
Reverse Charge
Under
GST

What is the reverse Charge mechanism under GST

Section 2 (98) of CGST Act 2017

- 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

GST REGISTRATION UNDER RCM

Section 22 of the CGST Act, 2017

- All persons who are required to pay tax under reverse charge have to register for GST ***irrespective*** of the threshold

[**Threshold:- turnover in a financial year exceeds Rs 20lakhs (Rs 10 lakhs for North eastern and hill states)**]

Situations Where The Reverse Charge Will Apply

1	2	3
• Unregistered dealer selling to a registered dealer	• Services through an e-commerce operator	• CBEC has issued a list of services on which reverse charge is applicable

Time Of Supply For Goods Under Reverse Charge

CHAPTER IV
TIME AND VALUE OF SUPPLY
SECTION-12

In case of reverse charge, the time of supply shall be the earliest of the following dates -:

(a) the date of receipt of goods OR

(b) the date of payment OR

(c) the date immediately after THIRTY days from the date of issue of invoice by the supplier (60 days for services)

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

Time Of Supply For Goods Under Reverse Charge

Example:

1.Date of receipt of goods 15th May 2018

2.Date of payment 15th July 2018

3.Date of invoice 1st June 2018

4.Date of entry in books of receiver 18th May 2018

Time of supply of goods 15th May 2018

If for some reason time of supply could not be determined supply under (1), (2) or (3) then it would be 18th May 2018 i.e., date of entry

Time Of Supply For Goods Under Reverse Charge

Date of Receipt of Goods	Date of Invoice	Date of Payment	Time of Supply of Goods	Explanation
29th July, 2017	5th August, 2017	10th November, 2017	29th July, 2017	The date of receipt of goods, in this case, is earlier than the date of payment and 30 days from the date of invoice. Hence, the time of supply will be 29th July, 2017.
15th August, 2017	25th August, 2017	30th July, 2017	30th July, 2017	The date of payment is earlier than the date of receipt of goods and 30 days from date of invoice. Hence, the time of supply will be 30th July, 2017.
10th August, 2017	1st July, 2017	15th August, 2017	31st July, 2017	In this case, 30 days from date of invoice is earlier than the date of receipt of goods and the date of payment. Hence, the time of supply will be 31st July, 2017.

Time of supply for services under reverse charge

In case of reverse charge, the time of supply shall be the earliest of the following dates

(a) The date of payment

OR

(b) The date immediately after **SIXTY days** from the date of issue of invoice by the supplier (30 days for goods)

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 receiver of service.

Time of supply for services under reverse charge-

When supplier is located outside India

In case of ‘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 receiver

OR

the date of payment

whichever is earlier

Time of supply for services under reverse charge

Example for reverse charge:

- **Date of payment 15th July 2018**
- **Date of invoice 1st July 2018**
- **Date of entry in books of receiver 18th July 2018**

Time of supply of service 15th May 2018

If for some reason time of supply could not be determined supply under (a) or (b) then it would be **18th July 2018** i.e., date of entry in books.

list of services on which reverse charge is applicable

SL No	Service Provider	Service Receiver	Service tax payable by Service recipient
1	Goods Transport Agency	Casual Taxable person, body corporate, partnership firm, any society, factory, any person registered under CGST, SGST, UTGST Act.	100%
2	Recovery Agent	Banking Company, NBFC or any financial institution.	100%
3	A director of a company or a body corporate	A company or a body corporate	100%
4	An individual advocate or firm of advocates	Any business entity.	100%
5	An arbitral tribunal	Any business entity.	100%
6	Taxi driver or Rent a cab operator (if service provided by e-commerce operator)	Any person - E-commerce Operator	100%

list of services on which reverse charge is applicable

SL No	Service Provider	Service Receiver	Service tax payable by Service recipient
7	An insurance agent	Any person carrying on insurance business	100%
8	Any person providing sponsorship services	Anybody corporate or partnership firm.	100%
9	A person located in non-taxable territory to a person located in non-taxable territory	Importer	100%
10	Author or music composer, photographer, artist, etc (Transfer or permitting the use or enjoyment of a copyright)	Publisher, Music company, Producer	100%
11	Any person who is located in a non-taxable territory	Any person located in the taxable territory other than non-assessee online recipient (Business Recipient)	100%
12	Any person who is located in a non-taxable territory	Any person located in the taxable territory other than non-assessee online recipient (Business Recipient)	100%

