REVERSE CHARGE MECHANISM (RCM)

25th April 2025

INTRODUCTION

- The concept of Reverse Charge Mechanism (RCM) was introduced in erstwhile **<u>Service Tax laws.</u>** Normally, the supplier of goods or services or both charges and collects the GST from the recipient and deposits the same with Government. However, under the RCM, the **liability to deposit tax shifts from the supplier to the recipient.**

- The concept of RCM is incorporated under GST, but in GST regime Government has notified not only **<u>supply of certain services but also supply of certain goods</u>** under RCM.

- The objective of RCM is to widen the scope of levy of tax on **<u>unorganized sectors and give exemption to specific class of supplier</u>** of goods/services and import of services

WHAT IS REVERSE CHARGE ?

REVERSE CHARGE IN GST

Specify categories of **supply of goods or services -9(3) CGST/5(3)-IGST**

Goods/ services procured from Unregistered Person -9(4) CGST/ 5(4) –IGST

As per Section 2(98) of the Central Goods and Services Tax Act, 2017 ('CGST Act').

"Reverse Charge" means the liability to pay tax by the recipient of the supply of goods or services or both instead of the supplier of such goods or services or both

Under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act.

BEFORE GOING TO RCM PROVISION – IMPORTANT CAUTION

GOODS & SERVICES

↓

SUPPLY

(Consideration , in the course and furtherance of Business)

↓

TAXABLE – NOT EXEMPTED

↓

RECEIVER

LEGAL PROVISIONS & NOTIFICATION -9(3) / 5(3)

- (3) The Government may, on the recommendations of the Council, by notification, specify categories of **<u>supply of goods or services or both</u>**, 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.

GOODS :

Government has notified the supply of goods under Section 9(3) of the CGST Act and Section 5(3) of the IGST Act vide - **Notification No. -04/2017-Central Tax (Rate) & Notification No.-04/2017-Integrated Tax (Rate) dated 28.06.2017.**

CASHEW NUTS, NOT SHELLED OR PEELED

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
1.	0801	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person

(7) "agriculturist" means an individual or a Hindu Undivided Family <u>who undertakes cultivation of land-</u>

(a) by own labour, or
(b) by the labour of family, or
(c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

TENDU LEAVES & TOBACCO LEAVES

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
2.	1404 90 10	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3.	2401	Tobacco leaves	Agriculturist	Any registered person

ESSENTIAL OILS – MINTS

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
3A.	3301 24 00, 3301 25 10, 3301 25 20, 3301 25 30, 3301 25 40, 3301 25 90	Following essential oils other than those of citrus fruit namely: - (a) Of peppermint (Mentha piperita); (b) Of other mints : Spearmint oil (ex-mentha spicata), Water mint-oil (ex-mentha aquatic), Horsemint oil (ex-mentha sylvestries), Bergament oil (ex-mentha citrate), Mentha arvensis	Any Un-registered person	Any registered person

SILK YARN & RAW COTTON

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
4.	5004 to 5006	Silk yarn	**Any person** who **manufactures** silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any registered person
4A.	5201	Raw cotton	Agriculturist	Any registered person

SUPPLY OF LOTTERY

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
5.	-	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent.

- **Explanation. -** For the purposes of this entry, **lottery distributor or selling agent** has the same meaning as assigned to it in **clause (c) of Rule 2 of the Lotteries (Regulation) Rules, 2010**, made under the provisions of sub-section (1) of section 11 of the Lotteries (Regulation) Act, 1998 (17 of 1998).

- **(C) DISTRIBUTOR OR SELLING AGENT**" means an individual or a firm or a body corporate or other legal entity under law so **appointed by the Organising State** through an agreement to market and sell lotteries on behalf of the Organising State;

USED GOODS, WASTE AND SCRAP

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
6	Any Chapter	**Used vehicles**, seized and confiscated **goods**, old and **used goods, waste and scrap**	Central Government [excluding Ministry of Railways **(w.e.f 20-10-2023)**], State Government, Union territory or a local authority	Any registered person

What is the meaning of ‘Government’?

What is the meaning of ‘Government’?

- As per **<u>section 2(53) of the CGST Act, 2017</u>**, ‘Government’ means the Central Government.

- As per **<u>clause (23) of section 3 of the General Clauses Act</u>**, 1897 the ‘Government’ includes both the Central Government and any State Government.

- As per **<u>clause (8) of section 3 of the said Act</u>**, the ‘Central Government’, in relation to anything done or to be done after the commencement of the Constitution, **means the President.** As per **Article 53** of the Constitution, the **executive power of the Union shall be vested in the President** and shall be exercised by him either **directly or indirectly through officer's** subordinate to him in accordance with the Constitution.

