

FAQ for RCM

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Q1. I am a registered dealer. Am I bound to pay tax under RCM if I make any purchases from un-registered dealer?

Ans. Yes, any registered dealer who has purchased goods from an un-registered dealer needs to pay tax to the government in following cases:

- a) Total daily expense is greater than Rs. 5,000 from un-registered dealer.
 - b) Import of Services (any amount, no minimum limit)
 - c) Compulsory RCM services like Legal Services/Transporter Services if taken from a registered dealer (any amount, no minimum limit)
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Q2. What if I make purchases from registered dealer, in that case also I am bound to pay RCM?

Ans. NO, RCM is to be paid only if you have made purchases from an un-registered dealer.

Q3. My purchase for office expenses includes purchase from both registered as well as un-registered dealers?

Ans. In such a case, you need to pay RCM only for the purchases made from un-registered dealer.

Q4. How much percent of tax amount can I claim as Input Tax Credit?

Ans. You will get 100% ITC claim for the tax paid under RCM. However there are certain expenses such as Food & Beverages, cab rental, club membership on which you will not get ITC claim for the RCM paid. Otherwise, you will get ITC on most of the expenses made.

Q5. What will government get, if I am getting 100% ITC on RCM amount?

Ans. This is done by government, only to decrease the degree of un-registered purchases and to cover maximum number of people under GST net.

Q6. I have made office expense of Rs. 6000 on groceries from Big Bazaar. Do I need to pay RCM for this transaction?

Ans. NO, since Big Bazaar or any other such big store must be a registered dealer so you need not pay RCM for this expense.

Q7. I have purchased office stationery of Rs. 5500 from a shopkeeper who does not have GSTIN. Do I need to pay RCM?

Ans. YES, as you have made a purchase from an un-registered dealer, you must pay RCM for it.

Q8. I have purchased office stationery of Rs. 3000 from an un-registered dealer. Do I need to pay RCM for it?

Ans. If there is no other un-registered purchase on that day apart from this transaction then you need not pay RCM to the government. However, if there are some more transactions on that particular day from un-registered dealers and consolidated expense reaches more than Rs. 5000 then you are required to pay RCM to the government.

Q9. I have purchased office stationery from un-registered dealer which included Ball Pens taxable at 12% and Registers & Letter Pads, taxable at 18% in single bill? How do I pay RCM for it?

Ans. You need to calculate tax @12% on amount spent on Ball Pens and tax @18% on amount spent on Registers & Letter pads and then pay RCM to the government.

Q10. I have made office expense for items phenyl, soaps & detergents from registered dealer (on which GST is charged). Do I need to pay RCM on it?

Ans. NO, since it is a purchase from registered dealer, you need not pay RCM for it.

Q11. I have made expense on food & beverage from a restaurant and the bill included GST. Do I need to pay RCM for it?

Ans. NO, since it is treated as purchase from registered dealer, you need not pay RCM for it. However you will not get input credit on it.

Q12. I have made food & beverages expense from a small hotel/dhaba & bill does not include GST. Is this bill liable for RCM?

Ans. YES, since you have made a purchase from un-registered dealer, this bill is liable for RCM with no input credit.

Q13. I have paid electricity and telephone expense for my office. Do I need to pay RCM on it?

Ans. NO, since the payment already included the GST amount and you have made payment to a registered dealer, so you are not required to pay RCM for it.

Q14. I have made expense on airplane / rail tickets for my office employees? Do I need to pay RCM for it?

Ans. NO, since you have made a purchase from registered company, you need not pay RCM on it.

Q15. I have made expense on BUS tickets for my office employees. Do I need to pay RCM for it?

Ans. If you have purchased Bus tickets from a registered agency then you need not pay RCM on it. However if you have purchased tickets from un-registered agency then you need to pay RCM for it.

Q16. I have made office expense for availing cab service from Ola and Uber. Do I need to pay RCM for it?

Ans. NO, since Ola and Uber companies are registered firms, you need not to pay RCM for it but you will not get input credit for it.

Q17. I have paid certain amount as transport to an Auto wallah. Do I need to pay RCM for it?

