

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 purchases or expenses exceed Rs. 5000 from an un-registered dealer.
2. Services taken from a lawyer or law firm attracts tax under RCM
3. 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.

We will discuss these three cases in detail now:

Consolidate Daily Expense 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, groceries from un-registered dealer amounting to Rs. 6000 on 2nd July 2017 then you need to deposit RCM payable amount for 2nd July. On 3rd 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 is 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 one exception to this is, no Input Tax Credit will be given on expense made on Food & Beverages i.e. if you have paid tax under RCM on Food & Beverages expenses then you cannot claim Input Tax Credit for it. For all other expenses on which tax is paid under RCM, you can claim Input Tax Credit.

Services taken from a lawyer or Law Firm

If you have taken services from a lawyer or law firm then you need to deposit tax under RCM to the government. In such a case, it is compulsory to deposit tax under RCM to the government and no daily limit applies for it. Also in this case, it is only recipient's duty to pay tax under RCM even if he has taken services from a registered lawyer or law firm. To summarize, we can say that it is mandatory to pay tax

under RCM to the government if you have taken any legal services and can claim Input Tax Credit on it, later on while filing return.

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.

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: Enable RCM and specify Input Type for Expense account in Account master.

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

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: Enable RCM 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.

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Add Account Master

General Info.		Address Info	
Name	Office Stationery @ 18%	Address	
(Alias)			
Print Name	Office Stationery @ 18%		
Group	Expenses (Indirect/Admn.)		
Op. Bal.	0.00 (Rs.) Dr/Cr D	Tel. No.	
Prev. Year Bal.	0.00 (Rs.) Dr/Cr D	Fax	
Reverse Charge	Based on Daily Limit	Mobile No.	
ITC Eligibility	Input Goods	E-Mail	
Tax Category	GST 18%	Enable Email Query	Enable SMS Query
Transport	Station	Contact Person	
		IT PAN	Ward
		Aadhaar No.	
		LST No.	
		CST No.	
		TIN	
		LBT No.	
		GSTIN / UIN	
		Service Tax No	

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 will be greater than 5000 then it will be liable for RCM.
- Compulsory – Select this option if tax under RCM is always payable on the expense made. For example, you have taken legal services then you must pay tax on it under RCM. If you have selected this option then tax under RCM will always be payable whenever any payment for this account / expense will be made.
- Service Import – Select this option if the expense account belongs to the services taken from a foreign company. 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 taken / 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 made on Food & Beverages under RCM then you cannot claim Input Tax Credit for it. No Input Tax Credit is allowed on Food & Beverage expenses.

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.

Add Payment Voucher

Voucher Series: **Main** Date: **02-07-2017** (Sun) Vch No.:

GST Nature: **UnReg (RCM) Purchase**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	Office Stationery @ 18%	2,000.00		
2	C	Cash		2,000.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					

(Cur. Bal. : Rs. 2,000.00 Cr) **2,000.00** **2,000.00**

Long Narration:

Vch. Other Detail Master Other Detail Party Dash Board VCH IMAGE ACC IMAGE Save Quit

Esc=>Quit F2=>Done F4=>Std.Nar. F6=>Vch.Type F7=>Repeat F9=>Del.Line

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. Basically if you have purchased items from a registered dealer then you need not pay tax to the government under RCM.
- UnReg (RCM) Purchase – Select this option, if the expense you have made is liable for RCM i.e. you have purchased goods from un-registered dealer or you have made expense on legal services or it is a case of Service Import. Basically by selecting this option, you are tagging this voucher to be considered for computing RCM payable.
- Refund against Advance Receipt – Select this option if you are making an entry for refund against advance received.
- GST Payment to Government – Select this option if you are making GST payment to the government.

Note: While entering a voucher which is liable for RCM, you have to select UnReg (RCM) Purchase option.

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 goods purchased by you from un-registered dealer or you are entering a Purchase voucher for the expense made by you on legal services. Given here is a screenshot of Purchase voucher.

In the window, data will appear in following cases:

1. If there exist a Payment voucher for the specified date in which GST Nature is UnReg (RCM) Purchase and account debited has RCM as Compulsory and Import of Services.
2. If there exist a Payment voucher for the specified date in which GST Nature is UnReg (RCM) Purchase 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.

Generate 'Consolidated RCM Payable' Voucher	
Journal Voucher Series	Main
Voucher Date	02-07-2017
Account(s) to be Debited as RCM Input Available	
IGST 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)	
Account(s) to be Credited as RCM Tax Payable	
IGST Payable (RCM)	IGST Output (RCM)
CGST Payable(RCM)	CGST Output (RCM)
SGST Payable (RCM)	SGST Output (RCM)
Cess Payable (RCM)	
Narration	
Note:- Corresponding Expense A/C will be debited for ITC Eligibility 'None'.	
Save	Quit
Esc=>Quit F2=>Done	

Click *Save* button to post the *Journal* voucher.

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

List - F5 Paste - [F12] X

Add Journal Voucher

Voucher Series **Main** Date **02-07-2017** (Sun) Vch No.

GST Nature **Consolidated RCM Payable**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	CGST Input Available (RCM)	495.00		
2	C	CGST Output (RCM)		495.00	
3	D	SGST Input Available (RCM)	495.00		
4	C	SGST Output (RCM)		495.00	
5					

Reverse Charge Liability

This data will be reflected in GSTR-2 as Reverse Charge Liability

S.No.	RCM Nature	Party Name	Acc. Name	Invoice No	Rate(%)	Taxable Value	IGST Amt.	CGST Amt.	SGST Amt.	ITC Elig
1	Based on Daily Limit	Cash	Office Stationery @ 18%		18	2,000.00	0	180.00	180.00	Input t
2	Based on Daily Limit	Cash	Groceries		18	3,500.00	0	315.00	315.00	Input t
3										
4										
5										
6										
7										
8										
9										
10										
						5,500.00	0.00	495.00	495.00	

Manage RCM Invoice No.

Save

Quit

Esc=>Quit F2=>Done

The data shown in the *Reverse Charge Liability* window will be reflected in GSTR-2 as Reverse Charge Liability.

With this we have completed the process of implementing RCM in BUSY. For more details, you can also view '[Implementing RCM in BUSY](#)' video on YouTube.

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