

GOODS & SERVICE TAX (GST)

FREQUENTLY ASKED QUESTION ON REVERSE CHARGE MECHANISM

1. What is meant by Reverse Charge?

Answer – It means the liability to pay tax by the recipient of supply of goods or services instead of the supplier of such goods or services or both in respect of notified categories of supply.

2. Is the reverse charge mechanism applicable only to services?

Answer – No, reverse charge applies to supplies of both goods or services, as notified by the Government on the recommendations of the GST Council.

3. Can GST paid on reverse charge basis be considered as input tax?

Answer – Yes. The definition of input tax includes the tax payable under reverse charge mechanism.

4. Can a person take input tax credit without payment of consideration for the supply along with tax to the supplier?

Answer – 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.

5. Whether legal services provided by advocate firm are under reverse charge?

Answer – Yes.

6. A person receives a supply from an unregistered person in another state. Whether he has to pay tax on reverse charge basis?

Answer – 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 supply by unregistered suppliers making inter-state supplies does not arise.

7. Do even small sundry purchases from unregistered persons have to be levied to tax on reverse charge basis?

Answer – No, purchases by registered persons from any or all unregistered persons of up to Rs. 5000/- per day are exempted from GST.

8. 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/-?

Answer – 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/-.

9. Under the new GST Act, the liability or payment of GST still with consignee or consignor?

Answer – 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.

10. Whether RCM is applicable on payments made for hiring of transport from unregistered GST traders?

Answer – RCM under section 9(3) of the TSGST Act 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 SAC 9966 or 9973 and supply of service will be taxable under RCM under section 9(4).

11. Whether tax under RCM is applicable for expenses incurred towards doctor sponsorship programme?

Answer – As per notification no. 13/2017-Central Tax (Rate), Sl. No. 4 sponsorship to anybody Corporate/Partnership firm comes under RCM.

12. Who will issue the tax invoice in case of reverse charge supplies?

Answer – The recipient receiving supplies from unregistered supplier will have to issue invoice himself 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.