

FAQ: Reverse Charge Mechanism

1	What is meant by Reverse Charge?	It means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply.
2	Is the reverse charge mechanism applicable only to services?	No, reverse charge applies to supplies of both goods or services, as notified by the Government on the recommendations of the GST Council.
3	What will be the implications in case of receipt of supply from unregistered persons?	In case of receipt of supply from an unregistered person, the registered person who is receiving goods or services shall be liable to pay tax under reverse charge mechanism.
4	How will a recipient who receives a supply under reverse charge mechanism pay GST?	A person who is required to pay tax under reverse charge has to compulsorily register under GST. The threshold limit of Rs. 20 lakhs (Rs. 10 lakhs for special category States) is not applicable in such case.
5	What is the time of supply of goods in case of tax payable under reverse charge?	The time of supply will be the earliest of the following dates: a) date of receipt of goods; or b) date of payment as per books of account or date of debit in bank account, whichever is earlier; or c) the date immediately following 30 days from the date of issue of invoice by the supplier.
6	What is the time of supply of service in case of tax payable under reverse charge?	The time of supply will be the earlier of the following dates: a) date of payment as per books of account or date of debit in bank account, whichever is earlier; or b) the date immediately following sixty days from the date of issue of invoice by the supplier.
7	Can GST paid on reverse charge basis be considered as input tax?	Yes. The definition of input tax includes the tax payable under reverse charge mechanism.
8	Can a person take input tax credit without payment of consideration for the supply along with tax to the supplier?	Yes, the recipient can take ITC. The condition of payment of consideration to along with tax within 180 days from the date of issue of invoice is not applicable where tax is payable on reverse charge basis.
9	Whether old gold jewellery sold by an individual to a jeweller will be taxed under reverse charge mechanism?	No, even though the sale of old gold by an individual is for a consideration, it cannot be said to be in the course or furtherance of his business (as selling old gold jewellery is not the business of the said individual), and hence does not qualify to be a supply per se. Accordingly, the sale of old jewellery by an individual to a jeweller will not attract the provisions of Section 9(4) and jeweller will not be liable to pay tax under reverse charge mechanism on such purchases.
10	Whether old gold jewellery sold by an unregistered supplier will be taxed	Yes, as the sale is for consideration and is in the course or furtherance of business of such unregistered supplier.

	under reverse charge mechanism?	
11	Does aggregate turnover include value of inward supplies received on which RCM is payable?	Aggregate turnover does not include value of inward supplies on which tax is payable on reverse charge basis. In other words, aggregate turnover, in the hands of supplier, would include value of those supplies on which tax is not payable by him but by the recipient of such supplies.
12	Whether legal services provided by advocate firm are under reverse charge?	Yes.
13	Is an advocate providing interstate supply chargeable under Reverse Charge liable for registration?	No, suppliers who are making only those supplies on which recipient is liable to discharge GST under RCM are exempted from registration.
14	A person receives a supply from an unregistered person in another state. Whether he has to pay tax on reverse charge basis?	No, the person supplying the inter-state supply will have to compulsorily register irrespective of his turnover and will be liable to pay tax, unless the supplier has been exempted from taking registration. Thus question of unregistered supplies making inter-state supplies does not arise.
15	Who will issue the tax invoice in case of reverse charge supplies?	The recipient receiving supplies from unregistered supplier will have to issue invoice on self and pay tax. In other words, the recipient receiving supplies, which are subject to reverse charge, from a registered person need not issue a tax invoice.
16	Under supply from unregistered dealer the purchaser have to pay GST on RCM basis. so whether stipend paid to intern will also come under RCM?	No, stipend paid to interns will be employer-employee transactions. Hence, not liable for GST.
17	Do even small sundry purchases from unregistered persons have to be levied to tax on reverse charge basis?	No, purchases by registered persons from any or all unregistered persons of up to Rs. 5000/- per day are exempted from GST.
18	A registered person purchases goods worth Rs. 6000/- on a single day from unregistered persons. Whether he has to pay GST on Rs. 1000/- or Rs. 6000/-?	He will have to pay GST on Rs. 6000/-. Exemption is available only if the value of purchases per day is less than Rs. 5000/-.
19	If an Assessee pays GST on behalf of an unregistered supplier/SSI/exempted unit, will he be able to take Input Tax Credit of the GST paid on reverse charge basis?	Yes, input tax credit of tax paid on reverse charge basis by the recipient is allowed to the recipient and the credit can be taken even in the same month.
20	Whether, any Indian providing services to PayPal on contract basis is required to pay reverse charges on charges deducted by PayPal?	It depends on the nature of charges deducted. The place of supply is outside India but as the supplier is located in India, it is a case of inter-State supply and subject to IGST. It will be zero rated if the sale proceeds are realized in convertible foreign exchange.

21	Under the new GST Act, the liability or payment of GST still with consignee or consignor?	Reverse charge mechanism has been provided in GST law for GTA and the recipient of GTA service (he may be consignor or consignee) is required to pay GST. Notification No 13/2017-Central tax (rate) may be referred to.
22	Whether RCM is applicable on payments made for hiring of transport from unregistered GST traders?	RCM under section 9(3) is applicable for GTA and not for transport of goods. Where the vehicle is taken on rent or lease , it will be supply of service under 9966 or 9973 and supply of service will be taxable under RCM under section 9(4).
23	We are also paying small payments like unloading charges, detention charges and under miscellaneous payments to petty contractors. Is GSTN under reverse charge applicable for these payments?	If you are not registered, payment on reverse charge under section 9(4) of CGST Act, 2017 is not required. That said, if such services availed fall within the domain of any service that is subject to reverse charge under section 9(3) of CGST Act, 2017 you have to get yourself registered and GST has to be paid.
24	Can any unregistered transporter having a turnover below 20 lacks carry the goods for a registered dealer?	Yes, GTA can carry the goods. GST on GTA services is liable to be paid on RCM basis by the recipient. The supply of services of goods transport by road transporter other than a GTA and a courier is exempted under Notification No. 9/2017- Central Tax (rate).
25	Whether reimbursement of expenses to staff comes under RCM?	Re-imbusement is an expense in the course or furtherance of business and if the same is against a taxable supply taken from an unregistered supplier, RCM will apply.
26	Whether tax under RCM is applicable for expenses incurred towards doctor sponsorship programme?	As per notification no. 13/2017-Central Tax (Rate), Sl. No. 4 sponsorship to anybody Corporate/Partnership firm comes under RCM.