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Gst payable under reverse charge

What is the Reverse Charge Mechanism(RCM) under GST? Reverse Charge Mechanism is the process of payment of GST by the receiver instead of the supplier. In this case, the liability of tax payment is transferred to the recipient/receiver instead of the supplier. Latest Update "Ignore prompt on liability for inward supplies attracting reverse charge in Table-3.1 (d)" Read More Note: In the notification, the government has finally imposed the reverse charge mechanism starting from 1st February 2019 as per the GST acts and amendments. Also to note that the up to INR 5000 exemptions will be removed effectively. Reverse Charge Mechanism is applicable in case of : Imports Purchase from unregistered dealer. Supply of notified goods and services This reverses the scenario as the person who is receiving the goods and services need to pay the taxes. If the receiver is purchasing goods from unregistered providers, there needs to be a GST paid on their behalf. A payment voucher needs to be issued from the supplier to the recipient. The recipient must be a registered person as per Section 2(94) of the CGST Act,2017. As per section 2(98) of CGST Act' 2017, "reverse charge" means the liability to pay tax by the recipient of the supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act Current Situation in Reverse Charge Mechanism (RCM) In the present scenario, the reverse charge mechanism is applicable in service tax for services like Insurance Agent, Manpower Supply, Goods Transport Agency, etc. Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply. In the earlier government scenario, it was hard to collect service tax from the numerous unorganized sectors just similar to goods transportation. The effort has been made to place the services as per the existing regime and Compliances and tax collections will, therefore, be increased through reverse charge mechanism. Currently, there is no reverse charge mechanism on the What is Mixed and Composite Supply Under GST? Brief details about mixed supply and composite supply under GST (Goods and Services Tax) regime. We have also explained with proper examples., the reverse charge may be applicable for both goods and services. RCM Provisions Under GSTR Forms - GSTR 1 - GSTR 2 This system is being carried forward from the VAT regime. In case the supplier is registered, but the goods or services come under reverse charge mechanism, the input tax credit cannot be claimed by the supplier as the tax is not credited by him but the receiver is paying the taxes. In the case of importers of goods, taxes need to be paid under reverse charge mechanism to the Government on the import. This is in addition to the import duties. The details of the charges pertaining to the inward supply of goods or services are to be mentioned in the GSTR1. The details of inward supply are stated in the form GSTR 2. A person who is liable to pay tax under reverse charge mechanism needs to be registered under GST irrespective of the turnover. The goods/service supplier gets the input tax credit that is paid under the reverse charge. The only condition is that the input tax credit is used only for the furtherance of business. The list of services to be included under reverse charge mechanism are: Goods Transport Agency Recovery Agent Director of a company or body corporate An individual advocate or firm of advocates. An insurance agent The Scenario Where Reverse Charge Will Be Applicable under GST Supply by Unregistered Dealer: In case of an unregistered person is selling goods or providing any services to the registered person, then the liability to pay tax shifts on the registered person i.e. the recipient of goods/services, where such supply is of taxable supplies. No reverse charge mechanism in case of exempted supplies. The tax will be paid by the registered dealer and all the provisions of the act will be applicable to him as if he is the supplier of the goods or services The concept behind this to prevent tax evasion since it would be almost impossible to collect tax from the unregistered dealer. It would increase tax compliance and promotes transparency. Input credit will be allowed to the registered dealer of the tax paid by him under the reverse charge mechanism. Recommended: What is Mixed and Composite Supply Under GST? Get to know about all disadvantages of transaction with unregistered dealer in Goods and Services Tax India. We have covered broad area to show exact details. This extra compliance under the Act will force all the registered persons to purchase goods only from the registered dealers and this is what the new regime aims at. For Services Provided by E-commerce Operator In case of services provided by e-commerce operators, liability to pay tax lies on the recipient of services. If the assessee has no physical presence in the taxable area, then the representative of such e-commerce operator will be liable to pay tax. If there is no representative, then the assessee has to appoint one who will be liable to pay GST. For Services CBEC has notified a list of services on which reverse charge mechanism will be applicable under GST S. No. Provider Recipient 1 Goods transport agency Casual Taxable person, body corporate, partnership firm, any society, factory, any person registered under CGST, SGST, IGST Act 2 Recovery Agent Banking Company, NBFC or any financial institution 3 A director of a company or a body corporate 4 An individual advocate or firm of advocates, An arbitral tribunal Any business entity 5 An insurance agent Any person carrying on insurance business More: Illustrative list on which the reverse charge mechanism is applicable for services Points to be noted: No partial reverse charge will be applicable under GST. 100% tax will be paid by the recipient if the reverse charge mechanism applies. In the case of B2B import of other services, the tax shall be payable by the recipient of services In the case of B2B Import of goods, the tax shall be payable by the recipient of goods Liability of Registration Under RCM (Reverse Charge Mechanism) Under Reverse Charge Mechanism who is liable to register in the new tax regime? A person who pays taxes under reverse charge is required to register under GST irrespective of the threshold and annual threshold Limit is 20 lakhs (10 lakhs in case of Hill states and North Eastern State) Note: In the GST council meeting, states were given liberty to imposed double threshold limit for registration i.e. 40 lakh up from