# **Implementing RCM in BUSY**

### **Overview**

Under GST Regime, you need to pay tax under RCM to the government if you have made a purchase from an un-registered dealer. Basically, if you have purchased goods on which GST is not charged then it is your (recipient's) duty to deposit the tax to the government and later on claim input tax credit for it. This has been done to decrease the degree of un-registered purchases and to cover maximum number of people under GST net. With the implementation of RCM, companies / organization would prefer to make purchases from registered dealers in order to avoid payment of tax under RCM and later on claiming Input Tax Credit for the same.

Apart from unregistered purchases, there are some other cases also in which you need to pay tax under RCM to the government. Various cases under which you are liable to pay tax under RCM are:

- 1. Daily Consolidated un-registered purchases or expenses exceed Rs. 5000 or Compulsory Services like lawyers and transporters.
- 2. Import of Services i.e. you have taken services from a foreign Company then also you need to pay tax under RCM to the government.
- 3. Compulsory Services like that of lawyers and transporters whether taken from registered or un-registered dealer.

We will discuss these three cases in detail now:

## **Consolidate un-registered Daily Expenses greater than 5000**

If your company's consolidated daily expenses from un-registered dealer are greater than Rs. 5000 then you need to pay RCM to the government. For example, you have purchased office stationery and groceries from un-registered dealer amounting to Rs. 6000 on 2<sup>nd</sup> July 2017 then you need to deposit RCM payable amount for 2<sup>nd</sup> July. On 3<sup>rd</sup> July you have made expense of Rs. 2000 on office stationery from un-registered dealer then you need not to pay RCM as the total expense in less than Rs. 5000.

Later on when you will file return then you can claim the tax paid under RCM as Input Tax Credit. So basically the amount of tax deposited by you under RCM shall be refunded as Input Tax Credit. However there are certain exception to this i.e. no Input Tax Credit will be given on certain expenses like Food & Beverages, Cab Rentals, Club & Health Membership Fees and so on.

#### **Import of Services**

If you have taken services from a company which is outside the Indian Territory then also you need to pay tax under RCM to the government and can later on claim Input Tax Credit for it. For example, you have taken Server Hosting Space from a Company in USA then you need to pay tax under RCM to the government.

#### **Compulsory Services**

There are certain compulsory services like that of transporters and lawyers in which it is compulsory to deposit RCM whether you have taken services from registered or un-registered dealer. For example, you have paid transportation charges to a registered dealer then in this case also, you need to deposit RCM to the government.

Till now we have discussed about RCM and various cases under which tax is paid under RCM to the government. Now, we will discuss the implementation of RCM in BUSY.

## **Implementation of RCM in BUSY**

To implement RCM in BUSY, you need to perform the following steps:

**Step 1:** Specify RCM applicability and Input Type for Expense account in Account master.

**Step 2:** Enter Payment voucher and specify GST nature.

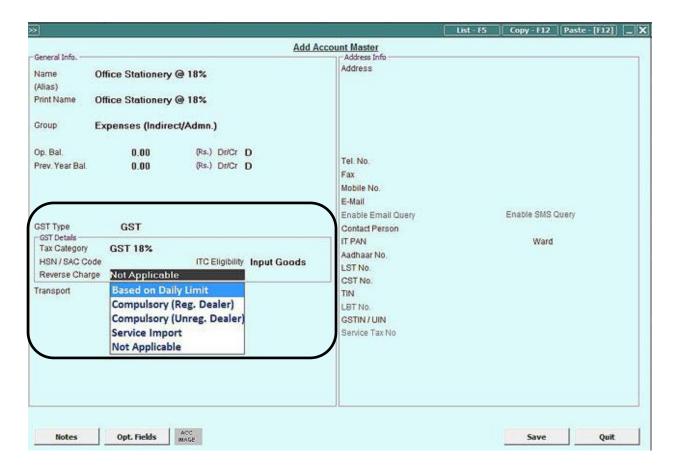
**Step 3:** View daily consolidated RCM payable and post Journal voucher for the RCM payable.

We will now discuss these steps in detail.

## Step 1: Specify RCM applicability and specify Input Type for Expense Account

In Account master, add new expense account or modify existing expense account and specify the RCM, Input Type and Tax Category.

Given here is a screenshot of Account master window for Indirect expense; showing RCM, Input Type and Tax Category options.



