Reverse Charge Mechanism (RCM):

What is RCM?

RCM is the acronym for Reverse Charge Mechanism. This is a mechanism in which the receiver of the goods or services is required to pay tax on the inward supply of goods or services. Usually, any tax is on the outward side of supply of goods or services. However, in this case, it is on the inward side of supply. Hence it is called reverse mechanism.

What more information is vital in understanding this topic?

* The goods and services which are eligible for RCM are enlisted by notification.
* In short, not all goods and services are eligible for RCM.
* The type of the dealer or person is also enlisted in the notification.
* In short, only the notified supplies are covered under the RCM.

How do I make payment of RCM Tax?

For all the output tax, the payment can be made by offsetting the Input Tax Credit or by cash. However, in the case of RCM the payment must be essentially in cash and no ITC can be offset against the RCM tax payable.

What separate provisions are there for RCM recovery?

There is none. But it is to be understood that the goods and services, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

What care should I take if I am the supplier of the goods or services on which tax is to be paid under reverse Charge Mechanism?

In such a case, I must mention in my invoice clearly that the goods or services supplied by me require tax to be paid under RCM by the receiver of the said supplies. At the same time, this information must also be submitted in the GSTR-1 return.

Which services are covered by RCM?

A few can be mentioned as: import of service, services by goods transport agency, advocate services, director services to its company, security services, services provided by the Central and State governments, services by way of renting of residential property and many more…In case, you receive such services you can check whether you are required to pay tax on RCM basis.

Which goods are covered by RCM?

Cashew nuts, Bidi wrapper leaves, Tobacco leaves, silk yarn, raw cotton when supplied by an agriculturalist to a registered dealer. Certain goods such as cement, capital goods supplies by unregistered person to a builder/promoter. Old vehicles, scrap, confiscated goods, discarded goods, etc. supplied by Central or State Government or by Local Body to a registered person under GST.

Is there any separate return for the RCM?

No. There is no separate return. But the information regarding the RCM is to be provided separately in the return.

## ****Reverse Charge Mechanism (RCM):****

### ****What is RCM?****

RCM is the acronym for Reverse Charge Mechanism. This is a mechanism in which the **receiver of the goods or services** is required to pay tax on the inward supply of goods or services. Usually, tax is payable by the supplier on the outward supply of goods or services. However, in this case, it is on the inward side of supply—hence the term reverse mechanism.

### ****What more information is vital in understanding this topic?****

* The goods and services which are eligible for RCM are **enlisted by notification**.
* Not **all goods and services** are covered under RCM.
* The **type of dealer/person** involved is also specified in the notification.
* In short, **only notified supplies** are subject to RCM.

### ****How do I make payment of RCM Tax?****

For output tax, payment can be made by using **Input Tax Credit (ITC)** or in **cash**.  
However, in the case of RCM, **payment must be made in cash only**, and **ITC cannot be utilized** for such payment.

### ****What separate provisions are there for RCM recovery?****

There are **no separate recovery provisions** for RCM.  
However, the law states that for goods/services under RCM, **all provisions of the GST Act shall apply to the recipient** as if he/she is the supplier liable to pay the tax.

### ****What care should I take if I am the supplier of the goods or services on which tax is to be paid under RCM?****

* Clearly **mention in the invoice** that tax is payable under RCM by the recipient.
* Ensure this information is also **furnished in GSTR-1**.

### ****Which services are covered by RCM?****

Some examples:

* Import of services
* Services by a Goods Transport Agency (GTA)
* Legal services by advocates
* Services by directors to their companies
* Renting of residential property for commercial use
* Security services, services from Central/State Government, etc.

Check the notifications to confirm applicability for your case.

### ****Which goods are covered by RCM?****

Examples include:

* Cashew nuts
* Bidi wrapper leaves
* Tobacco leaves
* Raw cotton and silk yarn (from agriculturists to registered persons)
* Cement and capital goods from unregistered persons to builders
* Old vehicles, scrap, confiscated/discarded goods sold by government or local authorities

### ****Is there any separate return for the RCM?****

No, there is **no separate return** for RCM.  
However, **RCM details must be disclosed separately** in the monthly GST return (GSTR-3B).