[YOUR COMPANY]
[Select Date]

INVOICE #1234

Details of Receiver (Billed To)		Details of Consignee (Shipped To)	
Name	[Customer Name] [Company]	**Name**	[Customer Name] [Company]
Address	[Address][City, ST ZIP Code]	**Address**	[Address][City, ST ZIP Code]
State	[State Name][State Code]	**State**	[State Name][State Code]
GSTIN/UID	[GSTIN of the party]	**GSTIN/UID**	[GSTIN of the party]

S. No	Description	HSN/Accounting Code	Qty	Unit	Rate	Total	Discount	Taxable Value	CGST		SGST		IGST	
									Rate	Amt	Rate	Amt	Rate	Amt
	Total													

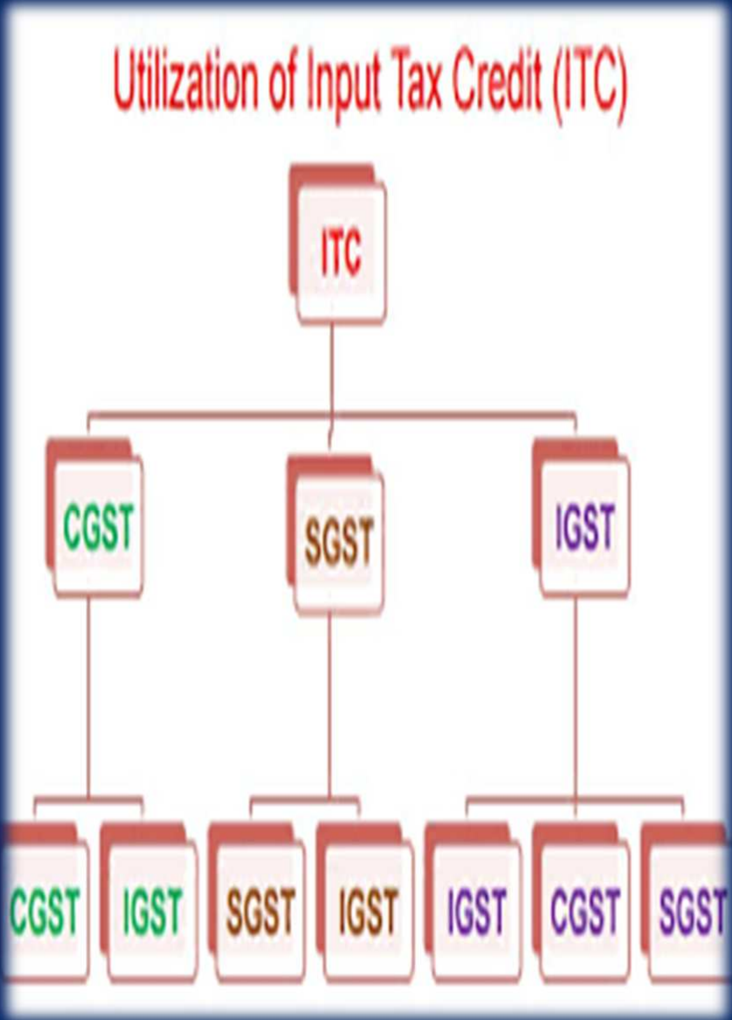
Total Invoice Value (in Figure)	
Total Invoice Value (in Words)	
Amount of Tax subject to Reverse Charges	
	Total

Thank you for your business!

[Your Company]
[Address, City, ST ZIP Code] | [Web Address]
p. [Telephone] | f.[Fax] | [Email] [CIN No.] [PAN No.]

Tax Invoice:

The supplier has to mention in his tax invoice that the tax is payable on reverse charge



Input Tax Credit:

The service recipient can 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.

Any Questions ?