Ans. YES, since it's a case of taking services from an un-registered dealer, you need to pay RCM for it. Again here a clause implies that your consolidate expense for that day should be greater than Rs. 5000.

Q18. I have taken legal services amounting to Rs. 1000 from an un-registered lawyer. Do I need to pay RCM for it?

Ans. Being an un-registered purchase, you need to pay RCM only if your daily limit for un-registered purchase is crossed.

Q19. I have taken legal services of Rs. 2000 from a registered law firm. Do I need to pay RCM for it?

Ans. YES, in case of legal services from registered person there is no amount limit and It is COMPULSORY to pay RCM for the legal services taken from registered dealer.

Q20. I have taken services amounting to Rs.4500 from Company outside Indian Territory. Do I need to pay RCM for it?

Ans. YES, in case of Import of Services, you must pay RCM to the government and no minimum daily limit applies for it.

Q21. I have taken data server hosting space from a Company in USA and paid Rs. 8000 for it. Do I need to pay RCM for this?

Ans. YES

Q22. I have taken server hosting space from a company in India. Do I need to pay RCM for it?

Ans. If the company is a registered firm then you need not to pay RCM for it and if the company is un-registered then you need to pay RCM for it depending upon daily limit.

Q23. I have deposited Rs. 1000 as RCM for expense made on office stationery. Can I claim Input Tax Credit for t?

Ans. YES, you can claim Input Tax Credit on it.

Q24. I have deposited Rs. 2800 as RCM for the expense made on Food & beverages. Can I claim Input Tax Credit on it?

Ans. NO, in case of expense made on Food & Beverages; no Input Tax Credit is allowed.

Q25. I have deposited certain amount as RCM for the legal services taken. Can I claim Input Tax Credit for it?

Ans. YES

Q26. I have deposited certain amount as RCM for import of services. Can I claim Input Tax Credit for it?

Ans. YES

Q27. I have deposited certain amount as RCM for taxi / cab rent. Can I claim Input Tax Credit for it?

Ans. NO

Q28. Under what cases, can I not claim Input Tax Credit for the RCM paid?

Ans. You cannot claim Input Tax Credit for certain expenses as specified by the government such as Food & Beverages, Cab Rental, Club or Health Membership and so on.

Q29. How can I enter a bill in BUSY which is liable for RCM?

Ans. You can enter a Payment/Journal voucher for the expenses made and select the GST Nature as Un-registered (RCM) purchase in it.

Q30. Can I enter a Purchase voucher for the goods or services liable for RCM?

Ans. YES, in the Purchase voucher, you need to select the Purchase Type as L/Un-registered (RCM) and specify RCM Applicable and Input Type.

Q31. How can I specify whether an account's RCM liability is based on daily limit or not?

Ans. In the Account master, you need to specify the RCM as 'Based on Daily Limit'.

Q32. Is RCM applicable for both local and central transactions?

Ans. YES

Q33. My office expense included, stay at an un-registered hotel in some other state. Do I need to pay RCM for this also?

Ans. YES

Q34. My office expense included stay at a registered hotel in my local city. Do I need to pay RCM for it?

Ans. NO

Q35. How will BUSY calculate the RCM to be paid amount in case they are based on daily limit?

Ans. BUSY will automatically consolidate un-registered RCM transactions for a day and if they exceed Rs. 5000 then BUSY will show them as liable for RCM.

Q36. Will Reverse Charge Liability be reflected in GSTR-2?

Ans. YES

Q37. How can I post entry for consolidated RCM payable in BUSY?

Ans. In BUSY, a new *option Check / Post Consolidated RCM Payable* is provided under **Transactions → Misc. GST Utilities**. You can use this option to check consolidated RCM payable and post Journal voucher for the same.

Q38. Can I directly post RCM for consolidated RCM payable?

Ans. YES, you can post a Journal voucher and select GST Nature as Consolidated RCM Payable in it. However it is not advisable and it is recommended to auto post Journal voucher by using F4 key in the Check / Post Consolidated RCM Payable option under Transactions → Misc. GST Utilities.