- Similarly, **as per clause (60) of section 3 of the General Clauses Act,1897**, the ‘State Government’, as respects anything done after the commencement of the Constitution, shall be in a State **the Governor,** and in a Union Territory the Central Government. As per **<u>Article 154</u>** of the Constitution, the executive power of the State **shall be vested in the Governor** and shall be exercised by him either **<u>directly or indirectly through officer's</u>** subordinate to him in accordance with the Constitution.

What is the meaning of “Local Authority ?

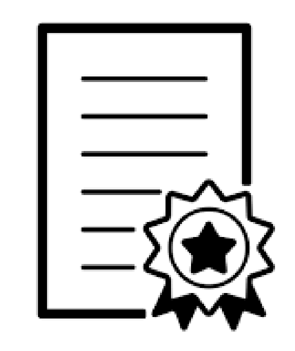
What is the meaning of “Local Authority”?

Definition 2(69) "local authority" means

(a) a "Panchayat" as defined in clause (d) of article 243 of the Constitution
(b) a "Municipality" as defined in clause (e) of article 243P of the Constitution;
(c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
(d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);
(e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
(f) a Development Board constituted under article 371 8 [and article 371J] of the Constitution; or
(g) (g) a Regional Council constituted under article 371A of the Constitution

PRIORITY SECTOR LENDING CERTIFICATE

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
7	Any Chapter	Priority Sector Lending Certificate	Any registered person	Any registered person]



Circular No. 93/12/2019-GST

- It is further clarified that nature of supply of PSLC between banks may be treated as a **supply of goods** in the course of inter-State trade or commerce.
- Accordingly, **IGST shall be payable** on the supply of PSLC traded over e-Kuber portal of RBI for both periods i.e 01.07.2017 to 27.05.2018 and from 28.05.2018 onwards.
- However, where the bank liable to pay GST has already paid CGST/SGST or CGST/UTGST as the case may be, such banks for payment already made, shall not be required to pay IGST towards such supply.

METAL SCRAP

S. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
8. (Inserted w.e.f 10-10-2024)	72, 73, 74, 75, 76, 77, 78, 79, 80 or 81	Metal Scrap	Any unregistered person	Any registered person

SERVICES :

- The supply of services under RCM has been notified vide ***Notification No- 13/2017 Central Tax (Rate) dated 28-06-2017*** as amended from time to time under Section 9(3) of the CGST Act. The list of services covered under this notification is very wide.

- Further, **two** additional supply of services has been notified for RCM under section 5(3) of IGST Act vide ***Notification No- 10/2017 Integrated Tax (Rate) dated 28-06-2017.***

SERVICES - NON-TAXABLE TERRITORY TO ANY PERSON OTHER THAN NON-TAXABLE ONLINE RECIPIENT.

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
1	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable online recipient.	Any person located in a non-taxable territory	Any person located in the taxable territory other than non-taxable online recipient.

(22) "taxable territory" means the territory to which the provisions of this Act apply;

(56) "India" means the territory of India as referred to in article 1 of the Constitution, its **territorial waters**, **seabed and sub-soil** underlying such waters, **continental shelf, exclusive economic zone or any other maritime zone** as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976), and the air space above its territory and territorial waters;

SERVICES - GOODS TRANSPORT AGENCY (GTA)

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
2	Supply of Services by a goods transport agency (GTA), [1][***] in respect of **transportation of goods by road** to—	Goods Transport Agency (GTA)	Various Entities as per list enclosed

List of Entity Covered –

(*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

SERVICES - GOODS TRANSPORT AGENCY (GTA)

❑ List of Entity Covered –

(*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*) any **body corporate** established, by or under any law; or

"Body Corporate" has the same meaning as assigned to it in clause (*11*) of section 2 of the Companies Act, 2013.

Sec. 2(11) of the Companies Act, 2013. —body corporate or —corporation includes a company incorporated outside India, but **does not include**—

(i) a **co-operative society** registered under any law relating to co-operative societies; and

(ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, **by notification, specify** in this behalf;

SERVICES - GOODS TRANSPORT AGENCY (GTA)

❑ List of Entity Covered –

(*f*) any partnership firm whether registered or not under any law including association of persons; or

(*g*) any casual taxable person; located in the taxable territory

❑ Who is GTA ? –

(xxxx) 'goods transport agency' means, - any person who provides service in relation to transport of **goods by road and issues consignment note**, by whatever name called.

SERVICES - GOODS TRANSPORT AGENCY (GTA)

- **When RCM will not be applicable –**

If service receiver is

a) a Department or Establishment of the Central Government or State Government or Union territory; or

(*b*) local authority; or

(*c*) Governmental agencies,

which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for **the purpose of deducting tax under section 51** and not for making a taxable supply of goods or services.

