



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

GST & INDIRECT TAXES COMMITTEE

VCM on

Composition Scheme under GST

Date: 16-07-2022

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Special Invitee, GST & IDTC, ICAI

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# Composition Levy

*Under Chapter III, Section 10 of CGST Act*



# Composition Scheme

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- OPTIONAL FACILITY
- Composition levy scheme is a very simple, hassle free compliance scheme for small taxpayers.
- It is a voluntary and optional scheme.
- Provisions related to composition levy have been provided u/Sec 10 of the CGST Act, 2017 and CGST Rules, 2017.
- **A registered taxable person (not being a casual TP or non-resident TP)** whose aggregate turnover in **the preceding financial year is within certain specified limits can opt for such scheme subject to fulfillment of certain conditions.**



# Benefits of Composition Scheme

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- Easy compliance as **no elaborate accounts and records** to be maintained [Sec 35 of CGST Act]
- **Quarterly payment of tax** (statement/tax payment intimation in **Form GST CMP-08** to be submitted **by 18<sup>th</sup> following end of quarter**) [Sec 39 of CGST Act read with Rule 62 of CGST Rules, 2017]
- **Regular return u/Sec 39 shall be filed on annual basis** (**GSTR-4** – to be submitted **by 30<sup>th</sup> April following end of FY**)
  - further, the form of return is simplified required less details [Sec 39 of CGST Act read with Rule 62 of CGST Rules, 2017]



# Limitations of Composition Scheme

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- ITC is not admissible to suppliers [Sec 10(4) of CGST Act]
- Such suppliers are required to issue bill of supply (without charging GST therein) [Sec 31 of CGST Act] and thus,
- Recipient also not entitled to ITC on supplies received from composition supplier [Sec 16 of CGST Act]

# AT A GLANCE

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## COMPOSITION SCHEME

<b>Relevant Legal Provisions</b>				
	<b>Section</b>		<b>Rules</b>	
	<b>Section</b>	<b>Subject Matter</b>	<b>Rules</b>	<b>Subject Matter</b>
<b>CGST</b>	<b>Sec. 10</b>	<b>Composition levy</b>	<b>Rule 3</b>	<b>Intimation of Composition Levy</b>
		<p><b>FA, 2019</b></p> <p>Composition Scheme-2 inserted vide Sec 10(2A) – <u>it is intended to cover those suppliers who are not eligible to opt for existing composition scheme as provided in Sec 10(1) read with Sec 10(2) <sup>1</sup> ★</u></p> <p><u>Consequential amendments made in sub-sections (3), (4) and (5).</u></p>	<b>Rule 4</b>	<b>Effective date of Composition Levy</b>
			<b>Rule 5</b>	<b>Conditions and restrictions for availing Composition Scheme</b>
			<b>Rule 6</b>	<b>Validity of Composition Levy</b>
			<b>Rule 7</b>	<b>Rates of Composition Levy</b>
<b>IGST</b>	<b>Sec 20</b>	<b>Application of provisions of CGST Act</b>		
		- <b>No composition scheme under IGST</b>		
<b>Relevant Definitions</b>				
<b>CGST</b>	<b>2 (6)</b>	<b>Aggregate turnover</b>	<b>2 (78)</b>	<b>Non-taxable supply</b>
	<b>2 (112)</b>	<b>"TO in State" or "TO in Union territory"</b>	<b>2 (108)</b>	<b>Taxable supply</b>
	<b>2 (72)</b>	<b>Manufacture</b>	<b>2 (47)</b>	<b>Exempt supply</b>



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# Important Definitions

Section 2 of CGST Act ...

- (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;
- (47) "exempt supply" means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non taxable supply;



# Important Definitions

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- (72) "manufacture" means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly;
- (78) "non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;
- (108) "taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;



# Important Definitions

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- (112) "turnover in State" or "turnover in Union territory" 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) **and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person** but excludes central tax, State tax, Union territory tax, integrated tax and cess;



## 10. Composition levy

- (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 1.5 Crore 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) half 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 (Restaurant/Catering Services), 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 **[Refer Rule 7]:**



# RELEVANT LEGISLATURE

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Provided that the Government may, by notification, increase the said limit of fifty lakh rupees to such higher amount, **not exceeding one crore and fifty lakh rupees**, as may be recommended by the Council.

