

Salient/Additional Features of Revised Composition Scheme for Work Contract Dealers

(Notification No. 3(5)/Fin.(Rev-I)/2013-14/dsvi/801 dated 30.9.13)

1. Normally a works contractor can opt for the composition scheme till April 30 of a financial year but in 2013-14, he can again do so for third and fourth quarter by filing Form WC-01 till October 31, 2013. The Composition dealer shall be eligible to opt for only one of the scheme i.e. Scheme "A" or Scheme "B" for all categories of works contracts to be executed by him in that financial year.
2. The earlier composition scheme No.3(13)/Fin.(rev-1)/2012-13/dsvi/180 dated 28.02.2013 ceases w.e.f. 30.9.13. The dealer who can normally withdraw from composition scheme by filing form WC-02 till April 30 of the financial year can for the third and fourth quarter of 2013-14 withdraw by filing an application till October 31, 2013. Alternatively, the dealer can switch over to the new composition scheme notified on 30.9.13 by filing Form WC 01 upto 31.10.13.
3. Limit for purchase from unregistered dealers has been increased from 2% to 5% of total purchase turnover during the year, or ₹ 50 lacs (existing limit of ₹ 25 lacs), whichever is lower.
4. In case a composition dealer fails to comply with the stipulated conditions, as per the 28.2.13 Scheme, the entire amount deposited was to be forfeited - now the forfeiture is limited to the extent of 50%.
5. The dealer opting for composition shall be allowed to adjust the tax credit available to his credit against the liability on account of tax not suffered on opening stock in hand at the time of opting for composition scheme and in case even after said adjustment the dealer still has credit balance he shall be allowed to claim refund or carry forward the same to subsequent tax periods. In brief, the dealer shall be entitled to adjust the amount payable as per SS-01 with the said tax amount at his credit in DVAT-16.
6. The dealer changing from scheme "B" to scheme "A", shall be required to pay tax at the rate specified in section 4 of the Act, on the entire opening stock of goods held by him.
7. **Cases where the contractor and sub-contractor both are under composition scheme:**
The sub-contractor shall be eligible to deduct the amount of tax which shall be computed on the amount paid to him, by the Contractor, as mentioned in CC-01, at the lower of the two rates of composition – one opted for by the contractor and second by the sub-contractor. For example, contractor has opted for 3% scheme whereas his sub-contractor has opted for 6% scheme then said sub-contractor shall calculate his total liability @ 6% and shall be eligible for exemption of tax amount calculated @3% and the balance amount is to be paid by the said sub-contractor. In such cases the contractor is exempted from deducting TDS from payments made to such sub-contractors in respect of the turnover covered by the certificate CC-01.
8. In case where the rate of the composition tax of the contractor is lower(3%) than that of the sub-contractor(6%), the contractor shall be liable to deduct TDS at the differential rate of composition tax between the two (6%-3% =3%), from payments made to such sub-contractors in respect of the turnover covered by their respective Form CC-01.
9. Other provisions are same as that of the 28.2.13 Composition Scheme.

Disclaimer: This is a simplified version of salient/ additional features in the new composition scheme. For authentic legal interpretation, please refer to the **Notification No. 3(5)/Fin.(Rev-I)/2013-14/dsvi/801 dated 30.9.13.**

