REVERSE CHARGE MECHANISM GOODS SERVICE TAX

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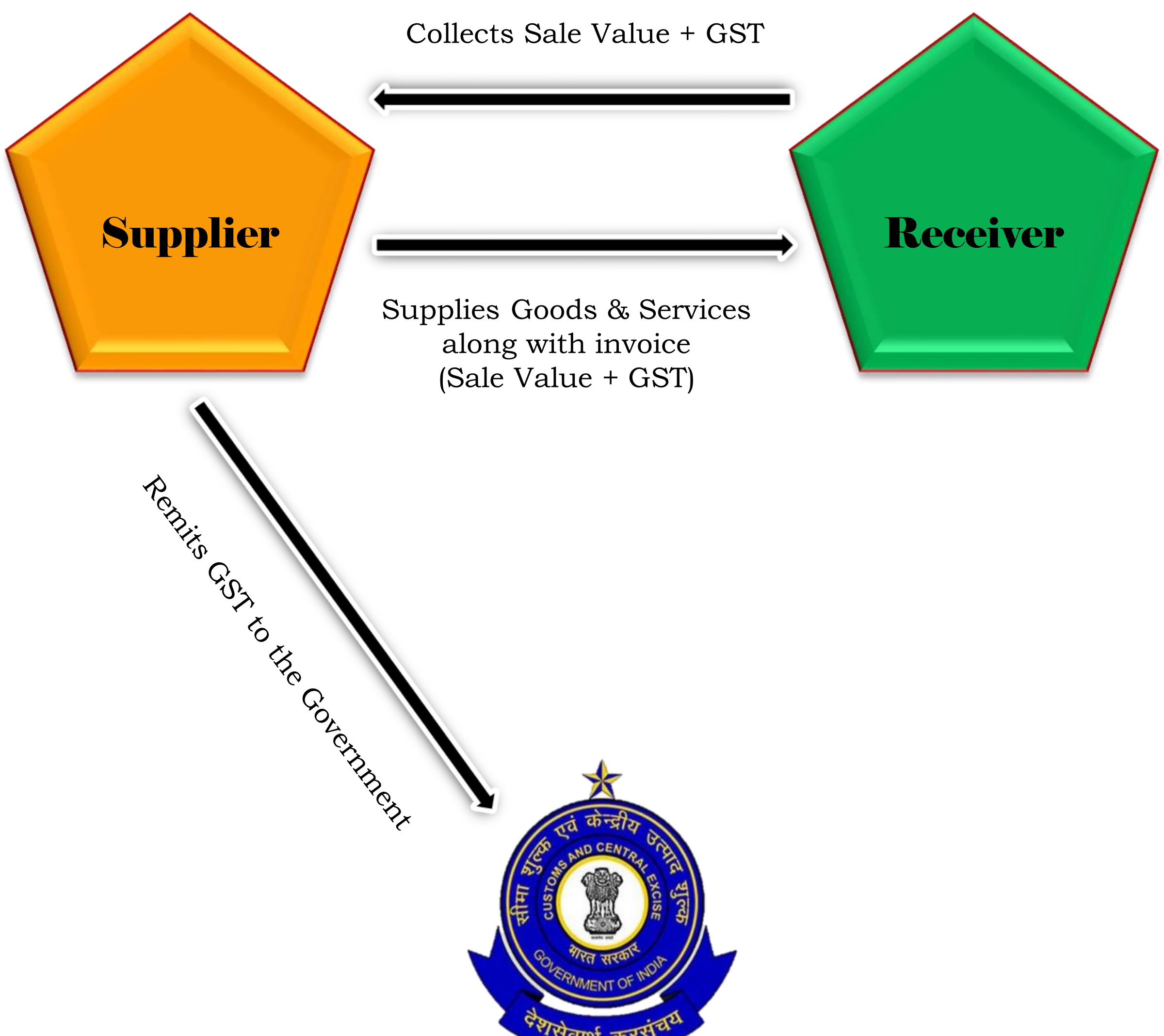
What is Reverse Charge Mechanism ?

