

# COMPOSITION LEVY

**By: CA Piyush Bansal**

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1.50 Crores (75 Lakh for North Eastern States & Utrakhand) w.e.f. 1.4.2019  
vide Notification No. 14/2019

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 **fifty Lakh rupees**, may opt to pay, in lieu of the tax payable by him under **sub-section (1) of section (9)**, an amount calculated at such rate as may be prescribed, but not exceeding:

A

- **One per cent** of the turnover in State or turnover in Union territory in case of a manufacturer

B

- **two and a half per cent.** of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and

C

- **half per cent.** of the turnover in State or turnover in Union territory in case of other suppliers,
- subject to such conditions and restrictions as may be prescribed

Half % vide NN 03/2018 CT dt.  
23/01/2018

## CGST Amendment Act, 2018

w.e.f. 1.2.2019



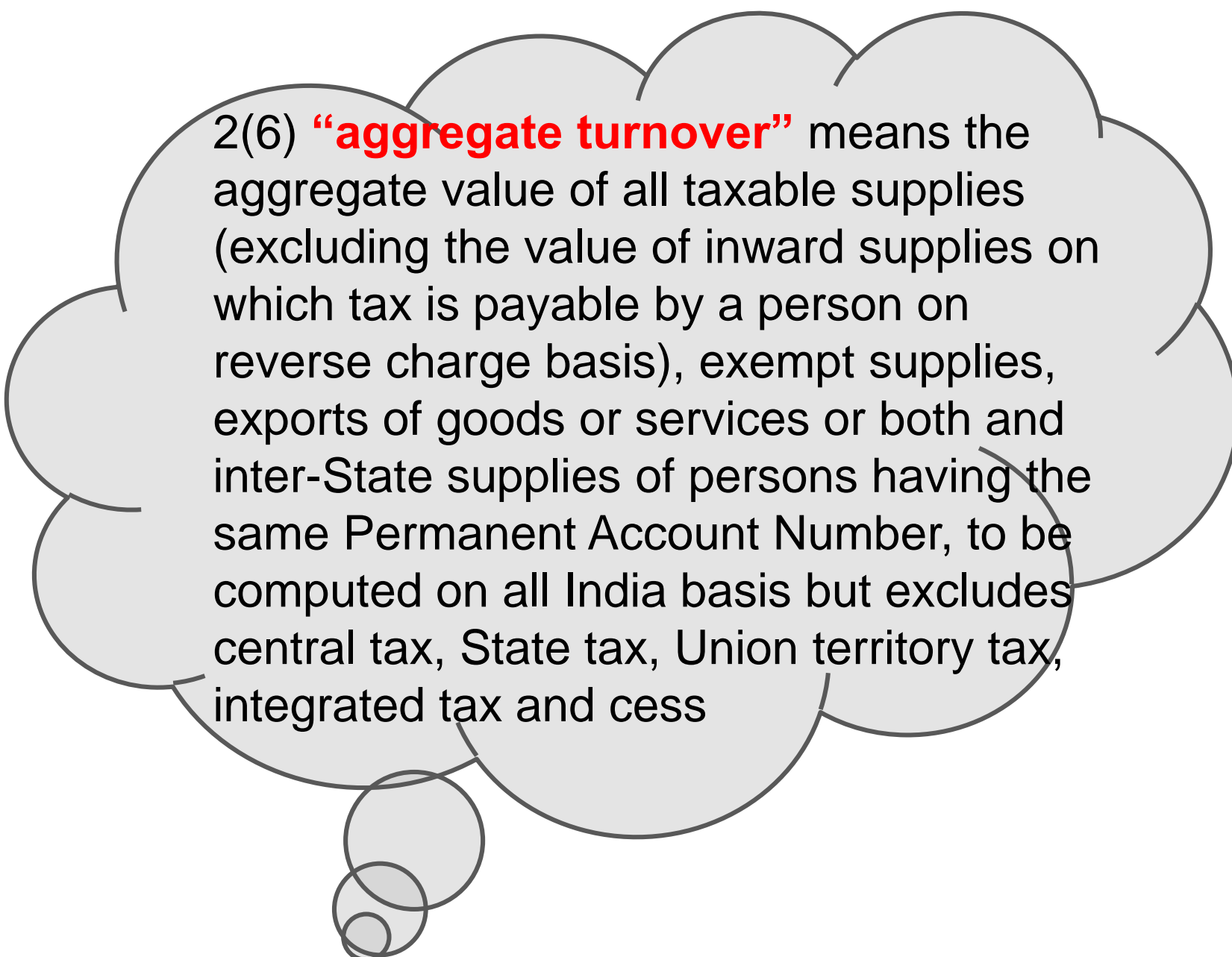
“Provided further that a person who opts to pay tax under clause (a) or clause (b) or clause (c) may supply **services** (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value **not exceeding ten per cent.** of turnover in a State or Union territory in the preceding financial year **or five lakh rupees**, whichever is **higher**.

