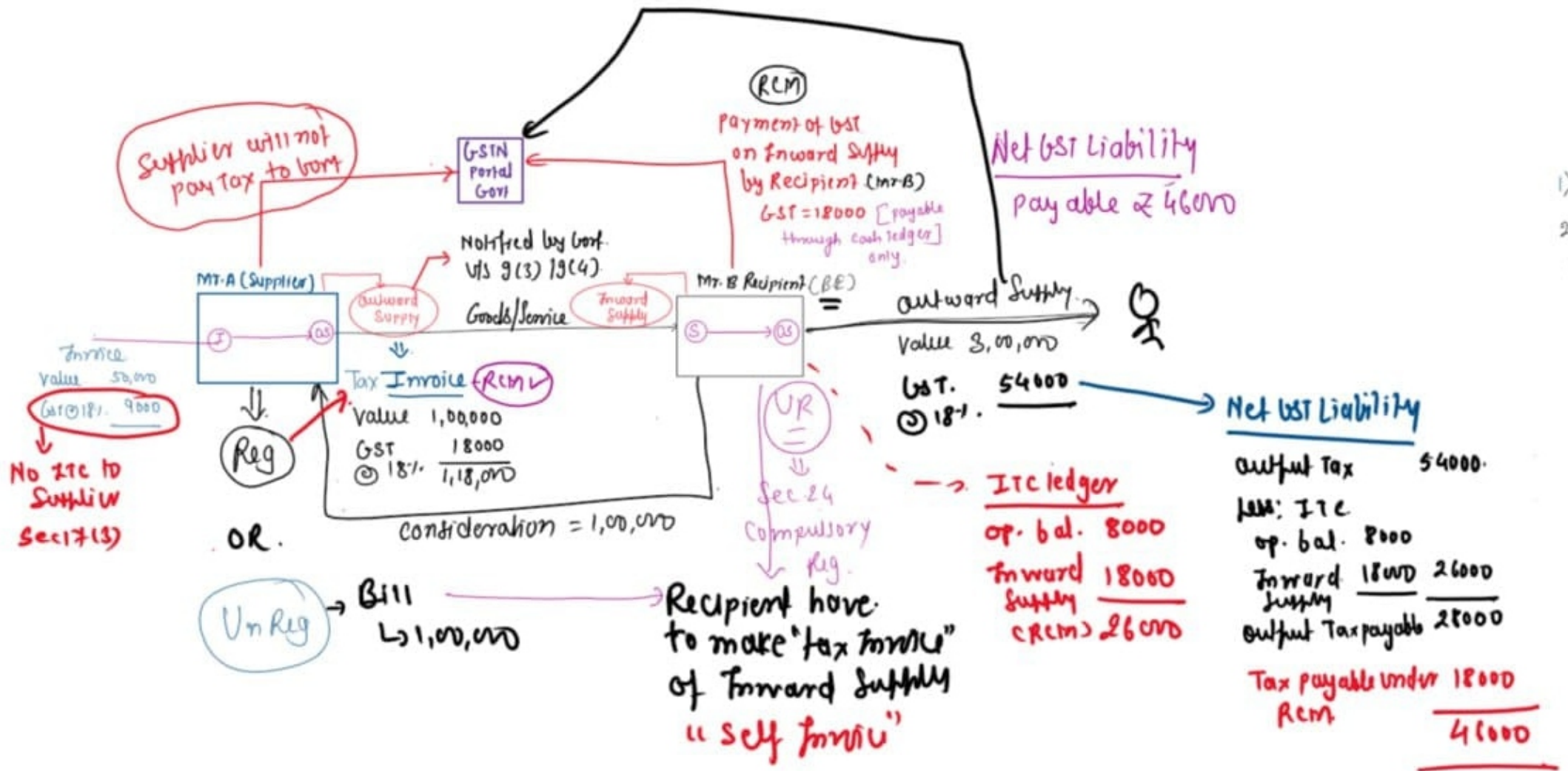




CHAPTER - 3

Reverse Charge Mechanism & ECO

RCM ⇒ All issues



GTA Service (Transportation of goods by Road)

7/19

Option-1

If GTA opt to pay tax Under Forward charge.

