

What is Reverse Charge Mechanism(RCM) & how it is implemented in Miracle?

Reverse Charge



Reverse Charge
Under
GST

➤ What is Notified RCM under GST ?

- Government specify categories of supply of goods/services which shall be paid on reverse charge basis. i.e. GST shall be paid by the recipient of such goods/services.
- Ex.: Purchase goods like cashew nuts, tobacco leaves etc from Agriculturist, Services supplied by an individual advocate etc.
- Here the list of specify categories of supply of goods/services click on below link:
 - [For goods](#)
 - [For services](#)

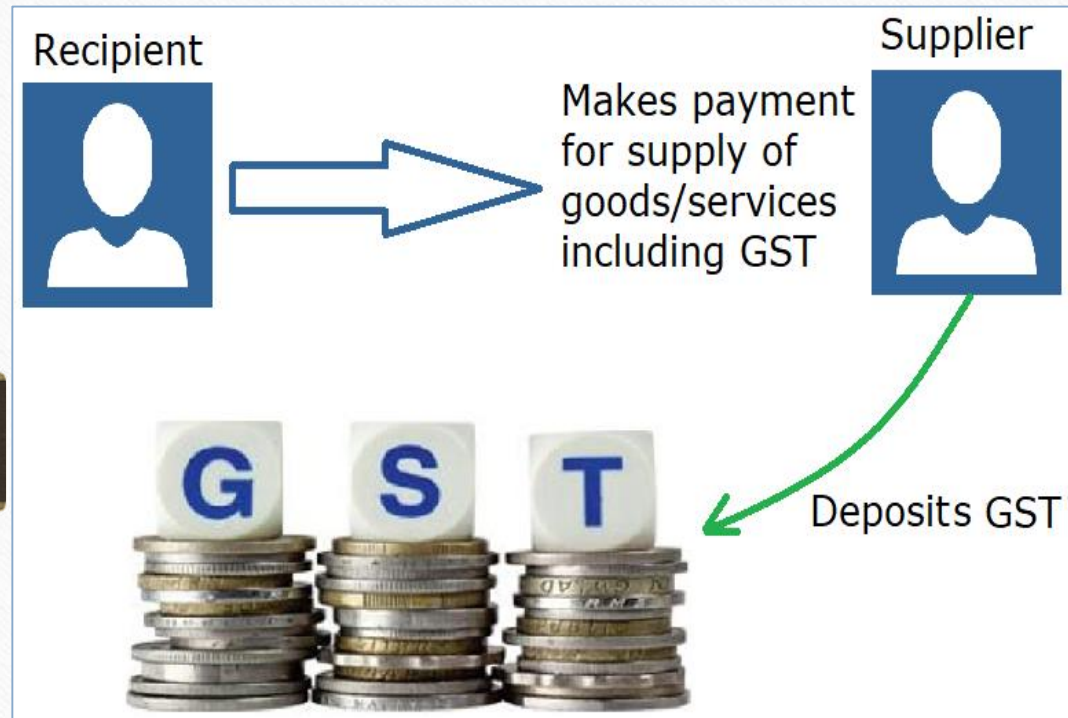
➤ What is Non Notified RCM under GST?

- When a Registered person purchase goods/services from Unregister person (URD) in that case Reverse Charge will apply.
- Reverse charge means the liability to pay tax is by the recipient of goods/services on behalf of the supplier.
- i.e. If a registered person purchase goods/services from Unregister person (URD), in that case a registered person should be liable to pay GST on behalf of them.

