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Subject: Commerce

Class: B.Com-Third year

Name of Paper: Goods And Services Tax

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Name of Chapter---Composition scheme(Section 10 of the CGST Act)

The objective of composition levy under the Act is to simplify procedural compliances, particularly for the small supplier. Composition levy of payment of a tax is an alternative mode of payment of tax and offered as a choice to the dealers. Section 10 stipulates that a registered person whose aggregate turnover in the preceding financial year does not exceed ₹1.5 crore, may opt to pay an amount calculated at the prescribed rate during the current financial year, in lieu of the tax payable by him. But in respect of 9 of the special categories states whose turnover limit shall be ₹75 lakhs, namely:

1. Arunachal Pradesh
 2. Assam
 3. Manipur
 4. Meghalaya
 5. Mizoram
 6. Nagaland
 7. Sikkim
 8. Tripura, and
 9. Himachal Pradesh.
- In case of Uttarakhand, the turnover limit will be ₹1 crores. The composition rates described are as follows:

S. No	Category of Registered Persons	Rate of Tax (CGST+SGST)
1.	Manufacturers	1%+1%=2%
2.	Suppliers making supplies way of or as part of	

	article for human consumption or any drink (Restaurant Services)	
3.	Any other supplier	0.5%+0.5%=1%

Eligible person for composition levy:

1. Only persons who deal in goods can opt for search scheme. Manufactures can also opt for composition scheme. Service providers are kept outside the scope of the scheme.
2. persons whose aggregate turnover in the preceding financial year does not exceed ₹1.5 crore are only eligible under this scheme.
3. If a person wants to opt for the composition scheme, then all of his firms should opt for composition scheme. It is not allowed at the some of his firms are in composition scheme and some are not.
4. Person should not make the inter-state sales of goods.
5. Person should not make sales through any E-Commerce portal like Amazon or Flipkart.
6. Casual taxable person and non-resident taxable person cannot register on the composition scheme.

Restrictions under composition scheme:

1. Such person shall not be entitled to input tax credit.
2. Such person also breaks the input credit chain so it also cannot pass the input tax credit so composition scheme is not suitable for wholesaler and B2B business
3. Such person cannot charge competition text separately in the Invoice issued
4. Such person cannot make sales through any E- Commerce portal.
5. Such person is liable to pay tax on purchase of goods or services from unregistered persons.

Drawbacks of composition scheme:

The GST composition scheme is extremely important for those traders who have a turnover below ₹1.5 crore annually. While it has its benefits, there are also several drawbacks of registration under the GST composition scheme:

- Limited territory for business
- No credit of input tax.
- No collection of tax
- Electronic commerce operator out of scope.

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Long answer type questions:

1. What is the scope and features of composition scheme?
2. What is the eligibility to opt for composition levy? What are the conditions to pay GST under this scheme?

Short answer type questions:

Write short notes on:

1. Composition scheme levy.
2. Eligibility for composition levy
3. Composition scheme for services

References:

1. *Goods And Services Tax: Dr. H. C Mehrotra and Prof. V. P. Agrawal (Sahitya Bhawan Publication, Agra)*
2. *GST and Customs Law: CA Anup Modi and CA Mahesh Gupta (SBPD Publication, Agra)*
3. *CGST Act 2017*
4. *GST: Sudhir Halakhandi (PDF)*

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