SERVICES - GOODS TRANSPORT AGENCY (GTA)

- **When RCM will not be applicable –**

a) *the supplier has **issued a tax invoice** to the recipient charging Integrated Tax at the applicable rates and has made a **declaration as prescribed in Annexure III** on such invoice issued by him.*

b) *the supplier has **taken registration** under the CGST Act, 2017 read with clause (v) of section 20 of the IGST Act, 2017 and **exercised the option to pay tax** on the services of GTA in relation to transport of goods supplied by him under forward charge; and to transport of goods supplied by him under forward charge;*

SERVICES - GOODS TRANSPORT AGENCY (GTA)

- **Exemption Entry 19 Notification no.12/2017 CT-R –**

Services by way of transportation of goods—

a) by road except the services of—

a goods transportation agency;

a courier agency;

SERVICES – ADVOCATE – LAW FIRM

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
3	Services provided by an individual advocate including a senior advocate or firm of advocates **by way of legal services**, **<u>directly or indirectly.</u>**	An individual advocate including a senior advocate or firm of advocates.	**Any business entity** located in the taxable territory. (The business entity located in the **taxable territory** who is **<u>litigant, applicant or petitioner,</u>** as the case may be, shall be treated as the person who receives the legal services for the purpose of this notification.)

Explanation.—"Legal service" means any service provided in relation to <u>advice, consultancy or assistance</u> in **any branch of law,** in any manner and includes **representational services** before any court, tribunal or authority.]

SERVICES - ARBITRAL TRIBUNAL

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
4	Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in the taxable territory.

- The **business entity** located in the taxable territory who is litigant, applicant or petitioner, as the case may be, shall be treated as the person who receives the legal services for the purpose of this notification.

- The **words and expressions used and not defined in this notification** but defined in the Central Goods and Services Tax Act, the Integrated Goods and Services Tax Act, and the Union Territory Goods and Services Tax Act shall have the same meanings as assigned to them in those Acts.

SERVICES - SPONSORSHIP

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
5	Services provided by way of sponsorship to any **body corporate or partnership firm.**	Any person [other than **body corporate**]	Any body corporate or partnership firm located in the taxable territory.

"Body Corporate" has the same meaning as assigned to it in clause (*11*) of section 2 of the Companies Act, 2013.

Sec. 2(11) of the Companies Act, 2013. —body corporate or —corporation includes a company incorporated outside India, but does not include—

(i) a co-operative society registered under any law relating to co-operative societies; and

(ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

SERVICES - SPONSORSHIP

RCM Applied to Sponsorship Services – Notification No. 13/2017 – Central Tax (Rate) dated 28-06-2017

GST was payable under Reverse Charge Mechanism (RCM) when:

- Sponsorship services were provided **by any person**
- To a **body corporate** or **partnership firm**

The **recipient** of sponsorship **(body corporate or firm)** was liable to pay GST.

Key Amendments- Sponsorship Services – Notification No. 07/2025 – Central Tax (Rate) dated 16-01- 2025

- **RCM no longer applies** when sponsorship is **provided by a body corporate**
- In such cases, GST shall be payable **under Forward Charge**
- If sponsorship is provided by any person other than a body corporate, RCM still applies

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Sl. No.	***Category of Supply of Services***	***Supplier of service***	***Recipient of Service***
6	Services supplied by the Central Government, State Government, Union territory or local authority **to a business entity** excluding,—	Central Government, State Government, Union territory or local authority	**Any business entity** located in the taxable territory.

(1) Renting of immovable property, and

(2) Services specified below—

(*i*) services by the Department of Posts **[***and the Ministry of Railways (Indian Railways)* ***(w.e.f 20-10-2023)*****]**;

(*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

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

- The **business entity** located in the taxable territory who is litigant, applicant or petitioner, as the case may be, shall be treated as the person who receives the legal services for the purpose of this notification.

- **“Renting of immovable property"** means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property;]

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

Entry 6 :

Services by the Central Government, State Government, Union territory or local authority excluding the following services—

(a) services by the Department of Posts **[***and the Ministry of Railways (Indian Railways)***]**;
(*b*) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
(*c*) transport of goods or passengers
(d) any service, other than services covered under entries (*a*) to (*c*) above, provided to business entities.

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

Entry 7 :

Services provided by the Central Government, State Government, Union territory or local authority **to a business entity with an aggregate turnover of up to [5]**[**such amount in the preceding financial year as makes it eligible for exemption from registration** under the Central Goods and Services Tax Act, 2017 (12 of 2017)].

