



# COMPOSITION LEVY UNDER GST

Seminar on Direct & Indirect Tax at Gandhidham  
Branch of WIRC of ICAI, Gandhidham  
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## **Source of content:-**

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- 1) Section 10 of CGST Act, 2017
- 2) Rule No. 3 to 7 of the CGST Rules, 2017
- 3) Notification No. 8/2017-Central Tax; dated 27/06/2017

# Para 1: Requirement & Conditions for taking the benefit of the Composition Levy:-

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## ❖ Para 1.1: Turnover Limit:-

(a) Aggregate turnover in the preceding Financial Year should not be more than 75 Lakh Rupees.

(b) If registered person is registered under the following state, the Limit of 75 Lakh Rupees shall be replaced by 50 Lakh Rupees:

- Arunachal Pradesh,
- Assam,
- Manipur,
- Meghalaya,
- Mizoram,
- Nagaland,
- Sikkim,
- Tripura,
- Himachal Pradesh

# Para 1: Requirement & Conditions for taking the benefit of the Composition Levy:-

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## ❖ Para 1.2: Condition as per Section 10(2) of CGST Act:-

### ○ Registered person is not engaged in:

(a) Supply of service other than Restaurant service

(b) In making any supply of goods which are not leviable to Tax

(c) In making inter-state outward supply of goods (inward supply of goods in inter-state is allowed under composition scheme)

(d) Supply of goods through a electronic commerce operator who is covered by section 52

(e) In manufacturing of goods as may be notified (refer Para 1.2-1)

### ○ Para 1.2-1 Manufacturing of goods for which benefit of Composition scheme is not available (Notification No. 8/2017):-

- As per Section 10(2)(e) read with Notification No. 8/2017-Central Tax, following are the list of goods manufactured for which benefit of composition scheme is not available:-

## Para 1: Requirement & Conditions for taking the benefit of the Composition Levy:-

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| S. No. | Tariff item, sub-heading, heading or Chapter | Description  |
|--------|--|--|
| (1)    | (2)  | (3)  |
| 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     |

Note:-If above stated goods are traded only (and not manufactured) then benefit of Composition can be allowed.

# Para 1: Requirement & Conditions for taking the benefit of the Composition Levy:-

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## ❖ Para 1.3: Conditions & Restriction (Rule 5 of CGST Rules 2017):-

- (a) He is neither a casual taxable person nor a non-resident taxable person;
- (b) The goods held in stock by him on the appointed day have not been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State, where the option is exercised under sub-rule (1) of rule 3;
- (c) the goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under sub-section (4) of section 9;
- (d) he shall pay tax under sub-section (3) or sub-section (4) of section 9 on inward supply of goods or services or both;
- (e) he was not engaged in the manufacture of goods as notified under clause (e) of sub-section (2) of section 10, during the preceding financial year;

## **Para 1: Requirement & Conditions for taking the benefit of the Composition Levy:-**

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(f) he shall mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply issued by him; and

(g) he shall mention the words “composition taxable person” on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.

## **Para 2: Consequences of Composition scheme:-**

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- (a) He cannot take the Input Tax Credit (ITC) on the inward supply of goods or services
- (b) He cannot charge GST separately on outward supply. Meaning thereby, he has to pay GST under the composition scheme out of his own pocket.



## Para 3: Rates of tax under Composition scheme:-

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- Rate of GST required to be paid on outward supply of goods under composition scheme shall be as under:-

| Sl. No. | Category of registered persons   | Rate of CGST | Rate of SGST | Total Rate of tax |
|---------|--|--------------|--------------|-------------------|
| (1)     | (2)  | (3)          | (4)          | (5)               |
| 1.      | Manufacturers, other than manufacturers of such goods as may be notified by the Government           | 1%           | 1%           | 2%                |
| 2.      | Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II                    | 2.5%         | 2.5%         | 5%                |
| 3.      | Any other supplier eligible for composition levy under section 10 and the provisions of this Chapter | 0.5%         | 0.5%         | 1%                |

## **Para 4: Procedural aspect under composition scheme for person registered by migration from existing Law:-**

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For opting to pay tax under composition scheme, following is required:-

- (a) Opt for composition scheme by filing Form “GST CMP-01” upto 16th August 2017 (time limit extended by order)
- (b) Declare the stock details as on the day, from which composition scheme is opted, by filling Form GST CMP-03 within 60 days from date of opting of scheme. (i.e. file Form GST CMP-03 by 29th August 2017)

## **Para 5: Procedural aspect under composition scheme for person who get new registration:-**

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For opting to pay tax under composition scheme, following is required:-

- (a) Opt for composition scheme while making an application for registration in Form GST REG-01
- (b) No Stock is required to be declared in this case.

## **Para 6: Procedural aspect under composition scheme for person who exercises it for any succeeding year:-**

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For opting to pay tax under composition scheme, following is required:-

- (a) Opt for composition scheme by filing Form “GST CMP-02” prior to commencement of financial year
- (b) Furnish Form GST ITC-03 upto 30<sup>th</sup> May of concerned year (i.e. 60 days from commencement of FY)

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# THANK YOU

**For any Queries contact:-**

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