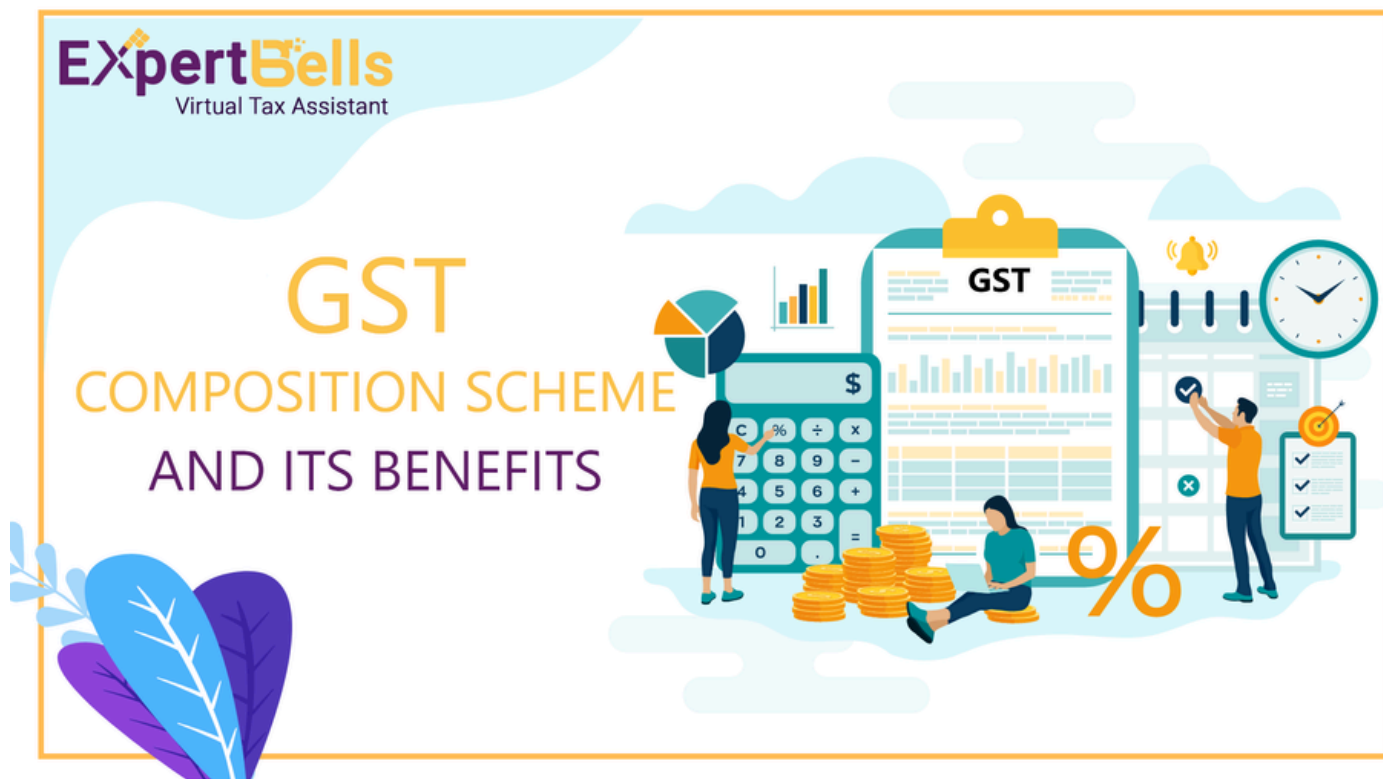




GST Composition Scheme and Its Benefits



Every business owner wants to skyrocket their business growth and dump the losses. Paying taxes was a headache before GST applied. Now you don't have to worry about going office to office for filing and paying taxes. Online **GST return filing** and [GST registration in Delhi](#) will save you lots of time and you are now free to focus on your business processes more than just filling forms and attaching documents.

Taxpayers whose turnover is not more than 1.5 crores can enjoy the nominal tax rates, all thanks to the **GST composition scheme**. In this blog, we will talk about the composition scheme and its benefits of registering in this scheme. This will help you in focusing on your business instead of taking care of invoices and transactions for tax filing. Let's see what actually this composition scheme is and how it works and beneficial for the business owners.