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.**

“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 [I/D]**

**shall not be taken into account for determining the value of turnover in a State or Union territory.”**



## 10. Composition levy

- (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;
  - (c) he is **not** engaged in **making any inter-State outward supplies** of goods or services;
  - (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;
  - (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.



# Notification issued for Sec 10(1)

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## Notification No. 14/2019 – Central Tax dated 7<sup>th</sup> March, 2019

(as amended up to 31.03.2022)

In exercise of the powers conferred under the proviso to **sub-section (1) of section 10** of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the said Act), and in supersession of the notification no 8/2017- Central Tax, dated the 27<sup>th</sup> June, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 647 (E), dated the 27<sup>th</sup> June, 2017, except as things done or omitted to be done before such supersession, the Central Government, on the recommendations of the Council, hereby specifies that an eligible registered person, whose aggregate turnover in the preceding financial year did not exceed one crore and fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9 of the said Act, an amount of tax as prescribed under rule 7 of the Central Goods and Services Tax Rules, 2017:

Provided that the said aggregate turnover in the preceding financial year shall be seventyfive lakh rupees in the case of an eligible registered person, registered under section 25 of the said Act, in any of the following States, namely: –

- (i) Arunachal Pradesh,
- (ii) Manipur,
- (iii) Meghalaya,
- (iv) Mizoram,
- (v) Nagaland,
- (vi) Sikkim, (vii) Tripura, (viii) Uttarakhand:

Provided further that the registered person shall not be eligible to opt for composition levy under sub-section (1) of section 10 of the said Act if such person is a manufacturer of the goods, the description of which is specified in column (3) of the Table below and falling under the tariff item, sub-heading, heading or Chapter, as the case may be, as specified in the corresponding entry in column (2) of the said Table, namely:-



# Notification issued for Sec 10(1)

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TABLE

Sl. No.	Tariff item, subheading, 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.
<sup>1</sup> [2A.]	2202 10 10	Aerated Water]
3.	24	All goods, i.e. Tobacco and manufactured tobacco substitutes.
<sup>2</sup> [4.]	6815	Fly ash bricks or fly ash aggregate with 90 per cent. or more fly ash content; Fly ash blocks
5.	6901 00 10	Bricks of fossil meals or similar siliceous earths
6.	6904 10 00	Building bricks
7.	6905 10 00	Earthen or roofing tiles]





# Notification issued for Sec 10(1)

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*Explanation. –*

(i) In this Table, “tariff item”, “sub-heading”, “heading” and “chapter” shall mean respectively a tariff item, sub-heading, heading and chapters as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

(ii) The rules for the interpretation of the First Schedule to the said Customs Tariff Act, 1975 (51 of 1975), including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification.

2. This notification shall come into force on the 1<sup>st</sup> day of April, 2019.

- **N/N 16/2022-CT, Dated 13-07-2022**

Against serial number 4, for the entry in column (3),

the entry “Fly ash bricks; Fly ash aggregates; Fly ash blocks” shall be substituted.

<sup>1</sup> Inserted by Notification No. 43/2019 – Central Tax dated 30.09.2019 w.e.f. 01.10.2019.

<sup>2</sup> Inserted by Notification No. 04/2022 – Central Tax dated 31.03.2022 w.e.f. 01.04.2022.



## 10. Composition levy

(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,

.....contd..



# RELEVANT LEGISLATURE

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## **if he is not —**

- (a) engaged in making any supply of goods or services which are **not leviable to tax** under this Act;
- (b) engaged in making any **inter-State outward supplies** of goods or services;
- (c) 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;
- (d) a manufacturer of such goods or supplier of such services **as may be notified** by the Government on the recommendations of the Council; and
- (e) a **casual taxable person or a non-resident taxable person**

Provided that where more than one registered person 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 this sub-section unless all such registered persons opt to pay tax under this sub-section.”;



## 10. Composition levy

- (3) The option availed of by a registered person under sub-section (1) **or sub-section (2A), as the case may be shall lapse** with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under sub-section (1) **or sub-section (2A), as the case may be.**
- (4) A taxable person to whom the provisions of sub-section (1) **or sub-section (2A), as the case may be** apply **shall not collect any tax** from the recipient on supplies made by him **nor shall he be entitled to any credit of input tax.**
- (5) If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) **or sub-section (2A), as the case may be** not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 shall, mutatis mutandis, apply for determination of tax and penalty.



