

PURCHASE FROM UNREGISTERED DEALER

REVERSE CHARGE MECHANISM (RCM)

This document will explain in details about RCM Process in Tally ERP9

Topics :

1. Petty Cash Expenses with limitation of 5000 Rs
2. Purchase of Goods from Unregistered Dealer
3. Service Expenses from Unregistered Dealer (Direct Payment or Booking of Invoice)
4. GTA\Freight and Forward Charges in Reverse Charge Mechanism if Party is register

In Case of URD\RCM we have to process 4 Entries

1. Booking of exp for entire month
2. Raising of Tax liability on RCM\URD
3. Compulsory Tax Payment
4. Claiming Input Tax Credit

1. Petty Cash Expenses

Generally a firm incurred several kind of general or sundry expenses.

Under RCM in GST in a day 5000 Rs daily expenses (including all business exp) in exempted and not taxable event and above that full amount is taxable

E.g. : If we made 4000 Rs cash commission to agent in a day which is not taxable and exempted but in case if same day some other exp took place as 1500 Rs now total expense cross 5000 hence full amount 5500 is Taxable now

Now question arise how can we track record for below or above limit? Does Tally have any option to notify when it cross the limit

As of now there is no such notification in current version of Tally (6.1)

How to Pass the entry

CASE A (BELOW LIMIT)

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Commission paid on 1st July to an Agent Rs. 4000. We need to Pass Payment entry directly without creating Party ledger before Passing Payment enable the below option

Go to Payment entry>>Press F12 (2 TIME)>>Enable the option Party details for GST AND Allow modification of GST and save

Tally.ERP 9		Party Details	
P: Print	E: Export	M: E-Mail	O: Upd
Accounting Voucher Creation		Party Name : [REDACTED]	
Payment No. 1		Address :	
Account : Petty Cash		State :	
Cur Bal:		Registration Type :	
Particulars		GSTIN/UIN :	

Mention Party Details to who you making payment (If you wish to) and Compulsory select state and mark registration type as Unregistered

Commission Exp ledger

Tally.ERP 9	
P: Print	E: Export
M: E-Mail	O: Upd
Ledger Creation (Secondary)	
Name :	Comossin Exp
(alias) :	
Under :	Indirect Expenses
Inventory values are affected :	No
Statutory Information	
Is GST Applicable :	Applicable
Set/alter GST Details :	Yes
Type of Supply :	Services
Is TDS applicable :	Undefined

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P: Print E: Export M: E-Mail O: Upload S: TallyShop

GST Details

GST Details for Ledger:
Comossin Exp

HSN/SAC Details

Description : **Service**
 HSN/SAC : **987654**

Is non-GST goods ? **No**
 Nature of transaction : **Not Applicable**

Tax Details

Taxability : **Taxable**
 Is reverse charge applicable ? **No**
 Is ineligible for input credit ? **No**

Tax Type	Valuation Type	Rate
Integrated Tax	Based on Value	18 %
Central Tax	Based on Value	9 %
State Tax	Based on Value	9 %
Cess	Based on Value	0 %

In above exp ledger Nature is set as not applicable because ledger can be local or interstate or Register Non Registered hence.

	<ul style="list-style-type: none"> Not Applicable Branch Transfer Inward <i>Nature of Transaction</i> Imports Exempt <i>Nature of Transaction</i> Imports Taxable <i>Nature of Transaction</i> Interstate Purchase Exempt <i>Nature of Transaction</i> Interstate Purchase Nil Rated <i>Nature of Transaction</i> Interstate Purchase Taxable <i>Nature of Transaction</i> Purchase Exempt <i>Nature of Transaction</i> Purchase From Composition Dealer <i>Nature of Transaction</i> Purchase From SEZ - Exempt <i>Nature of Transaction</i> Purchase From SEZ - Taxable <i>Nature of Transaction</i> Purchase From Unregistered Dealer - Exempt <i>Nature of Transaction</i> Purchase From Unregistered Dealer - Taxable <i>Nature of Transaction</i> Purchase Nil Rated <i>Nature of Transaction</i> Purchase Taxable <i>Nature of Transaction</i>
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Tax Classification Details	
Classification/Nature :	(Purchase From Unregistered Dealer)
Is reverse charge applicable?	No
Tax Type	Rate
	New
Integrated Tax	
Central Tax	
State Tax	
Cess	
Taxable Value :	

