# GST GOOGLY

## REVERSE CHARGE

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# TOPICS COVERED

1. Definition & Meaning of REVERSE CHARGE.
2. Services & Goods covered under REVERSE CHARGE.
3. Specific Categories covered.
4. Time of SUPPLY in case of Goods.
5. Time of SUPPLY in case of Services.
6. Other Provisions.
7. Summary.

# 1. DEFINITION & MEANING – REVERSE CHARGE –

"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 SECTION 9 (3) OR 9 (4).

| **AAM ZINDAGI – NORMAL PROCESS** | **GOOGLY – REVERSE CHARGE** |
|---|---|
| SUPPLY PROVIDER - **Collect Sale Value + Taxes** & pay to Tax Authorities. | SUPPLY PROVIDER - **Collect Sale Value** from BUYER. |
| SUPPLY RECEIVER – **PAY** Sale Value + Taxes to Seller | SUPPLY RECEIVER – **PAY** Sale Value to Seller, Calculate GST on Value & pay to Tax Authorities. |

# PROCEDURE


TAX AUTHORITIES
Deposit GST
BILLED Rs 40,000/- (excl. GST)
"RAM" STATIONERY SELLER – UNREGISTERED DEALER.
PAY Rs 40,000/- (excl. GST)
"ABC LTD." RECEIVER – REGISTERED DEALER

# 2. SERVICES & GOODS COVERED UNDER REVERSE CHARGE.

## CURRENT SCENARIO – APPLICABILITY IN SERVICE TAX –

1. INSURANCE AGENT
2. SERVICES OF A DIRECTOR TO A COMPANY
3. MANPOWER SUPPLY
4. GOODS TRANSPORT AGENCIES
5. NON-RESIDENT SERVICE PROVIDERS
6. ANY SERVICE INVOLVING AGGREGATORS

## CURRENT SCENARIO – APPLICABILITY IN VAT – NO REVERSE CHARGE

## NEW SCENARIO – APPLICABILITY IN GST –

| SECTION | TYPE OF SUPPLY | DESCRIPTION |
|---|---|---|
| 9 (3) | SPECIFIC CATEGORIES | To be notified by Government |
| 9 (4) | UNREGISTERED DEALER SUPPLYING TO REGISTERED DEALER | New Provision, Compliance Burden on Registered Dealer. |
| 9 (5) | E-COMMERCE operator Supplies Services. Eg. URBANCLAP, | E-COMMERCE Company will deposit Reverse Charge on behalf of VENDOR. |

# 3. SPECIFIC CATEGORIES COVERED -



1. Any Registered person receiving services from Non taxable Territory.
2. Services Provided by Goods Transport Agency.
3. Advocates or Advocate's Firm.
4. An arbitral tribunal.
5. Sponsorship Services.
6. Government or local authority providing Services except –

   (A) renting of immovable property.

   (B) Services by the Department of POSTS.

   (C) Services in relation to an aircraft or a vessel.

   (D) Transport of GOODS or Passengers.

# SPECIFIC CATEGORIES (CONT.)

7. Services provided by a director.
8. Services provided by an INSURANCE Agent to an insurance company.
9. Services provided by a Recovery Agent to a bank, financial institution or NBFC.
10. Services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India to an importer.
11. Transfer or permitting the use or enjoyment of a copyright to a publisher, Music company, etc.
12. Radio taxi or Passenger Transport Services provided through electronic commerce operator.

# 4. TIME OF SUPPLY OF GOODS - SECTION 12(3),

THE TIME OF SUPPLY WOULD BE THE EARLIEST OF THE FOLLOWING DATES -

(A) The date of the **receipt of goods**

OR

(B) The date on which the **payment** is made, EARLIER OF

- **The Date on which The payment is entered in the books of accounts.**
- **The date on which the payment is debited in his bank account**

OR

(C) The date immediately following **thirty days** from the date of **issue of invoice** by the supplier

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

# 5. TIME OF SUPPLY OF SERVICES - SECTION 13 (3),

## THE TIME OF SUPPLY WOULD BE THE EARLIEST OF THE FOLLOWING DATES -

(A) The date on which the **payment** is made, EARLIER OF

- **The Date on which The payment is entered in the books of accounts.**
- **The date on which the payment is debited in his bank account**

OR

(B) The date immediately after **SIXTY days** from the date of **issue of invoice** by the supplier

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

# TIME OF SUPPLY OF SERVICES - SECTION 13 (3) (CONT.)

**When supplier is located outside India, In case of Associated Enterprises, Time of Supply shall be the Earlier of -**

the date of entry in the books of account of the recipient of supply.

OR

the date of payment.

# 6. OTHER PROVISIONS -

- **REGISTRATION** - A PERSON WHO IS REQUIRED TO PAY TAX UNDER REVERSE CHARGE IS REQUIRED TO OBTAIN REGISTRATION UNDER THE GST LAW , **IRRESPECTIVE OF THE THRESHOLD LIMIT.**
- **TAX INVOICE** – THE SUPPLIER MUST MENTION IN HIS TAX INVOICE WHETHER THE TAX IS PAYABLE ON REVERSE CHARGE.
- **FURNISHING OF DETAILS OF INWARD SUPPLY – AS PER SECTION 38 (2), EVERY REGISTERED PERSON SHALL FURNISH, ELECTRONICALLY, THE DETAILS** OF INWARD SUPPLIES OF GOODS OR SERVICES OR BOTH ON WHICH THE TAX IS PAYABLE ON REVERSE CHARGE BASIS UNDER THIS ACT.
- **NOT INCLUDED IN "AGGREGATE TURNOVER"** - INWARD SUPPLIES ON WHICH TAX IS PAYABLE BY A PERSON ON REVERSE CHARGE BASIS IS EXCLUDED FROM THE DEFINITION OF "AGGREGATE TURNOVER"

# OTHER PROVISIONS (CONT.)

- **INPUT RULES –**

1. Where the input is common to both exempted and taxable supplies, supplies under RCM is to be computed as exempted supplies, for determining reversal of ITC on exempted supplies.
2. To the extent of tax payment Input tax credit is eligible subject to the eligibility.

- **GST Compensation Cess –**

As per the proposed Goods and services Tax (Compensation to the States for Loss of Revenue) Bill, 2016, GST compensation cess at a prescribed rate on the value determined under the CGST Act, would be leviable on supplies of goods and services, including supplies on which reverse charge is payable under Section 7(3) of the CGST Act.

# 7. SUMMARY –

IN REVERSE CHARGE, THE REGISTERED PERSON (LIABLE TO PAY TAX U/S 9 (3), (4), OR (5)), WILL NOW HAVE TO PAY THE TAX & HAVE TO FOLLOW BELOW MENTIONED PROCEDURE -

- CHECK THE NATURE OF SERVICES,
- FIGURE OUT THE APPLICABLE RATE,
- PAY THE TAX ON REVERSE CHARGE,
- TAKES THE CREDIT,
- FULFIL THE PLACE OF SUPPLY,
- TIME OF SUPPLY AND
- VARIOUS OTHER CONDITIONS.

IN CASE OF ANY QUERY/ CLARITY/ CORRECTION, YOU CAN REACH ME @ CADIVYANSHUSENGAR@GMAIL.COM.

# THANK YOU

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