



# Reverse Charge Mechanism under GST



# What is Reverse Charge?

Reverse charge is a mechanism where the recipient of the goods or services is liable to pay Goods and Services Tax (GST) instead of the supplier.

# Statutory Provisions of Reverse Charge

*Sec 2(98) of CGST Act 2017 - "**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 Sec 9, or under sub-section (3) or sub-section (4) of Sec 5 of the Integrated Goods and Services Tax Act;*

## **Statutory Provisions under CGST Act, 2017**


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graph TD; A[Statutory Provisions under CGST Act, 2017] --> B[Section 9(3) of CGST Act and Section 5(3) of IGST Act]; A --> C[Section 9(4) of CGST Act and Section 5(4) of IGST Act];
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### **Section 9(3) of CGST Act and Section 5(3) of IGST Act**

**Notified specific categories of  
supply of goods or services or  
both**

### **Section 9(4) of CGST Act and Section 5(4) of IGST Act**

**Notified specific class of  
registered persons in respect of  
supply of specified categories of  
goods or services or both  
received from an unregistered  
supplier**



M/s. XYZ & Co, a Security Services Co provided security services to M/s. Abhinav & Associates, a partnership firm & charged of Rs.118/- (TA-100 + GST-18) therefore, Abhinav associates requires to pay whole amount of Rs.118/- to supplier, right?

But under RCM provisions, Abhinav Associates supposed to pay only the taxable amount i.e., Rs.100/- to supplier by withholding the GST part in that and later Abhinav Associates required to pay this GST of Rs.18/- to the Government.

As the Abhinav Associates (i.e., Recipient) pays tax to the Govt. instead of Supplier this transaction will be treated as RCM.

# Notification No.4/2017 Dt. 28.06.2017

## - Central/Integrated Tax (Rate)

Sl. No.	Goods	Supplier of goods	Recipient of supply
1.	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2.	Bidi wrapper leaves	Agriculturist	Any registered person
3.	Tobacco Leaves	Agriculturist	Any registered person

Sec 2(7) "agriculturist" means an individual or a Hindu Undivided Family who undertakes cultivation of land-

(a) by own labour, or

(b) by the labour of family, or

(c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

# Notification No.4/2017 Dt. 28.06.2017 - Central/Integrated Tax (Rate)

Sl. No.	Goods	Supplier of goods	Recipient of supply
3A	<p>Following essential oils other than those of citrus fruit namely: -</p> <p>(a) Of peppermint (<i>Mentha piperita</i>);</p> <p>(b) Of other mints : Spearmint oil (<i>ex-mentha spicata</i>), Water mint-oil (<i>ex-mentha aquatic</i>), Horsemint oil (<i>ex-mentha sylvestries</i>), Bergament oil (<i>ex-mentha citrate</i>), <i>Mentha arvensis</i></p>	Any unregistered person	Any registered person
4.	Silk Yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any registered person
4A.	Raw Cotton (w. e. f. 15.11.2017)	Agriculturist	Any registered person

Sl. No.	Goods	Supplier of goods	Recipient of supply
5.	Supply of Lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent
6.	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap (w. e. f. 13-10-2017)	Central Government, State Government, Union Territory or local authority	Any registered person
7.	Priority Sector Lending Certificate (PSLCs) (w. e. f. 28-05-2018)	Any registered person	Any registered person




# Notification No. 13/2017-Central Tax(Rate) Dt. 28-06-2017

## WHAT IS A GTA?

Para 2(ze) of 12/2017 CT[R] :

“goods transport agency” means any person who provides service in relation to transport of goods by road and issues consignment note of whatever name called.

Sl. No.	Service	Service Provider	Service Recipient
1.	<b>Services by a goods transport agency (GTA)</b> who has not paid central tax at the rate of 6% in respect of Transportation of goods by road.	Goods Transport Agency (GTA)	(a) any factory (b) any society (c) any co-operative society (d) any person registered under the GST Laws (e) any body corporate (f) any partnership firm whether registered or not, including association of persons; or (g) any casual taxable person; located in the taxable territory.



