

COMPOSITION RULES UNDER GST

CHAPTER II – COMPOSITION LEVY

Rule 3 – Intimation for composition levy

This rule was made and amended vide the following notifications:

- [Central Tax Notification No. 3/2017 \(dated 19th June 2017\)](#)
- [Central Tax Notification No. 22/2017 \(dated 17th August 2017\)](#)
- [Central Tax Notification No. 34/2017 \(dated 15th September 2017\)](#)
- [Central Tax Notification No. 45/2017 \(dated 13th October 2017\)](#)
- [Central Tax Notification No. 3/2018 \(dated 23rd January 2018\)](#)
- [Central Tax Notification No. 3/2019 \(dated 29th January 2019\)](#)
- [Central Tax Notification No. 30/2020 \(dated 03rd April 2020\)](#)

(1) Any person who has been granted registration on a provisional basis under [clause \(b\) of sub-rule \(1\) of rule 24](#) and who opts to pay tax under [section 10](#), shall electronically file an intimation in **FORM GST CMP- 01**, duly signed or verified through EVC, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, prior to the appointed day, but not later than **thirty days** after the said day, or such further period as may be extended by the Commissioner in this behalf:

Provided that where the intimation in **FORM GST CMP-01** is filed after the appointed day, the registered person shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day.

(2) Any person who applies for registration under [sub-rule \(1\) of rule 8](#) may give an option to pay tax under [section 10](#) in Part B of **FORM GST REG- 01**, which shall be considered as an intimation to pay tax under the said section.

(3) Any registered person who opts to pay tax under [section 10](#) shall electronically file an intimation in **FORM GST CMP-02**, duly signed or verified through electronic verification code, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, prior to the commencement of the financial year for which the option to pay tax under the aforesaid section is exercised and shall furnish the statement

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in **FORM GST ITC-03** in accordance with the provisions of [sub-rule \(4\) of rule 44](#) within a period of **sixty days** from the commencement of the relevant financial year.

“Provided that any registered person who opts to pay tax under [section 10](#) for the financial year 2020-21 shall electronically file an intimation in **FORM GST CMP-02**, duly signed or verified through electronic verification code, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, on or before 30th day of June, 2020 and shall furnish the statement in **FORM GST ITC-03** in accordance with the provisions of sub-rule (4) of rule 44 upto the 31st day of July, 2020.”

(3A) Notwithstanding anything contained in sub-rules (1), (2) and (3), a person who has been granted registration on a provisional basis under [rule 24](#) or who has been granted certificate of registration under [sub-rule \(1\) of rule 10](#) may opt to pay tax under section 10 with effect from the first day of the month immediately succeeding the month in which he files an intimation in **FORM GST CMP-02**, on the common portal either directly or through a Facilitation Centre notified by the Commissioner, on or before the 31st day of March, 2018, and shall furnish the statement in **FORM GST ITC-03** in accordance with the provisions of [sub-rule \(4\) of rule 44](#) within a period of **one hundred and eighty days** from the day on which such person commences to pay tax under [section 10](#):

Provided that the said persons shall not be allowed to furnish the declaration in **FORM GST TRAN-1** after the statement in **FORM GST ITC-03** has been furnished.

(4) Any person who files an intimation under sub-rule (1) to pay tax under [section 10](#) shall furnish the details of stock, including the inward supply of goods received from unregistered persons, held by him on the day preceding the date from which he opts to pay tax under the said section, electronically, in **FORM GST CMP-03**, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, within a period of **ninety days** from the date on which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf.

(5) Any intimation under sub-rule (1) or sub-rule (3) or [sub-rule \(3A\)](#) 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.

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](#).

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.

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(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.

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 GST CMP-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 **FORM GST CMP-08** 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 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,

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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.

Rule 7 – Rate of tax of the composition levy

This rule was made and amended vide the following notifications:

- [Central Tax Notification No. 3/2019 \(dated 29th January 2019\)](#)

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:-

S. No.	Section under which composition levy is opted	Category of registered persons	Rate of tax
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 <u>taxable</u> 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 turnover of <u>taxable</u> supplies of goods and services in the State or Union territory.

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