

COMPOSITION LEVY UNDER GST – AN OVERVIEW

1. Eligibility/ Conditions for availing Composition Levy?

- a. **Turnover Limit:** A registered person whose aggregate turnover in the preceding financial year did not exceed Rs.75 Lakhs (or Rs.50 Lakhs in case of specified states) can opt to pay tax under Composition Scheme.

Aggregate Turnover: includes value of all taxable supplies, exempted supplies, export supplies but does not include value of supply on which tax is paid under RCM and taxes levied under GST.

Specified States: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh.

- b. He is neither a casual taxable person nor a non-resident taxable person.
- c. The goods held in stock by him on the appointed date have not includes:
- i. Purchases made from outside the state.
 - ii. Import from outside India.
 - iii. Goods received from branch situated outside the state or from agent or principal situated outside the state.
- d. The goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under Reverse Charge.
- e. He is required to pay tax under RCM from supply of goods or services or both to unregistered persons.
- f. He was not engaged in the manufacturing of goods as notified by the government during the preceding FY.

Manufacturers not eligible to opt for composition scheme who are engaged in the manufacturing of below goods during the preceding FY:

S. No.	Tariff heading, heading or chapter	Description
1	2105 00 00	Ice cream and other edible ice, whether or not containing cocoa
2	2106 90 20	Pan masala
3	24	All goods, i.e. tobacco and manufactured tobacco substitutes

- g. He shall mention the words **“Composition taxable person, not eligible to collect tax on supplies”** at the top of **“Bill of Supply”** issued by him.
- h. He shall mention the words **“composition taxable person”** on every notice and signboard displays at a prominent place at his principle place of business and at every additional place(s) of business.

2. Restrictions/ Limitation

- a. The composition taxable person cannot effect inter-state supplies, however inter-state purchases are permitted.
- b. The composition taxable person cannot make a supply of goods through Electronic Commerce Operator i.e. Ecommerce and liable to collect taxes.
- c. The scheme is not available for service provider, only exception is "Restaurant Service".
- d. In case a composition taxable person has different business segments having same PAN as held by the taxable person, he must register all such businesses under the scheme.

3. Rates under Composition Levy :

S. No.	Category of Registered Persons	Rate of Tax under SGST/UTGST
1	Manufacturers, other than manufacturers of such goods as may be notified by the Government.	One per cent
2	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II (for restaurant services, where liquor is not served)	two and a half per cent
3	Any other supplier eligible for composition levy under section 10 and these rules	half per cent

CGST is also liable to be charged at above rates.

4. Ease of doing business

- a. Filing of Quarterly return as against monthly returns.
- b. Limited tax liability on comparison with regular tax payer.
- c. **High Liquidity:** Unlike normal tax payers, tax payers under Composite Scheme will be liable to pay taxes at a lower rate resulting in lesser chunk on his working capital.
- d. Intimation in every year is not required.

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