

FAQs > Compulsory Withdrawal from Composition Levy

1. What is meant by Compulsory Withdrawal from Composition Levy?

A taxpayer can opt out of Composition levy in any of the two ways:

1. Voluntarily opt out of Composition levy by filing Form GST CMP-04 on the GST Portal or
2. Compulsorily removed out of Composition levy by the Tax Official at any time during the financial year.

In case, the taxpayer does not opt out of the Composition levy within 7 days of disqualifying event, proceedings for compulsory withdrawal from Composition levy can be initiated by the Tax Official.

2. What are the pre-conditions for Compulsory Withdrawal from Composition Levy?

Listed below are the pre-conditions for Compulsory Withdrawal from Composition Levy:

1. Taxpayer has a valid and active GSTIN.
2. Composition Taxpayer has successfully submitted "Application to Opt for Composition levy" for the subsequent financial year Or Applicant is flagged as Composition taxpayer as on the current date.

3. By when can a taxpayer reply to SCN issued by Tax Official?

On issue of SCN to taxpayer for Compulsory withdrawal from the Composition levy, taxpayer needs to file a reply within 15 days from date of issue of such notice.

4. How can I view the notice and order issued for Compulsory Withdrawal from Composition Levy?

Navigate to **Services > User Services > View Notices and Orders** option to view the notice and order issued by Tax Official for Compulsory Withdrawal from Composition Levy.

[Click here to know more about it.](#)

5. How can I reply to the notice issued by Tax Official for Compulsory Withdrawal from Composition Levy?

Navigate to **Services > Registration > Application for Filing Clarifications** option to reply to the notice issued by Tax Official for Compulsory Withdrawal from Composition Levy.

[Click here to know more about it.](#)

6. Can a Tax Official Compulsory Withdraw a taxpayer from Composition Levy without issuing SCN?

Compulsory withdrawal from Composition levy cannot be initiated without issuing SCN by the Tax Official. Taxpayer will always be given an opportunity of being heard before withdrawal from the Composition levy.

7. What a Tax Official can do in case taxpayer has not replied to SCN issued by Tax Official?

The Tax Official will have 30 calendar days' time from the date of receipt of clarification from taxpayer on SCN or 15 days if no reply is received from taxpayer on SCN issued, whichever is earlier, to take any of following action on the

work item:

- Drop proceedings
- Withdraw Composition levy of the taxpayer.

In case, taxpayer doesn't submit clarifications within 15 days from date of issue of SCN, Tax Official can only **"Withdraw Composition"**.

8. Tax Official has initiated Compulsory Withdrawal from Composition Levy. What will happen in case, I have applied for new registration with same PAN?

If any new registration application is filed mapped to the same PAN and is pending for processing with the Tax officer, which is not approved or rejected, the decision of the approval/ rejection of proceeding for Compulsory withdrawal from Composition levy will also apply to the new GSTIN as applicable.

After issue of **"Order for Compulsory Withdrawal from Composition levy"**, any new Registration (GSTIN) granted over the same PAN (having effective date of Registration earlier than withdrawal date), will be treated as "Composition" till the date of withdrawal of composition and deemed to be flagged as "Normal" from the date of withdrawal of composition.

For example: If the effective date of Registration is 2nd Jan 2019 and withdrawal from composition date is 11th Jan 2019. In such case, the GSTIN will be treated as Composition till 11th Jan 2019 and Normal from 12th Jan 2019.

9. What will happen if a Tax Official Compulsory Withdraw a taxpayer from Composition Levy?

Once a Tax Official Compulsory Withdraw a taxpayer from Composition Levy:

1. GST Portal will generate an order for compulsory withdrawal from composition levy.
2. Taxpayer as well as all GSTINs mapped to the same PAN will be intimated about compulsory withdrawal via e- mail and SMS.
3. GST Portal will remove the 'Composition' flag, against all the GSTINs mapped to the same PAN.
4. Information about compulsory withdrawal will be passed on to the concerned State/Centre Tax Authorities of such GSTINs.

10. What will happen if a Tax Official drops the proceedings for Compulsory Withdrawal of a taxpayer from Composition Levy?

Once a Tax Official drops the proceedings for Compulsory Withdrawal of a taxpayer from Composition Levy:

1. GST Portal will generate an order for dropping of proceedings.
2. Taxpayer will be intimated about dropping of proceedings via e- mail and SMS.
3. Information about dropping the proceedings will be passed on to the concerned State/Centre Tax Authorities of such GSTINs.

11. What are the various statuses for Compulsory Withdrawal of a taxpayer from Composition Levy?

Various statuses for Compulsory Withdrawal of a taxpayer from Composition Levy are:

1. **Pending for Clarification:** On issuance of SCN and pending reply by taxpayer
2. **Pending for Order:** On receipt of reply to SCN and pending order by Tax Official
3. **Order Issued:** On passing of Order for Withdrawal by Tax Official
4. **Proceeding Dropped:** On passing of Order by Tax Official for dropping of SCN