## Explanation 1.—

For the purposes of **computing aggregate turnover of a person for determining his eligibility** to pay tax under this section, the expression “**aggregate turnover**” shall include the value of supplies made by such person from the 1st day of April of a financial year up to the date when he becomes liable for registration under this Act, **but shall not include 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**.

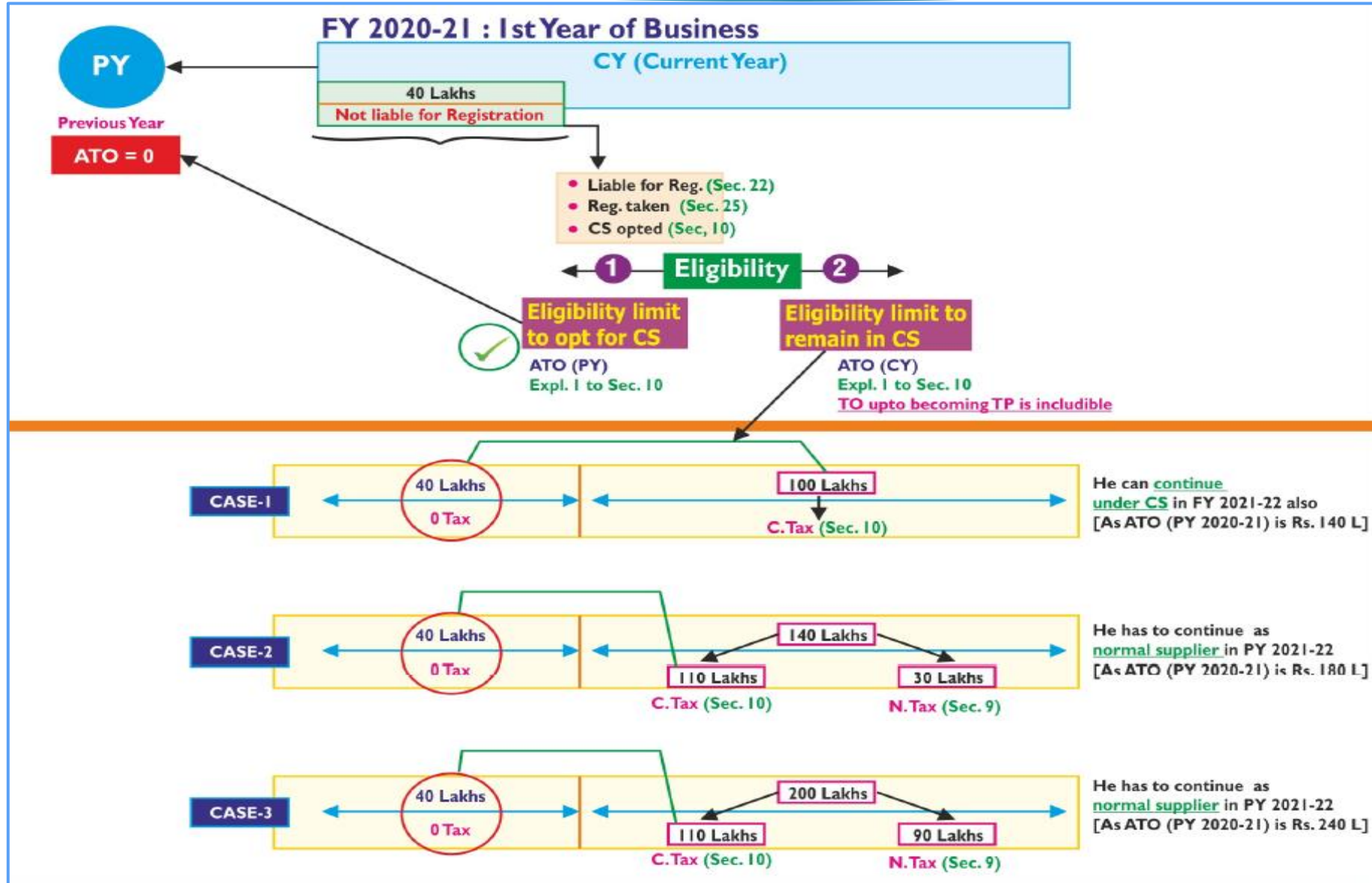
## Explanation 2.—

For the purposes of **determining the tax payable by a person under this section**, the expression “turnover in State or turnover in Union territory” shall not include the value of following supplies, namely:—

- (i) supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act; and
- (ii) (ii) **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**.



