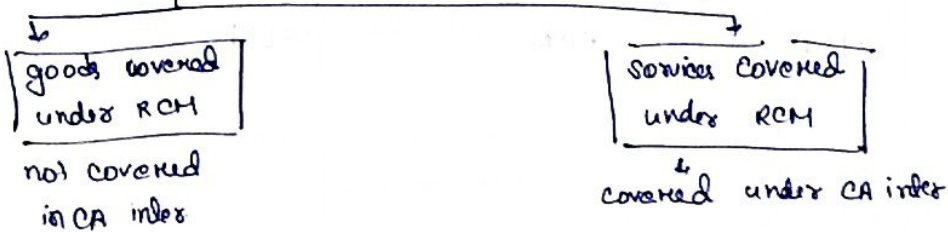


Reverse charge Mechanism

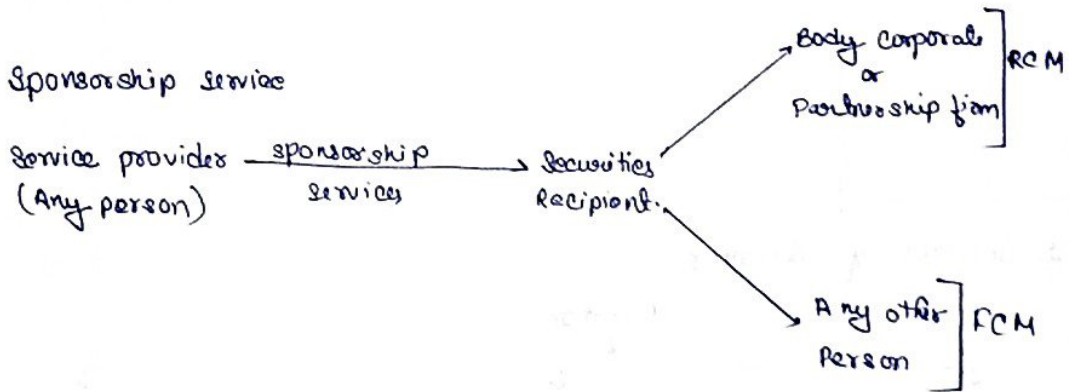
By default → FCM applicable → supplier liable to pay tax to Govt

→ Supplier recover GST from customer = deposit to Govt

Notified supplier → RCM applicable → Recipient liable to pay GST directly to Govt

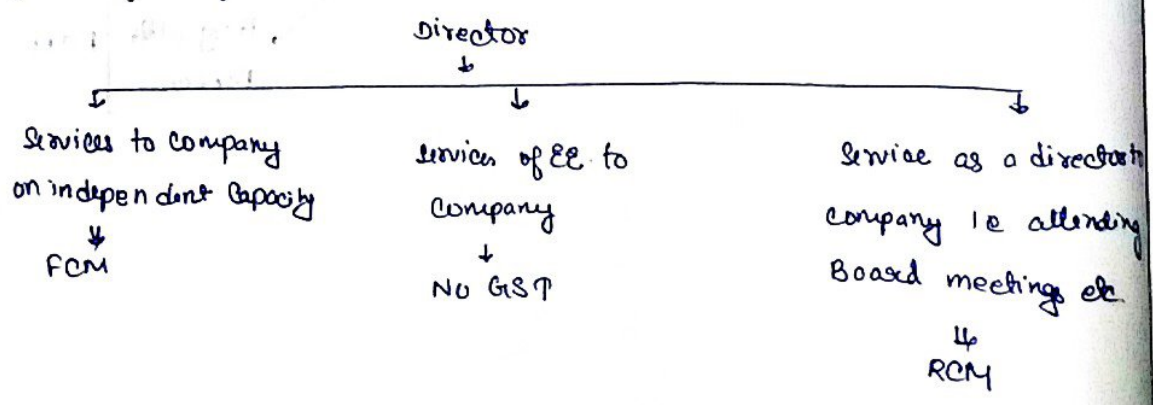


(1) Sponsorship service



Analysis - Sponsorship			
Service Provider	Service Recipient	Mechanism	Person liable to pay tax
A Ltd	Mr X	FCM	A Ltd
Mr A	Mr Y	FCM	Mr A
Mr B	XYZ firm	RCM	XYZ firm
ABC firm	P Ltd	RCM	P Ltd

2) Services of Director



pay tax

eg: Mr X director of ALtd

Mr X attend Board meeting for which ALtd provide sitting fees of ₹ 200000

↓
RCM applicable & ALtd liable to pay GST to Govt

eg: Mr X whole time director of ALtd & receives service of salary of ₹ 3L pm from Co.

NO GST applicable. AS service by EE to Co is Ambit of GST

eg: Mr X director of ALtd (Steel Almirah Manufacturing).

Mr X is also a interior decorator

Mr X provide interior dec. service to ALtd where he done interior dec of H.O of ALtd and charged ₹ 5L fees.

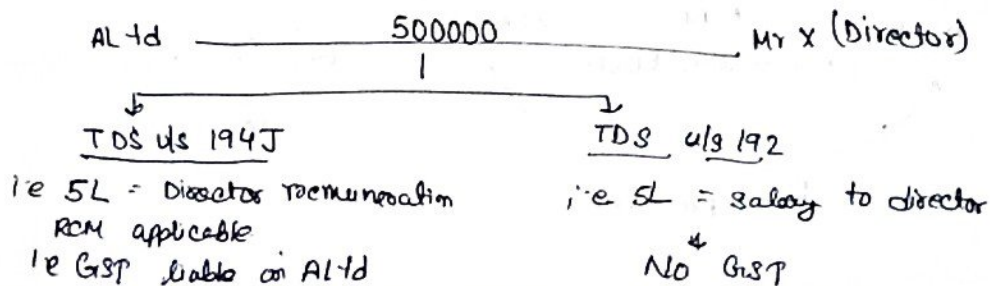
Here, FCM shall be applicable on services of Mr X as he is not providing services as a director to ALtd but in individual capacity.

