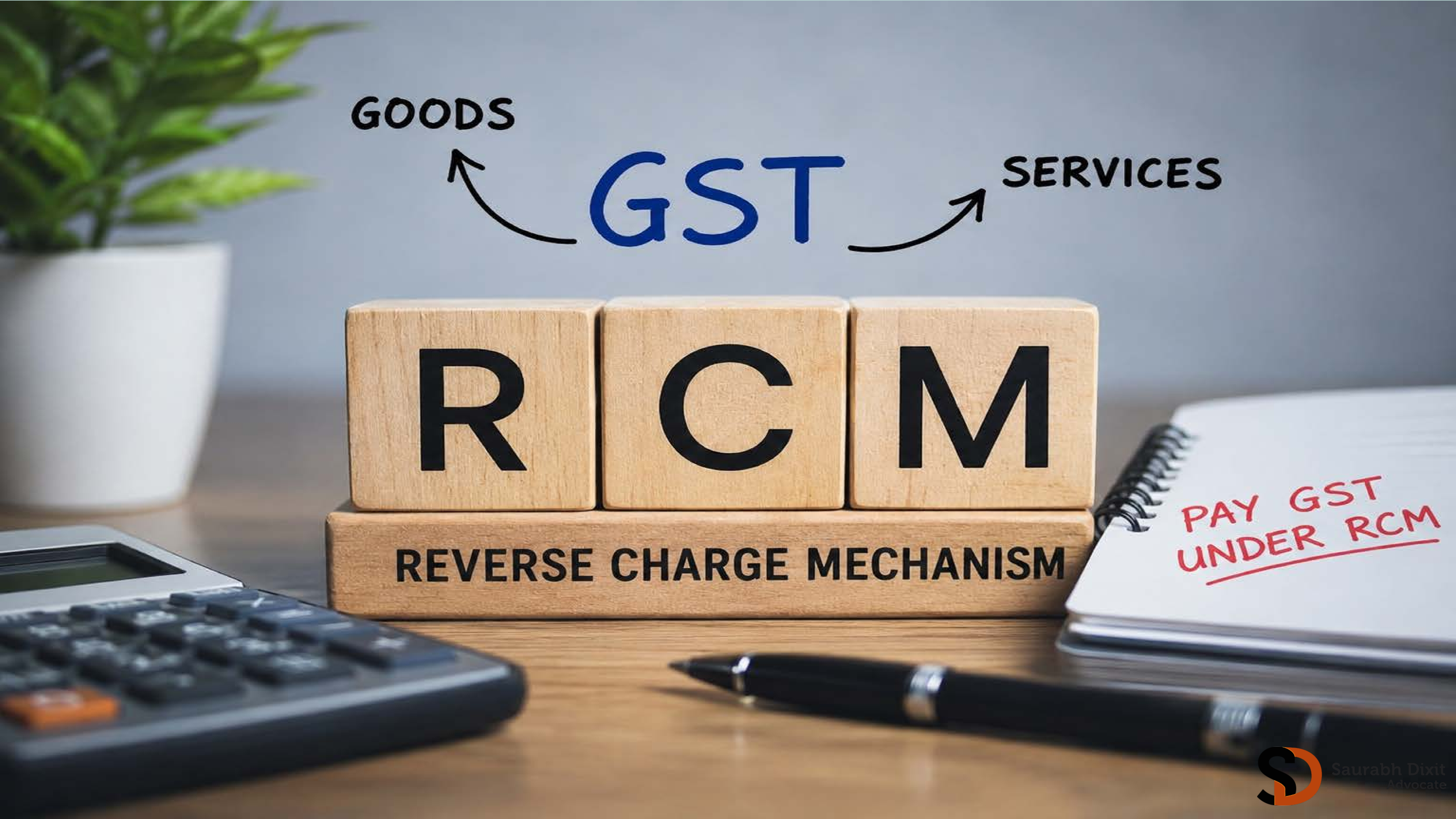
GOODS
GST
SERVICES
RCM
REVERSE CHARGE MECHANISM
PAY GST
UNDER RCM

REVERSE CHARGE MECHANISM (RCM) UNDER GST

RCM = Recipient pays GST instead of the supplier

A practical client checklist for identifying RCM transactions, paying GST correctly and claiming eligible ITC.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

Legal basis under CGST / SGST

- Section 9(3), CGST Act: Government may notify specified goods/services on which recipient pays GST under RCM.
- Section 9(4), CGST Act: Government may notify specified registered persons who pay RCM on specified supplies received from unregistered suppliers. Presently, this is mainly used for specified real-estate/promoter supplies.
- Corresponding SGST provisions apply for intra-State supplies; CGST + SGST is payable.