# Example for Explanation 1 and 2





# CASE STUDY

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**Mr. ABC (a trader of goods) registered in Delhi has opted for composition scheme in FY 21-22. His TO in the state during FY is ₹ 80 Lakh. He has made supplies issuing bill of supply without charging GST to its customers.**

- (a) What is the applicable composition tax rate?**
- (b) What should be the amount of tax payable by him?**

## ANALYSIS

Mr. ABC, being GST registered supplier of goods, has opted for composition scheme u/Sec 10.

He must be availing composition scheme as provided u/Sec 10(1) read with Sec 10(2).

**The applicable composition tax rate shall be as provided in 1% of TO of the taxable supplies in the State** (as provided in [Rule 7 of CGST Rules, 2017](#))

**His tax liability for current FY 21-22 shall be ₹ 80,000 (1% of ₹ 80,00,000).**

### Note:

**\* C/Tax liability shall not be  $[80,00,000 * 1/101]$  – if so computed, then it will amount to treating TO as inclusive of GST which will be incorrect as Sec 10(5) prohibits composition supplier from charging GST to the recipient.**



# Let's Summarise





# Brief Summary

## Sec. 10 Composition Levy

### Nature of Supplier

ATO (PY) FA, 2019

Explanation I

Eligibility limit to opt for CS

### Prohibited Supplies (CY)

Sec. 10 (1) read with 10 (2)

COMPOSITION SCHEME-1

- G Supplier of Goods
- S Supplier of Catering Services

Casual TP / NRTP

150 Lakhs  
(In 8 States - 75 lakhs)



As specified in Sec. 10 (2)

- Non-Taxable Supplies G
- Inter-State Supplies G
- Supply through ECO (TCS u/Sec. 52) G
- Mfrer of Notified Goods G T I P A

Sec. 10 (2A)

COMPOSITION SCHEME-2

- S Supplier not eligible to opt to pay tax as per Sec. 10 (1) read with Sec. 10 (2)
- G

Casual TP / NRTP

50 Lakhs



As specified in Sec. 10 (2A) FA, 2019

- Non-Taxable Supply G S
- Inter-State Supply G S
- Supply through ECO (TCS u/Sec. 52) G S
- Mfrer of Notified Goods G T I P A
- Supply of Notified Services S Presently nothing notified

### Sec. 10(3)

#### Limit on Composition Benefit

Eligibility limit to remain in CS

ATO (CY) CS-1 150 Lakhs / 75 Lakhs  
CS-2 50 Lakhs

Explanation I FA, 2019

### Sec. 10(4)

#### Restriction as to ITC

- No ITC
- Composition Tax cannot be recovered from Recipient

### Sec. 10(5)

#### Wrong Availment of Scheme

- Diff. Tax
  - Penalty
- Recoverable



Sec. 73 / 74 SCN DO



# Let's Summarise

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Note:

1. **Composition Scheme-1 [Sec 10(1) + 10(2)]**

Supplier covered by Sec 10(1) read with Sec 10(2): Allowed to provide MARGINAL VALUE OF SERVICES (other than restaurant/catering services).

The permissible limit of such service is higher of following two:

(a) 10% of TO in the State/UT	[TO in the State/UT = TO in the State/UT excluding exempted interest/ discount]
(b) Rs 5,00,000	

[Further- as per **ROD Order 01/2019-CT**, exempt interest/discount shall be in addition to above marginal limit]



# Let's Summarise

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## 2. Composition Scheme-1 [Sec 10(1) + 10(2)] + Composition Scheme-2 [Sec 10(2A)]

Particulars	Determination of <b>Eligibility</b> for Composition Scheme		Determination of <b>tax payable</b> under Composition Scheme
	[ATO (PY)]	[ATO(CY)] <sup>2</sup>	[TO in State/UT (CY)] <sup>3</sup>
	[Explanation 1 to Sec 10] <b>FA, 2019</b>		[Explanation 2 to Sec 10] <b>FA, 2019</b>
<b>Relevant for THE YEAR in which supplier becomes TP</b>			
<b>TO upto becoming TP</b> (ATO of 10 lakhs/ 20 Lakhs/ 40 lakhs- as the case may be)	Include	Exclude	
<b>TO as TP</b> (TO achieved after becoming liable for registration)	Include	Include	
<b>Relevant for ALL YEARS</b>			
<b>TO of exempt supply of services provided by way of extending loans, deposits or advances in so far as the consideration is represented by way of INTEREST or DISCOUNT</b>	Exclude	Exclude	