Provided that nothing contained in this entry shall apply to services provided by a goods transport agency, by way of transport of goods in a goods carriage by road, to-

*(a) A Department or Establishment of the Central Government or State Government or Union territory; or*

*(b) Local authority; or*

*(c) Governmental agencies,*

which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for the **purpose of deducting tax under section 51** and not for making a taxable supply of goods or services.



**Services provided by a goods transport agency, by way of transport in a goods carriage of -**

- (a) agricultural produce;
- (b) milk, salt and food grain including flour, pulses and rice;
- (c) organic manure;
- (d) newspaper or magazines registered with the Registrar of Newspapers;
- (e) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (f) defence or military equipment.

# Who will pay under Reverse Charge?

The person who **pays or is liable to pay freight** for the transportation of goods by road in goods carriage, located in the taxable territory shall be treated as the receiver of service.

If the **supplier of goods (consignor)** pays the GTA, then the sender will be treated as the recipient.

If the liability of freight payment lies with the **receiver (Consignee)**, then the receiver of goods will be treated as a receiver of transportation services.

Sl. No.	Service	Service Provider	Service Recipient
2.	<p>Services provided by an <b>individual advocate including a senior advocate or a firm of advocates</b> by way of legal services, directly or indirectly.</p> <p>“legal service” means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.]</p>	<p>An individual advocate including a senior advocate or firm of advocates.</p>	<p>Any business entity located in the taxable territory</p>
3.	<p>Services supplied by an <b>arbitral tribunal</b> to a business entity.</p>	<p>An Arbitral Tribunal</p>	<p>Any business entity located in the taxable territory</p>
4.	<p>Services provided by way of <b>sponsorship</b> to any body corporate or partnership firm.</p>	<p>Any person</p>	<p>Any body corporate or partnership firm located in the taxable territory.</p>

Sl. No.	Service	Service Provider	Service Recipient
5.	Government Services, other than the following- (1) renting of immovable property, (2) Services specified below- (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; (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.	Central Government, State Government, Union territory or local Authority	Any business entity located in the taxable territory.

Sl. No.	Service	Service Provider	Service Recipient
5A.	Services supplied by the Central Government, State Government, Union territory or local authority by way of <b>renting of immovable property</b> to a person registered under the CGST Act,2017  (w. e. f. 25-01-2018)	Central Government, State Government, Union territory or local Authority	Any person registered under the CGST Act, 2017.

Sl. No.	Services	Service Provider	Service Recipient
5B.	Services supplied by any person by way of <b>transfer of development rights or Floor Space Index (FSI)</b> (including additional FSI) for construction of a project by a promoter. (w. e. f. 01-04-2019)	Any Person	Promoter
5C.	<b>Long term lease of land</b> (30 years or more) by any person against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter. (w. e. f. 01-04-2019)	Any Person	Promoter



Sl. No.	Services	Service Provider	Service Recipient
6.	Directorial Services	A Director of a company or a body Corporate	The company or a body corporate located in the taxable territory.

RCM  
Applicable

If Employer and Employee relationship does not exist

RCM not  
Applicable

If Employer and Employee relationship exists

Sl. No.	Services	Service Provider	Service Recipient
7.	Insurance Agent Services	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8.	Recovery Agent Services	A recovery agent	A <b>banking company or a financial institution or a NBFC</b> , located in the taxable territory.
9.	Services by a <b>music composer, photographer artist or the like</b> by way of transfer or permitting the use or enjoyment of a Copyright	Music composer, photographer, artist, or the Like	<b>Music company, producer or the like</b> , located in the taxable territory

