

# **Reverse Charge Mechanism – Import of Service**

**- CMA T.K Jaganathan**

B.Com., MBA., FCMA

# RCM -Import of service

## Import of service

As per Section 2(11) of IGST Act, import of service means supply of service, where,

- a) Supplier of service is located outside India
- b) Recipient of Service is located in India
- c) The place of supply of service is in India.

## Taxability of Import of Service under GST includes the following: –

- a) Import of service for a consideration whether or not in the course or furtherance of business [Section 7]
- b) Import of service without consideration by a taxable person from related person or from any of his establishment outside India, in the course or furtherance of business [ Schedule I to CGST Act].

# RCM -Import of service

## Place of Supply in case of Import of Service

- In case of import of service, if the nature of service does not fall under the one specified under Section 13(3) to 13(13) of IGST Act, then place of supply shall be the location of the recipient of service. Hence, IGST is to be discharged under RCM when recipient is in India.
- *There are instances where no payment is made, no accounting entry is recorded although the activity is liable as import of services under GST.*

# RCM -Import of service

## How to Identify the transactions

- Annual Report - Expenditure in Foreign Currency, Related Party Transactions
- Cost Audit Report
- Transfer Pricing Audit Report
- Advance Pricing Agreement (APA)
- Group Transfer Pricing Policy
- Group internal audit report

# RCM -Import of service

## Services without Consideration (Notional Cost)

- Stewardship Services from the Group Companies
- Fixed Assets received from group companies on loan basis
- Software licences paid by Group Companies and installed in servers and workstations.
- Global Advertisements for the products released from Group Companies.
- Employee Stock Option in equity of parent/group company situated abroad
- Lump sum Royalty/Goodwill considered as part of Shareholders agreement.

# RCM -Import of service

## Services without Consideration (Notional Cost)

Examination of Various agreements/contracts between the service provider and recipient holds the key to understanding the taxation of service transactions.

**Thank  
You!**