Explanation.—For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to—

(a) services below—

(*i*) services by the Department of Posts **[***and the Ministry of Railways (Indian Railways)***]**;

(*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

(b) services by way of renting of immovable property.

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

ENTRY 8 :

Services provided by the Central Government, State Government, Union territory or local authority **to another** Central Government, State Government, Union territory or local authority:

Provided that nothing contained in this entry shall apply to services—

(*i*) services by the Department of Posts **[***and the Ministry of Railways (Indian Railways)***]**;

(*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

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

Entry 9 :

Services provided by Central Government, State Government, Union territory or a local authority where the **consideration for such services does not exceed five thousand rupees**:

Provided that nothing contained in this entry shall apply to—

(*i*) services by the Department of Posts ;
(*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

Provided further that in case where **continuous supply of service**, as defined in sub-section (33) of section 2 of the Central Goods and Services Tax Act, 2017, is provided by the Central Government, State Government, Union territory or a local authority, the exemption shall apply only where the consideration charged for such service **does not exceed five thousand rupees in a financial year**.

SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

Entry 49 :

Services provided by the Central Government, State Government, Union territory or local authority by way of—

A) registration required under any law for the time being in force;

B) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force.

ROC FEES - SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

Ministry of Corporate Affairs
Government of India

IS ROC FEES – LIABLE TO RCM ?

- Registrar of Companies is specifically constituted under the Companies Act for the purpose of registering companies and discharging various functions under the Act, it is a **statutory authority under the provisions of law**.

- **Sovereign functions** performed by the Government **cannot be regarded as a service and hence subjected to tax.** In this context, various Tribunals and High Courts have held the following bodies of Government to be performing sovereign functions and hence not exigible to Service Tax

- Functions performed by Registrar of Companies for which fee is charged from companies/LLPs are nothing but **statutory functions undertaken by the Central Government in which it is engaged as public authorities.**

ROC FEES - SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

IS ROC FEES – LIABLE TO RCM ?

- The definition of ‘services’ is also all encompassing and includes everything other than goods

- Definition of ‘business’ under GST law. Section2(17) of the CGST Act defines ‘business’ to include:

Point no (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in **which they are engaged as public authorities;**

- Section 7(2)provides for activities or transactions which **<u>shall be neither treated as a supply of goods nor as supply of services.</u>** Section 7(2) reads as follows:

IS ROC FEES – LIABLE TO RCM ?

Ministry of Corporate Affairs
Government of India

(2) Notwithstanding anything contained in sub-section (1),—

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are **engaged as public authorities, as may be notified by the Government** on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.

- In *Builders Association of Navi Mumbai, Neelsidhi Realties v. Union of India in* **2018 (4) TMI 461 -BOMBAY HIGH COURT**, the Bombay High Court held that **in the absence of notification** any activity of a Government or Government company cannot be considered as exempt from the levy of GST.

ROC FEES - SERVICES – BY GOVERNMENT TO BUSINESS ENTITY

IS ROC FEES – LIABLE TO RCM ?

- Although the statutory functions performed by Central/State Government or Local Authorities in which they are engaged as public authorities qualify as taxable supply, Section 11 of CGST Act empowers Government, on recommendation of GST council, to exempt whole or any part of tax leviable on such supplies by way of notification.

- **Entry -9 – Exemption -** where the consideration for such services **does not ₹5,000/-.**

- **Entry -47 – Exemption -** service provided by Central Government, State Government, Union territory or a local authority **by way of registration** required under any law for the time being in force is exempt.

SERVICES – RENTING OF IMMOVABLE PROPERTY

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
6A	Services supplied by the Central Government [**excluding the Ministry of Railways (w.e.f 20.10.2023)**], 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).	Central Government, State Government, Union territory or local authority	**<u>Any person registered</u>** under the Central Goods and Services Tax Act, 2017 read with clause (v) of section 20 of Integrated Goods and Services Tax Act, 2017.]

SERVICES – RENTING OF IMMOVABLE PROPERTY

- **"Renting of immovable property"** means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property;]

SERVICES – RENTING OF RESIDENTIAL DWELLING

Sl. No.	***Category of Supply of Services***	***Supplier of service***	***Recipient of Service***
6AA	Service by way of renting of residential dwelling to a registered person.	Any person	Any registered person.

- **Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R**

❑ Services by way of renting of residential dwelling for **use as residence** **[***except where the residential dwelling is rented to a registered person, w.e.f. 15-07-2024***]**.

