Chapter 3

Reverse Charge & ECO

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01. Section 9(3):-

Entry 1 : Goods Transport Services by GTA

MCQ. 03.01.01.00 XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹ 9,000 for the same. GST is payable @ 5% on such GTA services as GTA is not opting to pay GST under forward charge. Which of the following statement is correct in the given context: [Study Mat]

(a) GST of ₹ 450 is payable by XX on revere charge basis.

(b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since, principal supply is an exempt supply, no tax is payable on freight.

(c) Since, exempt goods are being transported, service provided by GTA for transporting the same is also exempt.

(d) GST of ₹ 450 is payable by the GTA.

[Hint: Refer Entry 1 of RCM]

MCQ 03.01.02.00 Service provided by GTA registered under CGST Act, 2017 to any department or establishment of Central government registered for deducting tax u/s 51 of CGST Act and not engaged in making taxable supply of goods or services, will be chargeable under:

a. Normal Charge b. Reverse Charge

c. Exempt from tax d. Nil rates

[Hint :-Refer Entry 1 of RCM read with entry 21B of exemption]

MCQ.03.01.03.00 Mr. Alok had to transport his personal goods from Mumbai to Goa. He contacts Sigma travel services. Sigma travels is passenger bus traveler and also does transportation of goods i.e., Goods Transport Agency. He transports goods of all persons including non- passengers.

Mr. Alok hands over the goods to Sigma travel services. Sigma travels issues consignment note for his goods. Alok is an unregistered person. What will be GST scenario in this case?

(a) Goods transport agency service rendered to un-registered person is exempt from tax

(b) Goods transport agency is required to pay GST under reverse charge for service rendered to un-registered person

(c) Unregistered person is required to pay GST to transport agency which in turn will be deposited by Goods transport agency to government.

(d) None of the above

[Hint: Refer Entry 21A of Exemption]

Entry 5:- Services by CG/SG/UT/LA to Business Entity

MCQ.03.01.04.00 Services provided by Indian railways to a business entity. The GST is liable to be paid by:

(a) Business entity (b) Indian Railways

(c) Exempted supply (d) Not at all supply

[Hint: Refer Entry 5 of RCM]

Entry 5AB:- Renting of Commercial Dwelling

MCQ.03.01.04.01 Mr. Varun, an unregistered person, owns two commercial shops. Shop 1 in Pune is rented to a partnership firm, which is registered under GST & have not opted for Composition Levy , for running a crockery business. Shop 2 is rented to a Proprietorship Concern which is paying GST under Composition Levy Determine who is liable to pay GST in the following cases:

a) Renting of commercial property is exempt from GST.

b) The Partnership Firm is liable to pay tax under RCM for Rent of Shop 1& there is no GST payable for Rent of Shop 2.

c) Mr. Varun is liable to pay tax under forward charge & accordingly has to get registered under GST.

d) None of the above.

[Hint: Refer Entry no 5AB-Rent of shop 1 is covered under RCM,whereas Shop2 is under Forward Charge but supplier is URP -hence no GST till threshold]

Entry 8:- Metal Scrap

MCQ.03.01.04.02 XYZ Ltd., a registered manufacturing company, purchases metal scrap from Raghu Scrap Dealer, an unregistered individual scrap collector. Who is liable to pay GST on this transaction?

a) Raghu Scrap Dealer will pay GST under forward charge.

b) XYZ Ltd. is not required to pay GST as the supplier is unregistered.

c) XYZ Ltd. will pay GST under Reverse Charge Mechanism (RCM)

d) No GST is payable on scrap

(Hint: Refer Entry no 8 of RCM in case of goods)

Entry 8:- Services by Recovery Agent

MCQ.03.01.05.00 Services by a Recovery Agent to M/s 222 bank Ltd., is liable for GST in the hands of: [Study Mat]

(a) M/s 222 bank Ltd. (b) Recovery Agent
(c) Both the above (d) None of the above

[Hint: Refer Entry 8 of RCM]

Entry 14:- Services of Security Personnel

MCQ.03.01.06.00 Security service provided (by way of supply of security personnel) to any person including government and local authority registered under CGST Act, 2017 is taxable under reverse charge whether or not such entities are making taxable supplies under GST. State the validity of this statement. [Study Mat]

(a) Valid (b) Invalid

[Hint: If this service is provided to above recipients who are registered only for TDS and not for making taxable supply, then forward charge is applicable.]