For tagging RCM to the expense account, you need to specify data in following fields:

RCM – Under this data field, following four options appear:

- Based on Daily Limit Select this option if tax payable under RCM on expense is based on daily expense limit i.e. if daily consolidated expense is greater than 5000 then it will be liable for RCM.
- Compulsory (Reg. Dealer) Select this option if you have taken services from a registered dealer on which it is necessary to pay RCM. For example, there are certain services like services taken from transporters and lawyers on which it is mandatory to pay RCM even if they are taken from Registered dealer.
- Compulsory (Unreg. Dealer) Select this option if you have taken services from an unregistered dealer and it is compulsory to pay RCM on it i.e. there are certain services like services taken from lawyer and transporter on which it is mandatory to pay RCM.
- Service Import Select this option if the expense account belongs to the services taken from a company outside Indian Territory. If you select this option then tax under RCM will always be payable on the payment made for this account / expense. For example, you have taken Server hosting space from USA then whenever you make payment for this, you need to pay tax to the government under RCM.

• Not Applicable – Select this option, if tax is not applicable under RCM on the account.

Input Type – Under this data field, following options appear:

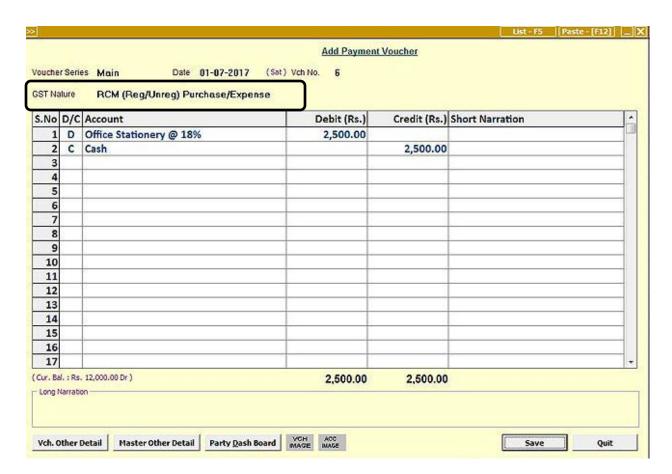
- Input Goods Select this option if the Input tax Credit you are claiming is for input goods.
- Input Services Select this option, if the Input Tax Credit you are claiming is for input services i.e. you have made expense on services.
- Capital Goods Select this option, if the Input Tax Credit you are claiming is for Capital goods.
- None Select this option if Input Tax credit is not allowed for the tax paid under RCM.
   For example, if you have paid tax for the expense like Food & Beverages, Cab Rentals,
   Club Membership under RCM then you cannot claim Input Tax Credit for it.

Tax Category – In the Tax Category, you need to specify the rate at which GST will be charged whenever this account will be debited.

## Step 2: Enter Payment voucher and specify nature as Un-registered (RCM) Purchase

After tagging RCM and specifying Input Type with Expense accounts, next you need to enter a Payment voucher for expense made on goods & services.

Given here is a screenshot of Payment Voucher.



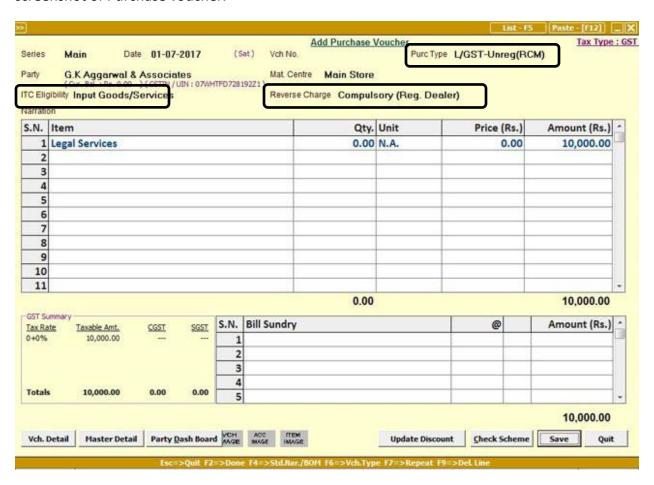
In the *Payment* voucher, after specifying voucher date and series, you need to specify the GST nature. Various options that appear under *GST Nature* data field are:

- Not Applicable Select this option if GST or RCM is not applicable for the voucher.
- RCM (Reg/Unreg) Purchase / Expense Select this option, if the expense you have made
  is liable for RCM. By selecting this option, you are tagging this voucher to be considered
  for computing RCM payable amount. You need to select this option when expense
  account you are debiting has RCM Nature as Based on Daily Limit, Compulsory (Regd.),
  Compulsory (Unregd.) or Service Import in Account master.
- Registered Expense / Purchase Select this option if you have made expense from a registered dealer or have taken services from a registered dealer (except Compulsory Services).
- Refund against Advance Receipt Select this option if you are making an entry for refund against advance received.
- GST Exempt Select this option if the expense you have made is exempted (zero percent GST).