SERVICES – RENTING OF RESIDENTIAL DWELLING

- **Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R**

❑ Explanation. - *For the purpose of exemption under this entry, this entry shall cover services by way of renting of residential dwelling to a registered person where,*

(i) the registered person is ***proprietor of a proprietorship concern*** *and rents the* ***residential dwelling in his personal capacity*** *for use as his own residence; and*

(ii) such renting is on his ***own account*** *and not that of the proprietorship concern.*

SERVICES – RENTING OF RESIDENTIAL DWELLING

RENTING OF PROPERTIES

<table>
<tr><th>Type of Property</th><th>Landlord</th><th>Tenant</th><th colspan="2">Consequence in GST</th></tr>
<tr><td rowspan="5">Residential Property</td><td rowspan="2">Landlord Registered</td><td>Residential Purpose</td><td colspan="2">Exempt</td></tr>
<tr><td>Commercial Purpose</td><td colspan="2">FCM</td></tr>
<tr><td rowspan="3">Landlord Unregistered</td><td>Residential Purpose</td><td colspan="2">Exempt</td></tr>
<tr><td rowspan="2">Commercial Purpose</td><td>Tenant registered</td><td>RCM</td></tr>
<tr><td>Tenant unregistered</td><td>No GST</td></tr>
</table>

SERVICES – RENTING OF OTHER THAN RESIDENTIAL DWELLING

Sl. No.	***Category of Supply of Services***	***Supplier of service***	***Recipient of Service***
6AB	Service by way of renting any immovable property [other than residential dwelling]	Any unregistered person	Any registered person.

- **Updates as per 54th GST Council (dated 09.09.2024)**

❑ If the landlord is an unregistered person and rent commercial property to registered person then Reverse Charge Mechanism (RCM) will be applicable from 01.10.2024.

SERVICES – RENTING OF OTHER THAN RESIDENTIAL DWELLING

- **Exemption Entry in Notification No. 7/2025 CT-R –**

❑ 55th GST Council in its meeting held on 21-12-2024 recommended that taxpayers registered under composition levy may be excluded from the entry at Sr. No. 6AB

- **Exemption-**

❑ If a registered charitable trust or a religious trust owns and manages a religious place meant for the public, it is exempt from GST if it falls in any criteria.

i. The rent of these rooms is less than Rs. 1000 per day.
ii. The rent of shops and other spaces for business is less than Rs. 10,000 per month
iii. The rent of community halls or any open area is less than Rs. 10,000 per day.

SERVICES – RENTING OF OTHER THAN RESIDENTIAL DWELLING

RENTING OF PROPERTIES

Type of Property	Landlord	Tenant	Consequence in GST
Commercial Property	Landlord Registered	Tenant Registered	FCM
		Tenant Unregistered	FCM
	Landlord Unregistered	Tenant Registered	RCM
		Tenant Unregistered	No GST

SERVICES – TRANSFER OF DEVELOPMENT RIGHTS (TDR) OR FLOOR SPACE INDEX (FSI)

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
6B	Services supplied by any person by way of **transfer of development rights or Floor Space Index (FSI)** (including additional FSI) for construction of a project by a promoter.	Any person	Promoter.

- The term **"promoter"** shall have the same meaning as assigned to it in clause (*zk*) of section 2 of the Real Estate (Regulation and Development) Act, 2016 (16 of 2016);
- **"Floor space index (FSI)"** shall mean the ratio of a building's total floor area (gross floor area) to the size of the piece of land upon which it is built.
- The term **"project"** shall mean a Real Estate Project (REP) or a Residential Real Estate Project (RREP);

SERVICES – TRANSFER OF DEVELOPMENT RIGHTS (TDR) OR FLOOR SPACE INDEX (FSI)

Exemption Entry in Notification 12/2017 CT-R - 9/2017 IGST-R

- Service by way of transfer of development rights (herein refer TDR) or Floor Space Index (FSI) (including additional FSI) on or after 1st April, 2019 for **construction of residential apartments by a promoter in a project**, intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.

- **Provided** that the promoter shall be liable to pay tax at the applicable rate, on reverse charge basis, on such proportion of value of development rights, or FSI (including additional FSI), or both, **as is attributable to the residential apartments, which remain un-booked on the date of issuance of completion certificate**, or first occupation of the project, as the case may be, in the following

SERVICES – LONG TERM LEASE OF LAND FOR CONSTRUCTION OF A PROJECT

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
6C	Long term lease of land (30 years or more) by any person against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project by a promoter.	Any person	Promoter.

- **The term "promoter"** shall have the same meaning as assigned to it in clause (*zk*) of section 2 of the Real Estate (Regulation and Development) Act, 2016 (16 of 2016);

- **The term "project"** shall mean a Real Estate Project (REP) or a Residential Real Estate Project (RREP);

SERVICES– BY DIRECTOR OF COMPANY OR BODY CORPORATE

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
7	**Services supplied** by a director of a company or a body corporate to the said company or the body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory.

