

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

LOK SABHA

**UNSTARRED QUESTION NO. 2991.
TO BE ANSWERED ON MONDAY, THE 6TH AUGUST, 2018.**

REVERSE CHARGE MACHANISM

**2991. SHRI OM PRAKASH YADAV:
SHRI NAGAR RODMAL:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) the details of reverse charge mechanism adopted in the industrial sector;
- (b) whether the said mechanism is causing problems in the functioning of industries and if so, the details thereof;
- (c) the time by which reverse charge mechanism is likely to be banned; and
- (d) whether the Government is considering to bring changes in reverse charge mechanism, if so, the details thereof?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री सी.आर. चौधरी)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI C.R. CHAUDHARY)**

- (a):** Under the GST regime, the provisions for reverse charge mechanism on intra-State supply of goods or services or both are contained in the following two sections of the Central Goods and Services Tax Act, 2017 (CGST Act for short):
- i. Section 9(3) of the CGST Act empowers the Government, on the recommendations of the Council, to notify categories of supply of goods or services or both, 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 the CGST 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. In exercise of this power, the Central Government has notified the list of supply goods and services that would be liable to tax under reverse charge under section 9(3) of CGST Act, 2017.

- ii. Section 9(4) of the CGST Act provides for liability to pay central tax on the registered recipient in respect of the supply of taxable goods or services or both by an unregistered supplier and all the provisions of the CGST 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.

Similar provisions for reverse charge mechanism exist under section 5(3) and section 5(4) of the Integrated Goods and Services Tax Act, 2017 (IGST Act for short) with respect to inter-State supplies of goods or services or both.

(b): References have been received from various trade and industry bodies, especially small and medium industries, regarding increase in the cost of doing business and difficulty in compliance with the provisions of reverse charge mechanism contained in section 9(4) of the CGST Act and section 5(4) of the IGST Act.

(c) & (d): As per the decision of the GST Council in its 28th meeting held on 21st July, 2018 at New Delhi, the provisions of reverse charge mechanism under section 9(4) of the CGST Act, 2017 and section 5(4) of the IGST Act, 2017 have been suspended till 30.09.2019.