the earlier INR 20 lakh. Time of Supply Under GST, time of supply means a particular point in time when the goods or services are rendered or supplied. It allows us to find out the tax rate, value and due dates for filing returns. Under Reverse Charge Mechanism, the receiver is entitled to pay GST. However, the time of supply for supplying of goods and services under reverse charge is varying from the supplies which are under forwarding charge. How to Find Out Time of Supply under Reverse Charge Mechanism (RCM)? In the case of Goods: Time of supply in case of supplying goods when tax payable under Reverse Charge, whichever is earliest from the following dates:- the date of the receipt of goods; the date of payment as entered in the books of account of the recipient; the date on which the payment is debited in his bank account, whichever is earlier; the date immediately following thirty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier Note: However, if it is not possible to find out the time of supply in mentioned above cases than the time of supply will be considered the date of entry in the books of account of the recipient of the supply. Let us understand by an example given below- Date of Payment - 18th June 2019 Date of Invoice - 1st July 2019 Date of Entry in books by the recipient - 19th June 2019 In this case, the time of supply will be 18th June 2019 If the supplier is located outside India, then the time of supply shall be the earliest of: 'When the amount is paid i.e. the date of payment' OR 'When the recipient records the payment in his books of account'. In the case of services: Time of supply in case of supplying services when taxes payable under reverse charge mechanism, whichever is earliest from the following dates:- the date of payment; or the date immediately following after sixty days from the date of issue of the invoice by the supplier; whichever is earlier However, if it is not possible to find out the time of supply in aforementioned cases, the time of supply will be considered the date of entry in the books of account of the recipient of the supply. Let us understand by an example given below- Date of Payment - 18th August 2019 Date of Invoice - 1st September 2019 Date of Entry in books by the recipient - 19th August 2019 Note: In this case, the time of supply will be 18th August 2017. Due to some reasons if the time of supply can't be ascertained under 1 or 2 head, in this case, it will be 19th August i.e., date of entry in books by the recipient. There are two types of reverse charge scenarios mentioned in the law. First one is dependent on the nature of supply and nature of supplier. This covered under section 9 (3) of CGST/ SGST (UTGST) Act and section 5 (3) of the IGST Act. Second one taxable supply made by the unregistered person to a registered person covered under section 9 (4) of the CGST/SGST (UTGST) Act and section 5 (4) of the IGST Act. The Manner of Payment of GST under the Reverse Charge Mechanism As per section 49(4) of CGST Act'2017, ITC can be used for payment of output tax only. Therefore tax under reverse charge can be paid through cash only without availing the benefit of ITC. The supplier must mention in his tax invoice whether the tax is payable on reverse charge. Input Tax Credit: The service recipient can avail Input Tax credit on the Tax amount A complete guide for understanding the basics of input tax credit and it calculation with detailed examples under GST (Goods and Services Tax) India. 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. If the composite dealer falls under reverse charge mechanism then the dealer is ineligible to claim any credit of tax paid. The tax will be paid at the normal applicable rates and not at the composition rates. Registration Requirement under Reverse Charge Mechanism (RCM): As per Section 24 of CGST Act' 2017, A person paying tax under the reverse charge mechanism has to compulsorily get registered even if the turnover is below the threshold limit. Applicability of GST Compensation Cess: GST Compensation Cess will be applicable on tax paid under reverse charge mechanism also. The purpose is to compensate States for loss of revenue on the implementation of GST. This will be applicable for 5 years from the date GST gets implemented. Important Points to be Taken Care Under RCM - Goods and services notified under section 9(3) or section 9(4) must have person registered under GST. Under the reverse charge mechanism, the GST applicable must be submitted to the government on every 20th of next month The input tax credit will be available for all the RCM goods and services used for the furtherance of business according to the GST paid. And the service acquiring individual, who is also paying reverse charge can take the benefits of an input tax credit. There will be no auto-population of details of the GST paid under the RCM in GSTR 2, but it will be subjected to the manual furnishing of details. Wherever the RCM is applicable the invoice must be arranged by the recipient on itself while the invoices along with the consolidated purchases should be issued on a daily basis. on all the GST applicable who are under section 31(3). Payment voucher must be issued by the recipient at that at the time period of suppliers payment. The ITC is not available for the reverse charge payment to the authority. The composition scheme registered individuals also come under the reverse charge, well there will be no credit of RCM be availed. The reverse charge mechanism is applicable to payments made in advance also. Note: If in case, a dealer is unregistered under GST, then he is not allowed to deal in any interstate transactions. For any reverse charge mechanism to be applicable, there must be only intra-state transactions. Need GST Billing Software for RCM Dealers Conclusion: With the biggest tax reform ready to be implemented, Reverse charge mechanism is not a new concept as we are already dealing with this in the service tax. But imposing a 100% reverse charge is definitely a big change. There are both pros and cons of this reverse charge mechanism but then no accurate conclusion can be drawn currently as to how the society will be impacted by its imposition. On one hand it will definitely be burdensome for the small supply receivers, but on the other hand, it will increase tax compliance for the country as a whole and would increase transparency. gst is payable by the recipient under reverse charge on. can gst be paid under reverse charge

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