- ⇒ take Reg under GST.
- ⇒ pay GST @ 12%.
- ⇒ Issue Tax Invoice with declaration of forward charge.
- ⇒ Use ITC of their Inputs.

Note:

If GTA Service is Supplied to any **registered person** under GST.

RCM is applicable & recipient is liable to pay tax

OR

Option-2.

If GTA does not opt to pay tax Under Forward Charge. (No ITC)

RCM is applicable

GST is payable by recipient @ 5% Subject to following.

If GTA Service is Supplied to **un-registered person**

- If un-registered person is
- ① factory
 - ② society
 - ③ co-society
 - ④ body corporate
 - ⑤ P.F/LLP/AOP.
 - ⑥ casual taxable person (CTP)

- ⇒ RCM is applicable
- ⇒ Such notified person liable to pay tax @ 5%.
- ⇒ Need to take compulsory registration u/s 24.

In case of other un-registered persons e.g. Individual/HUF etc.

This service is exempted by Govt S.No. 21A of N/N. 12/2017.

GTA Service (Transportation of goods by Road)

fn9

Option-1

If GTA opt to pay tax Under Forward charge

- ⇒ take Reg under GST.
- ⇒ pay GST @ 12%.
- ⇒ Issue Tax Invoice with declaration of forward charge.
- ⇒ Use ITC of their ITC/IS.

Exemption: If GTA supplies the services to un-registered person other than notified person.

OR

Option-2

If GTA does not opt to pay tax Under Forward Charge. (No ITC)

RCM is applicable

GST is payable by recipient @ 5% Subject to following.

If GTA Service is supplied to any registered person under GST.

RCM is applicable & recipient is liable to pay tax

If GTA Service is supplied to un-registered person

- If un-registered person is
- ① factory
 - ② society
 - ③ co-society
 - ④ body corporate
 - ⑤ PF/LLP/AOP.
 - ⑥ casual taxable person (CTP)

- ⇒ RCM is applicable
- ⇒ Such notified person liable to pay tax @ 5%.
- ⇒ Need to take compulsory registration. U/s 24.

In case of other un-registered persons e.g. Individual/HUF etc.

