

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

LOK SABHA

UNSTARRED QUESTION No.1953

TO BE ANSWERED ON FRIDAY, DECEMBER 21, 2018/AGRAHAYANA 30, 1940 (SAKA)

GST REVERSE CHARGE MECHANISM

†1953. SHRI JANAK RAM:

Will the Minister of FINANCE be pleased to state:

- (a) the details of Reverse Charge Mechanism under Goods and Services Tax (GST) along with the problem being faced by industries due to the said provision;
- (b) the time by which Reverse Charge Mechanism is likely to be removed; and
- (c) whether the Government proposes to amend the rules of Reverse Charge Mechanism and if so, the details thereof?

**MINISTER OF STATE FOR FINANCE
(SHRI SHIV PRATAP SHUKLA)**

(a) The legal provisions pertaining to payment of tax on reverse charge basis are contained in sub-sections (3) and (4) of section 9 of the Central Goods and Services Tax Act, 2017 (CGST Act for short) and sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (IGST Act for short).

The trade and industry bodies, especially small and medium enterprises, highlighted the fact regarding the increase in compliance burden and higher cost of business due to the liability to pay tax on reverse charge basis in specified cases.

(b) The provisions of sub-section (4) of section 9 of the CGST Act and sub-section (4) of section 5 of the IGST Act have been suspended till 30th September, 2019 vide notification No. 22/2018-Central Tax (Rate) dated 06th August, 2018 and notification No. 23/2018-Integrated Tax (Rate) dated 06th August, 2018 respectively.

However, it may be noted that the provisions of sub-section (3) of section 9 of the CGST Act and sub-section (3) of section 5 of the IGST Act which provide for payment of tax on reverse charge basis by the recipient of certain specified categories of supply of goods or services or both are still in operation. Notifications No. 4/2017-Central Tax (Rate) and No.4/2017-Integrated Tax (Rate) both dated 28.06.2017 specify certain supplies of goods on which tax shall be payable by the recipient on reverse charge basis while notifications No. 13/2017-Central Tax (Rate) and No.10/2017-Integrated Tax (Rate) both dated 28.06.2017 specify certain supplies of services on which tax shall be payable by the recipient on reverse charge basis.

(c) Sub-section (4) of section 9 of the CGST Act and sub-section (4) of section 5 of the IGST Act have been amended vide the CGST (Amendment) Act, 2018 and the IGST (Amendment) Act, 2018 respectively so as to provide that the Government, on the recommendations of the Council, by notification, may specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay tax on reverse charge basis as the recipient of such supply of goods or services or both. The said amendment Acts received the assent of the Hon'ble President of India on 29th August, 2018 but the amended provisions shall come into force on a date to be notified by the Central Government.