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# Relevant Rules for Composition Scheme Rule 3 to Rule 7



# Composition Levy – Rule 3 of CGST Rules

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- **Intimation for Composition Levy:**
  - File intimation electronically in **Form GST CMP-01** prior to appointed day or within 30 days after the said day or further period as may be extended by the Commissioner;
  - If intimation filed after the appointed day then no tax to be collected and issue bill of supply;
  - Any person applying for registration, if he opts to pay tax under Composition in the Form GST REG-01 then it shall be considered as an intimation;
  - Composition Supplier shall intimate in **Form GST CMP-02** prior to commencement of financial year and also furnish Form GST ITC-3 giving details of ITC within 60 days from the commencement of relevant financial year;
  - Composition Supplier shall furnish in **GST CMP-03**, details of:
    - Stock
    - Inward supply of goods received from unregistered person held as on the preceding day from which he opts for composition, within 60 days from the date from which option is exercised or such further period as may be extended by the Commissioner;
  - Any intimations as above for any place of business in any State or Union Territory shall be deemed to be intimation of all other place of business registered on the same PAN.



# Composition Levy – Rule 4 of CGST Rules

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## **Rule 4, Effective date for composition levy. -**

- (1) The option to pay tax under section 10 shall be effective from the beginning of the financial year, where the intimation is filed under sub-rule (3) of rule 3 and the appointed day where the intimation is filed under sub-rule (1) of the said rule.
- (2) The intimation under sub-rule (2) of rule 3 , shall be considered only after the grant of registration to the applicant and his option to pay tax under section 10 shall be effective from the date fixed under sub-rule (2) or (3) of rule 10 .



# Conditions and Restrictions for Composition Levy – Rule 5 of CGST Rules

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## **Rule 5. Conditions and restrictions for composition levy. -**

(1) The person exercising the option to pay tax under section 10 shall comply with the following conditions, namely: -

- (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;
- (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.

(2) The registered person paying tax under section 10 may not file a fresh intimation every year and he may continue to pay tax under the said section subject to the provisions of the Act and these rules.





# Composition Levy – Rule 6 of CGST Rules

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## Rule 6. Validity of composition levy. -

(1) The option exercised by a registered person to pay tax under section 10 shall remain valid so long as he satisfies all the conditions mentioned in the said section and under these rules.

(2) The person referred to in sub-rule (1) shall be liable to pay tax under sub-section (1) of section 9 from the day he ceases to satisfy any of the conditions mentioned in section 10 or the provisions of this Chapter and shall issue tax invoice for every taxable supply made thereafter and he shall also file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within seven days of the occurrence of such event.

(3) The registered person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in **FORM GST CMP-04**, duly signed or verified through electronic verification code, electronically on the common portal.

(4) Where the proper officer has reasons to believe that the registered person was not eligible to pay tax under section 10 or has contravened the provisions of the Act or provisions of this Chapter, he may issue a notice to such person in **FORM GSTCMP-05** to show cause within fifteen days of the receipt of such notice as to why the option to pay tax under section 10 shall not be denied.

(5) Upon receipt of the reply to the show-cause notice issued under sub-rule (4) from the registered person in **FORM GST CMP-06**, the proper officer shall issue an order in **FORMGST CMP-07** within a period of thirty days of the receipt of such reply, either accepting the reply, or denying the option to pay tax under section 10 from the date of the option or from the date of the event concerning such contravention, as the case may be.