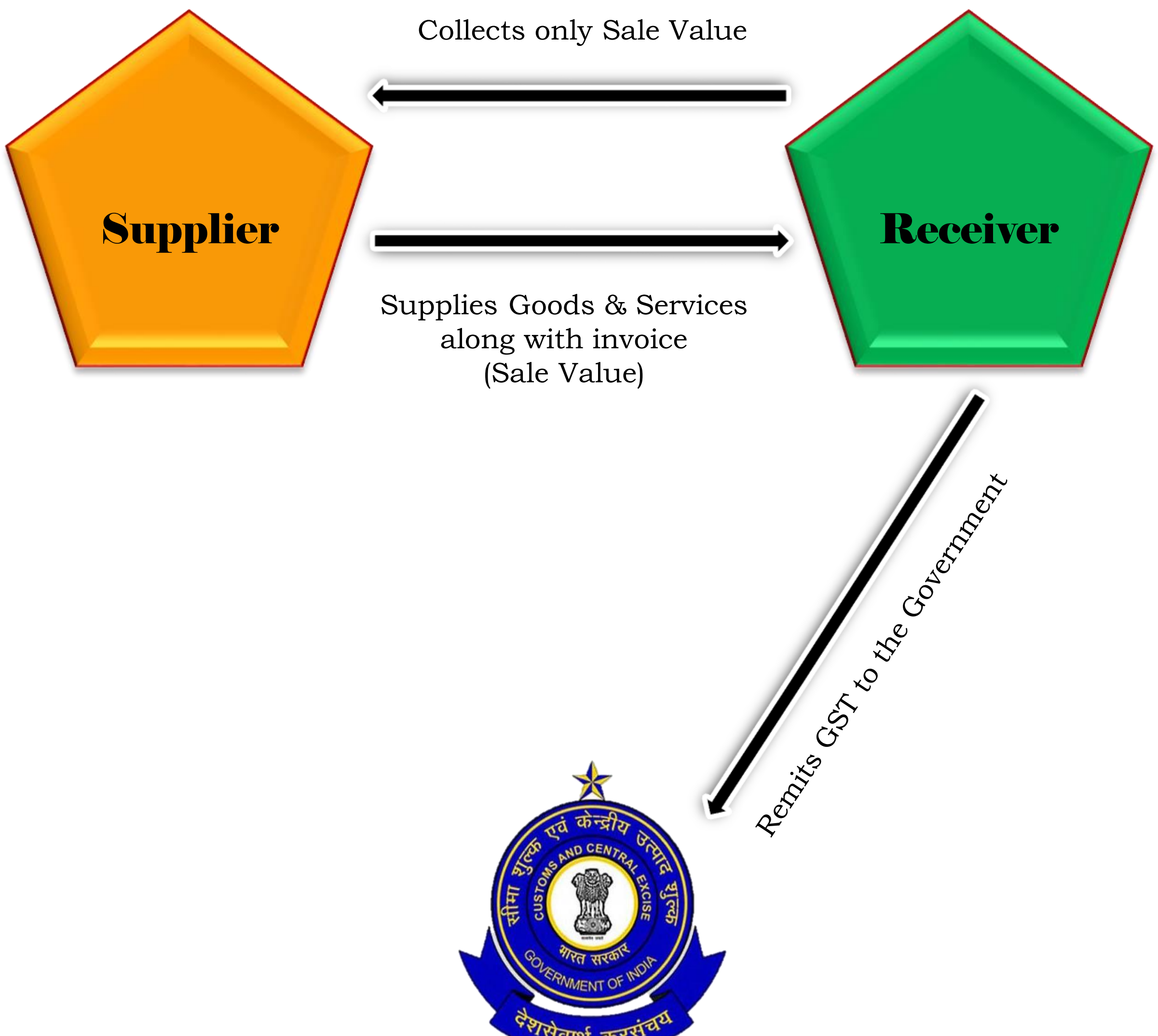
Normally in GST, supplier of goods or services collects tax at respective rate and remits the same to the government.

But under Reverse Charge Mechanism of GST, Receiver of goods or services has to pay tax directly to the Government on goods or services that received.

