

GST UPDATES

November 04, 2024



Self-Invoice for GST Payment under RCM

Effective from Nove 01, 2024

Generation of Self Invoice for Payment of RCM (URD Inward Supply)

Input Tax Credit (ITC) is a fundamental provision under the Goods and Services Tax (GST) framework, allowing businesses to offset the tax paid on purchases against their output tax liability. Proper documentation and adherence to eligibility criteria are essential for claiming ITC effectively, as it helps businesses reduce tax costs and improve cash flow.

Relevant Applicable Law

Section 16 (2)(a) of CGST Act, 2017 mandates the documentary requirements for claiming the ITC, and Rule 36 provides the list of documents for claiming the ITC. Whereas Rule 36(1)(b) Specifically mandates for issuance of self-invoice in case of Goods / services received from unregistered person and said goods / services attracts the payment of GST by recipient under reverse charge by virtue Sec 9 (3) / 9 (4) of CGST Act 2017.

Recent Circulars and Notification impacting the URD-RCM provisions.

- 53rd GST Council recommended for issuance of Clarificatory circular for time limit for claiming ITC shall (Sec 16(4)) shall be calculated from the date of issuance of Self invoice, rather than from the date of supply.
- Circular No 211/5/2024-GST, dated June 26, 2024 issued clarifying that the relevant financial year for calculation of time limit for availment of input tax credit under the provisions of section 16(4) of CGST **Act will be the financial year in which the invoice has been issued by the recipient under section 31(3)(f) of CGST Act, subject to payment of tax on the said supply by the recipient.**
- In case of delay in issuance of Self invoice after the specified time limit, taxpayer is also liable for payment of Interest and penalty as per Sec 122 of CGST Act 2017. (if applicable)
- Finance Act (No 2) of 2024, amended the Section 13 (related to the time of supply of service) and inserted the new time of supply for Service in cases, where invoice is to be issued by the recipient. To give the effect of the above circular. This amendment is effective from November 01, 2024 vide Notification No. 17/2024-

Central Tax.

- New Rule (Rule 47A) is inserted to provide the time limit for issuance of Self invoice shall be 30 days from the date of receipt of Goods / service or both, vide Notification No. 20/2024-Central Tax Dated Oct 08,2024, and effective from November 01, 2024.

Analysis of the above amendments.

- Time of Supply for Payment of GST under RCM, and claiming of ITC thereof (whenever available) has undergone the various modification and in case of claiming of ITC for RCM, Self-invoice become very important document.
- Time limit of November 30, of next financial year, for claiming of ITC will commence from the date of issues of Self invoice.
- At the same time, the time limit for the payment of GST for RCM service (in case of supplier is unregistered) shall be earliest of 60 days from the date of payment to supplier or date of issuance of self-invoice.

Summery.

- Various services such as Legal services from Advocates, GTA, Residential dwelling service, commercial rental services, Security services etc received from unregistered supplier, and requires payment of GST under reverse charge, it is mandatory for issuance of self-invoice within 30 days from date of receipt of service.
- Similarly, various goods as per Notification No.4/2017-Central Tax (Rate) dated June 28, 2017, received from unregistered supplier including recently added metal scrap, and requires payment of GST under reverse charge, it is mandatory for issuance of self-invoice within 30 days from date of receipt of goods.
- The documents detail of Self invoice is also required to reported in the corresponding GSTR 1, for the month, in which Self invoice is issued.
- ITC for the GST paid under RCM for supply of goods or services or both related received from unregistered person during the F Y 2023-24, can be claimed by November 30, 2024, provided Self invoice is generated as per the provision of Rule 47A.

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