## Finance (No. 2) Act, 2019

w.e.f. 1.1.2020



“Explanation.— For the purposes of second proviso, the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of **interest or discount shall not be** taken into account for determining the value of turnover in a State or Union territory.”



2(6) **“aggregate turnover”** 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), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess

**(2) The registered person shall be **eligible** to opt under sub-section (1), if: —**

A. Save as provided in sub-section (1) he is **not** engaged in the supply of **services**;

B. He is not engaged in making any supply of goods or services **which are not leviable to tax** under this Act;

**Alcoholic Liquor  
for Human  
Consumption,  
HSD, MS etc.**

C. He is not engaged in making any **inter-State outward supplies** of goods or services;

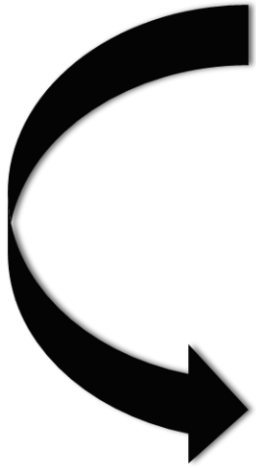
**Job Work  
???**

D. He is not engaged in making any supply of goods or services **through an electronic commerce operator** who is required to **collect tax at source under section 52**;

Ice Cream, Pan  
Masala,  
Tobacco,  
Aerated Water

E. He is **not a manufacturer** of such **goods as may be notified** by the Government on the recommendations of the Council; and

F. He is neither a **casual taxable person** nor a **non-resident taxable person**



Provided that where **more than one registered persons** are having the **same Permanent Account Number** (issued under the Income-tax Act, 1961), the registered person shall not be eligible to opt for the scheme **under sub-section (1) unless** all such registered persons opt to pay tax under that sub-section.

# ILLUSTRATION

A company has the following businesses **separately** registered:

- Sale of mobile devices (Registered in Haryana)
- Franchisee of branded restaurant (Registered in Delhi)

The scheme would be applicable for the **said 2 units**. The company cannot opt for composition scheme for the registration in One state and opt to pay taxes under the regular scheme for the registration in Other state. **Composition Scheme is Qua Person and not qua class of goods**



**1. Suresh, running a trading unit opted for composition scheme for the year 2020-21. He availed service of GTA. Whether he is required to pay tax under reverse charge under Section 9(3) of CGST Act, 2017 since he would not be getting any input tax credit of the taxes paid**

**YES**

**2. Rate of Reverse Charge in Above Case?**

**3. . A person has two establishments i.e. in Uttarakhand and Rajasthan. The turnover in Rajasthan is Rs 60 Lakh and turnover in Uttarakhand is Rs 30 Lakh. Can he opt for Composition Scheme in Rajasthan?**

**Answer:  
Applicable rate  
on GTA and not  
composition  
Scheme rate.**

**Answer: No**

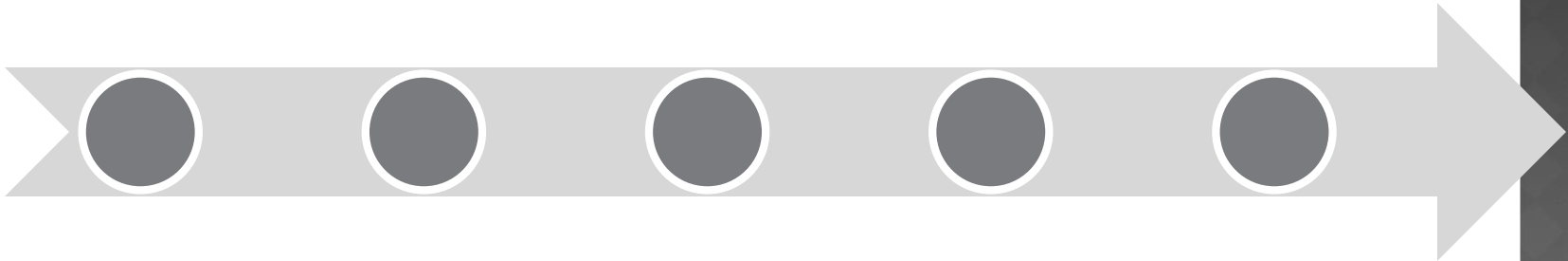
# SPECIAL SCHEME FOR SERVICE PROVIDERS

(2A) **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, **not eligible to opt to pay tax under sub-section (1) and sub-section (2)**, whose **aggregate turnover** in the preceding financial year did not exceed **fifty lakh rupees**, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate as may be prescribed, but not exceeding **three per cent.** of the turnover in State or turnover in Union territory, **if he is not**

Engaged in making any supply of goods or services which are not leviable to tax under this Act;

Engaged in making any supply of goods or services through an **electronic commerce operator** who is required to collect tax at source under section 52;

**A casual taxable person or a non-resident taxable person:**



Engaged in making any **inter-State outward supplies** of goods or services;

A **manufacturer** of such goods or supplier of such services as may be **notified** by the Government on the recommendations of the Council; and

**1. Take the case of a doctor having Hospital as well as Medical Shop. His turnover from hospital is Rs. 100 Lac and from Medicine Shop is 60 Lac. Is he eligible for Composition Scheme?**

**2. If his turnover from hospital is Rs. 80 Lac and from Medicine Shop is 40 Lac.**

**3. If his turnover from hospital is Rs. 10 Lac and from Medicine Shop is 120 Lac.**

# Conditions for Composition Scheme:

No tax can be collected;

**Selling on MRP**

No Input Tax Credit available.

