All about RCM under GST

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What is Reverse Charge:

Section 2 (98) defines 'reverse charge' means the liability to pay tax by the recipient of supply of Goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act;

Meaning thereby Tax liability would be occur on recipient of supply of goods or service or both, instead of supplier.

Liability of person under RCM:

Under the heading of Levy and collection, CGST Act 2017, Section 9 elucidating about who is liable to pay and when transaction cause under Reverse charge mechanism.

Section 9 sub section (3) 'The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

GSTN council has decided and came up with eighteen type of service placed under reverse charge mechanism on 19th may-2017, henceforth the person who receiving such services as he is the person liable to pay tax instead of supplier of services.

In the case of goods Government not come up with the list so far.
Section 9 (4) the central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Meaning thereby the person who registered under the GST as a recipient of goods or services or both from the supplier of goods or service or both as an unregistered person under GST. Such transaction would be levied under RCM, and such liability would be fall on recipient as he is the person liable to pay tax on goods or service or both.

Under the heading of Levy and collection, IGST Act 2017, Section 5 (3) and (4) elucidating about who is liable to pay and when transaction cause under Reverse charge mechanism.

Section 5 (3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Section 5 (4) The integrated tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

As explained under CGST Act Section 9 (3) and (4) replica in IGST Act 2017 Section 5 (3) and (4) but therein CGST would be levied instead of IGST.

**Time of payment under RCM:**

Supply of goods under RCM Section 12 (3), In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely:

(a) The date of the receipt of goods; or
(b) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or

(c) The date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:

Provided that where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

Supply of service under RCM Section 13 (3) In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:

(a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or

(b) The date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:

Provided that where it is not possible to determine the time of supply under clause (a) or clause (b), the time of supply shall be the date of entry in the books of account of the recipient of supply:

Provided further that in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier

Documents under RCM:-

A registered person who is liable to pay tax under RCM shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered person under GST on the date of receipt of goods or services or both.

And the registered person who is required to pay under RCM shall issue a payment voucher at the time of making payment to the respective supplier.

I hope above article will endeavor in your professional field.

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Recommended Read

- Employer obligatory services eligible for GST ITC
- Clarification on GST on Maintenance Charges paid by Members to RWA
If I have only RCM liability under GTA Rs. 500 in July-2017. Can I claim ITC in the same in July month and don't pay any tax as Output-Input=NIL? Please suggest.

The registered person who purchased from unregistered person, such supply if not exceed 5000 in a day no need to pay RCM.

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JATIN KAPOOR

if the recipient is taking the manpower service from unregistered person, then rcm will be payable by recipient pls justify as the same has been specifically removed by GST rules

AANAND JHA

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3. There is a small complication here that the “Schedule of GST rates for Services” says that the ITC in case of GTA service will not be available. Just want to know here that this tax credit will be obtained only because we have paid it under the RCM?