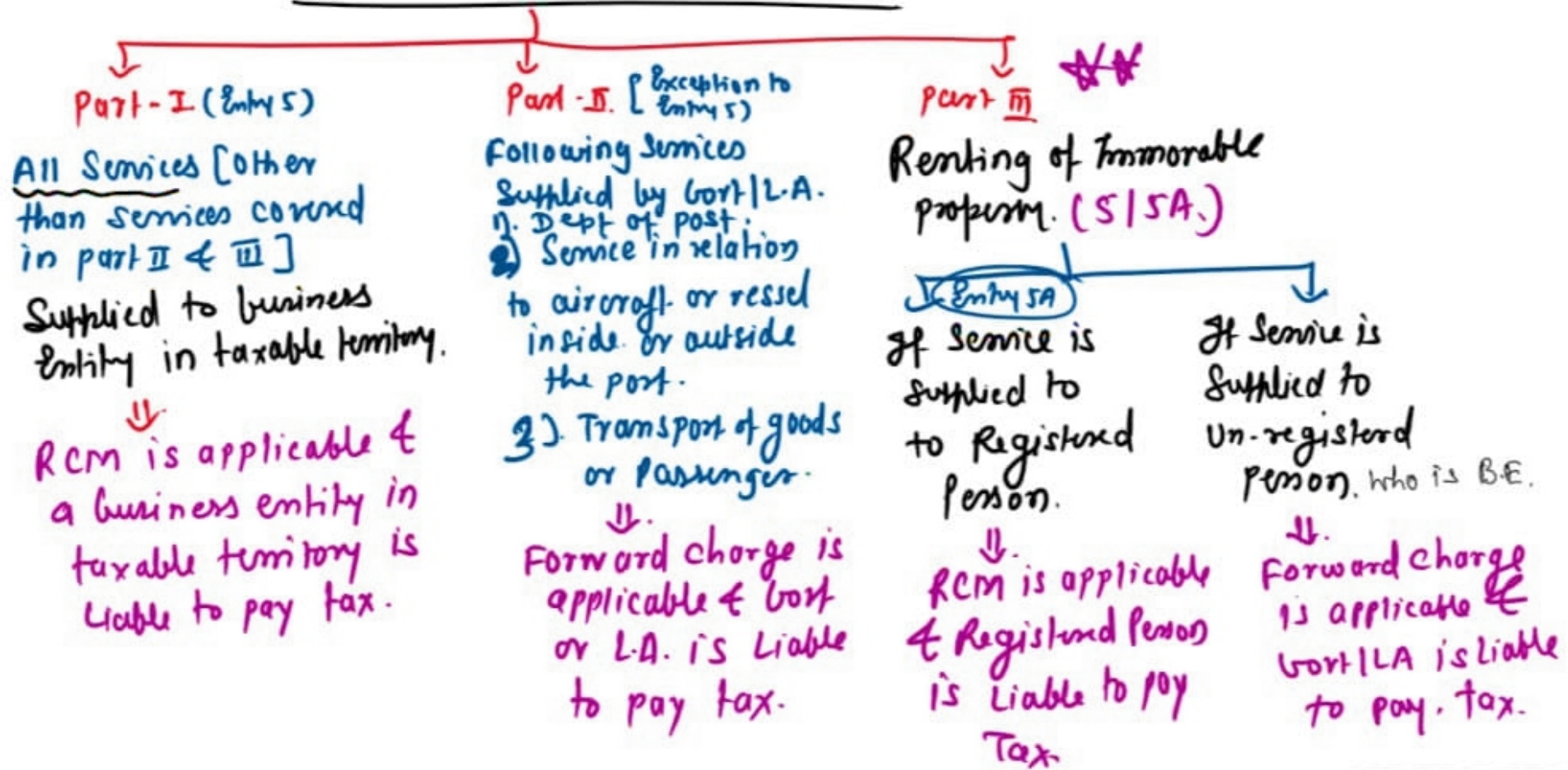
This service is exempted by Govt S.No. 21A of N/N 12/2017.

Note:

If option of F.C. is exercised by GTA then it shall be applicable for next or future F.Y. unless GTA files declaration in Annexure VI to return under RCM on or after 1st Jan of the P.F.Y. but not later than 31st March of P.F.Y. (N/N 06/2023)