∴ Mr X is liable to pay GST on 5L to govt

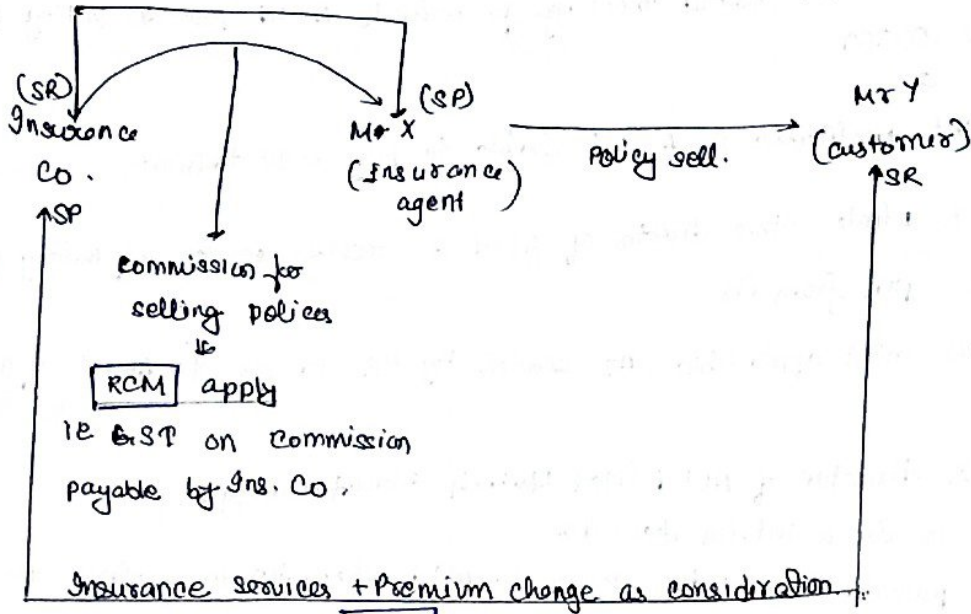
• TDS on salary → u/s 192.

• director remuneration TDS deduct - u/s 194J.

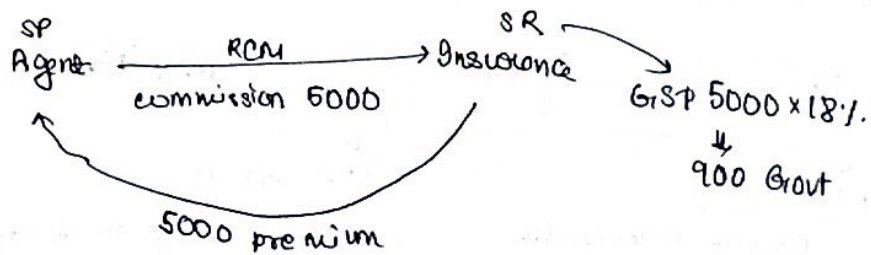
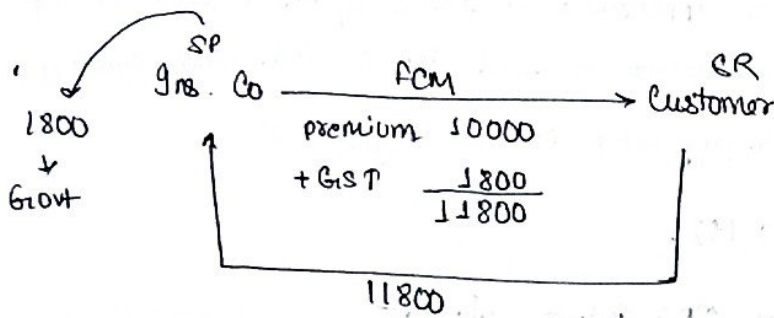
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ding
to



3) Insurance agent service

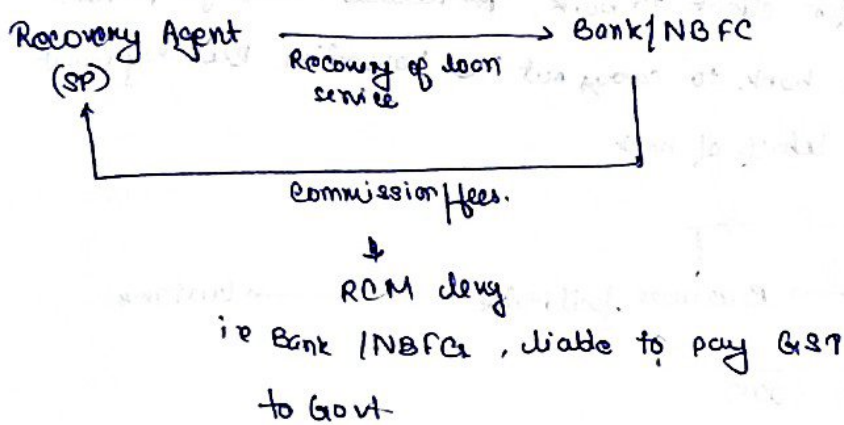


FCM
 i.e. GST on Premium payable by insurance co to Govt



4. Recovery Agent (Vasooli Bhai)

↳ Bank → loan Amd → Recovery Services



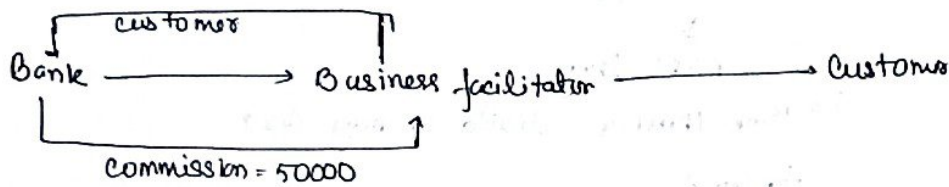
eg: Mr X (Recovery agent) Provide recovery services to B.O.B & charged fee of ₹ 50000. He also provided service to reliance Ltd for recovery of o/s bill, Amount of postpaid connection & charged ₹ 25000.
Determine tax liability under two transactions under GST

Mr X recovery service → Reliance
RCM applicable i.e.
Mr X liable to pay GST to govt

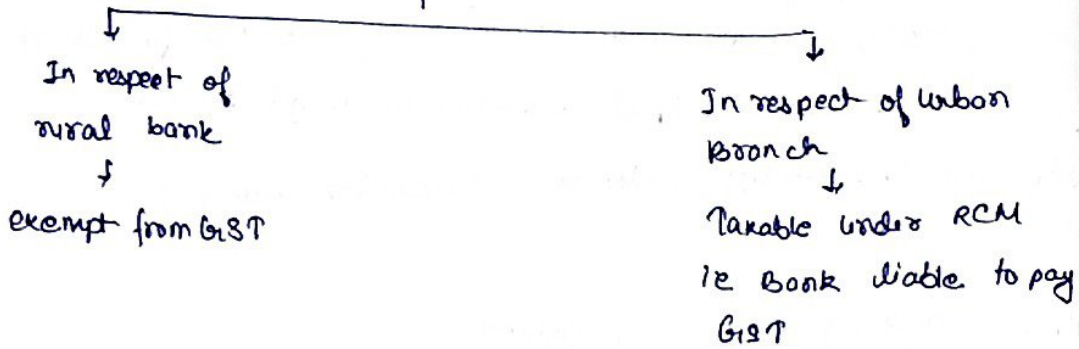
Mr X recovery service →
RCM covered
ie B.O.B liable to pay GST to govt

5) Services of Business Facilitator to Bank.