• GST Paid (No Input) – Select this option if you have made an expense on which GST is paid but no input tax credit can be claimed like Food & Beverages, Club & Health Memberships and so on.

After selecting this option, debit the expense account and credit the cash / bank account and save the voucher.

However, if you want, you can enter a Purchase voucher also for the RCM. Given here is a screenshot of Purchase voucher.



In the Purchase voucher, you have to select the Purchase Type as L/GST – Unreg (RCM). After selecting this option, you need to specify the ITC Eligibility and Reverse Charge.

If you want, you can also post a Journal voucher also for the RCM purchase.

## Step 3: View RCM Payable report and post RCM Payable voucher

Under Transactions → GST Misc. Utility menu, select Check/Post Consolidated RCM Payable option. On selecting this option, a Consolidated RCM Payable window appears in which you need to specify the date for which you want to view RCM Payable and post a voucher for it. On specifying the date, an RCM Summary window will appear. Press Enter Key on the row whose details you want to view and want to post a Journal voucher for the same. On pressing the Enter key, a Consolidated RCM Payable window appears. Given here is a screenshot of Consolidated RCM Payable window.

		Consolidated Date: 01-		_	<u>le</u>			
RCM Nature	Party Name	Account Name	1	Rate	Taxable Value	IGST	CGST Amt.	SGST Amt.
Compulsory (Reg	G.K Aggarwal & Asso	Purchase		18	10,000.00		900.00	900.00
Based on Daily Limit	Cash	Office Stationery @ 18%		18	2,500.00		225.00	225.00
		Office Misc. Expense(P		28	3,000.00		420.00	420.00

In the window, data will appear in following cases:

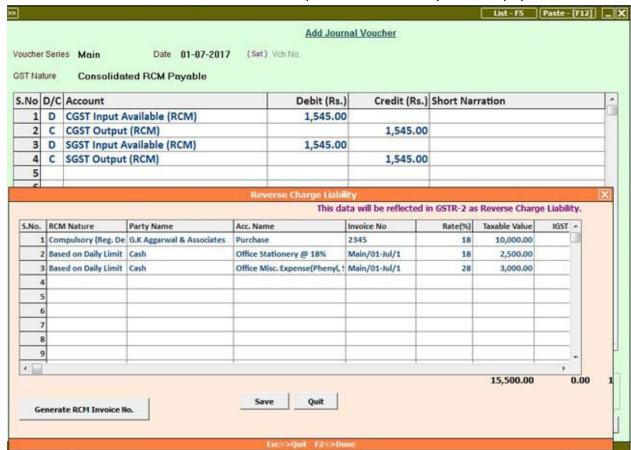
- If there exist a Payment voucher for the specified date in which GST Nature is RCM (Reg/ Unreg) Purchase / Expense and account debited has RCM as Compulsory (Regd.), Compulsory (Un. Regd) and Import of Services.
- 2. If there exist a Payment voucher for the specified date in which GST Nature is RCM (Reg/Unreg) Purchase / Expense and account debited has RCM as Based on Daily Limit AND total / consolidated amount of such vouchers for the specified date is greater than Rs. 5000.

In the window, you can press the F4 key to post a Journal voucher for the RCM payable. On pressing the F4 key, a Generate 'Consolidated RCM Payable' voucher window appears in which you need to specify the IGST/CGST/SGST Input Available (RCM) accounts and IGST/CGST/SGST Payable (RCM) accounts. By default these accounts are created by BUSY and you can use those accounts itself. Given here is a screenshot of Generate 'Consolidated RCM Payable' voucher window.

Journal Voucher Series	Main
Voucher Date	01-07-2017
Account(s) to be Credited as RCM Tax Paya	ble
GST Payable (RCM)	IGST Output (RCM)
CGST Payable(RCM)	CGST Output (RCM)
GGST Payable (RCM)	SGST Output (RCM)
Cess Payable (RCM)	
Account(s) to be Debited as RCM Input Avai	lable
GST Input Available (RCM)	IGST Input Available (RCM)
CGST Input Available (RCM)	CGST Input Available (RCM)
SGST Input Available (RCM)	SGST Input Available (RCM)
Cess Input Available (RCM)	
larration	
ote:- Corresponding Expense A/C	will be debited for ITC Eligibility 'None'.
F .	ve Quit

Click Save button to post the Journal voucher.

Given here is a screenshot of Journal voucher posted automatically for RCM payable.



The data shown in the Reverse Charge Li	ability window will be reflect	ted in GSTR-2 as Reverse
Charge Liability.		

With this we have con	mpleted the process o	f implementing RCM in BUSY.

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