- **Circular No: 140/10/2020 – GST -10th June 2020**

A) Leviability of GST on remuneration paid by companies **to the independent directors** or those directors who are not the employee of the said company

B) Leviability of GST on remuneration paid by companies to the directors, **who are also an employee of the said company**

- **What happens when directors rent a property in his personal capacity to Company ?**

SERVICES– BY DIRECTOR OF COMPANY OR BODY CORPORATE

- **Circular No: 140/10/2020 – GST -10th June 2020**

A) Leviability of GST on remuneration paid by companies **to the independent directors** or those directors who are not the employee of the said company

- The definition of „independent directors‟ under section 149(6) of the Companies Act, 2013, read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 makes it amply clear that such director **should not have been an employee or proprietor** or a partner of the said company, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed in the said company.

- in respect of such directors are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. **– RCM will be applicable.**

SERVICES– BY DIRECTOR OF COMPANY OR BODY CORPORATE

- **Circular No: 140/10/2020 – GST -10th June 2020**

B) Leviability of GST on remuneration paid by companies to the directors, **who are also an employee of the said company**

- Director are in the course of employer-employee relation (i.e. a “contract of service”) or is there any element of “contract for service”.

- it is clarified that the part of Director‟s remuneration **which are declared as „Salaries‟ in the books of a company and subjected to TDS under Section 192** of the IT Act, are not taxable in terms of Schedule III of the CGST Act, 2017.

- It is further clarified that the part of employee Director‟s remuneration which is declared **separately other than „salaries‟** in the Company‟s accounts and subjected to TDS under Section 194J shall **outside the scope of Schedule III. Taxable –Subject to RCM.**

SERVICES – BY INSURANCE AGENT TO PERSON CARRYING ON INSURANCE BUSINESS

Sl. No.	Category of Supply of Services	Supplier of service	Recipient of Service
8	Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.

- **"Insurance agent"** shall have the same meaning as assigned to it in clause (10) of section 2 of the Insurance Act, 1938 (4 of 1938).

- **(10) "insurance agent"** means an insurance agent licensed under section 42 [27] [***] who receives or agrees to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business 9 [including business relating to the continuance, renewal or revival of policies of insurance];

SERVICES – BY RECOVERY AGENT TO A BANKING COMPANY OR A FINANCIAL INSTITUTION OR NBFC.

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
9	Services supplied by a **recovery agent** to a banking company or a financial institution or a non-banking financial company.	A recovery agent	A banking company or a financial institution or a non-banking financial company, located in the taxable territory.

SERVICES – TRANSPORTATION OF GOODS BY A VESSEL FROM A PLACE OUTSIDE INDIA

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
10	~~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 nontaxable territory~~	~~Importer, as defined in clause (26) of section 2 of the Customs Act, 1962 (52 of 1962), located in the taxable territory.~~

SERVICES – BY A MUSIC COMPOSER RELATING TO MUSICAL WORKS TO A MUSIC COMPANY

Sl. No.	***Category of Supply of Services***	***Supplier of service***	***Recipient of Service***
11	Supply of services by a music composer, photographer, artist or the like by way of transfer or **permitting the use or enjoyment of a copyright** covered under clause (*a*) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like.	Music composer, photographer, artist, or the like	Music company, producer or the like, located in the taxable territory.

SERVICES – PERMITTING THE USE OF COPYRIGHT RELATING TO ORIGINAL LITERARY WORKS BY AUTHOR TO A PUBLISHER.

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
11A	Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 **relating to original literary works to a publisher.**	Author	Publisher located in the taxable territory:

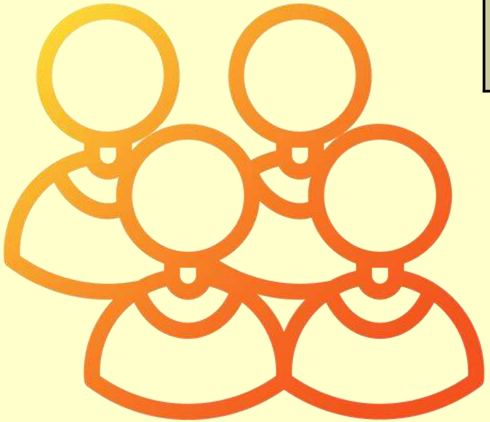
RCM WILL NOT BE APPLICABLE :

(i) the author has **taken registration under the Central Goods and Services Tax Act, 2017** (12 of 2017), and filed a declaration, in the form at Annexure I, within the time prescribed – Forward charge –will not withdrawn during the year.