Exception:
If GTA Service is supplied to Govt/LA/Govt Agencies who has taken Reg. only for deducting TDS.
↓
NO RCM is applicable.
(This Service is exempted by Govt. hence no GST is payable under F.C.) also.

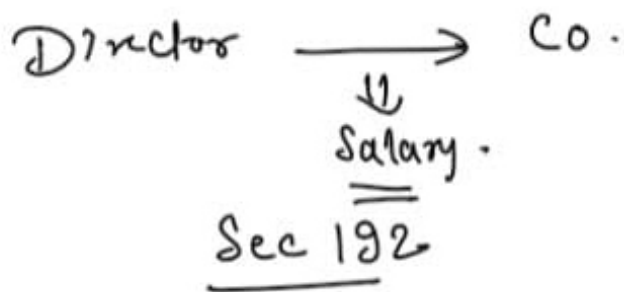
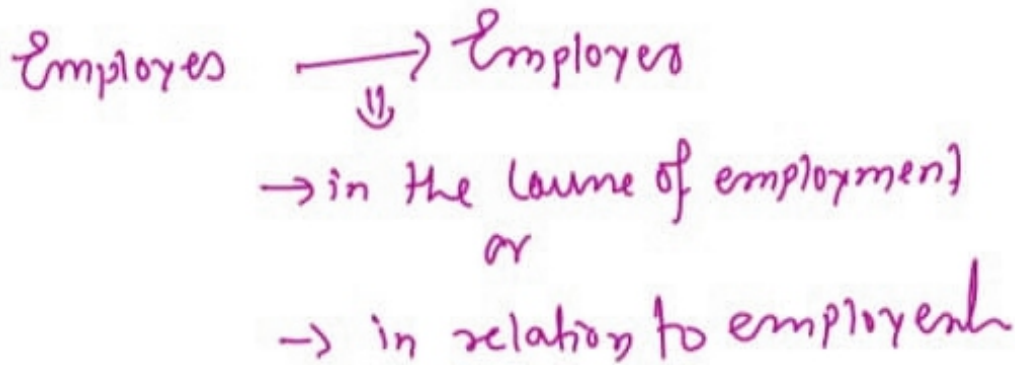
Supply of services by Govt./L.A. [Entry 5 & 5A]



