

COMPOSITION SCHEME
UNDER GST
AND
ANNUAL RETURN (GSTR-9A)

At the Joint Workshop on GST Law

On 30-Jan-2019

By
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INTRODUCTION

- ◆ Composition levy - An alternate method of levy of tax
- ◆ Designed for small taxpayers with the objective of:
 - ◆ Bringing simplicity
 - ◆ Easing compliance burden
 - ◆ Reducing compliance cost
- ◆ Payment of tax at a prescribed percentage of the turnover instead of paying tax on every invoice
- ◆ Scheme is optional

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APPLICABLE FORMS

Form No.	Purpose	Time limit
CMP-01	Form for intimation of opting for composition levy by migrating taxpayer	Within 30 days of appointed day
CMP-02	Form for intimation of opting for composition by a regular taxpayer	Prior to the commencement of financial year / Prior to commencement of the month (F.Y. 2017-18)
CMP-03	Form for furnishing details of stock held as on the date of opting for composition in case of migrating taxpayer	Within 90 days of exercising the option for composition
ITC-03	Form for reversal of ITC on stocks lying as on the date of opting for composition by a regular taxpayer	Within 60 days of commencement of financial year / Within 180 days of opting for composition (F.Y. 2017-18)

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TURNOVER LIMIT FOR ELIGIBILITY

Section/ Notification No.	Turnover limit	Turnover limit (Special Category States)
Sec. 10 w.e.f. 01-07-2017	Rs.50 lakh	Rs.50 lakh
08/2017 - Central Tax Dt. 27-07-2017	Rs.75 lakh	Rs.50 lakh
46/2017 - Central Tax Dt. 13-10-2017	Rs.1 crore	Rs.75 lakh

◆ Proviso to Sec. 10: Government may, by notification, increase the said limit of Rs. 50 lakh to such higher amount, not exceeding Rs. 1 crore, as may be recommended by the Council.

◆ CGST (Amendment) Act, 2018 dated 28/08/2018 has amended the proviso to increase the upper cap from Rs. 1 crore to **Rs.1.50 crore** (*yet to be notified*)

◆ Special category States:

◆ Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Himachal Pradesh.

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RATE OF TAX

Notification No.	For manufacturers	For suppliers of service referred to in Sch.II(6)(b)*	For other suppliers (Traders)
08/2017 - CT Dt. 27-07-17	1% CGST + 1% SGST of the turnover in State	2.5% CGST + 2.5% SGST of the turnover in State	0.5% CGST + 0.5% SGST of the turnover in State
01/2018 - CT Dt. 01-01-18	0.5% CGST + 0.5% SGST of the turnover in State	2.5% CGST + 2.5% SGST of the turnover in State	0.5% CGST + 0.5% SGST of the turnover of taxable supplies of goods in State

◆ **Turnover in State:** Aggregate value of all taxable outward supplies and exempt supplies made within a State + exports of goods and/or services and inter-State supplies made from the State but excludes CGST, SGST/UTGST, IGST and Cess.

◆ * Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration

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APPLICABILITY OF SEC. 10(1)(b)

- ◆ Composition levy @ 5% applicable in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II of the CGST Act.
- ◆ Para 6 of Schedule II: The following **composite supplies** shall be treated as a supply of services, namely:
 - ◆ (a)...
 - ◆ (b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.
- ◆ FAQs released by CBIC refers to such services as “restaurant services”.
- ◆ Q. Whether sale of *farsan* over the counter would qualify as supply of goods or supply of services and whether the supplier would qualify for composition as a manufacturer, trader or restaurant services?