Normal Mechanism



Reverse Charge Mechanism



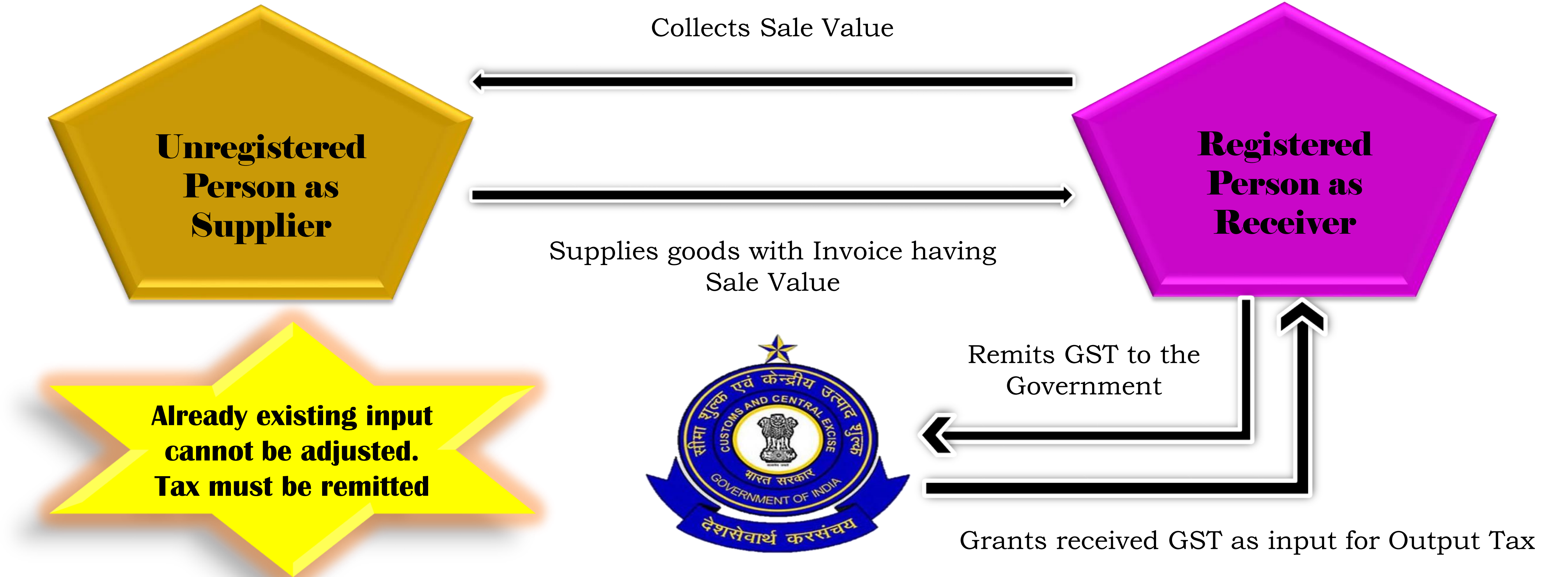
When Reverse Charge Mechanism Applicable?

Reverse Charge Mechanism applies in the following cases:-

- **A** Supply from an Unregistered dealer to a Registered dealer
- **B** Services through an e-commerce operator
- **C** Supply of certain goods and services specified by CBEC