- ↓
- Person who help Bank to grow his business.
- B.F.s refer client to bank, pro-pursue client for proposal & facilitate bank to carry out the transaction. But they cannot transact on behalf of bank.



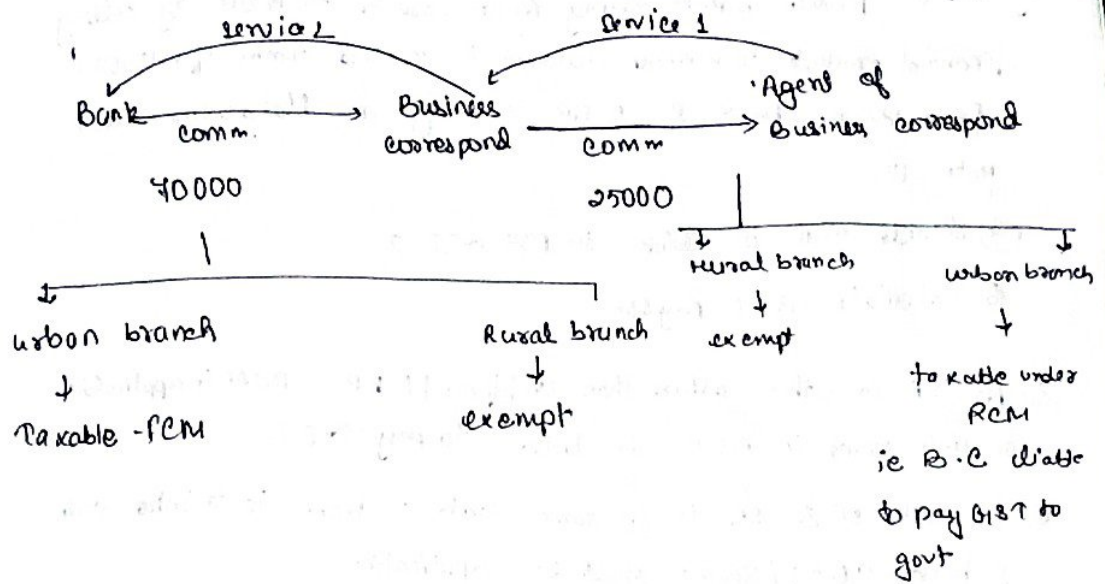
business facilitator services to Bank



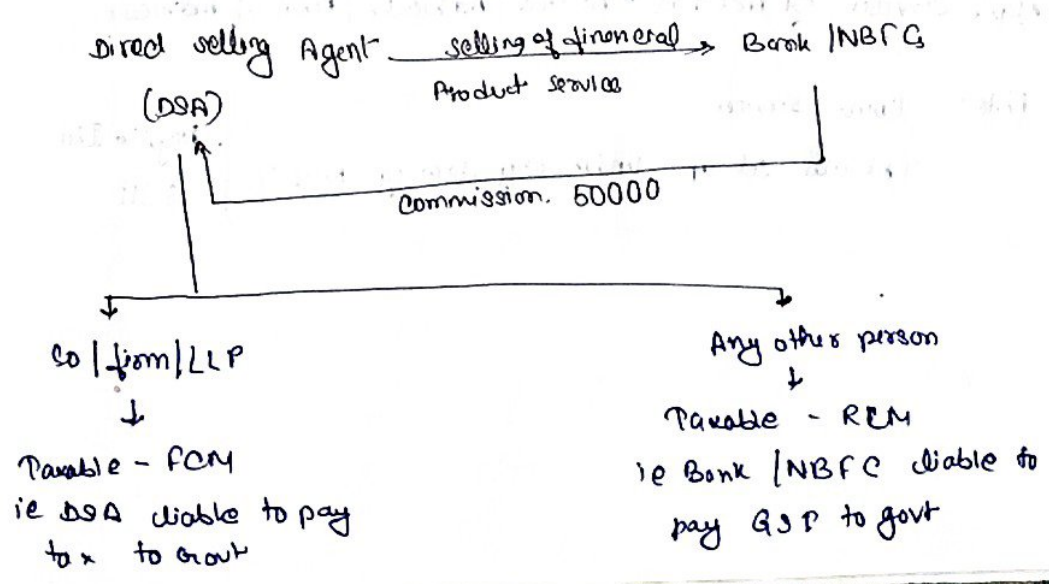
6. Business Correspondent service to Bank.

↓

They are similar to Business facilitator. However they are authorised to transact (ie accept deposit / lend money) on behalf of bank.



7. Selling of financial product (Mutual fund / investment policy - cr card etc)



eg: Mr X provide Direct selling Agent services to B.O.B by selling financial products to various customers & received comm of ₹ 150000 from Bank. Mr X & B.O.B is reg. in Maharashtra. eGST rate 18%.

④ decide who is liable to pay GST?

⑤ Calculate GST payable.

⑦ As SP is other than Co/Partnership/L & P: RCM is applicable on such services i.e. B.O.B is liable to pay GST.

