

## 14. Composition Scheme

- The composition scheme is an elective option which can be exercised by making an application in Form **DVAT 01** within 30 days from the first day of the beginning of the following year i.e. by 30th April. The option may only be reversed after the end of the year for which the option is made. The application for the reversal of the election for this scheme is made in Form **DVAT 03** within 30 days from the first day of the beginning of the financial year.
- Separate Composition Scheme are available for the dealers dealing in bullion, medicine and works contracts.

### 14.1 Tax payable under composition scheme

- Tax payable under the composition scheme is 1% of the turnover of sale of the dealer. The tax applies to turnover of sales of all goods( including goods which are exempt from tax under the DVAT Act).
- Tax is payable @ 0.1% by bullion dealers opting for composition scheme.
- For composition dealers dealing in medicines, the rate of tax is 1%.
- The Works Contractors opting for composition scheme are required to pay tax @ 2.5% if all the turnover is under Local Act and @ 3% if the turnover includes inter-state transactions also.

### 14.2 Restrictions under Composition Scheme

- you cannot purchase taxable goods from a person who is not registered under this Act:
- You will not be allowed to claim any credits for input tax paid on your purchases.
- you will not be entitled to issue tax invoices;
- you will not be allowed to charge and collect tax from your customers: and
- you will be required to retain tax invoices and retail invoices for all purchases.
- You cannot purchase/sell goods outside Delhi at any time during the composition scheme, except the works contractors paying tax @ 3%.The works contractors paying tax @ 3% can purchase goods from outside Delhi after paying full rate of applicable taxes and are not allowed to make central purchaser or stock transform against central statutory forms.

- you should not be registered under the CST Act. The works contractors paying tax @ 3% can purchase goods from outside Delhi after paying full rate of applicable taxes and are not allowed to make central purchaser or stock transform against central statutory forms.

### 14.3 Composition Schemes for contractors

S. No.	Type of contractor	Rate of Tax	Tax Period
1.	Registered dealer engaged exclusively in work contracts of the nature of Civil Construction and making all the purchases and the sales during the period for which composition is opted within Delhi only (No turnover limit w.e.f. 30-11-2005)	2.5% of the entire turnover	Quarterly
2.	Registered dealers engaged exclusively in work contracts of the nature of Civil Construction and procure goods or supply goods to any place outside Delhi (No turnover limit w.e.f. 30-11-2005)	3% of the entire turnover on account of work contracts executed in Delhi	Quarterly

Composition schemes are subject to such conditions as prescribed in the particular scheme.