(6) Every person who has furnished an intimation under sub-rule (2) or filed an application for withdrawal under sub-rule (3) or a person in respect of whom an order of withdrawal of option has been passed in **FORM GST CMP-07** under sub-rule (5), may electronically furnish at the common portal, either directly or through a Facilitation Centre notified by the Commissioner, a



# Composition Levy – Rule 6 of CGST Rules

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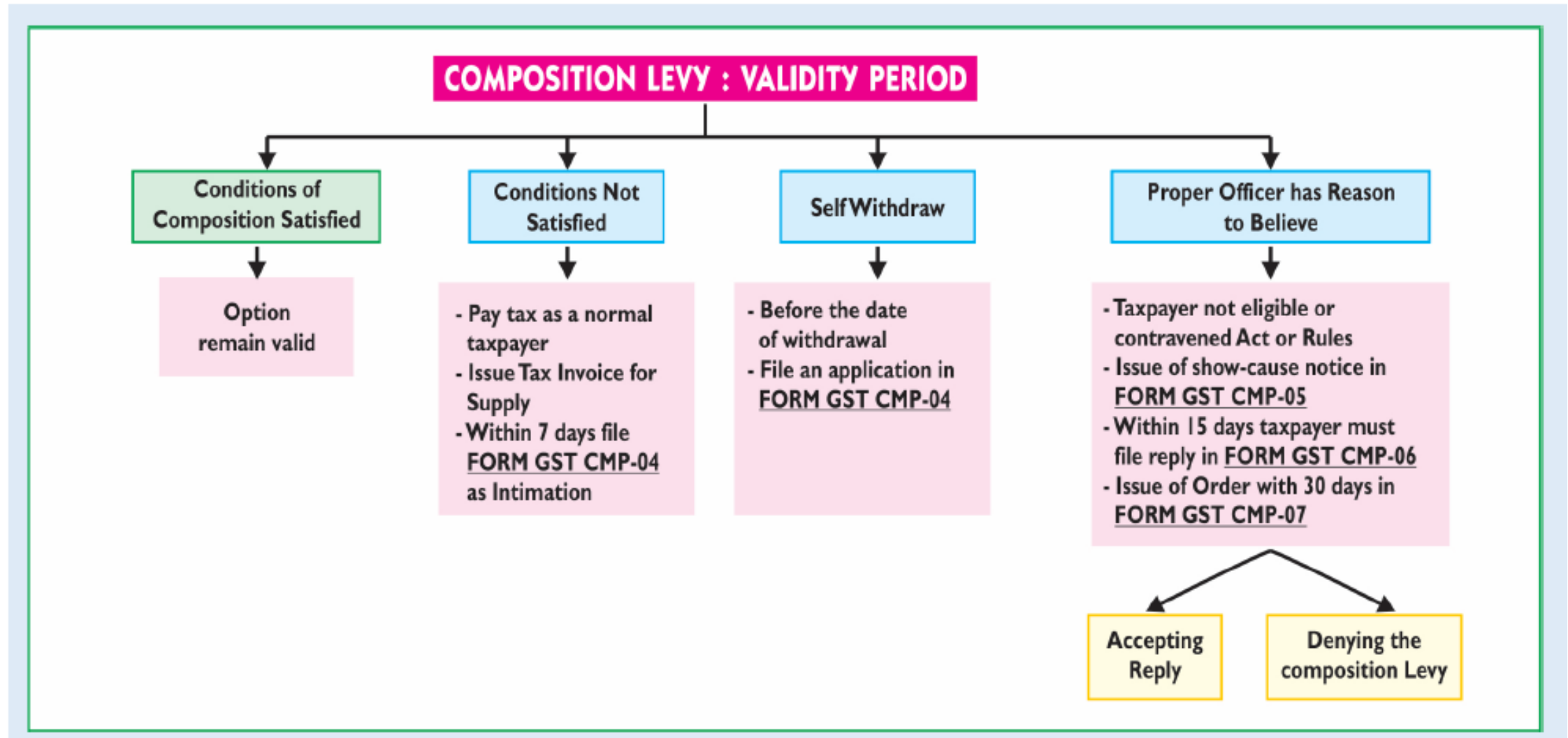
statement in **FORM GST ITC-01** containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn or denied, within a period of thirty days from the date from which the option is withdrawn or from the date of the order passed in **FORM GST CMP-07** , as the case may be.

(7) Any intimation or application for withdrawal under sub-rule (2) or (3) or denial of the option to pay tax under section 10 in accordance with sub-rule (5) in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number.