(ii) **Author Declaration in Invoice – Forward charge .**

SERVICES – BY THE MEMBERS OF OVERSEEING COMMITTEE TO RESERVE BANK OF INDIA

Sl. No.	***Category of Supply of Services***	***Supplier of service***	***Recipient of Service***
12	Supply of services by the **members of Overseeing Committee** to Reserve Bank of India	Members of Overseeing Committee constituted by the Reserve Bank of India	Reserve Bank of India.



SERVICES – SUPPLIED BY INDIVIDUAL DIRECT SELLING AGENTS (DSAS)

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
13	Services supplied by **individual** Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs)	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm.	A banking company or a non-banking financial company, located in the taxable territory.

- **A "Limited Liability Partnership"** formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (6 of 2009) shall also be considered as a partnership firm or a firm.

- **"Body Corporate"** has the same meaning as assigned to it in clause (*11*) of section 2 of the Companies Act, 2013

SERVICES – BY BUSINESS FACILITATOR (BF) TO A BANKING COMPANY

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
14	Services provided by business facilitator (BF) to a banking company	Business facilitator (BF)	A banking company, located in the taxable territory

Business facilitator :

Identifying potential customers. Advising / counseling village people about appropriate bank products and services. Helping villagers in completing formalities that are needed to transact with banks. Educating customers about terms of sanction, repayment and recovery.

SERVICES – BY AN AGENT OF BUSINESS CORRESPONDENT (BC) TO BUSINESS CORRESPONDENT (BC)

Sl. No.	Category of Supply of Services	Supplier of service	Recipient of Service
15	Services provided by an agent of business correspondent (BC) to business correspondent (BC).	An agent of business correspondent (BC)	A business correspondent, located in the taxable territory

- **Business Correspondent** is an extended arm of the Bank Branch who is providing Financial and Banking services to the customers in unbanked and underbanked areas.

SERVICES – SECURITY SERVICES

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
16	Security services (services provided by way of supply of security personnel) provided to a registered person:	Any person other than a body corporate	A registered person, located in the taxable territory.

- **When RCM will not be applicable - When receiver is –**

(a) Department or Establishment of the Central Government or State Government or Union territory; or
(*b*) local authority; or
(*c*) Governmental agencies, which has taken registration only for **the purpose of deducting tax under section 51** and not for making a taxable supply of goods or services

(*ii*) a registered person paying tax under **section 10** of the said Act.

SERVICES – RENTING OF ANY MOTOR VEHICLE TO CARRY PASSENGERS

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
17	Services provided by way of renting of any motor vehicle designed to carry passengers where the **cost of fuel is included** in the consideration charged from the service recipient, **provided to a body corporate.**	Any person, **other than a body corporate** who supplies the service to a body corporate and does not issue an invoice charging integrated tax at the rate of 12 per cent to the service recipient	Any body corporate located in the taxable territory.

LLP IS BODY CORPORATE ? OR IT IS PARTNERSHIP FIRM ?

A "Limited Liability Partnership" formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (6 of 2009) shall also be considered as a partnership firm or a firm.

SERVICES – LENDING OF SECURITIES

Sl. No.	*Category of Supply of Services*	*Supplier of service*	*Recipient of Service*
18	Services of lending of securities under **Securities Lending Scheme, 1997** ("Scheme") of Securities and Exchange Board of India ("SEBI"), as amended.	**Lender** ***i.e.*** a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI	**Borrower** *i.e.* a person who borrows the securities under the Scheme through an approved intermediary of SEBI.]

RCM ON SUPPLIES FROM AN UNREGISTERED SUPPLIER

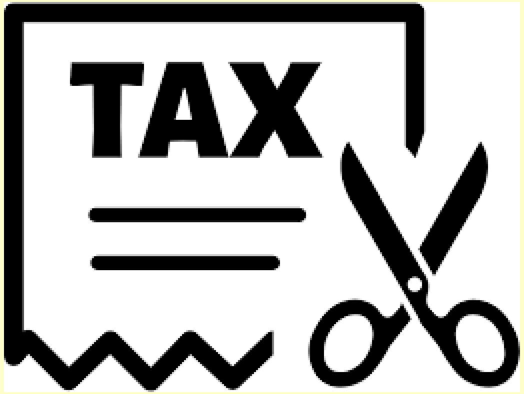
LEGAL PROVISIONS & NOTIFICATION -9(4) / 5(4)

- *[Before substituted by the Central Goods and Service Tax (Amendment) Act, 2018 and made effective vide Notification No. 02/2019-Central Tax dated 29-01-2019 from 01-02-2019]*

"the central tax in respect of the **supply of taxable goods or services or both** by a supplier, **who is not registered, to a registered person** shall be paid by such person on reverse charge basis as the recipient 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."