Entry 15:- Service of Renting of Motor Vehicle

MCQ.03.01.07.00 M/s. PQR Ltd. has availed rent-a-cab service from M/s ABC Travels (Proprietor) service, where GST is not charged @18% in the invoice, then which one of the following is true? [Study Mat]

(a) Reverse charge is applicable as this is a notified service.
(b) Reverse charge is applicable if, ABC Travels is not registered.
(c) Joint charge is applicable (d) None of the above

[Hint: Refer Entry 15 of RCM]

Entry 17:- Service by person from Non-Taxable Territory to person other than NTOR

MCQ.03.01.08.00

ABC Pvt. Ltd. (Registered under GST)has taken consultancy services from Mr. X, an engineer in USA for ₹ 2,00,000. Who shall be liable to pay tax and under what head?

a. ABC Pvt. Ltd. will pay the tax, IGST
b. ABC Pvt. Ltd. will pay the tax, CGST and SGST
c. Engineer will pay the tax, IGST
d. Engineer will pay the tax, CGST & SGST

[Hint:- Refer entry 17 of RCM]

Sec 9(3) - Common Questions

MCQ.03.01.09.00 GST is payable by the recipient under reverse charge on: [Study Mat]

(a) Sponsorship services
(b) Transport of goods by rail
(c) Transport of passengers by air
(d) All of the above

[Hint: Refer Entry 4 of RCM]

MCQ.03.01.10.00 Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act? [Study Mat]

(a) Services supplied by arbitral tribunal to business entity located in Ladakh
(b) Sponsorship services by any person other than Body Corporate provided to a partnership firm located in Jammu & Kashmir
(c) Sponsorship services by any person other than Body Corporate provided to a body corporate located in Kerala
(d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate

[Hint: Refer Entry 3, 4 & 15 of RCM]

MCQ.03.01.11.00 GST is not payable by recipient of services in the following cases:

(I) Services provided by way of sponsorship by any person other than Body Corporate to ABC Ltd. located in India.
(ii) Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna
(iii) Services by Department of Posts by way of speed post to MNO Ltd. located in India.
(iv) Services supplied by a recovering agent to SNSP Bank located in India. [Study Mat]
(v)Services provided by way of Sponsorship by a body Corporate to ABC Ltd located in India

(a) (i) ,(ii)& (iii) (b) (i), (iv) & (v)
(c) (ii), (iii) & (v) (d) (ii) & (iv)

[Hint: Refer Entry 4, 6, 5 & 8 of RCM]

MCQ.03.01.12.00

Which of the following services are covered under reverse charge?

a. Service by business facilitator to a banking company
b. Service by an agent of business correspondent to business correspondent
c. Security services provided by any person other

than body corporate to a person paying tax under composition scheme

d. All of the above

e. Only a & b above

[Hint:- Refer entry 12 & 13 & non applicability of entry 14 of RCM]

02. Sec 9(4)-RCM on Notified Supply by unregistered Person

MCQ.03.02.13.00 **M/s ABC Pvt. Ltd. a small builder & promoter registered under GST, made purchases of cement from a supplier Mr. Ravi (an unregistered Person). The volume of purchases made from an unregistered supplier does not exceeds 20% of the total purchases i.e. the purchases made from registered supplier is more than 80% of the total purchases.**

You are required to identify the person who is liable to pay tax under GST in the above given case.

(a) M/s ABC Pvt. Ltd.

(b) Mr. Ravi

(c) Supplier who is registered under GST

(d) No person shall be liable to pay GST

[Hint:- Refer entry 2 of sec 9(4)], [No limit of 80% is applicable in case of cement.]

03. Sec 9(5)- Liability of E-Commerce Operator in case of Notified Services

MCQ 03.03.14.00

Which supply of service is specified under sec 9(5)

a. Supply through ECO- transportation of passengers by any motor vehicle except omnibus

b. Supply through ECO-transportation of passengers by omnibus where supplier is not a company.

c. Supply through ECO- renting of accommodation by unregistered hotels

d. Supply through ECO- service by unregistered plumber, housekeeper, etc.

e. Supply through ECO – Local delivery services by unregistered delivery person/ supplier

f. all of the above

[Hint:- Refer services notified u/s 9(5)]

Answer:-

03.01.01	a
03.01.02	c
03.01.03	a
03.01.04	b
03.01.04.01	b
03.01.04.02	c
03.01.05	a
03.01.06	b
03.01.07	a
03.01.08	a
03.01.09	a
03.01.10	d
03.01.11	c
03.01.12	e
03.02.13	a
03.03.14	f