Sl. No.	Services	Service Provider	Service Recipient
9A.	Services by an <b>author by way of transfer or permitting the use or enjoyment of a Copyright</b>	Author	<b>Publisher</b> located in taxable territory (optional)
10.	Supply of <b>services by the members of Overseeing Committee</b> to Reserve Bank of India	Members of Overseeing Committee constituted by RBI	RBI
11.	Services supplied by <b>individual Direct Selling Agents (DSAs)</b> other than a body corporate, partnership or limited liability partnership firm to bank or NBFCs.	Individual DSAs other than a body corporate, partnership or LLP.	A banking company or a NBFC, located in the taxable territory

Sl. No.	Services	Service Provider	Service Recipient
12.	Services provided by <b>Business Facilitator (BF)</b> to a banking company	<b>Business Facilitator</b>	<b>A Banking Company</b> , located in the taxable territory
13.	Services provided by an <b>Agent of Business Correspondent (BC)</b> to business correspondent.	An <b>Agent</b> of Business Correspondent	<b>A Business Correspondent</b> , located in the taxable territory
14.	<b>Security services</b> provided to a registered person.	<b>Any person</b> other than a body corporate	<b>A registered person</b> , located in the taxable territory

# Security services provided to a registered person.

(i) Provided that nothing contained in this entry shall apply to

*(a) A Department or Establishment of the Central Government or State Government or Union territory; or*


*(b) Local authority; or*

*(c) Governmental agencies,*

which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for the **purpose of deducting tax under section 51** and not for making a taxable supply of goods or services.

(ii) A registered person paying tax under Section 10 of the said Act. (Composition Scheme).

Sl. No.	Services	Service Provider	Service Recipient
15.	Services provided by way of <b>renting of any motor vehicle</b> designed to carry passengers where <b>the cost of fuel is included in the consideration charged from the service recipient</b> , provided to a body corporate.	Any person, other than a body corporate who supplies the service to a body corporate and <b>does not issue an invoice charging central tax at the rate of 6%</b> to the service recipient	Any body corporate located in the taxable territory
16.	Services of <b>lending of securities</b> under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India ("SEBI"), as amended.	Lender	Borrower

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- Lender i.e. a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI.
  - Borrower i.e. a person who borrows the securities under the Scheme through an approved intermediary of SEBI.

# Notification No. 10/2017- Integrated Tax (Rate) Dt. 28-06-2017

Sl. No.	Category of Supply of Services	Service Provider	Service Recipient
1.	Any service supplied by any <b>person who is located in a non-taxable territory</b> to any person other than non-taxable online recipient.	Any person located in a non-taxable territory	Any person located in the taxable territory other than non taxable online recipient.



## **Section 2(16) of IGST Act, 2017**

**“non-taxable online recipient”** means any Government, local authority, governmental authority, an individual or any other person not registered and receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

## **Section 2(17) of IGST Act, 2017**

**“online information and database access or retrieval services”** means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention and impossible to ensure in the absence of information technology and includes electronic services such as,—

- (i) advertising on the internet;
- (ii) providing cloud services;
- (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;
- (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
- (v) online supplies of digital content (movies, television shows, music and the like);
- (vi) digital data storage; and
- (vii) online gaming;

# RCM under Section 9(4)-URD RCM to be paid by the Promoter

Particulars as per Notification No:7/2019 dated 29.03.2019	GST Rate
Inputs and Input Services that constitute the shortfall from 80%	18%
Cement	28%
Capital Goods	At applicable rates

# Input Tax Credit (ITC) under RCM

- A supplier cannot take the GST paid under the RCM as ITC. The recipient can avail of ITC on GST amount paid under RCM on receipt of goods or services, only if such goods or services are used or will be used for business purposes.
- The recipient cannot use ITC to pay output GST on goods or services under reverse charge and should be paid in cash only.

# Other Points

- As per provisions of GST law, the person supplying the goods must mention in the tax invoice whether tax is payable under the RCM.
- A composition dealer should pay tax at the normal rates and not the composition rates while discharging liability under RCM. Also, they are ineligible to claim any input tax credit of tax paid.
- Self-invoicing is to be done when purchased from an unregistered supplier, and if such purchase of goods or services falls under reverse charge.



THANK YOU