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UTTARAKHAND AAR KUNDAN MISTHAN BHANDAR

- ◆ Whether supply of food items such as sweetmeats, namkeen, soft drinks and other items from a shop which also runs a restaurant on the same premises is a transaction of supply of goods or supply of services?
- ◆ Sale of sweets and restaurant service held to be a composite supply with restaurant service being the principle supply
- ◆ Sweet shop treated as an extension of the restaurant in as much as the said activity covered under Schedule II
- ◆ All items including takeaway items from the said premises shall attract GST @ 5% without ITC

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CONDITIONS OF COMPOSITION SCHEME

- ◆ Should not be engaged in the supply of services other than restaurant services
 - ◆ Amended clause (*yet to be notified*): “Save as provided in sub-section (1), he is not engaged in the supply of services.”
- ◆ Should not be engaged in making supply of goods which are **not leviable** to tax under CGST Act
- ◆ Should not be engaged in making any inter-State **outward** supplies of goods
- ◆ Should not be engaged in making any supply of goods through an e-commerce operator who is required to collect tax at source u/s 52
- ◆ Should not be a manufacturer of such goods as may be notified by the Government
- ◆ Must opt for composition for all registrations under the same PAN
- ◆ Should not collect any tax from the recipient or claim any ITC

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CASE STUDY

- ◆ Q. Whether a retailer engaged in the business of OTC sale of food articles can opt for composition if he wishes to set-up his own website/app through which he may take orders and deliver the goods at the customer’s doorstep?
- ◆ Points to consider:
 - ◆ Definition of e-commerce operator
 - ◆ Conditions of composition scheme
 - ◆ Whether delivery charges are “supply of services”
 - ◆ Nature of supply

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COMPOSITION FOR SERVICE PROVIDERS

- ◆ Second proviso to sec. 10 inserted by CGST (Amendment) Act, 2018 *(yet to be notified)*
 - ◆ A person who opts to pay tax under composition as a manufacturer or trader or supplier of restaurant services may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding 10% of turnover in a State or UT in the preceding financial year or Rs.5 lakh, whichever is higher.
- ◆ Decisions taken at the 32nd meeting of the GST Council held on 10/01/2019 *(Source: pib.nic.in)*
 - ◆ A Composition Scheme shall be made available for Suppliers of Services (or Mixed Suppliers) with a tax rate of 6% (3% CGST +3% SGST) having an Annual Turnover in the preceding Financial Year up to Rs. 50 lakhs.
 - ◆ The said Scheme Shall be applicable to both Service Providers as well as Suppliers of Goods and Services, who are not eligible for the presently available Composition Scheme for Goods.
 - ◆ They would be liable to file one Annual Return with Quarterly Payment of Taxes (along with a Simple Declaration).
 - ◆ The decision shall be made operational from 1st April 2019.

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IMPLICATIONS OF THE AMENDMENT

Category of supplier	Turnover excluding services	Nature of services rendered	Turnover limit for services	Rate at which services will be charged
Manufacturer	Rs.40 lakh	Rs. 35,000 p.m. from renting of commercial property (Rs.4.2 lakh p.a.)		
Retailer selling household products	Rs.60 lakh	Repairs of defective products/renting of goods totalling to Rs.6 lakh p.a.		
Wine shop/petrol pump	Rs.1.5 crores out of which sale of soft drinks/oil is Rs.3 lakh	Rs.50,000 p.m. from renting space for advertisement (Rs.6 lakh p.a.)		

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ANNUAL RETURN FOR COMPOSITION TAXPAYERS

- ◆ FORM GSTR-9A first inserted vide Notification No. 39/2018 - CT dated 04/09/2018
- ◆ Form substituted vide Notification No. 74/2018 - CT dated 31/12/2018
- ◆ It is mandatory to file all quarterly returns in FORM GSTR-4 before filing GSTR-9A
- ◆ Period covered: July 2017 to March 2018
- ◆ Additional liability for F.Y. 2017-18 not declared in FORM GSTR-4 may be declared in the annual return

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PT. I: BASIC DETAILS

Annual Return (For Composition Taxpayer)

Pt. I	Basic Details	
1	Financial Year	
2	GSTIN	
3A	Legal Name	<Auto>
3B	Trade Name (if any)	<Auto>
4	Period of composition scheme during the year (From ---- To ----)	
5	Aggregate Turnover of Previous Financial Year	

