

RJA

Rajput Jain & Associates

Chartered Accountants

Reverse Charge Mechanism

**Committed to
Provide
Innovative
Solutions**

Rajput Jain & Associates, Chartered Accountants offers its clients a full range of services. The company has been setup by a group of young, enthusiastic highly skilled and motivated professional who have taken experience from the top consulting firm and are extensively experienced in their chosen fields has providing a wide array of consultancy in the field of accounting , taxation , assurance and business advisory service to various clients and other stakeholders.

We are the exclusive member in India of the association of international tax consultants, an association of independent professional firm represented throughout Europe, US, Canada, South Africa, Australia and Asia.



CONTENT

- **What is Reverse Charge?**
- **When is Reverse Charge Applicable**
- **Time of Supply under Reverse Charge**
- **Time of Supply in case of Services**

Reverse Charge Mechanism

What is Reverse Charge

Normally, the supplier of goods or services pays the tax on supply. In the case of Reverse Charge, the receiver becomes liable to pay the tax, i.e., the chargeability gets reversed.

NORMAL GST PAYMENT PROCESS



GST PAYMENT IN CASE OF REVERSE CHARGE



When is Reverse Charge Applicable

A. Supply from an unregistered dealer to a Registered dealer

If a vendor who is not registered under GST, supplies goods to a person who is registered under GST, then Reverse Charge would apply. This means that the GST will have to be paid directly by the receiver to the Government instead of the supplier.

The registered dealer who has to pay GST under reverse charge has to do self-invoicing for the purchases made.

For Inter-state purchases the buyer has to pay IGST. For Intra-state purchased CGST and SGST has to be paid under RCM by the purchaser.

B. Services through an e-commerce operator

If an e-commerce operator supplies services then reverse charge will be applicable to the e-commerce operator. He will be liable to pay GST.

For example, UrbanClap provides services of plumbers, electricians, teachers, beauticians etc. UrbanClap is liable to pay GST and collect it from the customers instead of the registered service providers.

If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

C. Supply of certain goods and services specified by CBEC

CBEC has issued a list of goods and a list of services on which reverse charge is applicable.

Time of Supply under Reverse Charge:

A. Time of Supply in case of Goods

In case of reverse charge, the time of supply shall be the **earliest** of the following dates:

- The date of **receipt** of goods
- The date of **payment**
- The date immediately after **30** days from the date of issue of an **invoice** by the supplier

If it is not possible to determine the time of supply, the time of supply shall be the **date of entry** in the books of account of the **recipient**.

Illustration:

1. Date of receipt of goods 15th May 2018
2. Date of invoice 1st June 2018
3. Date of entry in books of receiver 18th May 2018

The Time of supply of service, in this case, will be 15th May 2018

B. Time of Supply in case of Services:

In case of reverse charge, the time of supply shall be the **earliest** of the following dates:

- The date of **payment**
- The date immediately after **60** days from the date of issue of **invoice** by the supplier

If it is not possible to determine the time of supply, the time of supply shall be the **date of entry** in the books of account of the **recipient**.

Reach Us



DISCLAIMER

No part of this article may be reproduced, reprinted or utilized in any form or by any means electronic or mechanical without prior permission of the publisher. While every care is taken in compilation of information contained herein, the publisher cannot accept any responsibility for error or omission or for the use of trademark, copyrights, brand name, logos or other identifying symbols provided in supporting and participating companies and organizations. However all possible and reasonable care has been taken to ensure that the information in this newsletter is as accurate and up-to-date at the time of printing. This newsletter is for internal use only.

RAJPUT JAIN & ASSOCIATES

www.carajput.com

P-6/90, Connaught Circus
Connaught Place
New Delhi 110001 INDIA
Mobile No.: 9811322785, 9555555480

E-mail: info@carajput.com



We are the exclusive member of in India of the **Association of International Tax Consultants**, an association of independent professional firms represented throughout worldwide.