

Reverse Charge under GST

In GST like the service tax, there are some services or list of goods on which GST is not paid by supplier like the regular goods or services but GST shall be paid by recipient of goods and services under the reverse charge mechanism.

1. 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.

2. When is Reverse charge Applicable.

A. Supply from an Unregistered dealer to registered dealer. (still, hold by government)

B. Services through an e-commerce operator

C. Supply of certain goods and services specified by CBES as mentioned below:

a. Goods

1. Cashew nuts, not shelled or peeled supplied by Agriculturist to any registered person.
2. Bidi wrapper leaves (tendu) supplied by Agriculturist to any registered person.
3. Tobacco leaves supplied by Agriculturist to any registered person.
4. Silk yarn supplied by any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn to any registered person.
5. Raw Cotton supplied by Agriculturist to any registered person.
6. Supply of lottery by state government, union territory or any local authority to lottery distributor or selling agent.
7. Used vehicles, seized and confiscated goods, old and used goods, waste and scrap by Central Government, State Government, Union territory or a local authority to any registered person.
8. Priority Sector Lending Certificate by Any registered person to Any registered person.

b. Services

1. Supply of Services by a goods transport agency (GTA) who has not **paid central tax at the rate of 6%** (GST at rate of 12%) in respect of transportation of goods by road to-
 - a. any factory registered under or governed by the Factories Act, 1948(63 of 1948); or
 - b. any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or
 - c. any co-operative society established by or under any law; or
 - d. any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or
 - e. anybody corporate established, by or under any law; or
 - f. any partnership firm whether registered or not under any law including association of persons; or
 - g. any casual taxable person.
2. Services supplied by an individual advocate including a senior advocate or firm* to any business entity located taxable territory.
3. Services supplied by an arbitral tribunal to a business entity
4. Services provided by way of sponsorship to anybody corporate or partnership firm.
5. Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, -
 - a. renting of immovable property, and

- b. services as specified below-
 - I. services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority;
 - II. services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
 - III. transport of goods or passengers.
6. 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 (12 of 2017).
7. Services supplied by a director of a company or a body corporate to the said company or the body corporate.
8. Services supplied by an insurance agent to any person carrying on insurance business.
9. Services supplied by a recovery agent to a banking company or a financial institution or a nonbanking financial company.
10. 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-covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.
11. Supply of services by the members of Overseeing Committee to Reserve Bank of India

3. 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 or
- the date of **payment* or**
- the date immediately after **30** days from the date of issue of an **invoice** by the supplier

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:

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

4. What is Self Invoicing

Self-invoicing is to be done when you have purchased from an unregistered supplier AND such purchase of goods or services falls under reverse charge.

- Submitted by Kapil Thakral

Please feel free to contact us at contact@xactitude.in for any further queries.