

Section 10 : Composition levy

(1) Notwithstanding anything to the contrary contained in this Act but subject to the provisions of sub-sections (3) and (4) of section 9, a registered person, whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, ¹[in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate] as maybe prescribed, but not exceeding,–

(a) one per cent. of the turnover in State or turnover in Union territory in case of a manufacturer,

²(b) two and a half per cent. of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and

(c) half percent of the turnover in State or turnover in Union territory in case of other suppliers,

subject to such conditions and restrictions as may be prescribed;

Provided that the Government may, by notification, increase the said limit of fifty lakh rupees to such higher amount, not exceeding ³[one crore and fifty lakh rupees], as may be recommended by the Council:

⁴[**Provided further** that a person who opts to pay tax under clause (a) or clause (b) or clause (c) may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding ten per cent. of turnover in a State or Union territory in the preceding financial year or five lakh rupees, whichever is higher.]

⁵[**Explanation**–For the purposes of second proviso, the value of exempt supply of services provided by way of extending deposits, loans or

1 Substituted for "in lieu of the tax payable by him, an amount calculated at such rate", by CGST (Amendment) Act, 2018 (No. 31 of 2018). It is made effective from 01-02-2019 by Noti. No. 2/2019–Central Tax, dt. 29-01-2019.

2 Following has been clarified by CGST (Removal Of Difficulties) Order, 2019 [Order No. 1/2019-Central Tax], dt. 01-02-2019 that –
it is clarified that the value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account–

(i) For determining the eligibility for composition scheme under second proviso to sub-section (1) of section 10;
(ii) In computing aggregate turnover in order to determine eligibility for composition scheme.

3 Substituted for "one crore rupees" by CGST (Amendment) Act, 2018 (No. 31 of 2018). It is made effective from 01-02-2019 by Noti. No. 2/2019–Central Tax, dt. 29-01-2019.

4 Proviso inserted by CGST (Amendment) Act, 2018 (No. 31 of 2018). It is made effective from 01-02-2019 by Noti. No. 2/2019–Central Tax, dt. 29-01-2019.

5 Explanation inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 1/2020–Central Tax, dt. 01-01-2020.

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advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.]

- (2) The registered person shall be eligible to opt under sub-section (1), if: –
- ⁶[(a) save as provided in sub-section (1), he is not engaged in the supply of services;]
 - (b) he is not engaged in making any supply of goods ⁷[or services] which are not leviable to tax under this Act;
 - (c) he is not engaged in making any inter-State outward supplies of goods ⁸[or services];
 - (d) he is not engaged in making any supply of ⁹**** ¹⁰**** services] through an electronic commerce operator who is required to collect tax at source under section 52; ¹¹****]
 - (e) he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the ¹²[Council; and]
 - ¹³[(f) he is neither a casual taxable person nor a non-resident taxable person:]

Provided that where more than one registered persons are having the same Permanent Account Number (issued under the Income-tax Act, 1961 (43 of 1961)), the registered person shall not be eligible to opt for the scheme under sub-section (1) unless all such registered persons opt to pay tax under that sub-section.

- ¹⁴[(2A)Notwithstanding anything to the contrary contained in this Act, but subject to the provisions of sub-sections (3) and (4) of section 9, a

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- ⁶ Clause (a) substituted by CGST (Amendment) Act, 2018 (31 of 2018). It is made effective from 01-02-2019 by Noti. No. 02/2019–Central Tax, dt. 29-01-2019. Earlier to substitution it read as under:
" (a) he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II;"
- ⁷ Inserted by Finance Act, 2020 (No. 12 of 2020). It is made effective from 01-01-2021 by Noti. No. 92/2020–Central Tax, dt. 22-12-2020.
- ⁸ Inserted by Finance Act, 2020 (No. 12 of 2020). It is made effective from 01-01-2021 by Noti. No. 92/2020 – Central Tax, dt. 22-12-2020.
- ⁹ The words "goods A[or" omitted by The Finance Act, 2023 w.e.f. 01-10-2023.
A Inserted by Finance Act, 2020 (No. 12 of 2020). It is made effective from 01-01-2021 by Noti. No. 92/2020 – Central Tax, dt. 22-12-2020.
- ¹⁰ Inserted by Finance Act, 2020 (No. 12 of 2020). It is made effective from 01-01-2021 by Noti. No. 92/2020 – Central Tax, dt. 22-12-2020.
- ¹¹ The word "and" omitted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.
- ¹² Substituted for the word "Council:" by Finance (No. 2) Act, 2019 (23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.
- ¹³ Clause (f) inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.

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registered person, not eligible to opt to pay tax under sub-section (1) and sub-section (2), whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him under sub-section (1) of section 9, an amount of tax calculated at such rate as may be prescribed, but not exceeding three per cent. of the turnover in State or turnover in Union territory, if he is not—

- (a) engaged in making any supply of goods or services which are not leviable to tax under this Act;
- (b) engaged in making any inter-State outward supplies of goods or services;
- (c) engaged in making any supply of ¹⁵**** services through an electronic commerce operator who is required to collect tax at source under section 52;
- (d) a manufacturer of such goods or supplier of such services as may be notified by the Government on the recommendations of the Council; and
- (e) a casual taxable person or a non-resident taxable person:

Provided that where more than one registered person are having the same Permanent Account Number issued under the Income-tax Act, 1961 (43 of 1961.), the registered person shall not be eligible to opt for the scheme under this sub-section unless all such registered persons opt to pay tax under this sub-section.]

- (3) The option availed of by a registered person under sub-section (1) ¹⁶[or sub-section (2A), as the case may be,] shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under sub-section (1) ¹⁷[or sub-section (2A), as the case may be.]
- (4) A taxable person to whom the provisions of sub-section (1) ¹⁸[or, as the case may be, sub-section (2A)] apply shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

¹⁴ Sub-section (2A) inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020 – Central Tax, dt. 01-01-2020.

¹⁵ The words “goods or” omitted by The Finance Act, 2023, effective date yet to be notified.

¹⁶ Inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.

¹⁷ Inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.

¹⁸ Inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.

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- (5) If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) ¹⁹[or sub-section (2A), as the case may be,] despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 ²⁰[or section 74A] shall, *mutatis mutandis*, apply for determination of tax and penalty.

²¹[**Explanation 1.**—For the purposes of computing aggregate turnover of a person for determining his eligibility to pay tax under this section, the expression “aggregate turnover” shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Explanation 2.—For the purposes of determining the tax payable by a person under this section, the expression “turnover in State or turnover in Union territory” shall not include the value of following supplies, namely:—

- (i) supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
- (ii) exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.]

Relevant Rule: Rule 3, 4, 5, 6, 7, 62

Relevant Form: Form GST CMP-01, GST CMP-02, GST CMP-03, GST CMP-04, GST CMP-05, GST CMP-06, GST CMP-07, GST CMP-08, GST REG-01, GST ITC-01, GST ITC-03, GSTR-4, GSTR-4A

¹⁹ Inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.

²⁰ Inserted by Finance (No. 2) Act, 2024 (No. 15 of 2024). It is made effective from 01-11-2024 by Noti. No. 17/2024–Central Tax, dt. 27-09-2024.

²¹ Explanation 1 & Explanation 2 inserted by Finance (No. 2) Act, 2019 (No. 23 of 2019). It is made effective from 01-01-2020 by Noti. No. 01/2020–Central Tax, dt. 01-01-2020.