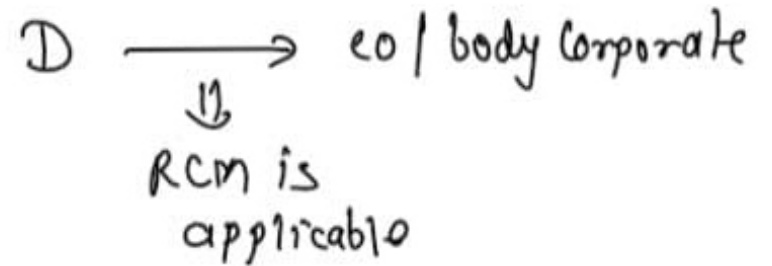
Note: Above provision also apply to parliament, state legislature, court & tribunals

Directors Service

Para-1 of Sch. II



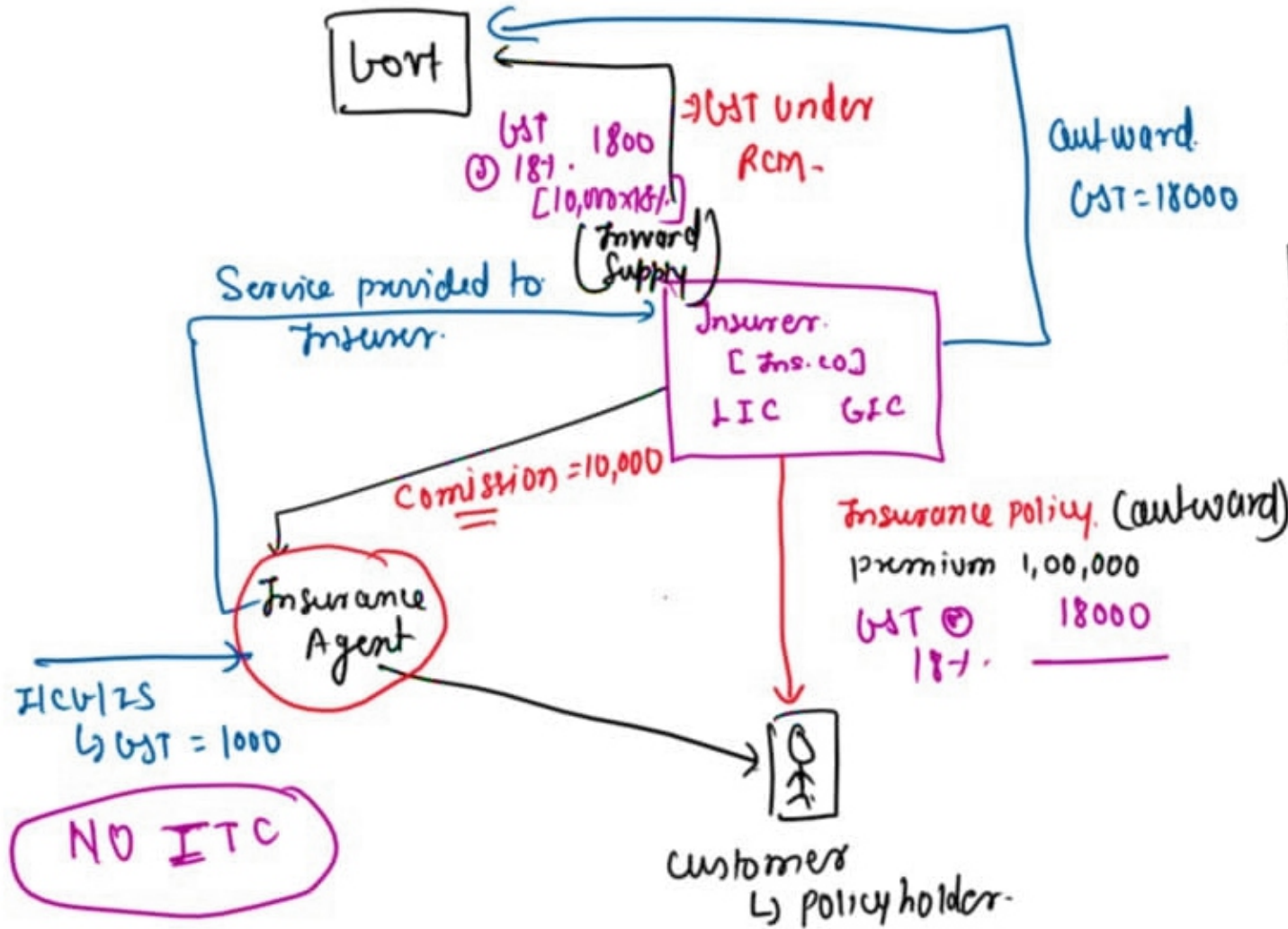
RCM : ⑥



Liable to pay
↑ Tax

not in the course of
employment.

Insurance Agent & Insurer



Statement of Insurance Co
for GST payable

Outward Tax	18000
less: ITC	(1800)
outward Tax	16200
Tax under RCM	1800
	<u>18000</u>

Copyright Services

Entry 9

Entry 9A

Supplier.

- Music composer
- Photographer
- Artist.

Service

Original
→ dramatic
→ musical
→ artistic.

Recipient.

- Music Company
 - producer or like
- in T.T.

↳ under Rem.
recipient is
liable to
pay tax.

Supplier

→ Author

Service
↓
Original literary work.

Recipient

Publisher in T.T.

