

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 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 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.

List - F5 Copy - F12 Paste - [F12] _ X

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
Prev. Year Bal.	0.00	(Rs.)	Dr/Cr D
GST Type GST		Tel. No.	
GST Details		Fax	
Tax Category	GST 18%	Mobile No.	
HSN / SAC Code		E-Mail	
Reverse Charge	Not Applicable	<input type="checkbox"/> Enable Email Query <input type="checkbox"/> Enable SMS Query	
Transport	<input type="checkbox"/> Based on Daily Limit <input type="checkbox"/> Compulsory (Reg. Dealer) <input type="checkbox"/> Compulsory (Unreg. Dealer) <input type="checkbox"/> Service Import <input type="checkbox"/> Not Applicable	Contact Person	
		IT PAN	
		Aadhaar No.	
		LST No.	
		CST No.	
		TIN	
		LST 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 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.

List - F5 Paste - F12 _ X

Add Payment Voucher

Voucher Series **Main** Date **01-07-2017** (Sat) Vch No. **6**

GST Nature **RCM (Reg/Unreg) Purchase/Expense**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	Office Stationery @ 18%	2,500.00		
2	C	Cash		2,500.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
			2,500.00	2,500.00	

(Cur. Bal. : Rs. 12,000.00 Dr)

Long Narration

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

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.

Series **Main** Date **01-07-2017** (Sat) Vch No. **Purc Type L/GST-Unreg(RCM)** Tax Type : GST

Party **G.K Aggarwal & Associates** Mat Centre **Main Store**

ITC Eligibility **Input Goods/Services** Reverse Charge **Compulsory (Reg. Dealer)**

S.N.	Item	Qty.	Unit	Price (Rs.)	Amount (Rs.)
1	Legal Services	0.00	N.A.	0.00	10,000.00
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
					0.00
					10,000.00

GST Summary				S.N.	Bill Sundry	@	Amount (Rs.)
Tax Rate	Taxable Amt.	CGST	SGST	1			
0+0%	10,000.00	---	---	2			
				3			
				4			
Totals	10,000.00	0.00	0.00	5			
							10,000.00

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

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 RCM Payable								
Date : 01-07-2017								
RCM Nature	Party Name	Account Name	I...	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:

1. 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.

Generate 'Consolidated RCM Payable' Voucher

Journal Voucher Series: **Main**
 Voucher Date: **01-07-2017**

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)	

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)	

Narration

Note:- Corresponding Expense A/C will be debited for ITC Eligibility 'None'.

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.

Add Journal Voucher

Voucher Series: **Main** Date: **01-07-2017** (Sat) Vch No.

GST Nature: **Consolidated RCM Payable**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	CGST Input Available (RCM)	1,545.00		
2	C	CGST Output (RCM)		1,545.00	
3	D	SGST Input Available (RCM)	1,545.00		
4	C	SGST Output (RCM)		1,545.00	
5					
6					

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
1	Compulsory (Reg. De	G.K Aggarwal & Associates	Purchase	2345	18	10,000.00	
2	Based on Daily Limit	Cash	Office Stationery @ 18%	Main/01-Jul/1	18	2,500.00	
3	Based on Daily Limit	Cash	Office Misc. Expense(Phenyl, :	Main/01-Jul/1	28	3,000.00	
4							
5							
6							
7							
8							
9							
						15,500.00	0.00

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.

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