As per the above provision, whenever a registered person procures supplies from an unregistered supplier, he needs to pay GST on reverse charge basis. Please note that **all the transactions** of the supply of taxable goods or services or both **from an unregistered person to registered person** were covered under RCM basis ***without any limit*.**

LEGAL PROVISIONS & NOTIFICATION -9(4) / 5(4)



[Before substituted by the Central Goods and Service Tax (Amendment) Act, 2018 and made effective vide Notification No. 02/2019-Central Tax dated 29-01-2019 from 01-02-2019]

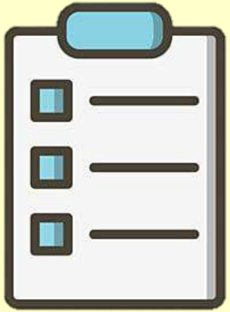
- ***Partial Exemption -*** *Notification No. 8/2017-Central Tax dated 28th June 2017* applicable with effect from *1st day of July, 2017.* - exemption by providing the limit of. Rs 5,000/- in day.

- ***Full Exemption -****Notification No. 38/2017-Central Tax, dated* ***13th October, 2017*** applicable with effect from 13.10.2017

LEGAL PROVISIONS & NOTIFICATION -9(4) / 5(4)

Notification No. 2/2019- Central Tax, dated 29th January 2019 notifying the CGST (Amendment) Act, 2018 w.e.f**. 01.02.2019**.

In section 9 of the principal Act, for sub-section (4), the following sub-section shall be substituted, namely:—



"(4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of **<u>supply of specified categories of goods or services or both received from an unregistered supplier</u>,** pay the tax on reverse charge basis as the recipient of such supply of 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 such supply of goods or services or both."

NOTIFICATION FOR PROJECTS - RCM

- **Notification No. 07/2019- Central Tax (Rate) dated 29th March 2019** which has been effective from **01 April, 2019** and will be applicable on ***"Promoters"*** only for the ***'specified supplies***.

*"Supply of such goods and services both [other than services by way of grant of development rights, long term lease of land (against upfront payment in the form of premium, salami, development charges etc.) or FSI (including additional FSI)] which constitute the **shortfall from the minimum value of goods or services or both required** to be purchased by a promoter for **construction of project,** in a financial year (or part of the financial year till the date of issuance of completion certificate or first occupation, whichever is earlier) as prescribed in **notification No. 11/ 2017- Central Tax (Rate), dated 28th June, 2017**, at items (i), (ia), (ib), (ic) and (id) against serial number 3 in the Table, published in Gazette of India vide G.S.R. No. 690, dated 28th June, 2017, as amended" or*

NOTIFICATION FOR PROJECTS - RCM

- The condition in Notification No. 3/2019-Central Tax (Rate) dated 29th March 2019 specifies that **80% of inputs and input services** should be procured from registered person. (Popularly know as 80 : 20 Rule).

- **FAQs- How to calculate 80:20-** Exempted Input /Service considered as from unregistered person, Salary & wages not be considered in 80:20 – Not a supply.

- **Promoter purchased Cement** used in the construction of project from unregistered person. [He is liable to pay under RCM for total purchase of Cement from unregistered person, **irrespective of % total purchase** (see **Notification No. 24/2019-Central Tax (Rate) dated 30.09.2019**)]

- **GST Rate**: The ***GST Rate is 18***% (except cement -28%) even if the actual rate of GST in case of some of inputs or input services is lower than 18% – ***(Sr No. 452Q of Schedule III of* Notification No. 08/2019-CT (R) dated 28-6-2017 *as inserted w.e.f. 1-4-2019)***

NOTIFICATION FOR PROJECTS - RCM

- *"Capital goods falling under any chapter in the first schedule to the Customs Tariff Act, 1975 (51 of 1975) supplied to a promoter for construction of a project on which tax is payable or paid at the rate prescribed for items (i), (ia), (ib), (ic) and (id) against serial number 3 in the Table, in **notification No. 11/ 2017- Central Tax (Rate), dated 28th June, 2017**, published in Gazette of India vide G.S.R. No. 690, dated 28th June, 2017, as amended."* – **Rate of tax will be same rate of Goods.**

- ***Summary of the above provision -***

	Nature of Purchase	% Purchase	Rate of Tax
1)	INPUT – INPUT SERVICES	80 : 20	Shortfall Taxable @18%
2)	CEMENT	Any	28%
3)	CAPITAL GOODS	Any	Respective rate of Goods.

THANKS

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