↓
Under Rem. Publisher
is liable to pay Tax

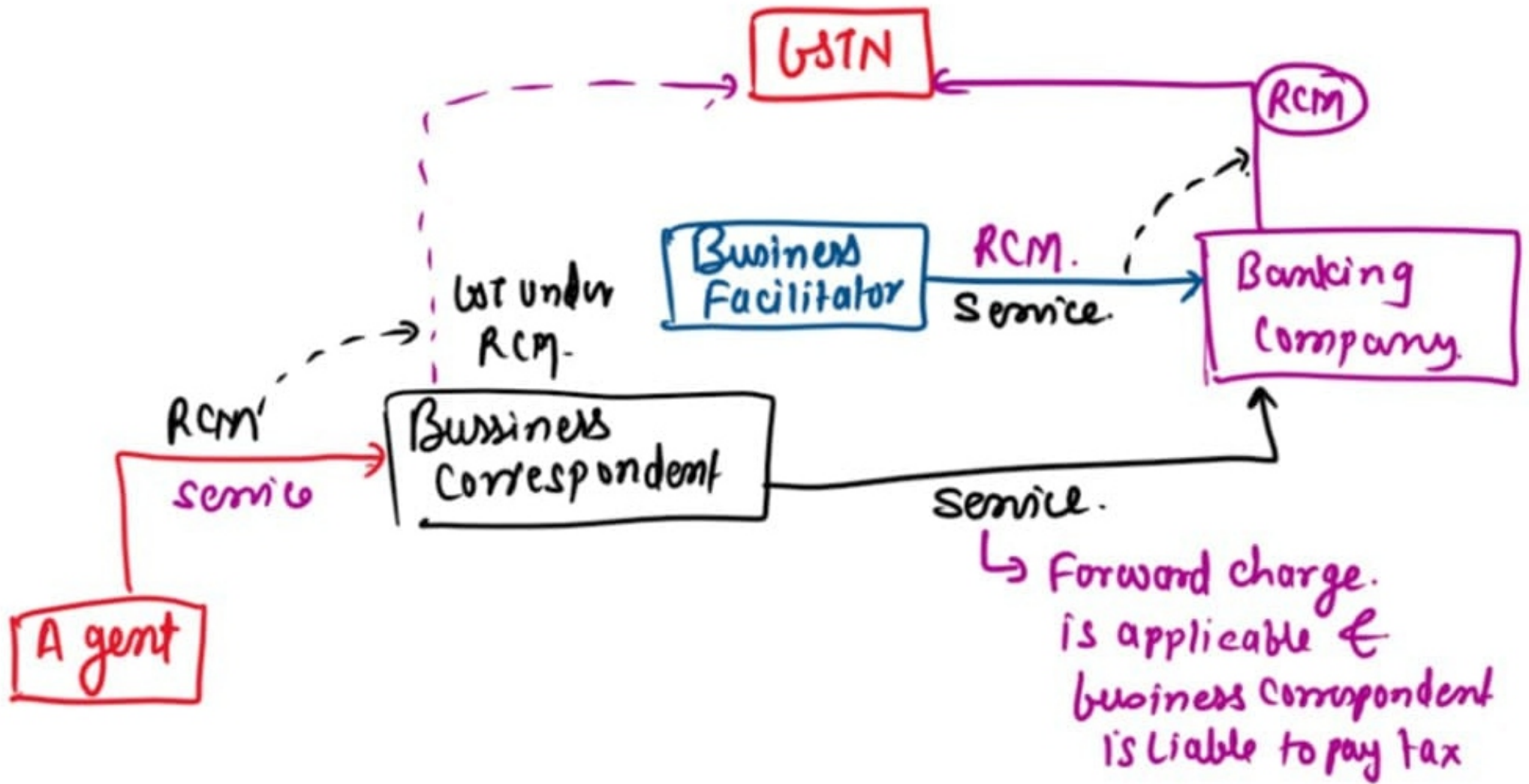
But

Supplier can shift the liability under F.C. Subject to following conditions

- ① author has taken Registration in GST.
- ② he has filed declaration to Commissioner
 - ⇒ for payment of tax under F.C.
 - ⇒ Compliance of all provisions of this act.
 - ⇒ not exercising the option within a period of 1 year.
- ③ he will make declaration in Form.

Note: option of F.C. not available

1) Services BF/BC.



Renting of motor vehicle.

If Supplier opt for 5% GST.

If Supplier opt for 12% GST.

Forward charge is applicable & Supplier is liable to pay tax. & Also full ITC is available.

RCM is applicable only in case
renting of motor vehicle which is design to carry passenger. (e.g. car, bus etc.)

If renting motor vehicle design to transport the goods (e.g. truck, lorry etc.)

Forward charge is applicable.

If cost fuel included in consideration charged.

RCM is applicable if.

If cost of fuel is not included in consideration

Forward charge is applicable.

Supplier



Any person other than B.C.

Note: If Supplier is B.C. then F.C. is applicable

Recipient



Body Corporate in T.T.



Note if recipient is other than B.C. then F.C. is applicable

Sec 9(5): ECO

Entry (a) & (d)

- ⇒ Transport of passenger by M.V & Motorcycle.
- ⇒ Restaurant Service other than specified premises.

↓
Whenever service is supplied through ECO then ECO is liable to pay tax irrespective of fact that Supplier is liable to Registration or not.

Entry (b) & (c)

- ⇒ Accommodation in Hotel etc.
- ⇒ Housekeeping by way of plumbing etc.

↓
If Supplier is liable to registration in GST.

↓
ECO is not liable to pay Tax. In this case Supplier will pay Tax under F.C.

↓
If Supplier is not liable for registration in GST.

↓
ECO u/s 9(5) is liable to pay Tax.