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A REVIEW ON COMPOSITION LEVY SCHEME IN GST

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Abstract:A tax is a statutory charge made by the country on the public. The object of levying taxes by the governments is to raise revenue which is required to fulfil various obligations and duties. These taxes may be either director indirect or both. When comparing to the direct taxes the governments get more revenue through the levy of indirect taxes. GST is one of the indirect taxes levied by the implemented by the Government of Honourable Prime Minister Sri Narendra Modi with effect from 1st July, 2017 with a slogan of one nation, one market and one tax. It is because there were several types of indirect prevalent before the implementation of GST. Some taxes are used to levied by the Central Government and some by the state governments as a result we used to have multiple taxation and cascading effect as result of which the burden on ultimate consumer has increased a lot. The object of implementing the GST is to subsume all the indirect taxes into one tax for the entire nation. But even under GST law also all the dealers have to meet the compliance requirements of maintenance of books, records and filing of the periodical returns. But it is difficult for the small tax payers to meet such compliance requirements because their financial scope will not allow them. In order to protect such small taxpayers a special tax filing scheme called the composition levy scheme has introduced in Goods and Services Tax law. Hence, the composition levy scheme is an alternative method of levying tax exclusively meant for benefiting the small dealers whose aggregate annual turnover is lower than a prescribed limit by saving them from the complex compliances like maintenance of detailed records and filing monthly returns. The procedure to issue invoices is also simplified. Hence this is an easy scheme designed for small tax payers. The tax payer himself has to pay the tax on his/her turnover at a stipulated rate which is generally lower than the rates applicable for normal registered dealer. The composition dealers cannot charge GST to their customers rather they themselves have to bear the tax burden. The object of writing the article is to narrate the meaning of the composition levy scheme, the persons eligible and ineligible to opt for this scheme, the merits and demerits of this scheme etc.,

Key words: Goods, services, turnover, persons.

1. **Introduction**: Small tax payers generally suffers from the complex and tedious compliance requirements of GST law. In order to simplify the return filing requirements and other complex compliance requirements, an option is given to them through the design of a special scheme called composition levy scheme. The main differences between composition levy and normal levy include, the rate of tax applicable to composition levy scheme is lower(maximum rate is 5%) when comparing to normal levy scheme in which the highest GST rate is 28%. The composition levy dealers cannot involve in interstate sale like normal suppliers. Input tax credit benefit is not applicable to composition levy dealers like normal suppliers. Composition levy dealers cannot pass on the ITC and incidence of tax to the recipients of goods like normal dealers. The composition levy dealers have to five quarterly returns along with an annual return in GSTR-9A whereas the normal dealers have to file

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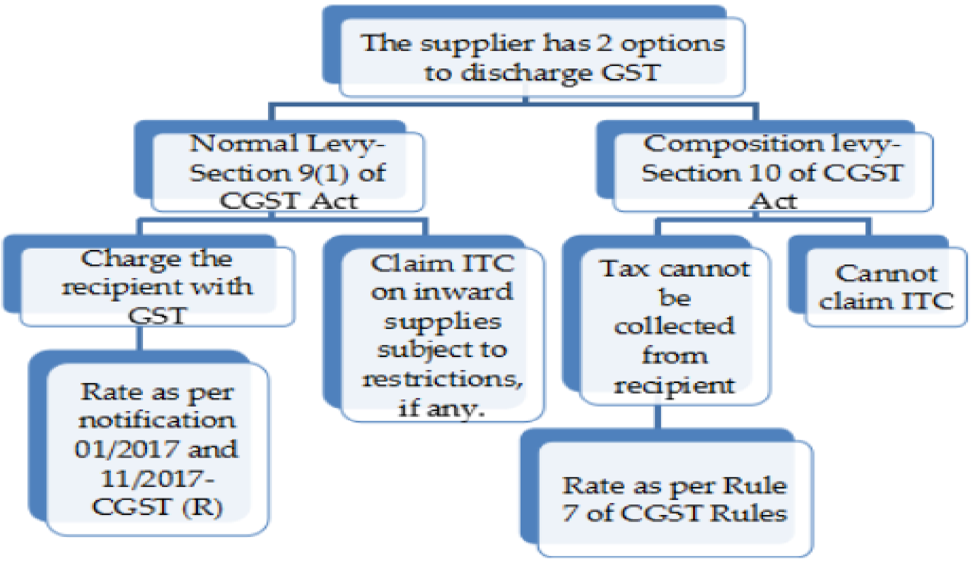
monthly returns along with an annual return in GSTR-9. The difference between the normal levy and composition levy can be depicted through the following diagram.



Source: https://taxguru.in/goods-and-service-tax/composition-scheme-taxpayers-gst.html

2. **Research Methodology**: The descriptive research approach was employed to carry out the investigation. Secondary data are employed for the study's objectives. The secondary information gathered from books that have been published, journal articles, and annual reports.
3. **Discussion**: A supplier having annual turnover of lower than Rs.1.5 crore in the previous year is entitled to opt for composition levy in the current year. In case of special category states(viz., Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh) suppliers entitled to opt for the scheme in the current year if their turnover in the previous year is up to Rs.75 lakh. In case of service providers the above threshold limit is Rs.50 lakh only which means if his/her turnover in the previous year is up to Rs.5 lakh he can opt for this scheme in the current year. While calculating the annual turnover of Rs.1.5 crore or Rs.75 lakh or Rs.50 lakh, the turnover of all the business units under the same PAN has to be added up. If the turnover of the previous year exceeded the above limits, the tax payers ceased to opt for this scheme. Similarly the persons providing supplies in ter state, casual taxable persons, Non resident taxable persons, persons providing supplies through E-Commerce operators, persons providing non taxable supplieseg alcohol, and manufacturers of notified goods like ice creams, pan masala and tobacco products are also in eligible to opt for this scheme. All the manufacturers and traders under composition law have to pay a 1% GST(0.50% SGST+0.50%CGST) on their supplies (within a state or union territory. A 5% rate applicable to food and beverages suppliers within a state or Union territory) other than alcohol(2.5% CGST+2.5% SGST/UTGST). The lesser tax rates and less compliance requirements are beneficial to the tax payers under this scheme.

4. **Conclusion**: In conclusion, the Composition Levy Scheme in the Goods and Services Tax (GST) has emerged as a significant policy initiative aimed at simplifying taxation for small businesses in India. This research paper has delved into various aspects of this scheme,

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evaluating its impact on taxpayers, the economy, and the overall effectiveness of its implementation.First and foremost, the Composition Levy Scheme has proven to be beneficial for small businesses, as it relieves them from the complex and burdensome compliance requirements of the regular GST system. This has not only reduced the compliance cost but has also encouraged more informal businesses to come into the formal tax net. However, it is important to continually monitor the scheme to ensure that it remains aligned with the changing needs of small businesses. Secondly, the Composition Levy Scheme has had implications for government revenue. While it may result in a revenue loss in the short term, it is important to consider the long-term benefits it brings in terms of formalization of the economy and increased compliance. Policymakers must strike a balance between revenue concerns and promoting ease of doing business.Moreover, the research has highlighted the need for simplification and harmonization of the Composition Levy Scheme across states to reduce confusion and promote uniformity. This includes addressing issues related to interstate trade and ensuring that the benefits of the scheme are consistent across the nation. In conclusion, the Composition Levy Scheme in GST is a well-intentioned policy that has made taxation more accessible for small businesses.

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