Source: Section 9(3) and Section 9(4) of CGST Act, 2017.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

Legal basis under IGST / UTGST

- Section 5(3), IGST Act: Government may notify specified inter-State supplies on which tax is payable by the recipient under RCM.
- Section 5(4), IGST Act: Government may notify specified registered recipients liable for RCM on specified supplies from unregistered suppliers.
- Import of services from a person located outside India to a person in taxable territory is generally covered under IGST RCM, except where recipient is a non-taxable online recipient.
- Section 7(3), UTGST Act applies for notified supplies in Union Territories.

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REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Goods Notified Under RCM:

Sr. 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
2	1404 90 10	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3	2401	Tobacco leaves	Agriculturist	Any registered person
4	3301 24 00; 3301 25 10/20/30/40/90	Essential oils of mint, including peppermint, spearmint and other mint oils	Any unregistered person	Any registered person
5	5004 to 5006	Silk yarn manufactured from raw silk or silk-worm cocoons	Manufacturer of silk yarn	Any registered person
6	5201	Raw cotton	Agriculturist	Any registered person

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REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Goods Notified Under RCM:

Sr. No.	Tariff item, sub-heading, heading or Chapter	Description of supply of Goods	Supplier of goods	Recipient of supply
7	-	Lottery	State Govt./UT/Local Authority	Lottery distributor or selling agent
8	Any Chapter	Used vehicles; seized/confiscated goods; old and used goods; waste and scrap	Central / State Government, Union Territory or local authority	Any registered person
9	Any Chapter	Priority Sector Lending Certificate (PSLC)	Any registered person	Any registered person
10	Chapters 72–81	Metal scrap*	Any unregistered person	Any registered person

Source: Notification No. 4/2017-Central Tax (Rate) / 4/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended. Metal scrap entry applies w.e.f. 10.10.2024.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
1	Import of services: any service supplied by a person located in a non-taxable territory to a person in taxable territory, other than a non-taxable online recipient.	Person located outside taxable territory	Person in taxable territory, other than non-taxable online recipient
2	Goods Transport Agency (GTA) service for transportation of goods by road to specified recipients. RCM does not apply if GTA validly opts for forward charge and issues the prescribed invoice/declaration.	Goods Transport Agency (GTA)	Factory, society, co-operative society, GST registered person, body corporate, partnership firm/AOP, casual taxable person, etc.
3	Legal services by individual advocate, senior advocate or firm of advocates, including advice, consultancy and representation before court, tribunal or authority.	Individual advocate / senior advocate / firm of advocates	Business entity located in taxable territory

Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
4	Services supplied by an arbitral tribunal.	Arbitral tribunal	Business entity located in taxable territory
5	Sponsorship* services provided to a body corporate or partnership firm.	Any person other than a body corporate	Body corporate or partnership firm located in taxable territory
6	Services supplied by Central Government, State Government, Union Territory or local authority to a business entity, excluding renting of immovable property and specified excluded services such as transport of goods/passengers and aircraft/vessel related services**.	Government / Union Territory / local authority	Business entity located in taxable territory

Source: * Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended. Sponsorship supplier wording amended w.e.f. 16.01.2025.
**Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

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REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
7	Renting of immovable property by Government / Union Territory / local authority to a registered person.	Central/State Government, Union Territory or local authority	Any registered person
8	Renting of residential dwelling* to a registered person.	Any person	Any registered person.
9	Renting of any property other than residential dwelling by an unregistered person.	Any unregistered person	Any registered person other than a composition taxpayer**

Source: *Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended. For residential dwelling, examine use/purpose and specific exemptions, if any.

**Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended. Commercial/other-property renting entry applies w.e.f. 10.10.2024; composition taxpayers excluded w.e.f. 16.01.2025.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
10	Transfer of development rights (TDR) / Floor Space Index (FSI), including additional FSI, for construction of a project by a promoter.	Any person	Promoter
11	Long-term lease of land (30 years or more) against upfront amount and/or periodic rent for construction of a project by a promoter.	Any person	Promoter
12	Services supplied by a director of a company or body corporate to that company/body corporate.	Director of company/body corporate	Company/body corporate located in taxable territory
13	Services supplied by an insurance agent.	Insurance agent	Person carrying on insurance business located in taxable territory

Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

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REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
14	Services supplied by a recovery agent.	Recovery agent	Banking company, financial institution or NBFC located in taxable territory
15	Transfer or permitting use of copyright in original dramatic, musical or artistic works to music company, producer or similar person.	Music composer, photographer, artist or similar person	Music company, producer or similar person located in taxable territory
16	Author's copyright in original literary works supplied to publisher. RCM not applicable if registered author opts for forward charge and complies with prescribed declaration/invoice conditions.	Author	Publisher located in taxable territory

Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
17	Services by members of the Overseeing Committee constituted by RBI.	Members of Overseeing Committee	Reserve Bank of India
18	Services by individual Direct Selling Agent (DSA), other than body corporate / partnership / LLP.	Individual DSA	Banking company or NBFC located in taxable territory
19	Services by Business Facilitator (BF) to a banking company.	Business Facilitator	Banking company located in taxable territory
20	Services by agent of Business Correspondent (BC) to Business Correspondent.	Agent of Business Correspondent	Business Correspondent located in taxable territory
21	Security services, i.e. supply of security personnel, provided to a registered person. Excludes Government/local bodies registered only for TDS and composition taxpayers.	Any person other than body corporate	Registered person located in taxable territory

Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

List of Services Notified Under RCM:

Sr. No.	Description of Service	Supplier of Service	Recipient of Service
22	Renting of motor vehicle designed to carry passengers where fuel cost is included, supplied by non-body corporate to body corporate, when supplier does not charge GST @ 12% under forward charge.	Non-body corporate supplier	Body corporate located in taxable territory
23	Lending of securities under the SEBI Securities Lending Scheme, 1997, as amended.	Lender under SEBI scheme	Borrower under SEBI scheme through approved intermediary

Source: Notification No. 13/2017-Central Tax (Rate) / 10/2017-Integrated Tax (Rate) and corresponding State/UT notifications, as amended.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

Promoter / Real-Estate RCM – 1 of 2

Sr. No.	Specified real-estate supply / purchase	Recipient
1	Shortfall from minimum prescribed value of goods/services required to be purchased from registered suppliers for construction of a project. TDR, long-term lease of land and FSI are separately covered.	Promoter
2	Cement falling under Chapter Heading 2523 supplied to a promoter for construction of specified project, where applicable.	Promoter
3	Capital goods falling under any Chapter supplied to a promoter for construction of specified project, where applicable.	Promoter

Source: Notification No. 07/2019-Central Tax (Rate) / 07/2019-Integrated Tax (Rate), read with Notification No. 11/2017-CT(R), as amended. Typically applied through the 80% registered-procurement condition under the real-estate rate scheme.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

Where to check RCM liability:

- Goods – Section 9(3) CGST/SGST and Section 5(3) IGST; Notification No. 4/2017-CT(R) / 4/2017-IT(R), as amended.
- Services – Section 9(3) CGST/SGST and Section 5(3) IGST; Notification No. 13/2017-CT(R) and Notification No. 10/2017-IT(R), as amended.
- Real estate / promoter purchases from unregistered suppliers – Section 9(4) CGST and Section 5(4) IGST; Notification No. 7/2019-CT(R) / 7/2019-IT(R), as amended.
- Section 9(5) / 5(5) e-commerce supplies are not ordinary RCM; the e-commerce operator is treated as person liable to pay tax for notified services.

REVERSE CHARGE MECHANISM (RCM) UNDER GST

How to comply – monthly workflow:

1. Identify transaction category: goods/services, supplier status, recipient status and location of supplier/recipient.
2. Check whether supplier has opted for forward charge where option exists (e.g., GTA / author). Keep declaration and invoice copy.
3. Determine time of supply: Section 12(3) for goods and Section 13(3) for services. For associated enterprise import of services, book-entry/payment rule should be checked.
4. Pay RCM through electronic cash ledger in GSTR-3B Table 3.1(d). ITC cannot be used to discharge RCM liability.
5. Avail eligible ITC in GSTR-3B Table 4(A)(3), subject to Section 16, Section 17(5) and documentary conditions..

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REVERSE CHARGE MECHANISM (RCM) UNDER GST

Client checklist – high-risk RCM items:

- Vendor master: mark advocate/firm, GTA, security manpower, director, Government/local authority, unregistered landlord, scrap vendor, foreign service provider and real-estate promoter vendors.
- Contracts/invoices: verify whether supplier is body corporate, registered/unregistered, composition taxpayer, or has opted forward charge.
- Newer focus areas: commercial/property renting by unregistered person to registered person from 10.10.2024; metal scrap from unregistered person from 10.10.2024; sponsorship restricted to supplier other than body corporate from 16.01.2025.
- Reconcile every month: RCM liability register ↔ GSTR-3B 3.1(d) ↔ cash paid ↔ eligible ITC in 4(A)(3).
- Keep records: self-invoice/payment voucher where applicable, foreign invoices, vendor declarations, board resolutions/director payment details and promoter 80% working.

THANK YOU!

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