As we know this amount is below exempt limit hence we need to select Purchase from Unregistered dealer exempt

While saving entry it will reflect below option

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Account: Petty Cash Cur Bal: 50,000.00 Cr		F3: Company
Particulars	Amount	F4: Contra
Comossin Exp Cur Bal: 50,000.00 Dr	50,000.00	F5: Payment
		F6: Receipt
		F7: Journal
		F8: Sales
		F9: Credit Note
		F9: Purchase
		F9: Debit Note
		F10: Reversing Journ
		F11: Memos
		S: Stat Payment
		Y: Reverse Chrg. Adv
		F: Refund of Adv. Recd
		T: Post-Dated
		L: Optional
		F11: Features

The tax details are modified.

Y Accept (accept with conflicts and resolve later)
O Override (accept without conflicts)
H Back (go back to the voucher)

Quit Accept Delete Cancel

Click on Override option as this entry is correct.

This entry will effect under Reverse Charge but as Exempt

CASE B : Now along with this entry one more general exp occurred due to which day limits crossed
While passing entry

Tax Classification Details		Natures of Transaction
Classification/Nature	Purchase From Unregistered Dealer - Taxable (Purchase From Unregistered)	J Not Applicable
Is reverse charge applicable? No		Branch Transfer Inward
Tax Type		Imports Exempt
Integrated Tax		Imports Taxable
Central Tax		Interstate Purchase Exempt
State Tax		Interstate Purchase Nil Rated
Cess		Interstate Purchase Taxable
Taxable Value		Purchase Exempt
		Purchase From Composition Dealer
		Purchase From SEZ - Exempt
		Purchase From SEZ - Taxable
		Purchase From Unregistered Dealer - Exempt
		Purchase From Unregistered Dealer - Taxable
		Purchase Nil Rated
		Purchase Taxable

Select the option Purchase from Unregistered dealer taxable

Now after passing this entry please alter first entry of commission as that entry is also becomes Taxable's

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Tax Classification Details	
Classification/Nature : XXXXXXXXXX (Purchase From Unregistered)	J Not Applicable Branch Transfer Inward Imports Exempt Imports Taxable Interstate Purchase Exempt Interstate Purchase Nil Rated Interstate Purchase Taxable Purchase Exempt Purchase From Composition Dealer Purchase From SEZ - Exempt Purchase From SEZ - Taxable Purchase From Unregistered Dealer - Exempt Purchase From Unregistered Dealer - Taxable Purchase Nil Rated Purchase Taxable
Is reverse charge applicable? No	Nature of Transaction Nature of Transaction
Tax Type	
Integrated Tax	
Central Tax	
State Tax	
Cess	
Taxable Value : (50,000.00)	

Now check the report. One can club all expenses in single entry if it is below 5000.

(You can maintain vouchers to keep track record of exp and pass the entry on next day)

How to book Tax liability in this case we will understand in next chapter

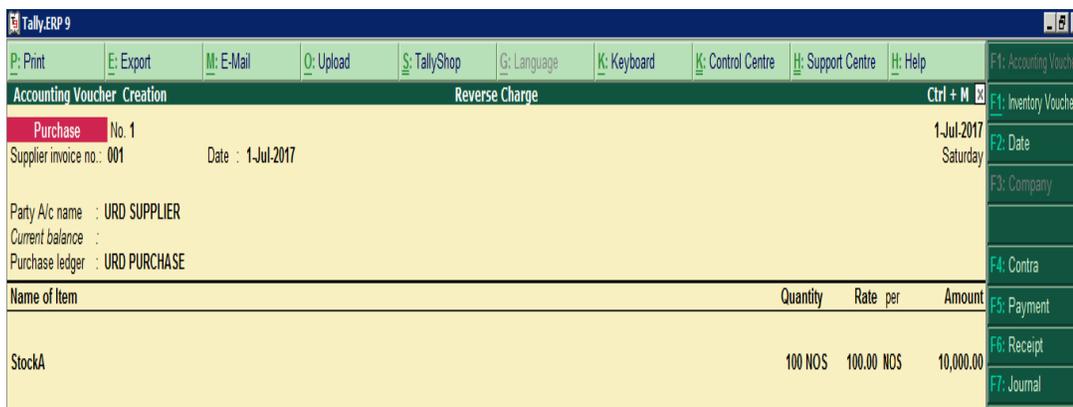
2. URD\RCM Purchase

URD Purchase of Goods

Party Master : Please Mark Party as Unregistered in GST details

Stock Item : Mention only Stock Description HSN and GST rate of Stock do not mention anything else.

