



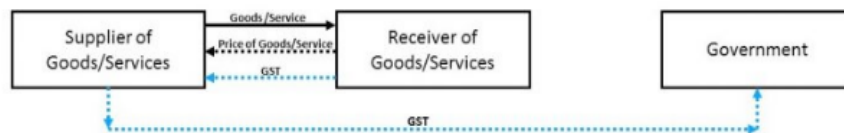
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REVERSE CHARGE MECHANISM UNDER GST

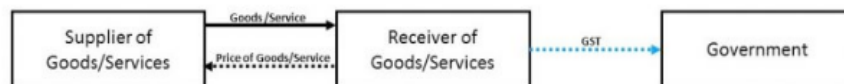
Reverse Charge Mechanism means that GST shall be paid and deposited with the Government by recipient of Goods / Services and not by Supplier of Goods / Services.

As per normal mechanism of levy of GST, the Receiver of Goods / Services pays GST to the Supplier and such supplier then deposits GST with the Government. However as per provisions of Reverse Charge Mechanism, GST is to be paid and deposited by recipient with Government on behalf of supplier of service.

NORMAL GST PAYMENT PROCESS



GST PAYMENT IN CASE OF REVERSE CHARGE



Reverse Charge on Goods under Section 9 (3)

Sr No	Description of Goods	Supplier of Goods	Recipient of Supply
1	Cashew Nuts, not shelled or peeled	Agriculturist	Any Registered Person
2	Bidi Wrapper Leaves (Tendu)	Agriculturist	Any Registered Person
3	Tobacco Leaves	Agriculturist	Any Registered Person
4	Silk Yarn	Any person who manufactures Silk Yarn from Silk Cocoons for Supply of Silk Yarn	Any Registered Person
5	Supply of Lottery	State Govt, Local Authority	Lottery Distributer or Selling Agent

Reverse Charge on Services under Section 9 (3)

Sr No	Description of Services	Supplier of Services	Recipient of Services
1	Services provided or agreed to be provided by a goods transport agency (GTA) in respect of transportation of goods by road	Goods Transport Agency (GTA)	<p>a) Any person registered under CGST/SGST/UTGST/ IGST Act;</p> <p>b) Anybody corporate established, by or under any law; or</p> <p>c) Any partnership firm whether registered or not under any law including association of persons.</p> <p>d) Casual taxable person</p> <p>e) Co-operative Society under any Law</p> <p>f) Any factory registered under or governed by the Factories Act,1948</p>
2	Services provided or agreed to be provided by an individual advocate or firm of advocates by way of legal services, directly or indirectly	An individual Advocate or Firm of Advocates	Any Business Entity located in Taxable Territory
3	Services provided or agreed to be provided by an arbitral tribunal	An Arbitrate Tribunal	Any Business Entity located in Taxable Territory.
4	Sponsorship Services	Any Person	Any Body Corporate or Partnership Firm located in Taxable Territory
5	<p>Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, -</p> <p>(1) renting of immovable property, and</p> <p>(2) services specified below-</p> <p>(i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;</p>	Central Government, State Government, Union territory or local authority	Any business entity located in the taxable territory.

5A	Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017 (12 of 2017). ** Added with effect from 25.01.2018	Central Government, State Government, Union territory or local authority	Any Person registered under Central Goods and Service Tax Act 2017.
5B	Supply of Services by Any Person by way of "Transfer of Development Rights (T.D.R.) or Floor Space Index (F.S.I.)" for construction of Residential Property	Any Person	Promoter / Builder / Developer
5C	Supply of Services by way of "LONG TERM LEASE OF LAND (30 YEARS OR MORE)", by any person against consideration in form of Upfront Premium or Periodic Rent.	Any Person	Promoter / Builder / Developer
6	Services supplied by a director of a company or a body corporate to the said company or the body corporate.	A director of a company or a body corporate	A company or a body corporate located in the taxable territory
7	Services provided or agreed to be provided by an insurance agent to any person carrying on insurance business	An insurance agent	Any person carrying on insurance business.
8	Services provided or agreed to be provided by a recovery agent to a banking company or a financial institution or a non-banking financial company	A Recovery Agent	A banking company or a financial institution or a nonbanking financial company.
9	Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1) (a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India	Members of Overseeing Committee constituted by the Reserve Bank of India	Reserve Bank of India

11	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs) Effective from 27.7.2018)	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm.	A banking company or a non-banking financial company, located in the taxable territory
12	Services provided by business facilitator (BF) to a banking company	Business facilitator(BF)	A banking company, located in the taxable territory.
13	Services provided by an agent of Business correspondent (BC) to business correspondent (BC).	An agent of business correspondent (BC).	A business correspondent, located in the taxable territory.
14	Security Services (services provided by way of supply of security personnel) provided to a registered person:	Any person other than a body corporate.	A registered person, Located in the “taxable territory.”

Time of Supply of Goods / Services under Reverse Charge Mechanism

Time of Supply of Goods under RCM	Time of Supply of Services under RCM
Earliest of the following	Earliest of the following
a) Date of Receipt of Goods	a) Date of Payment
b) Date of Payment	b) Date immediately after 60 days from date of issue of invoice by supplier.
c) Date immediately after 30 days from date of issue of Invoice by supplier	

Input Tax Credit in Reverse Charge Mechanism

- The Recipient is eligible avail Input Tax credit on the Tax amount that is paid under reverse charge on goods and services.
- The only condition is that the goods and services are used or will be used for business or furtherance of business.
- Unfortunately, ITC cannot be used to pay output tax, which means that payment mode is only through cash under reverse charge.

Other Miscellaneous Points

- Taxable person paying tax under reverse charge is required to issue self-invoice.
- Advance payments are subject to Reverse charge mechanism.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- For a Composite Dealer, if he falls under Reverse Charge Mechanism then the dealer is ineligible to claim any credit of tax paid.

Conclusion

Reverse charge mechanism is not a new concept. We were already dealing with this in the service tax. But imposing a 100% reverse charge is definitely a big change. There are both pros and cons of this reverse charge mechanism but then no accurate conclusion can be drawn currently as to how the society will be impacted by its imposition. On one hand it will definitely be burdensome for the small supply receivers, but on the other hand, it will increase tax compliance for the country as a whole and would increase transparency.