⑧ As both SP & SR is in same state ∴ trans. is intra-state & hence CGST/SGST shall be applicable

$$\text{CGST} = 150000 \times 9\% = 13500$$

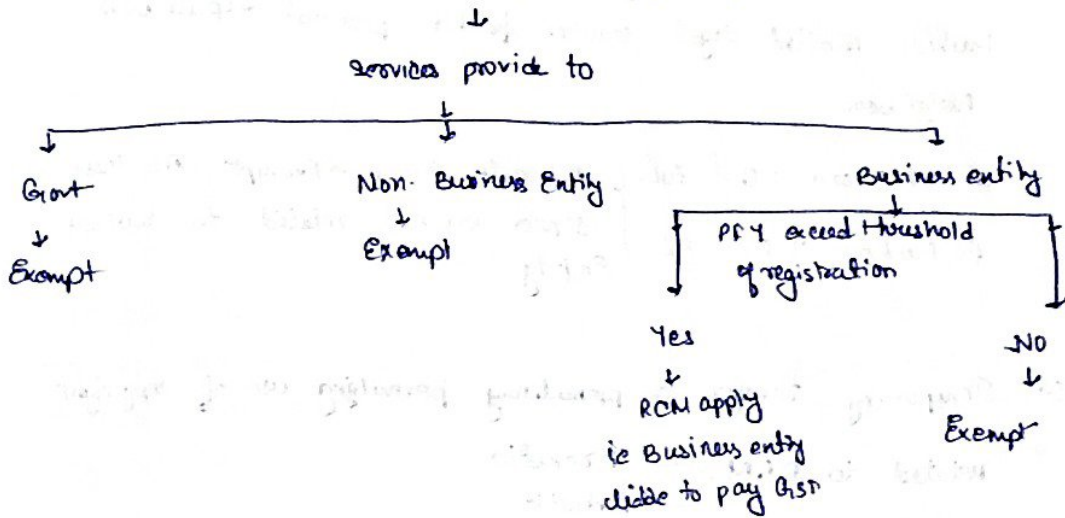
$$\text{SGST} = 150000 \times 9\% = \underline{13500}$$

⑧ Legal services by Arbitral Tribunal / Advocate / Firm of Advocate.

Note: Court services

Tribunal set up under any law eg NCLT } Negative List
S.III

Arbitral Tribunal / Advocate / Firm of Advocate



Analysis

Case ① Mr R (Advocate) provide legal services to Mr Mukesh for his Business dispute. Determine liability of GST if

④ T.O of Mr Mukesh of PFY is $\geq 70L$

Advocate service \rightarrow taxable under RCM
ie Mukesh liable to pay GST

⑥ T.O of Mukesh for PFY is $\leq 8L$

Advocate service \rightarrow exempt. As T.O of Mukesh doesn't exceed registration threshold

Case 2) what will be your Answer in above case if
Mukesh Availed legal services for his personal dispute with
Neighbour.

- ① Mukesh P.O = 70L } Advocate services → Exempt AS these
② Mukesh P.O = 8L } services are not related to business
Entity.

- ③ Temporary transfer or preliminary permitting use of copy right
related to DAM. — Dramatic
— Artistic
— Music

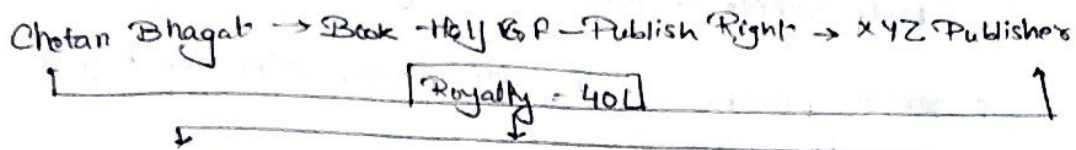
AR Rohman → Music composer → right to use → T-series
↑ _____ ↓
Royalty = 50L

↓
RCM Apply → T-series liable to pay GST

Suppose rate of GST = 18%

$$\text{GST} = 50L \times 18\% = ₹ 900000$$

10. Temporary Transfer of Copyright related to Literary work
Author of Book



option 1
RCM applicable i.e.
Publisher liable to
pay GST to Govt

option 2
↓
Author can choose to
pay GST under FCM
↓
1. Author has to take registration
2. Author has to file declaration
that he is agreed to pay GST
under FCM
3. Author cannot revoke this option
for 1yr i.e. author has to pay
GST under FCM for 1yr from
date of availing such option.

Note: under option 2 if Author agrees to pay GST under RCM then
he has to take compulsory reg. i.e. reg. threshold of S.22
is not applicable.

(11) Renting of motor vehicle (M. Imp)

RCM shall be applicable if following condition are satisfied.

1. Motor vehicle → meant to 'carry passengers'
2. Service provider can be any person other than body corporate.
3. Service recipient - Body corporate.
4. Cost of fuel is included in the amount charged as consideration (rent includes cost of fuel)

If above conditions are satisfied :- then RCM

(i) RCM is applicable & body corporate has to pay GST @ 5%.

(ii) Supplier is not allowed to avail ITC except GST paid on I/c supply of renting of motor vehicle.

eg : Mrs Raju → Car Rental business.

↳ 5 car → rented to Reliance Ltd @ 20000 per month

Cost of fuel is included in ₹ 20000

In this case RCM is applicable & Reliance Ltd is liable to pay GST @ 5%.

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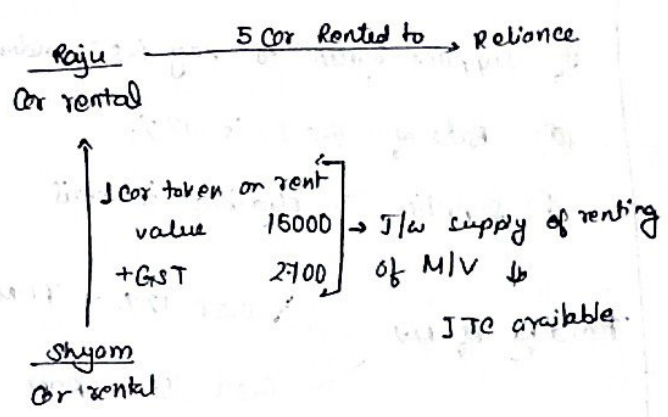
M

M

fixed -

- [office on rent] GST = 10000
- [Internet] GST = 2400
- [Stationery] GST = 1100
- [Service of Car] GST = 15000
- [Insurance of Car] GST = 5000

→ I/w supply → No JTC



Analysis

SP	SR	Cost of fuel included	Taxability
ALtd	BLtd	Yes	FCM → ALtd is liable to pay tax
Mr P	Mr S	Yes	FCM → Mr P liable to pay GST
Mr P	BLtd	No	FCM → Mr P liable to pay GST
Mr P	BLtd	Yes	RCM → BLtd liable to pay GST to Govt

with

Option 2 In case of Renting of MV \Rightarrow Supplier has option to avail PCM.

If supplier agrees to pay GST under PCM then

(a) Rate of GST is 12%.

(b) Supplier is eligible to avail ITC w/o any restriction.

