Inward & Outward Supplies made. However, there exists clarity missing in respect of the Manufacturer opting for composition scheme whether to maintain Production records as per the Rules formulated or not required.

### Various Forms relevant for Composition scheme:

Below are the forms relevant forms in general for the composition scheme:

Form GSTRCMP - 01	Intimation to pay tax under Section 10 [For Person Migrated from Old law to GST]
Form GSTRCMP - 02	Intimation to pay tax under Section 10 [For fresh registrations under GST law]
Form GSTRCMP - 03	Intimation of details of Stock on date of Opting for Composition levy [only for Migrated Registrants]
Form GSTRCMP - 04	Intimation/ Application for withdrawal from Composition levy

### Challenges under Composition Scheme:

- Services can't be rendered by a Person who opts Composition scheme. Recent GST council meeting 23rd Session for decision to permit upto ₹5 lakhs as a permissible value of Service Income allowed is yet to be notified.
- Supply of goods non-taxable to GSTs shall cause the registered person under Composition

scheme to opt out of composition and get into normal registration even if done by mistake.

- Supply of goods in the course of Inter-State Trade or Commerce is not permitted under composition scheme. Exploring Business options outside the residing state is ruled out for a Composition Registered Person.
- Purchases made by the composition person from Registered Persons are not made available for view purpose as of today on the GSTN portal which is supposed to be an auto populate in GSTR4A. This shall cause the Registered person to have a dis-belief that all the purchases made from Registered person have complied properly with respect to filing of returns & payment of taxes.