➤ ITC on Reverse Charge:

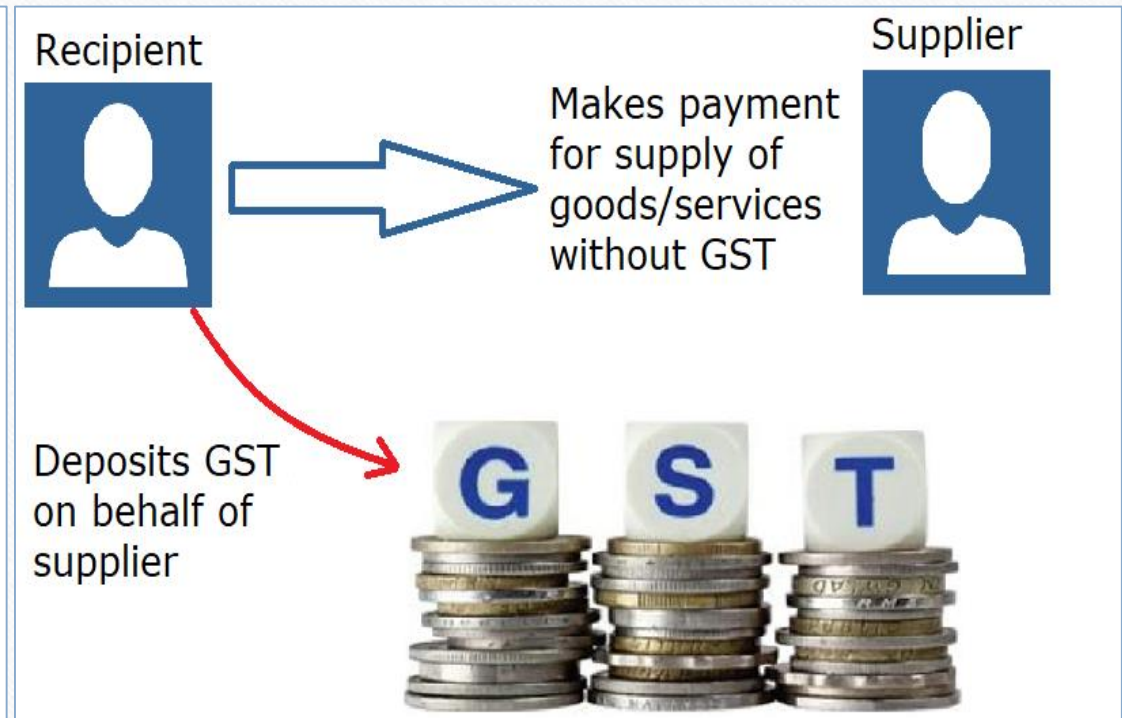
- The recipient (a Registered person) can avail Input Tax credit on the tax amount that is paid under reverse charge on supply of goods / services.

Normal



In this, recipient pays Bill Amt. including GST to supplier & supplier pays tax to the GST Authority.

RCM



In this, recipient pays tax on behalf of the supplier and deposits GST to GST Authority.

➤ In this RCM document, we will see how Non notified RCM is implemented in Miracle:

- Purchase goods from Unregistered person (URD Purchase)
- How to enter RCM Vouchers? (GST → RCM Voucher)
- How to enter Expense invoices for RCM? (GST → GST Expense)
- Important notification by Government related to RCM

➤ Let see an example for Normal URD Purchase:

- The 'Edible Oil Industry' purchase 'groundnut' from a farmer for production of 'groundnut oil' (Mungfalli *Tel*).
- In this case, Farmer is Unregistered person.
- So it will be URD Purchase for that Edible Oil Industry.

Add New Account



Main Details

Name	<input type="text" value="Leelabhai Odedara"/>
Alias	<input type="text"/>
Group Name	<input type="text" value="Sundry Creditors"/>
Registration Type	<input type="text" value="Unregister"/>

Here we added
URD Account.