Renting of MV $\begin{cases} \text{GST 12\%} \rightarrow \text{PCM applicable} \\ \text{GST 5\%} \rightarrow \text{RCM applicable.} \end{cases}$

TD is irrelevant i.e. supplier opt PCM \Rightarrow GST registration compulsory.

(12) Security services!

Case 1) SP = Non-Body Corporate

[M/s. security service (sole proprietor)] \rightarrow securities service (Security Guards)

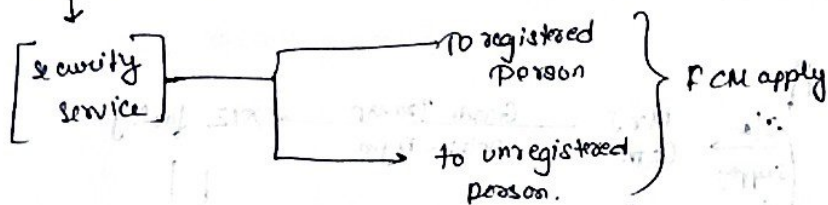
ed. institution / co. / business registered under GST

\downarrow
RCM i.e. ed. institute / Co / Bank / liable to pay GST

To any unregistered person
eg: security guard assign to Alakh sir house
 \downarrow
FCM i.e. supplier is liable to pay GST

Case 2 Service provider → Body Corporate

ABD (security service provider)



Security service provided to following person are exempt-

1. Dept or Establishment of
CG
SG
UT
LA

2. Person registered. u/s 51 to deduct TDS

3. Person registered u/s to (composition scheme).

(13) Securities by Goods Transportation Agency

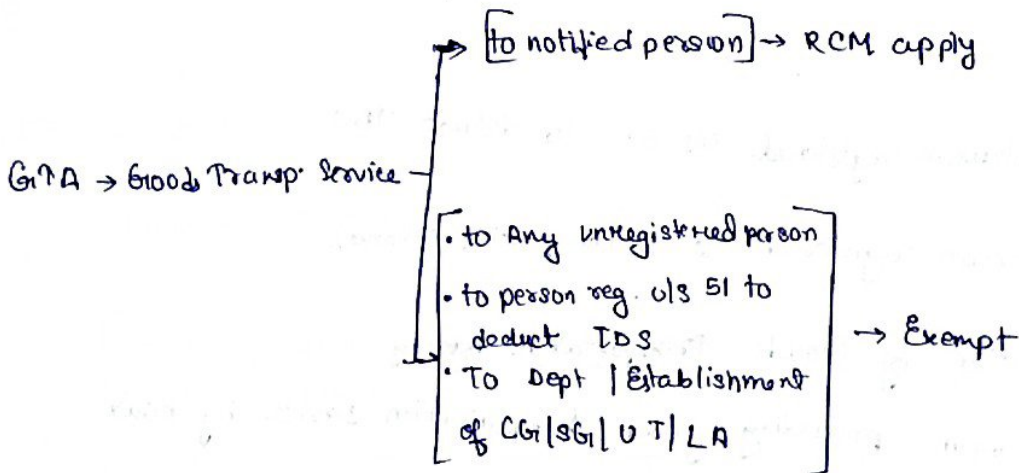
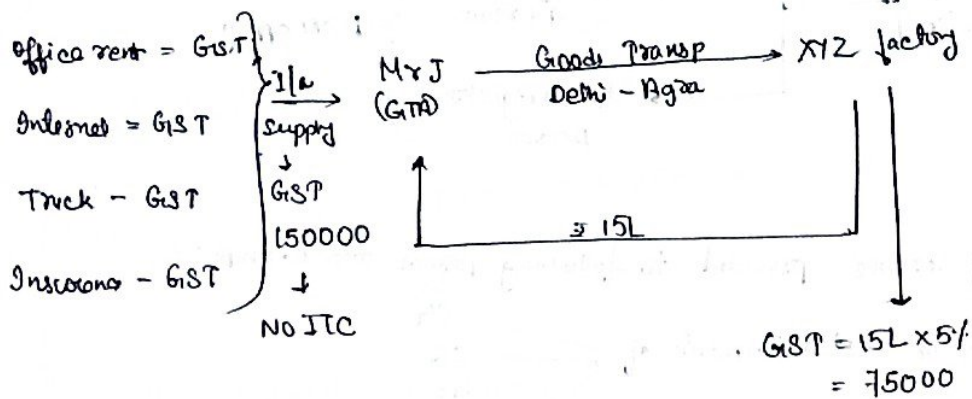
GTA ⇒ Person providing good transportation service by Road

+
Issue - consignment Note / freight bill.

Module 1: By default - RCM apply

GTA → no allowed to claim ITC

GST rate = 5%



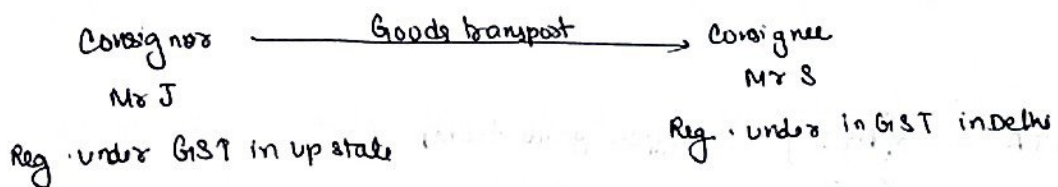
Notified person → Any factory

→ Any society reg. under Societies Reg. Act, 1860

→ Any Co-operative society

- Any person reg. under GST
- Any body corporate
- Any firm / AOP / BOI
- Any casual taxable person