# Summary of Rule 6

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# Composition Levy – Rule 7 of CGST Rules

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## Rule 7. Rate of tax of the composition levy. -

The category of registered persons, eligible for composition levy under section 10 and the provisions of this Chapter, specified in column (2) of the Table below shall pay tax under section 10 at the rate specified in column (3) of the said Table: -

### <sup>1</sup> [ TABLE

Sl. No.	Section under which composition levy is opted	Category of registered persons	Rate of tax
(1)	(1A)	(2)	(3)
1.	Sub-sections (1) and (2) of section 10	Manufacturers, other than manufacturers of such goods as may be notified by the Government	half per cent. of the turnover in the State or Union territory
2.	Sub-sections (1) and (2) of section 10	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II	two and a half per cent. of the turnover in the State or Union territory
3.	Sub-sections (1) and (2) of section 10	Any other supplier eligible for composition levy under sub-sections (1) and (2) of section 10	half per cent. of the turnover of taxable supplies of goods and services in the State or Union territory
4.	Sub-section (2A) of section 10	Registered persons not eligible under the composition levy under subsections (1) and (2), but eligible to opt to pay tax under sub-section (2A), of section 10	three per cent. of the <sup>2</sup> [turnover of] supplies of goods and services in the State or Union territory.



# RECENT NOTIFICATIONS ISSUED



# LATEST UPDATES

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- **5th July 2022**

(a) The due date of **GSTR-4 for FY 2021-22** is further extended by a late fee waiver **up to 28th July 2022** *vide Notification 12/2022 dated 5th July 2022.*

(b) The due date of **CMP-08 for April-June 2022** is extended **up to 31st July 2022** *vide Notification 12/2022 dated 5th July 2022.*



What if a Supplier Switches from  
Composition to Normal Scheme **[Sec18(1)(c)]**  
or  
Normal Scheme to Composition Scheme **[Sec 18(4)]**



# Extract of Section 18

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## **18. Availability of credit in special circumstances.—**

(1) Subject to such conditions and restrictions as may be prescribed—

(c) where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9:

Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed;





# Extract of Section 18

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## **18. Availability of credit in special circumstances.—**

**(4) Where any registered person who has availed of input tax credit opts to pay tax under section 10** or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption:

Provided that after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.



# Analysis of Switching the Scheme

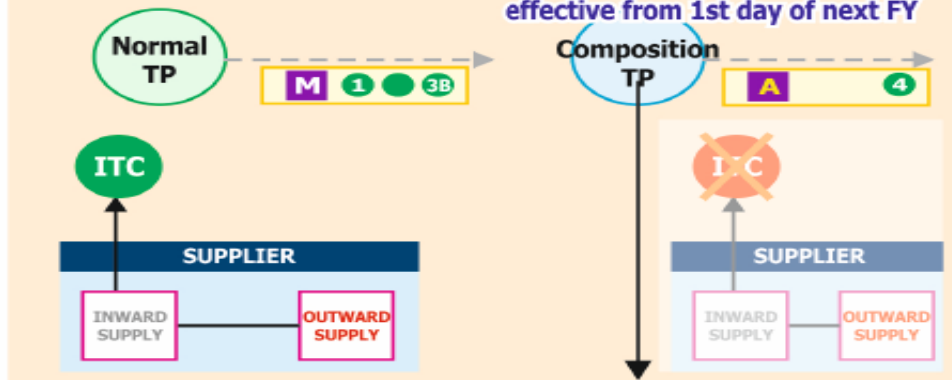
## Entry into Composition Scheme vs Exit from Composition Scheme

### ENTRY into / EXIT from COMPOSITION SCHEME

#### Registered Tax Payer opting for composition scheme under GST law

##### Normal TP switching over to Composition Scheme

Entry into composition scheme will be effective from 1st day of next FY



#### ITC Reversal

(on stock-in-hand)