Party Detail

City	<input type="text" value="Rajkot"/>
Area	<input type="text" value="Kalawad Road"/>
State	<input type="text" value="Gujarat"/>
PAN No.	<input type="text"/>
Aadhar No	<input type="text"/>
GSTIN No.	<input type="text"/>

Credit Limit

Credit Limit	<input type="text" value="0.00"/>
Credit Days	<input type="text" value="0"/>

Balance Method

Balance Method	<input type="text" value="Balance Only"/>
Opening Balance	<input type="text" value="0.00"/> <input type="text" value="Credit"/>

F4-Address Detail

Interest

Bank Detail

OK

Add New Product

Main Details		Rate	
Name	Groundnut (Mungfali)	Purchase Rate	0.00
Alias		Sales Rate	0.00
GST Commodity	GST 5%	Unit Name	
Group Name		Sale	Quintal
Category Name		Purchase	Quintal
		GST Unit	QTL-QUINTAL
Stock Options		Opening Stock	
Stock Required	Yes	Quantity	0.000
		Amount	0.00

Other Details

OK

Select URD-RCM Invoice Type.

Transaction -> Purchase Entry -> Purchase Invoice -> Add Purc. Bill(GST)

Cash/Debit Debit

Party A/c. Leelabhai Odedara

Rajkot

Bal. :

Invoice Type URD-RCM

Purc A/c.

Tax/Bill of Supply Tax Invoice

Vou. Date 04/08/2017 Fri

Voucher No

Bill No U.Pur021

Bill Date 04/08/2017

Qty: 50 Quintal.
(5000Kg.)

Product Name

Groundnut (Mungfali)

Qty

Rate

Amount

50.000

2680.00

134000.00

Item Amount

1,34,000.00 DB

Purchase A/c.

Purchase A/c. (URD)

CGST

CGST A/c. (O/P)

2.50

3350.00

SGST

SGST A/c. (O/P)

2.50

3350.00

Total Amount

1,34,000.00 DB

OK

Item Amount effect will
be calculated in
"Purchase A/C (URD)"