XYZ - GTA



Person liable to pay freight is -

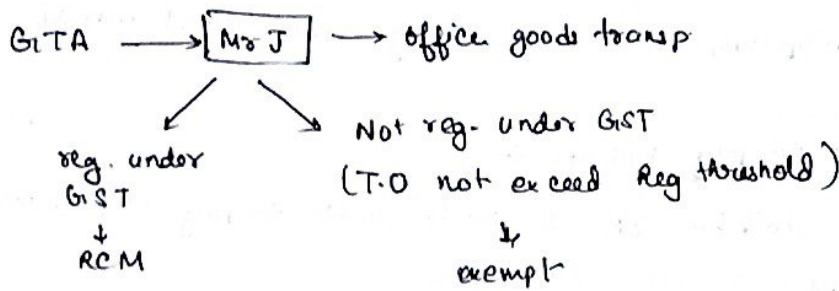
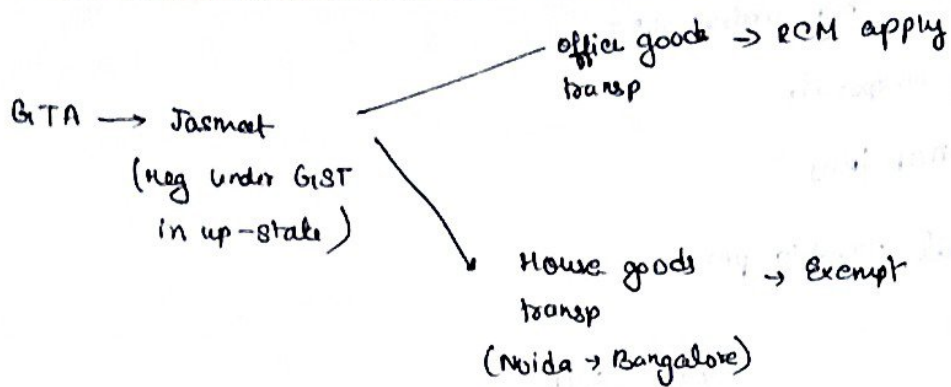
(A) Mr J → shall be SR & he is liable to pay GST @ 5% under RCM

(B) Mr (S) (consignee) → shall be SR & he is liable to pay GST @ 5% under RCM

eg: GTA → Goods transportation service → Mr S.

for the transportation of Household goods i.e. furniture / electronics kitchen utensils / clothes etc. from delhi to Gurugram As Mr. S has been transferred to new location.

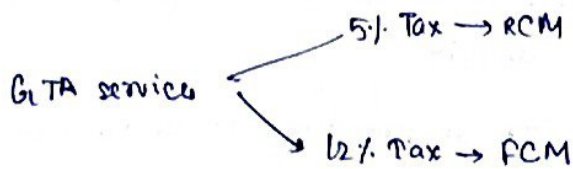
→ As Mr S is unreg. & GTA is providing service to unreg. person, such services have been exempted under GST.



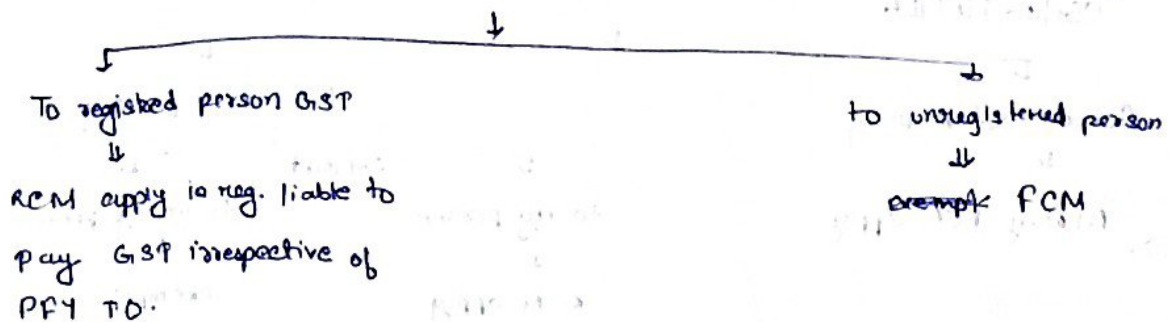
Model 2 GTA → option to pay Tax under FCM

GST rate = 12%

GTA eligible to claim ITC of I/O supply.



(19) Renting of Immovable property by CG/SG/UT/LA except by Ministry of Railway



eg: SG of UP has given land on lease to Mr J for 25 L p.a.

Determine Taxability in following cases.

(a) Mr J is reg under GST & his PFY TO = 90L

RCM applicable and Mr J liable to pay GST

(b) Mr J (Reg under GST) & his PFY TO = 15L

RCM applicable irrespective of fact that TO of PFY is 15L

(c) Mr J - unregistered person

FCM applicable i.e. Govt charge lease rent & GST from Mr J

eg: Suppose in above eg. land is given on lease by Indian Railway instead of SG.

→ In above all cases - FCM shall be applicable as RCM prov. As not applicable on renting of imm property by Ministry of Railway.

(15) Renting of immovable property by Any person other than

CG/SG/UT/LA

Commercial property.

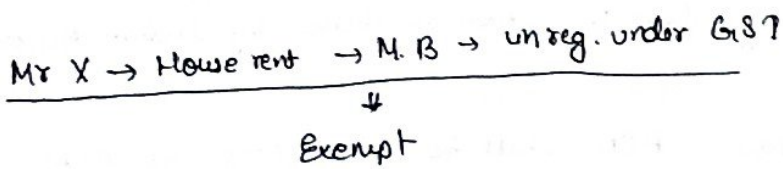
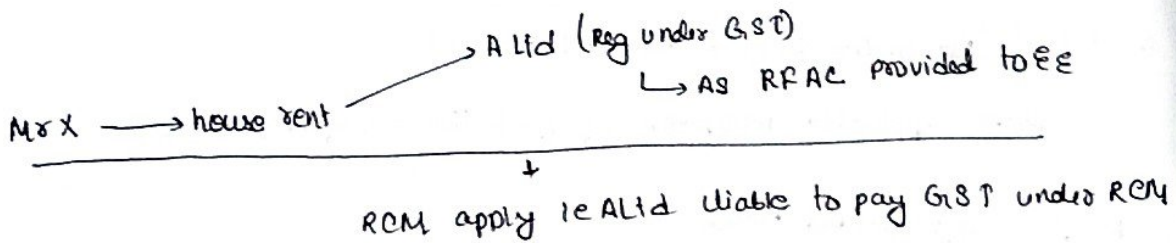
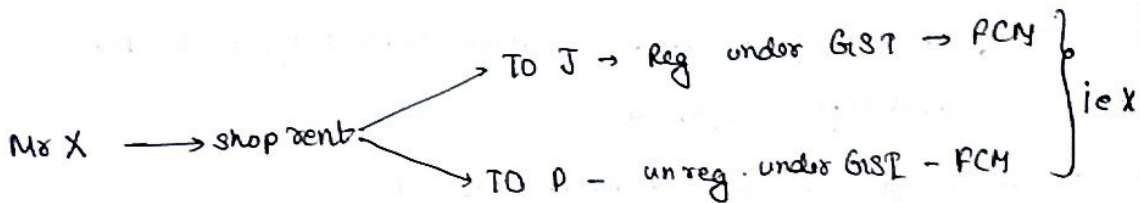
Always PCM apply

