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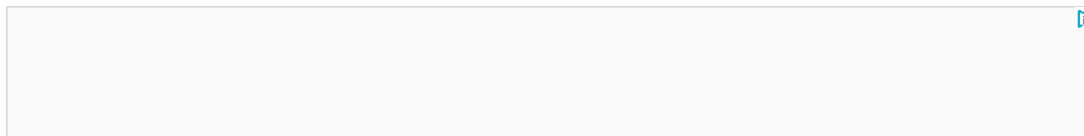
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Composition Scheme - GST



ROHIT

on 22 June 2017

With the onset of [GST](#), I have been receiving a lot of emails from small business houses complaining that the compliance in GST is too much for them to manage on their own, resulting in additional cost; either increase the manpower or the professional fees paid to consultants. So, what should they do in order to reduce the cost, if not eliminate it altogether?

Such small business houses may opt for the [Composition Scheme under the GST Act](#). But is the option suitable to you or not is up to you to decide?

What is a Composition Scheme under the GST Act?

The composition scheme allows a registered person, whose aggregate turnover does not exceed Rs.75 lakhs in the preceding financial year, to pay a certain percentage of tax as prescribed by the GST Council.

Who can opt for Composition Scheme?

Any business house dealing in goods and having aggregate turnover not exceeding Rs.75 lakhs in the preceding financial year can opt for composition scheme.

Can a professional be registered under Composition Scheme?

No, any person providing any kind of service cannot be registered under the Composition Scheme. It is only for businesses dealing in goods.

What is the tax rate applicable if you are a composition dealer?

The tax rate applicable for a dealer registered under composition scheme is:

If you are a manufacturer - 1% of turnover.

If you are a supplier of food for human consumption - 2.5% of turnover.

Others - 0.5% of turnover.


Please note that this rate is under the CGST Act and you will have to pay the same in SGST Act as well, so in short it will be twice the tax rate applicable to you!

Will the composition dealer be eligible to charge or recover the tax from the consumer?

No, the composition dealer cannot collect the tax from the recipient as he will not be eligible to issue a tax invoice. So, the composition dealer will have to pay the tax from his own pocket and will thus, be a cost to him.

Will the composition dealer be required to maintain records and eligible for Tax Credit?

No, the composition dealer will not be expected to maintain detailed records but he will also not be eligible to claim input tax credit on the purchases made by him. So, the amount of GST paid at the time of purchase will also be a cost to the dealer.

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Will the dealer be also expected to file monthly returns?

No, the composition dealer will not be expected to file monthly returns but instead will have to file a return for every quarter, and an annual return after the end of financial year.

Can the composition dealer enter into business transactions all over India?

No, the composition dealer cannot make Inter-state sales i.e. sales outside the state he is registered as a dealer. In case the dealer makes an inter-state sale then, he will lose his position as a composition dealer and will have to be registered as a normal registered dealer.

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Can the composition dealer enter into a transaction with an unregistered dealer?

Yes, the composition dealer can enter into a transaction with an unregistered dealer but, the moment he enters into such a transaction, Reverse Charge Mechanism (RCM) shall be triggered and the composition dealer will be required to pay appropriate GST on that transaction even though the transaction was with an unregistered dealer.

What if a dealer is registered as a Composition dealer under the old scheme and wants to be registered as a regular dealer under the current scheme?

Any dealer registered as a composition dealer under the old scheme can opt to be registered as a regular dealer under the current scheme. He will also be eligible to claim the input tax credit of inputs held in stock, or in semi-finished goods or in finished goods on the day immediately preceding the date from which they opt to be taxed as a regular tax payer.

The following conditions must be taken care of when a dealer is making a transition from being a composition dealer to a registered dealer:

1. The goods on which input tax credit is taken should be used for making taxable supplies under GST.
2. Such goods should be eligible for input tax credit under the GST scheme.
3. The dealer should maintain all bills and records to prove that the goods on which input credit is claimed was purchased by him.
4. Such invoices should have been raised within 12 months from the date GST comes into force.

Should small dealers always opt for Composition Scheme?

A person should always do a cost-benefit analysis before taking this decision. On one hand, he is saving the compliance cost as well as the hassle of filing 3 returns every month, but on the other hand he is also foregoing his input tax credit and paying tax on his annual turnover from his own pocket, which again is a heavy cost burden.

I have tried summarising all the major queries raised by readers through this write-up, feel free to revert in case any of query has been left unresolved.

The author is a Chartered Accountant and can also be reached for at rrco1905@yahoo.com.

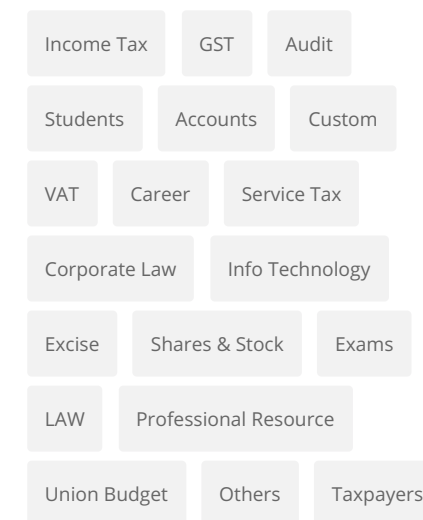
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Article really very good for those who will comes under composition scheme in GST. Read some more points at <http://www.eserviceshelp.in/sales-tax/composition-scheme-under-gst-2/> Composition Scheme under GST

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