

**GSTUPDATES.COM**

#GSTUPDATES/2018-19/14

Reverse Charge Mechanism  
(RCM) under GST

**SHAH TEELANI & ASSOCIATES**

CHARTERED ACCOUNTANTS



**Compiled By**  
**CA Utkarsh Desai**  
**Team Shah Teelani**

Information in this book is intended to help the common tax payers understand the subject. Authors have taken utmost care to ensure the correctness and completeness of this information. However, readers are advised to seek professional help before acting on any information, advice, or interpretation, whether explicit or implicit, given in this book.

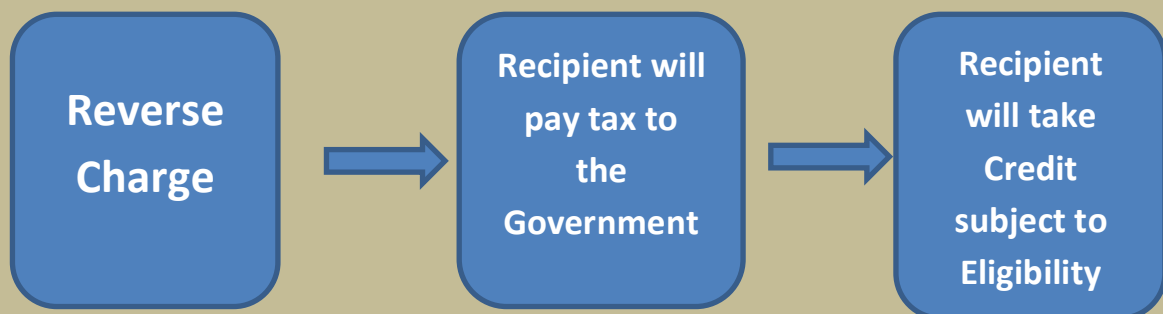
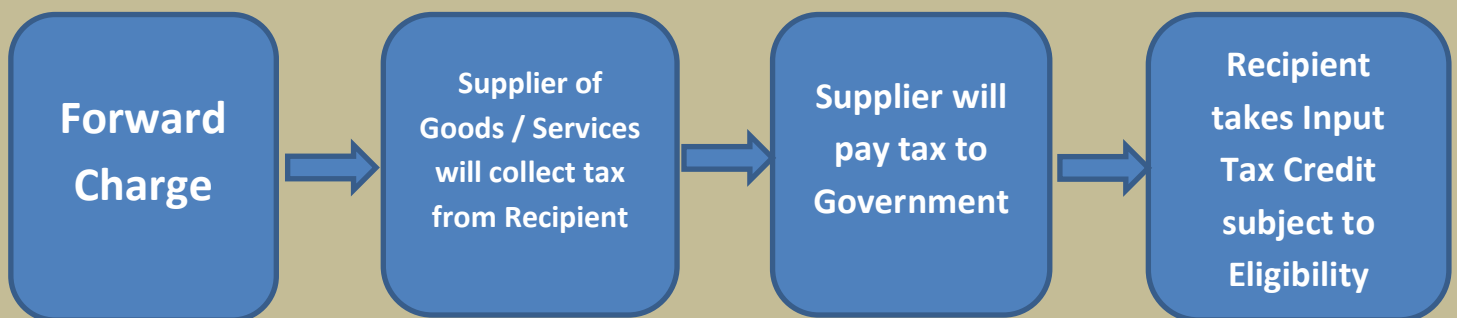
## What is Reverse Charge?

In simple words, Reverse Charge means that the burden to pay tax on specified transactions is shifted from the supplier to the receiver. i.e. the person who receives goods / services will pay the tax to the government instead of the person making supplying goods / services.

## Section 2(98) of the CGST Act defines Reverse Charge as -

“Reverse Charge” means 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 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.

## Difference between Forward Charge & Reverse Charge



## Categories of Reverse Charge

### Section 9(3):

The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Accordingly, the government has specified following categories, wherein the tax will be paid by the recipient of goods / services instead of supplier of goods / services.

### Section 9(4):

The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. Accordingly, the Govt had notified limit of Rs. 5,000 per day for payment made to Unregistered Persons, i.e. payments made above Rs. 5,000 per day to unregistered persons would be covered under Section 9(4). However, vide Notification No 08/2017 - Central Tax (Rate), the government had suspended the provisions of Section 9(4) till 30<sup>th</sup> September, 2019.

### Notified Goods covered under Reverse Charge - Section 9(3)

Sr.	HSN Code of Goods	Description	Supplier	Receiver	Notification Number
1	0801	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person	Notification 4/2017-Central Tax (Rate)
2	14049010	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person	Notification 4/2017-Central Tax (Rate)
3	2401	Tobacco Leaves	Agriculturist	Any registered person	Notification 4/2017-Central Tax (Rate)
4	5004 to 5006	Silk Yarn	Any person who manufactures silk yarn	Any registered person	Notification 4/2017-Central Tax (Rate)

			from raw silk or silk worm cocoons for supply of silk yarn		
4A	5201	Raw Cotton	Agriculturist	Any registered person	Notification 43/2017-Central Tax (Rate)
5		Supply of lottery	State Government, Union Territory or any local authority	Lottery Distributor of Selling Agent	Notification 4/2017-Central Tax (Rate)
6	Any Chapter	Used vehicles, seized and confiscation goods, old and used goods, waste and scrap	Central Government, State Government, Union territory or a local authority	Any registered person	Notification 36/2017-Central Tax (Rate)
7	Any Chapter	Priority Sector Lending Certificate	Any registered person	Any registered person	Notification 11/2018 - Central Tax (Rate)