Total Entry : 0

Quintal

Item Amount

CGST

0.00

SGST

0.00

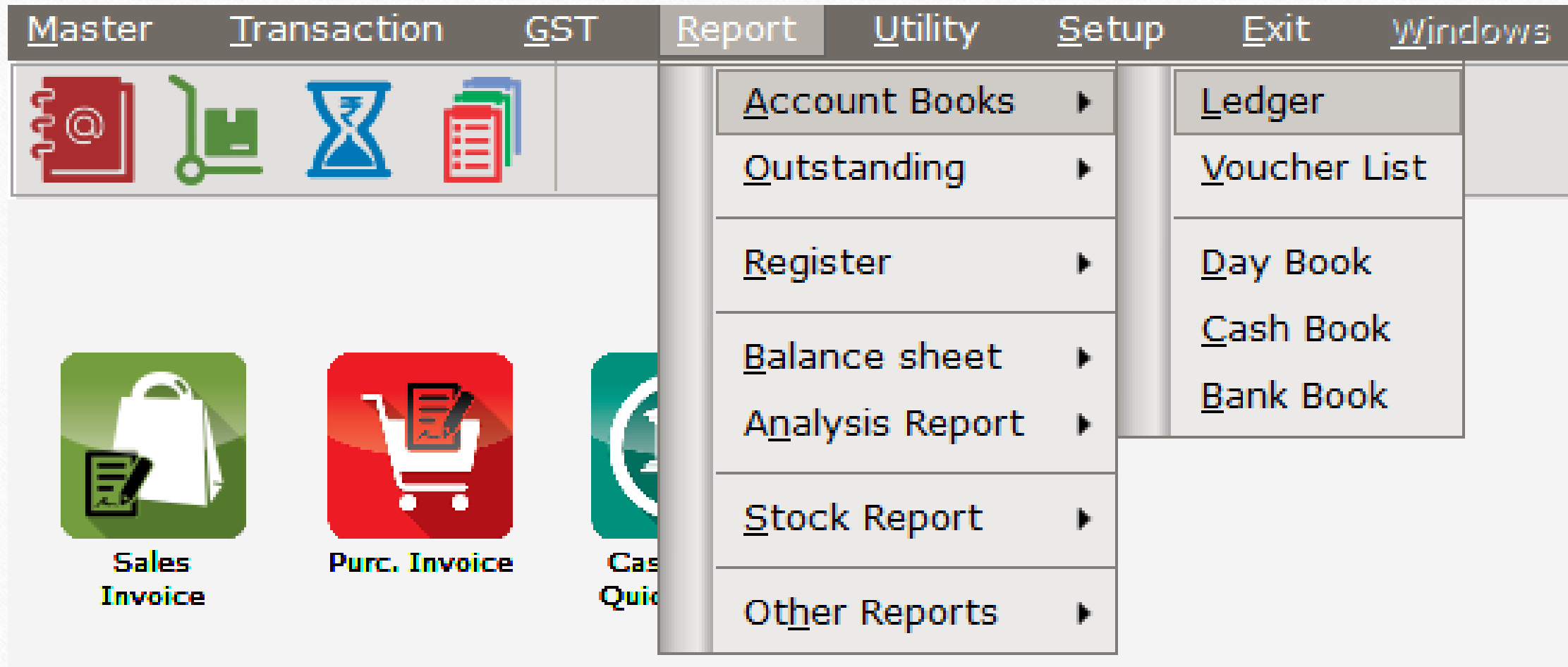
Narration

OK

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Bill Amount

GST 5% calculated on Item Amount only but it **will not** be included in Bill Amount. It means that Edible Oil industry is liable to pay the GST.