Purchase Ledger: Do not enable/mention the option of GST alter details



The screenshot shows the 'Accounting Voucher Creation' window in Tally ERP 9. The voucher type is 'Purchase' (No. 1) dated '1-Jul-2017'. The supplier invoice number is '001'. The party is 'URD SUPPLIER' and the purchase ledger is 'URD PURCHASE'. The item 'StockA' is listed with a quantity of 100 NOS, a rate of 100.00 NOS, and a total amount of 10,000.00. The window title is 'Tally.ERP 9' and the voucher title is 'Reverse Charge'.

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Take Print of this Purchase known as "SELF INVOICE"

3. SERVICE EXP FROM URD\RCM SUPLIER

We used to take service from URD or RCM Service Provider so in some case we make direct payment or we book invoice in purchase or journal voucher.

In case we make direct Payment of Labor Exp to a contractor without making any invoice Go to Payment entry>>Select Bank>>

Party Details	
Party Name	: Mr Contractor
Address	: ADDRESS ADDRESS
State	: Maharashtra
Registration Type	: Unregistered
GSTIN/UIN	:

Tax Classification Details	
Classification/Nature	: Not Applicable (Purchase From Unregistered Dealer - Taxable)
Is reverse charge applicable?	No
Tax Type	Rate
	New (Current)
Integrated Tax	(18)
Central Tax	(9)
State Tax	(9)
Cess	
Taxable Value	: [REDACTED]

Labor exp ledger is configured same as Commission exp. Take Print of this Payment it will ask print as Tax invoice

Tally.ERP 9	
Accounting Voucher Creation Reverse Charge Ctrl + M	
Payment No. 3	1-Jul-2017 Saturday
Account : HDFC BANK Cur Bal: 10,000.00 Cr	
Particulars	Amount
Labour Exp Cur Bal: 10,000.00 Dr	10,000.00

In case we book Invoice First then

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Pass Purchase Exp entry in Account Invoice

Particulars			Rate per	Amount
COMMISSION EXP				50,000.00

Print this Invoice as Self Invoice

TDS can also deducted in this entry as well.

What if we pass Journal Entry : If we pass the same entry in Journal we will not be able to Print Self Invoice.

Entry No 2 : Now booking of Tax Liability at Month End

First Check GSTR2 Report in default view and check Tax liability

Inward Supplies				
Reverse Charge Supplies	1,11,500.00	9,735.00	9,735.00	19,470.00
Total Inward Supplies	1,11,500.00	9,735.00	9,735.00	19,470.00
Tax Liability				
Reverse Charge Supplies	1,11,500.00	9,735.00	9,735.00	19,470.00
Purchase From Unregistered Dealer - Taxable	1,11,500.00	9,735.00	9,735.00	19,470.00
Total Tax Liability	1,11,500.00	9,735.00	9,735.00	19,470.00

Now Pass Journal Entry For booking Tax Liability (Press ALT+J) Stat Adjustment>>Select Increase Tax Liability>>Select Purchase from Unregistered Dealer

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(There will 2 Option Purchase from Unregistered dealer or Purchase under reverse charge

If party is Unregistered than select purchase from Unregistered dealer but in case party is register but even though Tax is paid on reverse basis then select option purchase under reverse charge)

Accounting Voucher Creation		Reverse Charge	Ctrl + M
Journal	No. 1		1-Jul-2017 Saturday
<i>Used for: Increase of Tax Liability (Additional Details: Purchase From Unregistered Dealer)</i>			
Particulars	Debit	Credit	
By Tax Paid on RCM\URD <i>Cur Bal: 19,470.00 Dr</i>	19,470.00		
To CGST RCM\URD <i>Cur Bal: 9,735.00 Cr</i>		9,735.00	
To SGST RCM\URD <i>Cur Bal: 9,735.00 Cr</i>		9,735.00	

Tax Paid on RCM is created under Current Assets because the amount is to recoverable after a month
CGST RCM\URD & SGST RCM\URD duty ledger has been created separately to get exact Tax liability in RCM because this liability can not be adjusted against available ITC in month and we need to pay it separately first

