



**Office of the Commissioner,
Kerala Goods and Services Taxes Department,
Tax Tower, Thiruvananthapuram.**

C1-24614/16/CT E-office11137/17

Dated 11th August 2017

ADVISORY – 4

Sub:- GST- Composition Scheme – reg

Normally the taxable person is required to pay GST at specified rate on supply of goods or services. However, the GST law provides simplified scheme under Section 10 for payment of taxes under composition scheme for small and medium business enterprises. It is merely an extension of presumptive tax payer scheme under the VAT laws. The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. It is an optional scheme, instead of paying tax at normal rate. The composition scheme minimizes the burden of compliance and saved from the maintenance of elaborate records and filing of detailed returns. There is no restriction on procuring goods from inter-state suppliers by persons opting for the composition scheme.

The conditions prescribed for opting composition scheme are;

- i) The aggregate turnover in the preceding Financial Year shall not exceed Rs.75 Lakhs.
- ii) Supply of goods alone can be opted for composition scheme.
- iii) Supply of services excluding restaurant sector, are not eligible for opting the scheme.

- iv) A person opting composition shall pay normal tax for inward supply of goods or service received on reverse charge basis from unregistered supplier. Reverse charge upto Rs.5,000/- per day is exempted under GST.
- v) A person having supply of goods which are not leviable to tax under GST is not eligible for composition scheme.
- vi) A person having interstate outward supply or supply to SEZ units are not eligible for composition scheme.
- vii) A person having supply of goods through an electronic commerce operator is not eligible for composition scheme.
- viii) Casual taxable person and Non-resident taxable person are not eligible for composition scheme.
- ix) The person opting the composition scheme shall not collect composition tax for the supplies made.
- x) The person opting the composition scheme is not eligible to avail input tax credit.
- xi) Stock held as on 30th June, 2017 shall not include imported or interstate purchased goods.
- xii) Stock held as on 30th June, 2017 shall not include goods purchased from unregistered supplies. However such persons can opt the scheme after paying tax at GST schedule rate.
- xiii) If more than one registration is taken against a single PAN, all registered persons shall opt this scheme.
- xiv) A composition taxpayer shall display the word 'Composition taxable person' in the signboard.
- xv) A composition taxpayer cannot issue a tax invoice but issue bill of supply. In the top of the bill of supply endorse the word 'Composition taxable person, not eligible to collect tax on supplies'. A buyer from

composition dealer is not eligible to claim input tax on such goods.
 Specimen of Bill of Supply is given below:

**COMPOSITION TAXABLE PERSON,NOT ELIGIBLE TO COLLECT TAX ON SUPPLIES
 BILL OF SUPPLY (Sec.31 Rule 49)
 NAME OF THE SHOP
 ADDRESS**

GSTIN.....

Bill No. STATE CODE: 32 DATE

Receiver's Name
 Address
 GSTIN/UID
 Place of supply

STATE CODE: 32

Sl. No.	Particulars	Quantity	Rate	Total	Discount	Net value
	Total					
	Other charges					
	Grand Total					

E & OE

Total invoice amount in words:
 Rupees.....

Certified that the particulars given above are true and correct.

Original for Receiptent for M/s.....
 Duplicate for Supplier / Seal /

Authorised signatory
 Name of Firm

Conditions: *Bill No. shall not exceed 16 characters.*

Multiple bill series can be used but unique for a financial year.

If the recipient is not a registered dealer and not requested invoice, a consolidated tax invoice to be issued for such supplies at the close of each day.

Quantum of Tax payable:

A registered taxpayer, who opt the Composition Scheme, shall be required to pay tax on the aggregate turnover. Turnover in State means aggregate value of taxable and exempted supplies. The specified rate is shown below:

Category	CGST Rate	SGST Rate
Manufacturers :- Excluding manufactures of i) Ice Ice cream and other edible ice, whether or not containing cocoa) ii) Pan Masala. iii) Tobacco and manufactured tobacco substitutes.	1%	1%
Restaurant Services (Excluding supply of liquor)	2.50%	2.50%
Any other supply	0.50%	0.50%

Intimation for composition:

- i) As per Rule 4 of GST Rules, a taxable person migrated from pre-GST period can file option for composition scheme electronically in Form No.GST CMP-01 before 16th August,2017. Such persons shall electronically file Form GST CMP-03 within 60 days specifying the details of stock including inward supply of goods received from unregistered persons.
- ii) Any person taking new GST registration after 1st July, 2017, shall furnish option for composition along with registration application in Part B of Form GST REG-01.
- iii) A registered person who opts the scheme to subsequent period shall file Form No.GST CMP-02 electronically prior to the commencement of

the Financial Year. Such persons shall electronically file Form GST ITC-03 for reversal of ITC within 60 days.

- iv) Once composition is opted no intimation is required in every year. The composition option continues as long as all the conditions are satisfied.
- v) The eligibility to avail composition scheme terminates on the day in which the aggregate turnover in a financial year exceeds the threshold minimum. In such cases the taxpayer shall file an application electronically in Form GST CMP-04.

Return Filing:

A person opting composition scheme is required to furnish single quarterly return i.e. GSTR-4 and an annual return in FORM GSTR-9A. The GSTR-4 contains details of the turnover in the State, inward supplies of goods/ services and tax payable.

A person opting for composition levy will have to pay tax on quarterly basis. The details in GSTR-4 should be furnished between 11th and 18th of the month succeeding the quarter during which the supplies were made.

Breach of conditions:

If the proper officer has reason to believe that a composition dealer has wrongly availed the benefit under the composition scheme, then such a person shall be liable to pay all the taxes under the normal scheme. In such scenario officer shall issue a show cause notice to such person in Form GST CMP-05. On receipt of the notice, reply shall be filed electronically within 15 days in Form GST CMP-06. Based on the reply, proper officer shall issue order electronically within 30 days in Form GST CMP-07 either accepting or rejecting the reply.

If the composition is withdrawn or denied, such person can file Form GST ITC-01 within 30 days claiming ITC on the stock of goods.

It is our endeavor to make the information available to all, therefore a mobile application to inform regarding 'composition dealer' is under process and very shortly it will be launched so that people will understand the composition dealer related information and in particular, the law that Composition dealer can not ask to pay GST to its consumers.

All are advised to go through the laws for their statutory compliances. This advisory is only for awareness and not for any legal interpretation of laws.


COMMISSIONER

Copy to –

Copy to all Trade bodies and organization for information

All Jt Commissioner

All Dy Commissioners for information. They are instructed to discuss in District GST Facilitation Committee meeting.

ITMC – to upload in Web site

PR – GST Cell – to give a press release

C Section for record

GST Cell for record