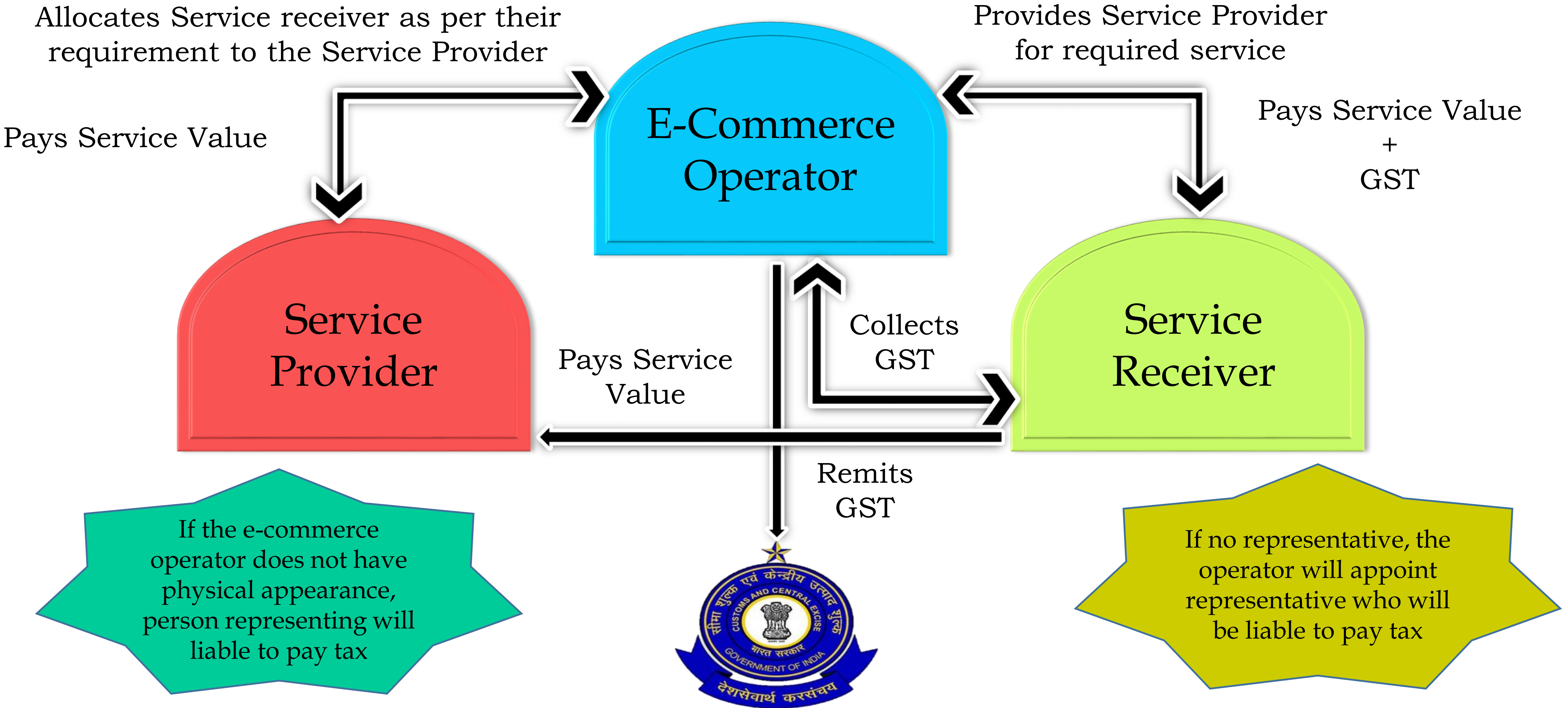
Supply from an Unregistered Dealer to a Registered Dealer

If a supplier, who is not registered under GST Act, supplies goods to a person, who is registered under GST Act, then Reverse Charge Mechanism will apply



Services through an e-commerce operator

If an e-commerce operator, who is a supplies services, then reverse charge will applicable to the e-commerce operator. He will liable to pay tax



Supply of certain Goods & Services specified by CBEC

CBEC has issued following list of goods on which Reverse Charge is applicable:

Supplier of Goods : - An Agriculturist

Type of Goods	Service Receiver

Cashew Nuts, not shelled or peeled

Bidi wrapper leaves (tendu)

Tobacco Leaves

Raw Cotton

Any Registered Person

Should Remit GST to the Government

Supplier of Goods : - Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn

Type of Goods

Cashew Nuts, not shelled or peeled

Service Receiver

Any Registered Person

Should Remit GST to the Government

Supplier of Goods : - State Government, Union Territory or any Local Authorities

Type of Goods

Service Receiver

Supply of Lottery

Lottery distributor or selling agent

Should Remit GST to the Government

Supplier of Goods : - Central Government State Government, Union Territory or any Local Authorities

Type of Goods

Service Receiver

Used vehicles, seized and confiscated goods, old and used goods, waste and scrap

Any Registered Person

Should Remit GST to the Government

Supplier of Goods : - Any Registered Person

Type of Goods

Service Receiver

Priority Sector Lending Certificate

Any Registered Person

Should Remit GST to the Government

CBEC has issued following list of services on which Reverse Charge is applicable:

Supplier of Services : - Goods Transport Agency (GTA) who has not paid GST @ 12 %

Type of Service

Supply of services by a GTA in respect of transportation of goods by road;

Service Receiver

Any Factory registered or governed by the Factory Act, 1948;

Any Society registered under the Societies Registration Act, 1860;