Report -> Account Books -> Ledger -> Account Ledger

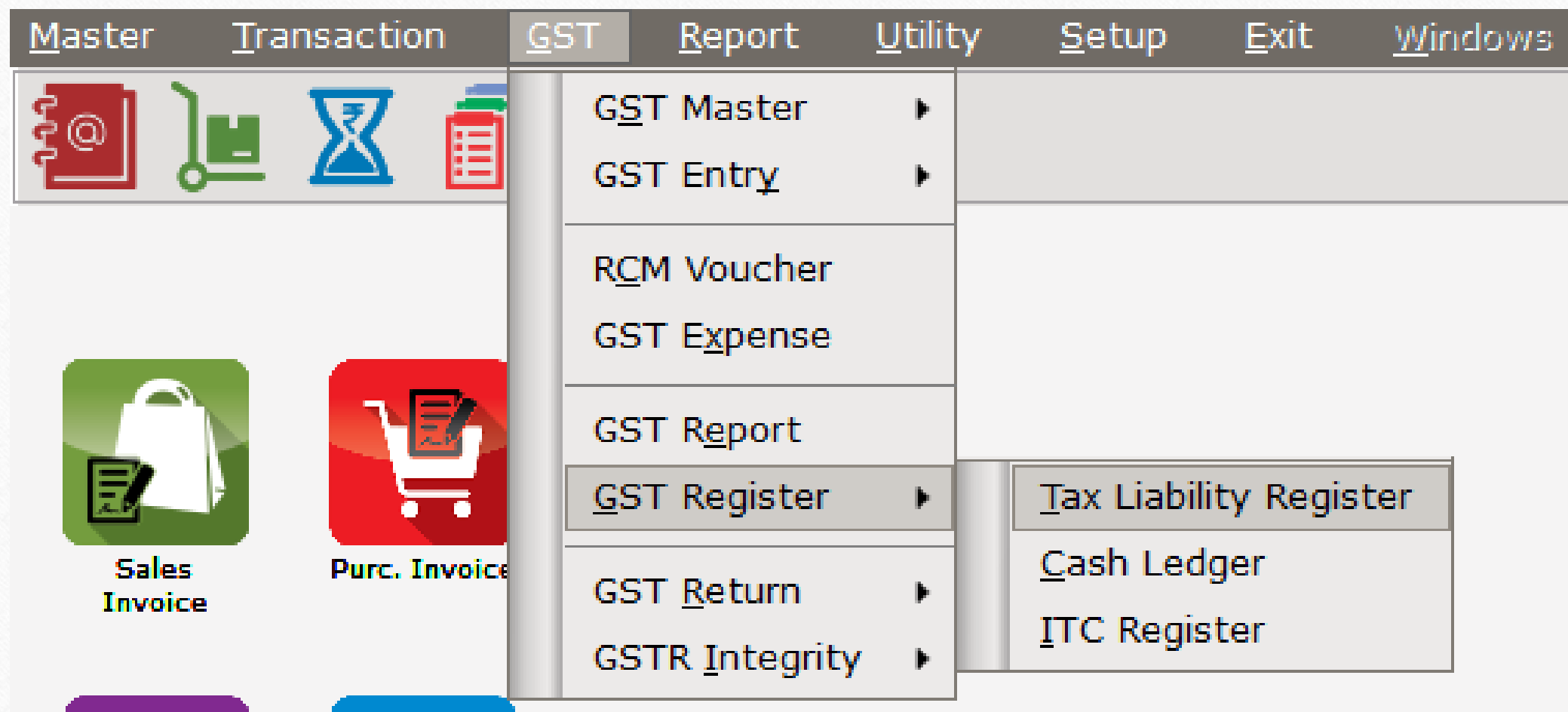
▼ Account Ledger

From 01/04/2017 To 31/03/2018

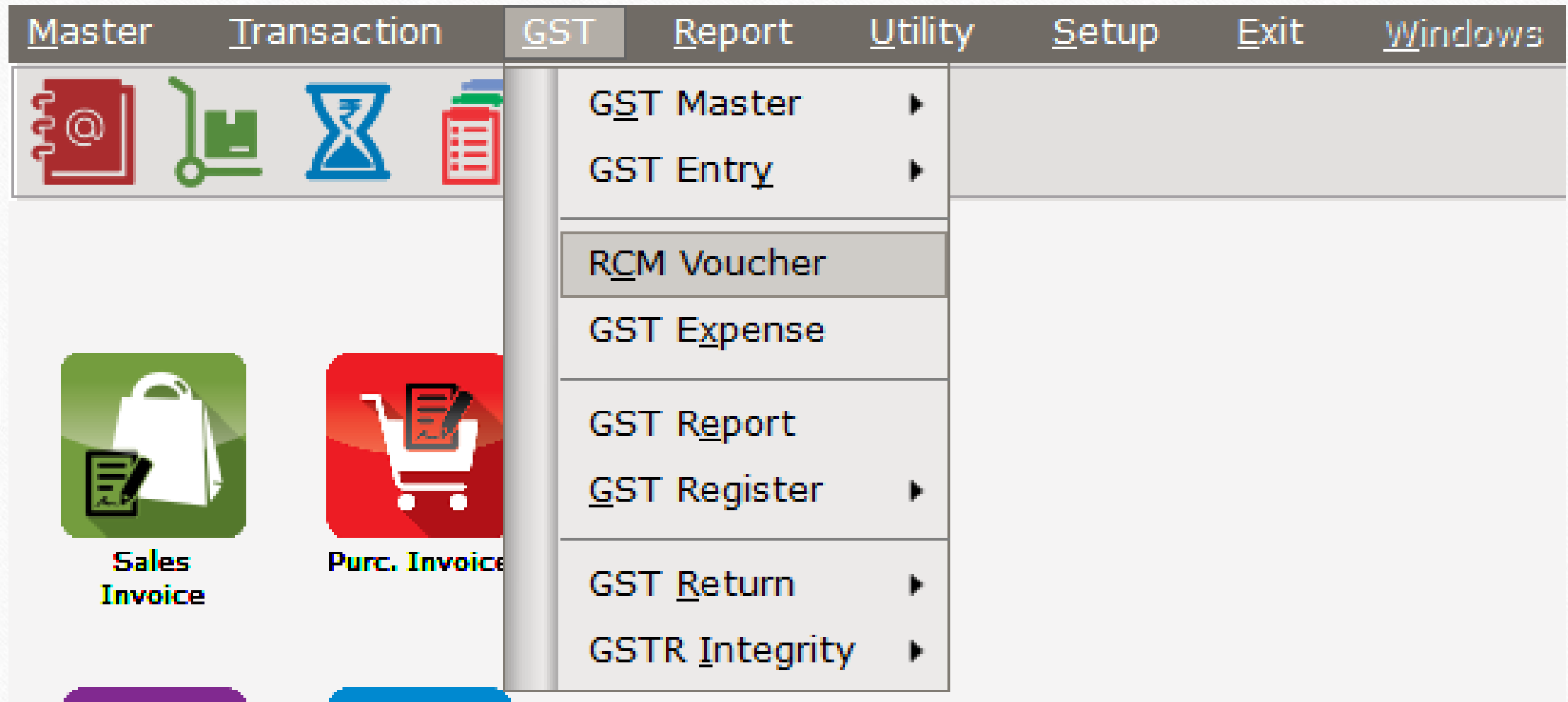
Account Name	City Name	Opening	Closing
Cess A/c. (I/P)			
Cess A/c. (O/P)			
CGST A/c. (I/P)			
CGST A/c. (O/P)			3350.00 CR
Electronics Items (Office Purchase)			
Goods Transport Exp.			
GST Provisional A/c. - Primary Unit			6700.00 DB
Gujarat Transport			
IGST A/c. (I/P)			
IGST A/c. (O/P)			
Items			
Leelabhai Odedara	Rajkot		134000.00 CR
Non RCM Exp.			
Profit & Loss A/c			
Purchase A/c. (GST)			
Purchase A/c. (IGST)			
Purchase A/c. (Non GST)			
Purchase A/c. (URD)			134000.00 DB
Sales A/c. (GST)			
Sales A/c. (IGST)			
Sales A/c. (Non GST)			
SBI			
SGST A/c. (I/P)			
SGST A/c. (O/P)			3350.00 CR
Stock In Hand			

