

What is the Reverse Charge Mechanism under Goods and Services Tax (GST)?

February 17, 2023 • vajiramandravi.com



What is Reverse Charge Mechanism (RCM)?

- It is a mechanism where the **recipient of the goods or services is liable to pay GST instead of the supplier.**
- **Typically, the supplier of goods or services pays the tax on supply. Under the RCM, the recipient of goods or services becomes liable to pay the tax, i.e., the liability of tax payment gets reversed.**
- **Objectives:**
 - to widen the scope of levy of tax on various unorganized sectors;
 - to exempt specific classes of suppliers of goods/services;
 - to tax the import of services (since the supplier is based outside India);
- **Under the RCM, the recipient of goods cannot claim an Input tax credit (ITC)** as the supplier has not paid any tax for their sales.

What is an Input tax credit (ITC) under GST?

- ITC means GST paid by a taxable person on any purchase of goods and/or services that are used or will be used for business.
 - ITC value can be reduced from the GST payable on the sales by the taxable person after fulfilling some conditions.
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Q1) What is Tax incidence?

Tax incidence is a measure of who ultimately pays a tax, either directly or through the tax burden. This burden can be split between buyers and consumers, or different groups in the economy.

Source: [Scrap steel industry seeks 'reverse charge mechanism' in GST](#)

Source: <https://vajiramandravi.com/current-affairs/what-is-the-reverse-charge-mechanism-under-goods-and-services-tax-gst/>

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