Residential property

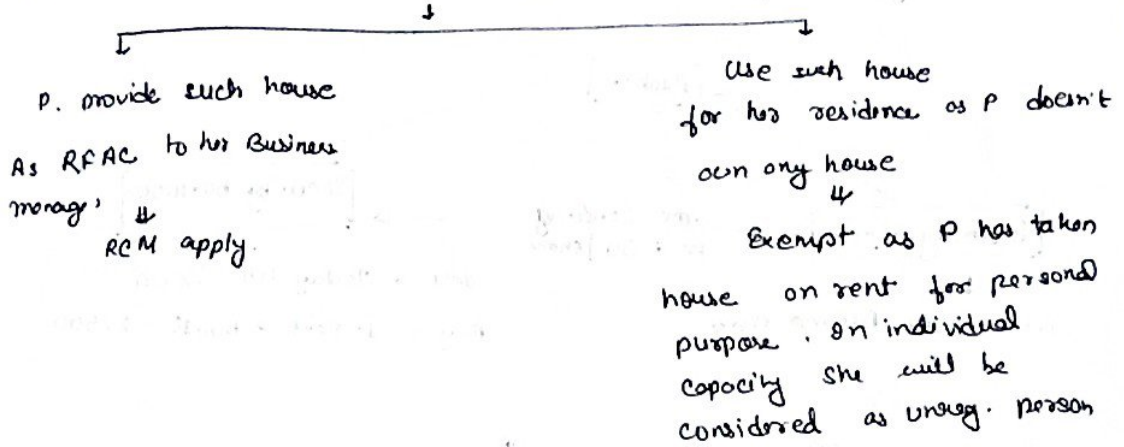
Let out

to reg person
+
RCM apply

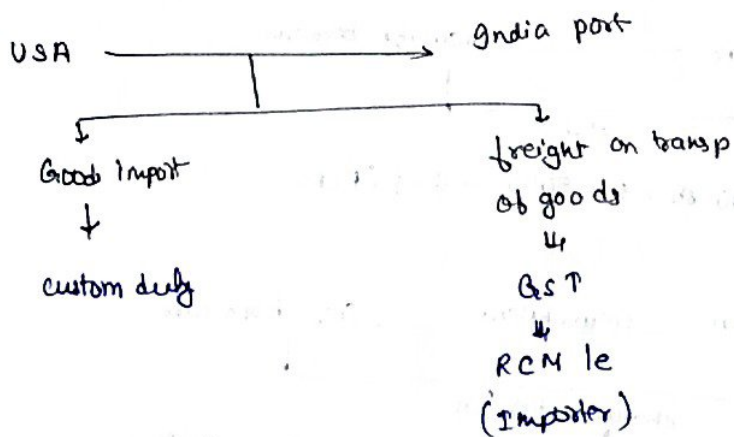
to unreg person
+
exempt



Mr X → House rent → Mr P → Reg. Under GST

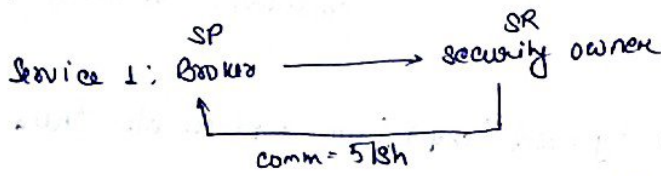
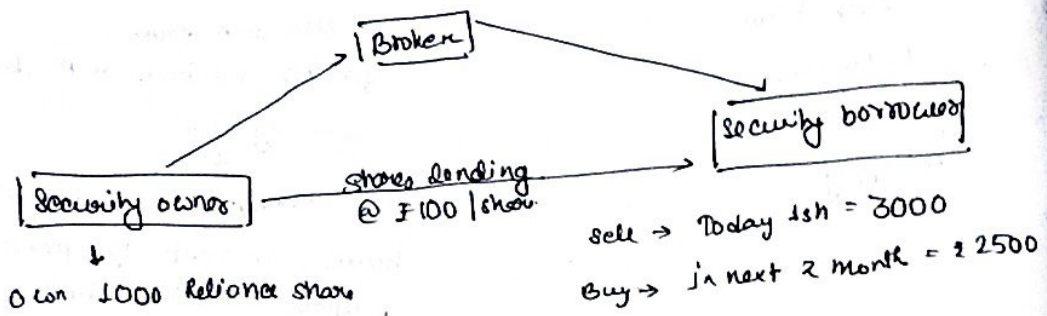


16. Transportation of goods by vessel (ship) from a place outside India upto the custom post in India.

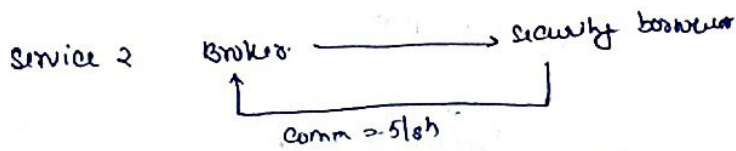


17. Security lending service:

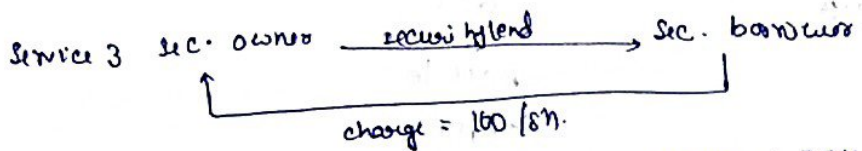
(18)



$1000 \text{ sh} \times 5 = 5000 \rightarrow \text{GST (FCM)}$



$1000 \text{ sh} \times 5 = 5000 \rightarrow \text{GST (FCM)}$



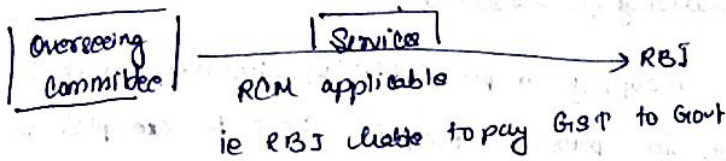
ie $1000 \text{ sh} \times 100/sh = 100000 = \text{RCM}$

ie sec borrower
liable to pay GST
to Govt

19.

(18) Service by Overseeing Committee to RBI

↓
RBI operation Manage (overlook)



19.

~~Import of services~~ → Imports of services → India
u/s 7(b)(b)
u/s 7(3)(c) read with S.3.

u/s India → Services → India
RCM applicable
ie Importer liable to pay GST
under RCM.