What is GST Composition Scheme?

[GST Filing under Composition scheme](#) for the small taxpayers as they can get rid of tedious GST formalities and pay tax at a fixed rate. According to the government directions, any taxpayer can opt for this scheme whose turnover is not more than 1.5 crores.

GST composition scheme and registration of a business owner under this scheme is mentioned under section 10 of GST law. They have clearly mentioned the composition GST

scheme and the basic principles that are made to reduce the burden of compliances of small taxpayers.

Government comes up with the composition scheme when business owners with limited turnover didn't get resources and expertise to match with all the procedures mentioned under the GST. Then government brings a **GST composition scheme** in which they give authority to the taxpayers with a turnover of less than 1 crore not to register as the normal taxpayer. They can choose option taxpayer under composition scheme and pay taxes at a nominal rate.

As per the amendment made in the CGST act, 2018, a dealer that comes under a composition scheme can also supply services to an extent of ten percent of turnover or 5 lakhs, whichever is more. Although in 32nd meeting of GST council increase the annual turnover limit to 1.5 crores that come under in effect from 1st April 2019.

Do you know the eligibility for GST composition scheme?

The government has set eligibility criteria for business owners who can register under the GST composition scheme. Registering under **GST composition in India** is optional and voluntary.

- Any business with a turnover of less than 1 crore can opt for the **GST composition scheme in India**.
- Restaurant service providers are excluded.
- Business that only deals in the supply of goods can also opt for the **GST composition scheme**.
- Businesses having an only intra-state supply of goods are eligible for this scheme. There should not any interstate supply of goods.
- The business that supplies goods through ecommerce operators like Flipkart or Amazon cannot register under the composition scheme.
- According to the composition directions, dealers are not allowed to collect composition tax from their recipient of supplies and also not allowed to take an input tax credit.
- If a person fails to get into eligibility criteria of the **GST composition scheme**, tax liability shall be tax, interest, and penalty which shall be equal to the amount of tax payable.

File Returns under Composition Scheme

Taxpayers registered under the GST composition scheme can pay tax providing a return in an official form and official manner within the eighteen days after quarter end. The form (GST CMP 08) you have to fill up for filing the return under the GST composition scheme is declared by the government for quarterly payment.

Advantages GST Composition Scheme

Here are some reasons why you should choose to get registered under the **GST composition scheme in India**.

- **Quarterly return only**- When you get registered under the **GST composition scheme**, you are only required to furnish quarterly returns. This allows you to focus more on your business processes instead of keeping records of the bills and returns.
- **Nominal tax rate**- one more benefit of getting register your business under the GST composition tax scheme is that the tax rate is nominal.
- **High Liquidity**- If you are registered under the GST composition scheme, you will have a higher availability of funds in your business. On the other hand, if you are a normal taxpayer, you are required to pay output tax on supplies at the standard tax rate and the credit of input will only be there in your hand when your suppliers file a return online which shall reconcile with your own return.

This shows that your large amount of capital will always be in blockage in the form of input credit. If you are registered under composition scheme, your output liability will be nominal and you don't have to worry about filing the return by the supplier you work with.

Disadvantages GST Composition Scheme

Let's see the disadvantages of registering under GST composition scheme-

- When you get your business registered under the **GST composition scheme**, you are only allowed to do trading on intra-state basis. You are barred from carrying inter-state transactions. This limits the territory of a business that is registered under a composition scheme.
- The second disadvantage is that you are not eligible for the supply of non-taxable goods under GST like liquor. You are also not eligible for supplying goods through ecommerce platform such as Flipkart, Amazon, etc.
- The government has set a very nominal rate of tax for the taxpayers that come under the **GST composition scheme** and it is written clearly that you cannot recover such tax from your buyer.
- There is a provision in the composition scheme if you have been given registration under the scheme and you are found not eligible for the **GST composition scheme** or the permission was granted incorrectly then you have to pay the amount of differential tax and penalty. The amount of penalty can be extended up to the total tax liability that is 100%.