**Notified Services covered under Reverse Charge - Section 9(3)**

Sr.	Description	Supplier	Receiver	Notification Number
1	GTA Services - Transportation of Goods by Road	GTA	i) Any Factory ii) Any Society iii) Any Co-operative Society iv) Any Registered Person under GST v) Any body corporate, vi) Any partnership firm vii) Any casual	Notification 13/2017-Central Tax (Rate)

			taxable person	
2	Advocate Services	An individual advocate including a senior advocate or firm of advocates	Any business entity located in the taxable territory	Notification 13/2017-Central Tax (Rate)
3	Arbitral Tribunal Services	Arbitral Tribunal	Any business entity located in the taxable territory	Notification 13/2017-Central Tax (Rate)
4	Sponsorship Services	Any person	Any body corporate or partnership firm	Notification 13/2017-Central Tax (Rate)
5	Services by Govt to Business Entity excluding : i) Renting of immovable property ii) Services by Dept of Post iii) Services in relation to aircraft or vessel inside or outside precincts of a port or an airport iv) Transportation of goods or passengers	Central Government, State Government, Union territory or local authority	Any business entity located in the taxable territory	Notification 13/2017-Central Tax (Rate)
5A	Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017	Central Government, State Government, Union territory or local authority	Any Registered Person	Notification 13/2017-Central Tax (Rate)
6	Services supplied	Director of a	Company or	Notification

	by a director of a company or a body corporate to the said company or the body corporate	company or body corporate	body corporate located in the taxable territory	13/2017-Central Tax (Rate)
7	Services supplied by an insurance agent to any person carrying on insurance business	Insurance Agent	Any person carrying on insurance business	Notification 13/2017-Central Tax (Rate)
8	Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.	Recovery Agent	A banking company or a financial institution or a non-banking financial company, located in the taxable territory.	Notification 13/2017-Central Tax (Rate)
9	Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory.	Notification 13/2017-Central Tax (Rate)
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India	Members of Overseeing Committee constituted by the Reserve Bank of India	Reserve Bank of India	Notification 13/2017-Central Tax (Rate)
11	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs)	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm	A banking company or a non-banking financial company, located in the taxable territory	Notification 13/2017-Central Tax (Rate)
12	Services provided	Business	A banking	Notification

	by business facilitator (BF) to a banking company	Facilitator	company, located in the taxable territory	13/2017-Central Tax (Rate)
13	Services provided by an agent of business correspondent (BC) to business correspondent	Business Correspondent	A business correspondent, located in the taxable territory	Notification 13/2017-Central Tax (Rate)
14	Security services (services provided by way of supply of security personnel) provided to a registered person with certain exceptions	Any person other than a body corporate	A registered person, located in the taxable territory	Notification 13/2017-Central Tax (Rate)

**Notified Services covered under Reverse Charge - Section 5(3) of IGST Act**

Sr.	Description	Supplier	Receiver	Notification Number
1	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable online recipient.	Any person located in a non-taxable territory	Any person located in the taxable territory other than non-taxable online recipient.	Notification 10/2017-Integrated Tax (Rate)
2	Services supplied by a person located in 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.	A person located in non-taxable territory	Importer, as defined in clause (26) of section 2 of the Customs Act, 1962(52 of 1962), located in the taxable territory	Notification 10/2017-Integrated Tax (Rate)



## Reverse Charge - Amended Provisions

The government has, vide Notification No. 01/2019 - Central Tax (Rate) dated 29<sup>th</sup> January, 2019, rescinded Notifications 08/2017-Central Tax (Rate), which granted exemption from payment of tax under reverse charge mechanism for goods / services procured from unregistered persons.

Further, the government has also amended the CGST Act by CGST Amendment Act, 2018 and the amended Section 9(4) reads as under:

The Government may, on the recommendations of the Council, by notification, specify *a class of registered persons who shall*, in respect of *supply of specified categories of goods or services* or both received *from an unregistered supplier, pay the tax on reverse charge basis* as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

By plain reading of the amended section, it is very clear that Reverse Charge provisions as mentioned under Section 9(4) are applicable only to specified goods or services. However, till date, the government has not specified any such categories of goods or services, which are subject to Reverse Charge under the amended Section 9(4).

Therefore, in our view, till the time, the government notifies such categories, the amended Section 9(4) does not come into force.

# SHAH TEELANI & ASSOCIATES



CHARTERED ACCOUNTANTS

**302-303, Shubh House, Bh Jain Dairy,**

**Swastik Cross Road, Off C G Road, Ahmedabad – 380009**

**M-9978292929, L-079 48492929**

**Email- [gst@shahteelani.com](mailto:gst@shahteelani.com)**

**Web- [www.shahteelani.com](http://www.shahteelani.com)**