Any Co-operative Society established by or under any Law;

Any Person registered under GST Act;

Any Body Corporate established, by or under any law;

Any Partnership registered or not under any law including AOP;

Any Casual Person located in the taxable territory

Should Remit GST to the Government

Supplier of Services : - An individual Advocate including a Senior Advocate or Firm of Advocate including LLP

Type of Service

Supply of Legal Services either directly or indirectly;
Legal Service contains advice, consultancy or any assistance

Service Receiver

Any Business Entity located in the Taxable Territory;

Should Remit GST to the Government

Supplier of Services : - An Arbitral Tribunal

Type of Service

Supply of Arbitral Tribunal Services;

Service Receiver

Any Business Entity located in the Taxable Territory;

Should Remit GST to the Government

Supplier of Services : - Any Person

Type of Service

Supply of Sponsorship Services;

Service Receiver

Any Body Corporate or Partnership located in the Taxable Territory;

Should Remit GST to the Government

Supplier of Services : - Central Government, State Government, Union Territory or Local Authority

Type of Service

Services supplied by the supplier excluding the following services;

Renting of Immovable Property

Services specified as follows

- Postal & Courier Services, Insurance Services and Agency Services
- Aircraft or Vessel services, either inside or outside the port or airport
- Transport of Goods or Passengers

Service Receiver

Any Business Entity located in the Taxable Territory;

Should Remit GST to the Government

सीमा शुल्क एवं केन्द्रीय उत्पाद शुल्क
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Supplier of Services : - Central Government, State Government, Union Territory or Local Authority

Type of Service

Renting of Immovable Property;

Service Receiver

Any Person registered under the GST Act;

Should Remit GST to the Government

Supplier of Services : - A Director of a Company or a Body Corporate

Type of Service

Services supplied by a director of a company or a body corporate;

Service Receiver

The Company or a Body Corporate located in the taxable territory;

Should Remit GST to the Government

Supplier of Services : - An Insurance Agent

Type of Service

Services supplied by an insurance agent;

Service Receiver

Any person carrying on insurance business, located in a taxable territory;

Should Remit GST to the Government

Supplier of Services : - A Recovery Agent

Type of Service

Services supplied by Recovery agent;

Service Receiver

A Banking Company or a Financial Institution or a Non-Banking Financial Company, located in the taxable territory;

Should Remit GST to the Government

Supplier of Services : - Author or Music Composer

Type of Service

Services supplied by Author, Music Composer, Photographer, artist or the like way of transfer or permitting the use or enjoyment of a Copyright relating to original literary, dramatic, musical or a artistic works;

Service Receiver

Publisher, Music Company, Producer or the like, located in the taxable territory;

Should Remit GST to the Government

Supplier of Services : - Members of Overseeing Committee constituted by the Reserve Bank of India

Type of Service

Services supplied by Members of Overseeing Committee constituted by the Reserve Bank of India;

Service Receiver

Reserve Bank of India;

Should Remit GST to the Government

Supplier of Services : - A Person located in a non-taxable territory

Type of Service

Services supplied by any Person located in a non-taxable territory;

Service Receiver

Any person located in the taxable territory other than in a non-taxable territory;

Should Remit GST to the Government

Supplier of Services : - A Person located in a non-taxable territory

Type of Service

Services supplied by any Person located in a non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India;

Service Receiver

Importer as defined in Sec – 2(26) of the Customs Act, 1962, located in a taxable territory;

Should Remit GST to the Government

Time of Supply under Reverse Charge Mechanism

In case of Reverse Charge Mechanism, the time of supply shall be the earliest of the following dates:-

Time of Supply in case of Goods

The Date of Receipt of Goods

The Date immediately after 30 days from the date of Invoice

Which ever is earlier

If it is not possible to determine the time of supply, the time of supply shall be date of entry in the books of accounts of the recipient;

Time of Supply in case of Services

The Date of Payment

The Date immediately after 60 days from the date of Invoice

Which ever is earlier

If it is not possible to determine the time of supply, the time of supply shall be date of entry in the books of accounts of the recipient;

Self Invoicing under Reverse Charge Mechanism

When any purchases made from an unregistered supplier and such purchase of Goods or Services falls under Reverse Charge Mechanism, then Service Receiver has make self invoice.

Thank You