We can see the effect in CGST & SGST A/c. for (O/p) of Rs.3350 respectively & Total Rs.6700 in GST Provisional A/c.

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- In some cases, we make direct payment to the Unregistered person or to the labour or for supply of goods/services.
i.e. Tea Bills, Office decoration expense, any labour work etc.
- In this case, we don't have any Invoices/Bills, so we should make direct payment.
- This type of entry will be in RCM Voucher in our Miracle.
- Let see an example:
 - Monthly Tea Expense.



Select Voucher Type.

GST -> RCM Voucher -> Add Cash Payment

Bank/Cash	Cash Account	Date	05/08/2017 Sat
Balance		Vou No	
GST Type	Local State	GST Commodity	GST 18%
ITC ?	No Yes No		
Opp. A/c.		Cash Amount	0.00 DB
Balance			
CGST		9.0	0.00 DB
SGST		9.0	0.00 DB
		Party Amount	Party Amount CR
Doc. No.		Narration	
Doc Date			

OK Print

Here, If we are not able to get ITC on our Expense (i.e. Any Food Exp., or some others), we must select ITC? - **No**

Also note that if we select **No** to "ITC?", we will not get effect in GST Provisional A/c.

GST -> RCM Voucher -> Add Cash Payment

Bank/Cash	Cash Account	Date	05/08/2017 Sat
	Balance 6,000.00 CR	Vou No	
GST Type	Local State	GST Commodity	GST 18%
ITC ?	No		

Opp. A/c.	Tea Expense	Cash Amount	6000.00	DB
	Balance 6,000.00 DB			
CGST	CGST A/c. (O/P)	9.0	540.00	DB
SGST	SGST A/c. (O/P)	9.0	540.00	DB
		Party Amount	6000.00	CR

Doc. No.		Narration	
Doc Date			

OK Print

This RCM Voucher is for **Tea Expense** which payment has been given by cash.