Sum total of turnover of all taxpayers registered on the same PAN

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PT. II: DETAILS OF OUTWARD AND INWARD SUPPLIES MADE DURING THE YEAR

Pt. II Details of outward and inward supplies made during the financial year							
	Description	Turnover	Rate of Tax	Central Tax	State / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6	7
6	Details of outward supplies made during the financial year						
A	Taxable						
B	Exempted, Nil-rated						
C	Total						

← Aggregate value of all outward supplies net of DN/CN, advances, goods returned

← Aggregate value of exempted, Nil rated and Non-GST supplies

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PT. II: DETAILS OF OUTWARD AND INWARD SUPPLIES MADE DURING THE YEAR

7 Details of inward supplies on which tax is payable on reverse charge basis (net of debit/credit notes) for the financial year						
	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
A	Inward supplies liable to reverse charge received from registered persons	Aggregate value of all inward supplies from RD on which tax is payable on reverse charge basis i.e. Supplies u/s 9(3)				
B	Inward supplies liable to reverse charge received from unregistered persons	Aggregate value of all inward supplies from URD on which tax is payable on reverse charge basis i.e. Supplies u/s 9(4)				
C	Import of services					
D	Net Tax Payable on (A), (B) and (C) above					
8 Details of other inward supplies for the financial year						
A	Inward supplies from registered persons (other than 7A above)	Aggregate value of all inward supplies from RD on which tax is payable on forward charge basis				
B	Import of Goods					

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PT. III: DETAILS OF TAX PAID AS PER RETURNS

Pt. III	Details of tax paid as declared in returns filed during the financial year			
9	Description	Total Tax payable	Paid	
	1	2	3	
	Integrated Tax			
	Central Tax			
	State/UT Tax			
	Cess			
	Interest			
	Late Fee			
	Penalty			

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PT. IV: TRANSACTIONS OF THE F.Y. REPORTED IN SUBSEQUENT RETURNS

Pt. IV	Particulars of transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY, whichever is earlier					
	Description	Turnover	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
10	Supplies/ tax (outward) declared through Amendments (+) (net of debit notes)					
11	Inward supplies liable to reverse charge declared through Amendments (+) (net of debit notes)					
12	Supplies/ tax (outward) reduced through Amendments (-) (net of credit notes)					
13	Inward supplies liable to reverse charge reduced through Amendments (-) (net of credit notes)					
14	Differential tax paid on account of declaration made in 10, 11, 12 & 13 above					
	Description	Payable			Paid	
	1	2			3	
	Integrated Tax					
	Central Tax					
	State/UT Tax					
	Cess					
	Interest					

Details of additions or amendments to any of the supplies already declared in the returns where such amendments were furnished in Table 5 or Table 7 of GSTR-4 of April to September 2018.

PT. V: OTHER INFORMATION

Pt. V	Other information							
15	Particulars of Demands and Refunds							
	Description	Central Tax	State Tax / UT Tax	Integrate d Tax	Cess	Interest	Penalty	Late Fee/ Others
	1	2	3	4	5	6	7	8
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending out of E above							

Does not include non-GST refund claims

Aggregate value of all refund claims filed in the F.Y.

Aggregate value of all refund sanction orders

Aggregate amount in all refund applications for which acknowledgement is received. Excludes provisional refunds recd.

Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority

PT. V: OTHER INFORMATION

16	Details of credit reversed or availed				
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5
A	Credit reversed on opting in the composition scheme (-)				
B	Credit availed on opting out of the composition scheme (+)				

17	Late fee payable and paid		
	Description	Payable	Paid
	1	2	3
A	Central Tax		
B	State Tax		

From details furnished in ITC-03

From details furnished in ITC-01

- Taxpayers shall be given an option to pay any additional liability declared in this Form through DRC-03
- Taxpayers shall select "Annual Return" in the drop down of Form DRC-03
- Such liability shall be paid through e-cash ledger only

VERIFICATION

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Place

Signature

Name of Authorised Signatory

Date

Designation / Status

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THANK YOU!

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