Note = Import of service for personal purpose & consideration paid

↓
supply u/s 7(1)(b)

↓
However such supply is exempted from GST

eg: John consultancy services → Mr J
 (Ed consultancy) regarding Admr in USA
 in USA college
 └──────────────────┬──────────────────┘
 consultancy fee = ₹ 100000

Above transaction is supply as per S 7(1)(b). However as it is import of service for personal purpose GST is exempted on such import.

Note: Services of OJDAR from outside India to India is

OJDAR - Import
 +
 PCM applicable.
 +
 CA find.

OJDAR → Online Information Database Access or Retrieval Service

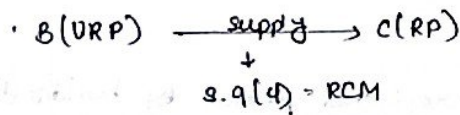
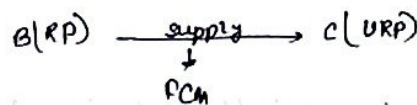
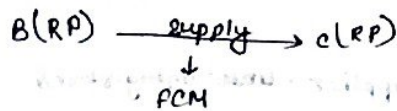
↳ NETFLIX / Google drive / Microsoft cloud service

S. 9(1) - charging section → GST → levy on all G/S

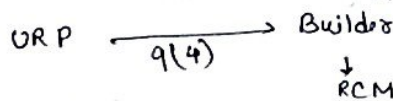
S. 9(2) → HP MAN → GST covered → date to be notified by GST Council

S. 9(3) → Notified G/S covered under PCM

S.9(4) → If R/R purchase G/s from URP → RCM applicable.

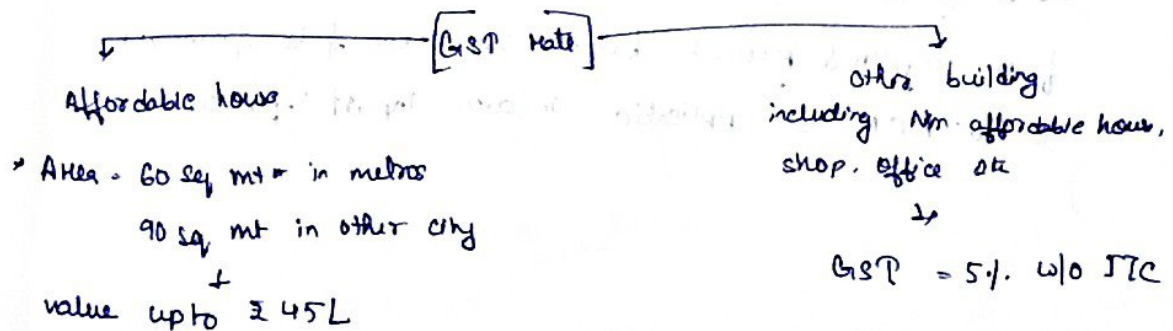


↳ limited Applicability



GST in Real Estate Sector

When under construction building is sold before receiving completion certificate or its first occupation whichever is earlier



↓
GST rate = 1% w/o ITC

Note :- Builder not eligible to claim ITC.

S. 9(4) → RCM Applicable if supplier - ~~was~~ unregistered & recipient is registered.

↓
But as of now S. 9(4) is applicable only in construction sector.

1. Cement purchase from unregistered person by builder (Promoter).

- RCM apply ie builder liable to pay GST @ 28% under RCM

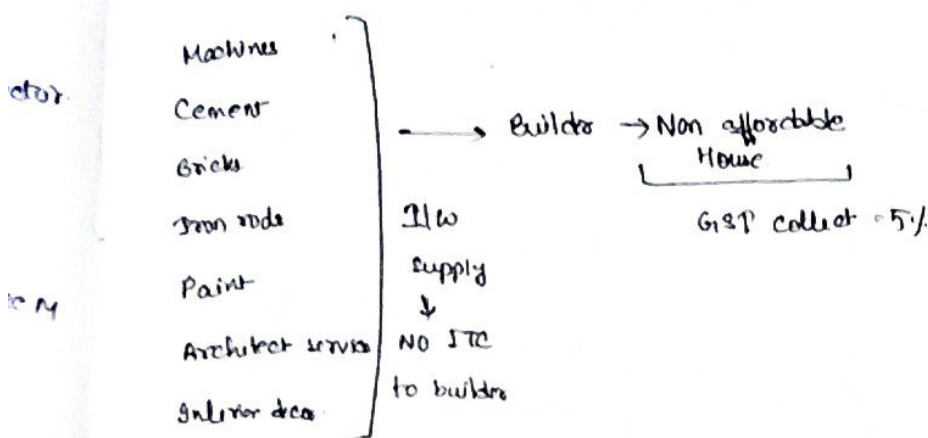
2. Capital goods (matrimo machineries etc) from unreg. person by builder.

- RCM apply ie builder liable to pay GST under RCM @ applicable GST rate.

3. Other inputs / input services (like paint / Bathroom fittings / tiles / Interior decoration services, Architect service etc)

Mandatory to Acquire 80% of such input / input services from registered person & balance 20% - can be from VBP & No RCM is applicable on such input / input services

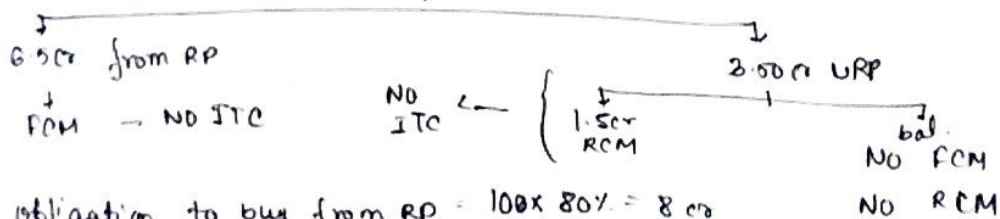
If less than 80% of such Input/ Input service is acquired from RP then such deficiency is liable to tax under RCM as per section 9(4).



Cement = 50L
 40L from RP → FCM
 10L from URP → RCM

Machine = 40L
 350L from RP → FCM
 50L from URP → RCM

Other input / input service = 10 cr



Obligation to buy from RP = $100 \times 80\% = 8 \text{ cr}$

Actually purchased from RP = 6.5 cr
 deficiency 1.5 cr → liable to RCM u/s 9(4).