Report -> Account Books -> Ledger -> Account Ledger

Account Ledger

From 01/04/2017 To 31/03/2018

Account Name	City Name	Opening	Closing
Cash Account			6000.00 CR
Cash Ledger(Cess) - Primary Unit			
Cash Ledger(CGST) - Primary Unit			
Cash Ledger(IGST) - Primary Unit			
Cash Ledger(SGST) - Primary Unit			
Cess A/c. (I/P)			
Cess A/c. (O/P)			
CGST A/c. (I/P)			
CGST A/c. (O/P)			540.00 CR
GST Provisional A/c. - Primary Unit			
IGST A/c. (I/P)			
IGST A/c. (O/P)			
Items			
Profit & Loss A/c			
Purchase A/c. (GST)			
Purchase A/c. (IGST)			
Purchase A/c. (Non GST)			
Purchase A/c. (URD)			
Sales A/c. (GST)			
Sales A/c. (IGST)			
Sales A/c. (Non GST)			
SGST A/c. (I/P)			
SGST A/c. (O/P)			540.00 CR
Stock In Hand			
Tea Expense			7080.00 DB

We can see the effect in CGST & SGST A/c. (O/p) of Rs.540 respectively but **not** in "GST Provisional A/c." because we cannot get ITC on Tea Expenses (Any Food Exp.)

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Report -> Account Books -> Ledger -> Account Ledger

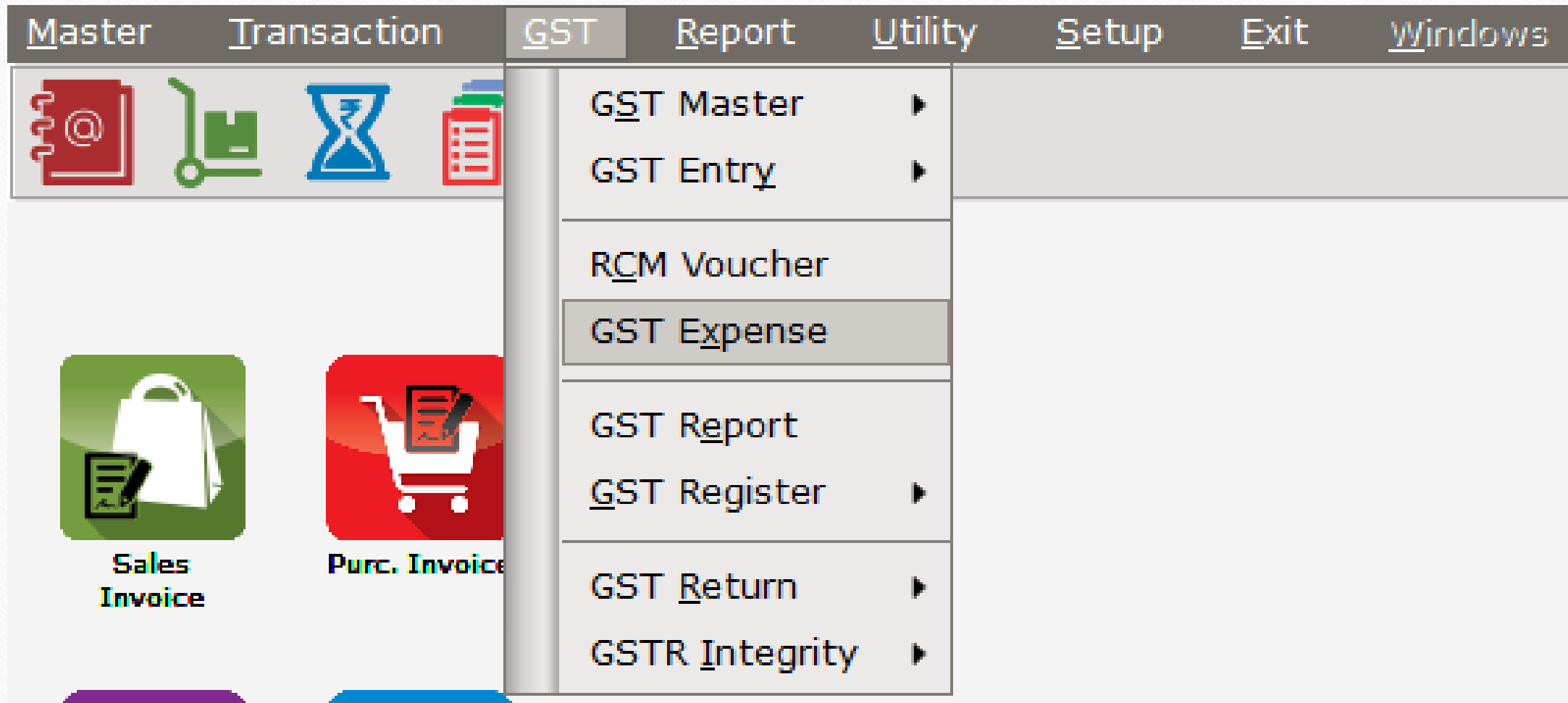
Account Ledger From 01/04/2017 To 31/03/2018

