

TAX ON REVERSE CHARGE BASIS UNDER GST REGIME

Introduction

Tax on reverse charge basis (RCB) means tax has to be paid by recipient of goods or services or both directly to the revenue authorities instead of through the supplier. Reverse charge basis is not a new mechanism it was earlier also in the service tax where tax was payable on reverse charge basis on the some specified services. In the GST regime government extend the reverse charge in some goods and supplies by the unregistered suppliers.

Concept of Reverse charge mechanism

In case of tax payment under reverse charge basis liability to pay the tax is on the recipient of goods or services or both instead of supplier of such goods or services or both. That means liability is shifted from supplier to recipient. In such a scenario even tax is paid by the supplier on supplies which are taxable on reverse charge basis liability of recipient does not discharge.

Cases where tax payable on Reverse Charge Basis

There are following three categories of supplies where GST is payable under reverse charge basis:

- i. Supplies from unregistered suppliers
- ii. Notified Services
- iii. Notified goods

Supplies received by a registered person from un-registered supplier

Any taxable supplies from un-registered supplier to registered person is taxable on reverse charge basis except where aggregate value of such supplies from any or all such suppliers does not exceeds Rs. 5000/- in a day. In other words if total supplies in a day from unregistered suppliers does not exceeds Rs 5000/- no tax payable on such supplies on reverse charge basis.

Services which are chargeable on reverse charge basis

Government notified the services which are taxable on reverse charge basis vide Notification No. 10/2017- Integrated Tax (Rate) under IGST Act and the same services also notified under CGST Act. Few main services which are taxable on reverse charge basis are as under. For details please go to the link given below:

[http://gstexchange.com/gst_rates/IGST Reverse Charge on Services.pdf](http://gstexchange.com/gst_rates/IGST_Reverse_Charge_on_Services.pdf)

Category of Supply of Services	Supplier of service	Recipient of Service
Import of Services	Located in non-taxable territory (out of India)	Located in Taxable territory (India)
Supply of Services by a goods transport agency (GTA) in respect of transportation of goods by road to a registered person under GST	Goods Transport Agency (GTA)	Registered person under GST
Legal Service	An individual advocate or a firm	Registered person under GST
Services supplied by a director (other than salary)	A director of a company or a body corporate	The company or a body corporate
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

Goods which are chargeable on reverse charge basis

Government notified the goods which are taxable on reverse charge basis vide Notification No.4/2017-Integrated Tax (Rate) under IGST Act and the same services also notified under CGST Act. Few main goods which are taxable on reverse charge basis are as under. For details please go to the link given below:

http://gstexchange.com/gst_rates/Notification_for_reverse_charge_IGST-4.pdf

Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
0801	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
1404 90 10	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
5004 to 500	Silk yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any registered person

Tax invoice in respect of supplies taxable on reverse charge basis

Every registered person shall issue a tax invoice in respect of supplies received from unregistered suppliers which are taxable on reverse charge basis. However, as per proviso to rule 46 of Central Goods and Services Tax (Second Amendment) Rules, 2017, a registered person may issue a consolidated invoice at the end of the month for all such supplies.

Payment of tax on reverse charge basis and Input Tax Credit

Tax liabilities which arise due to reverse charge basis cannot be discharged by utilising input tax credit but it has to be paid by cash only (through challan). Recipient will be eligible to input tax credit of tax paid on reverse charge basis only after the payment of such tax.

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