Sec. 18(4) R-44

I

CG

Reduced ITC

$$ITC \times \frac{\text{Balance Life in complete Months}}{60 \text{ Months}}$$

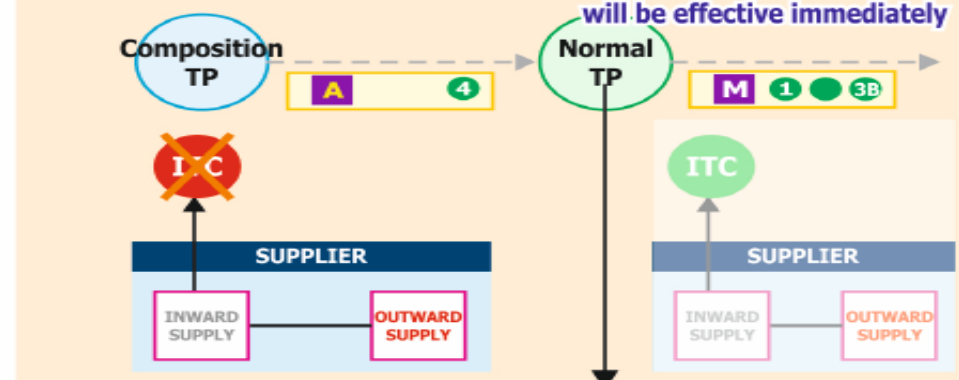
**GST ITC-03**

Declaration to be given over portal (Within 60 days from relevant FY)

#### Registered Tax Payer opting out of composition scheme under GST Law

##### Composition TP switching over to Normal Scheme

Exit from composition scheme will be effective immediately



#### ITC Claim

(on stock-in-hand)

Sec. 18(1)(c) R-40

I

CG

Reduced ITC

GST paid on CG Less 5% per quarter (or part thereof)

**GST ITC-01**

Declaration to be given over portal (Within 30 days)

CA-Certification is required (if Total ITC > 2 Lakhs)



# **DISTINGUISH BETWEEN**

## NORMAL SUPPLIER

### AND

## COMPOSITION SUPPLIER

	Person registered as <b>Normal Supplier</b>	Person registered as <b>Composition Supplier</b>
<b>Meaning</b>	Discharging liability as per Sec 9 of CGST	Discharging liability as per Sec 10 of CGST
	❖ Paying GST @ normal rates	❖ Paying GST @ composition tax rates
	❖ <b>GST cess is also payable</b>	❖ <b>GST Cess is not payable</b>
<b>Applicability</b>	Every Supplier (Unless he has opted for composition scheme)	Supplier who <b>fulfills eligibility criteria</b> as laid down in [Sec 10] and who has opted for tax payment as per Sec 10
<b>Tax payment period</b> [Sec 39(7)]	<b>Normally: Monthly basis (by 20<sup>th</sup>)<sup>1</sup></b> [payment details are submitted through return]	<b>Quarterly</b> (by 18 <sup>th</sup> following end of quarter) [payment details are submitted through a separate intimation of payment – <b>GST CMP 08</b> ]
<b>Billing</b> [Sec 31]	Raise <b>TAX INVOICE</b> [Sec 31(1)/(2)]	Raise <b>BILL OF SUPPLY</b> [Sec 31(3)]
	❖ <b>GST charged to recipient</b>	❖ <b>No GST charged to recipient</b>
<b>Records</b> [Sec 35]	<b>Detailed records</b>	<b>Lesser records</b>
	❖ <b>ITC records shall be maintained</b>	❖ <b>ITC records need not be maintained</b>
<b>Tax Liability</b>	Paying GST @ normal rate [applied on value of each supply]	Paying GST @ composition rate [applied on the TO in the State/UT]
<b>Discharge of tax liability</b> [Sec 49]	Through E-Credit Ledger (ITC) Through E-Cash Ledger (Cash)	----- Through E-Cash Ledger (Cash)
<b>Returns</b> [Sec 39] [Sec 44]	<b>Regular MONTHLY RETURN</b> [Sec 39] <b>GSTR-3B</b>	<b>Regular ANNUAL RETURN</b> [Sec 39] <b>GSTR-4</b> (Annually) - by 30 <sup>th</sup> April following the year
	Non-QRMP taxpayer <b>Monthly</b> (by 20 <sup>th</sup> )	
	QRMP taxpayer <b>Quarterly</b> (by 22 <sup>nd</sup> /24 <sup>th</sup> )	
	[Note: (Statement of Outward Supplies- <b>GSTR-1</b> ) is to be filed by normal supplier]	[Note: (Statement of Outward Supplies- <b>GSTR-1</b> ) is not to be filed by composition supplier]
	<b>ANNUAL RETURN</b> [Sec 44] <b>GSTR-9</b> (RETURN) - by 31 <sup>st</sup> Dec	<b>ANNUAL RETURN</b> [Sec 44] <b>GSTR-9A</b> (RETURN) - by 31 <sup>st</sup> Dec



# Open for Queries !



# Links to Stay Connected with the Author

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- **Please visit [www.gstindiacare.com](http://www.gstindiacare.com) to know more.**



# Thank You

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