Account Name	City Name	Opening	Closing
Cash Account			6000.00 CR
Cash Ledger(Cess) - Primary Unit			
Cash Ledger(CGST) - Primary Unit			
Cash Ledger(IGST) - Primary Unit			
Cash Ledger(SGST) - Primary Unit			
Cess A/c. (I/P)			
Cess A/c. (O/P)			
CGST A/c. (I/P)			
CGST A/c. (O/P)			540.00 CR
GST Provisional A/c. - Primary Unit			
IGST A/c. (I/P)			
IGST A/c. (O/P)			
Items			
Profit & Loss A/c			
Purchase A/c. (GST)			
Purchase A/c. (IGST)			
Purchase A/c. (Non GST)			
Purchase A/c. (URD)			
Sales A/c. (GST)			
Sales A/c. (IGST)			
Sales A/c. (Non GST)			
SGST A/c. (I/P)			
SGST A/c. (O/P)			540.00 CR
Stock In Hand			
Tea Expense			7080.00 DB

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In Cash A/c. effect will be 6000Rs. & in our Tea Expenses A/c. effect will be 6000 + 18% of GST, total 7080Rs. We will **not** get ITC of 1080Rs.

- In some cases, we get supply of goods/services, but we can pay them later.
- So this type of expense we can insert in GST Expense in Miracle.
- Let see an example how to add Courier expense in Miracle.



Report -> Account Books -> Ledger -> Account Ledger

Account Ledger

From 01/04/2017 To 31/03/2018

Account Name	City Name	Opening	Closing
ABC Courier Service	Rajkot		7500.00 CR
Cash Account			
Cash Ledger(Cess) - Primary Unit			
Cash Ledger(CGST) - Primary Unit			
Cash Ledger(IGST) - Primary Unit			
Cash Ledger(SGST) - Primary Unit			
Cess A/c. (I/P)			
Cess A/c. (O/P)			
CGST A/c. (I/P)			
CGST A/c. (O/P)			675.00 CR
Courier Expense A/c.			7500.00 DB
GST Provisional A/c. - Primary Unit			1350.00 DB
IGST A/c. (I/P)			
IGST A/c. (O/P)			
Items			
Profit & Loss A/c			
Purchase A/c. (GST)			
Purchase A/c. (IGST)			
Purchase A/c. (Non GST)			
Purchase A/c. (URD)			
Sales A/c. (GST)			
Sales A/c. (IGST)			
Sales A/c. (Non GST)			
SGST A/c. (I/P)			
SGST A/c. (O/P)			675.00 CR

We can see the effect in CGST & SGST A/c. for (O/p) of Rs.675 respectively & Total Rs.1350 in GST Provisional A/c.

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➤ Exemption from Reverse Charge under Rs 5000 per day.
(Notification No.8/2017-Central Tax (Rate))

- If the total value of goods / services or both in a single day from unregistered persons exceed Rs. 5000, then the registered person has to pay tax on total value under reverse charge.
- RCM not applicable when supply of goods and/or services below aggregate value of Rs. 5000 per day.



thank you!