To issue bill of Supply instead of Tax Invoice

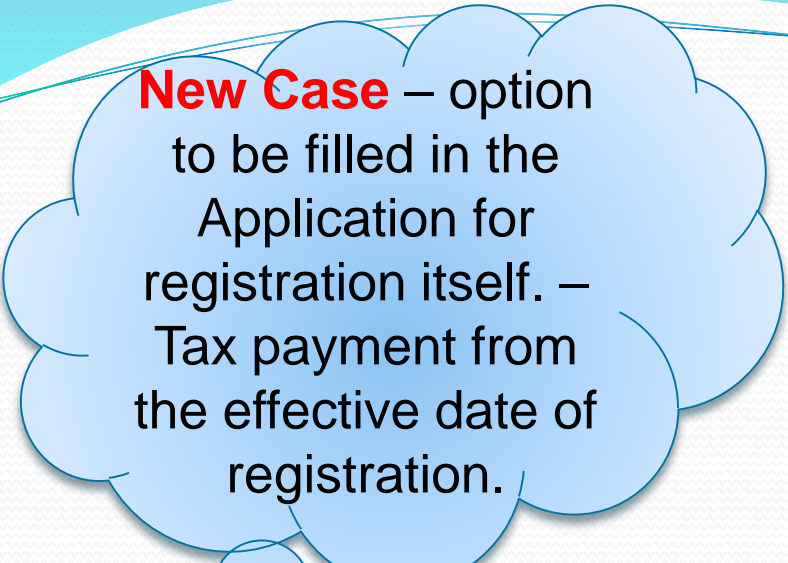
To mention the words **“composition taxable person, not eligible to collect tax on supplies”** at the top of the bill of supply issued.

To mention the words **“Composition taxable person”** on every notice or signboard



- Migration cases

Application to be filed in Form *GST CMP 01* prior to appointed day (Max in 30 days or extended period 16.08.2017)  
– Tax payment from the appointed date - To file *GST CMP 03* within 90 days extended by NN 22/2017 dated 17.8.2017 specifying details of stock in hand received from registered and un-registered persons.



**New Case** – option to be filled in the Application for registration itself. – Tax payment from the effective date of registration.



**Shifting from Normal to Composition** –  
Form *GST CMP 02*

- Prior to commencement of the year
- Tax payment from the commencement of the year
- To file *GST ITC 3* within 60 days specifying details of stock in hand and Capital Goods
- reversal/ payment of ITC.



## **Shifting from Normal to Composition – reversal/ payment of ITC**

- For Stock / Inputs - proportionately on the basis of corresponding invoices on which credit had been availed.**
- For Capital Goods - the input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years**

**Any Balance of ITC lying in Electronic credit ledger shall lapse.**



**Capital goods** have been in use for 4 years, 6 month and 15 days.

**If Value of Capital Goods = 100000**

**And ITC taken on Such Capital Goods @ 28% = 28000**

**Calculate ITC to be reversed**

**The useful remaining life in months= 5 months ignoring part of month**

**Input tax credit taken on such capital goods= 28000**

**Input tax credit attributable to remaining useful life= 28000 \* 5/60**

**Then ITC to be reversed / Paid = Rs. 2333**



## **Withdrawal from Composition Scheme – *Form GST CMP 04***

**– Due to non compliance of eligibility Conditions: –**

**Intimation with in 7 days of occurrence of event.**

**– Otherwise: – Intimation before the date of withdrawal**



**Cancellation by officer –  
After giving proper show  
cause notice & Hearing**



## **ITC Eligibility**

**– to file *GST ITC 01* – details of Stock , Inputs and Capital Goods with in 30 days from date of withdrawal or order.**

**ITC on Capital goods shall be claimed after reducing the tax paid on such capital goods by **five percentage points per quarter** of a year or part thereof from the date of invoice.**

**Capital goods** have been in use for 4 years, 6 month and 15 days.

**If Value of Capital Goods = 100000**

**And GST Paid on Such Capital Goods @ 28% = 28000**

**Calculate ITC to be claimed**

**Quarters Lapsed = 19 quarters**

**GST Reduced =  $19 * 5 = 95$  Basis Points**

**Balance Left =  $100 - 95 = 5$  Basis Point**

**Input tax credit attributable to remaining useful life =  $28000 * 5/100$**

**Then ITC to be Claimed = Rs. 1400**





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