Entry No 3 :Now Payment of Tax

While Making Payment click on ALT+S (Stat Payment) and select

Statutory Payment	
Tax Type	: GST
Period From	: 1-Jul-2017 To
Payment Type	: Regular

Type of Payment

- Any
- Advance
- Recipient Liability**
- Regular

Select Recipient Liability

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Accounting Voucher Creation		Reverse Charge	Ctrl + M
Payment No. 3			20-Aug-2017 Sunday
Statutory payment for: GST (Payment Type: Recipient Liability)			
Account : Cash Cur Bal: 19,470.00 Cr			
Particulars		Amount	
CGST RCMURD		9,735.00	
Cur Bal: 0.00 Dr			
SGST RCMURD		9,735.00	
Cur Bal: 0.00 Dr			

Make the Payment and mention Challan details

Entry No 4 Raising of ITC

Pass Journal Entry and click on stat adjustment again>>GST>>Increase of Input Tax Credit>>Purchase from Un registered dealer

Accounting Voucher Creation		Reverse Charge	Ctrl + M
Journal No. 2			20-Aug-2017 Sunday
Used for: Increase of Input Tax Credit (Additional Details: Purchase under Reverse Charge)			
Particulars	Debit	Credit	
By CGST	9,735.00		
Cur Bal: 9,735.00 Dr			
By SGST	9,735.00		
Cur Bal: 9,735.00 Dr			
To Tax Paid on RCMURD		19,470.00	
Cur Bal: 0.00 Cr			

Now Debit Normal CGST and SGST ledger as we can claim Tax amount as ITC

4.Purchase in Case of GTA\FREIGHT & FORWARD ENTRY with RCM and TDS configuration setting

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Go to Purchase voucher>>>Pass entry in Account Invoice Mode by pressing ALT+I and in F12 setting enable the option for Allow modification of GST

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P: Print E: Export M: E-Mail O: Upload S: TallyShop G: Language K: Keyboard

Ledger Creation (Secondary) Reverse Charge

Name : FREIGHT & FORWARDER
(alias) :

<p>Under : Sundry Creditors (Current Liabilities)</p> <p>Maintain balances bill-by-bill ? Yes Default credit period : Check for credit days during voucher entry ? No Inventory values are affected ? No</p>	<p>Mailing Details</p> <p>Name : FREIGHT & FORWARDER Address :</p> <p>Country : India State : Maharashtra Pincode (Select the applicable state to calculate GST during voucher entry.)</p> <p>Provide bank details : No</p> <p>Tax Registration Details</p> <p>PAN/IT No. : Set/alter GST details ? Yes</p>
--	---

Click Yes to Set Alter GST details

(Select the applicable state to calculate GST during voucher entry.)

<p style="text-align: center;">GST Details</p> <p>Registration type : Regular</p> <p>Is a e-Commerce operator ? No</p> <p>GSTIN/UIIN :</p> <p>Party Type : Not Applicable</p>	<p style="text-align: center;">Registration Types</p> <p>Unknown</p> <p>Composition</p> <p>Consumer</p> <p>Regular</p> <p>Unregistered</p>
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If Party is register then select Regular and mention GSTIN number if it is not register then select Unregistered

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Tally.ERP 9

P: Print E: Export M: E-Mail O: Upload

Ledger Creation (Secondary)

Name : FREIGHT FORWARD CHARGE / TRANSPORT CHARGE
 (alias) :

Under : Indirect Expenses

Inventory values are affected ? No

Statutory Information

Is GST Applicable ? Applicable
 Set/alter GST Details ? Yes
 Type of Supply : Services

Tally.ERP 9

P: Print E: Export M: E-Mail O: Upload S: TallyShop

GST Details Reve

GST Details for Ledger:
FREIGHT FORWARD CHARGE / TRANSPORT CHARGE

HSN/SAC Details

Description :
 HSN/SAC : 123456

Is non-GST goods ? No
 Nature of transaction : Not Applicable

Tax Details

Taxability : Taxable
 Is reverse charge applicable ? Yes
 Is ineligible for input credit ? No

Tax Type	Valuation Type	Rate
Integrated Tax	Based on Value	18 %
Central Tax	Based on Value	9 %
State Tax	Based on Value	9 %
Cess	Based on Value	0 %

As we all know that for this ledger RCM is applicable all time hence we can mention the option of Reverse Charge Applicable as **YES**

(If ledger is not fixed for RCM entry all time then do not enable the option)

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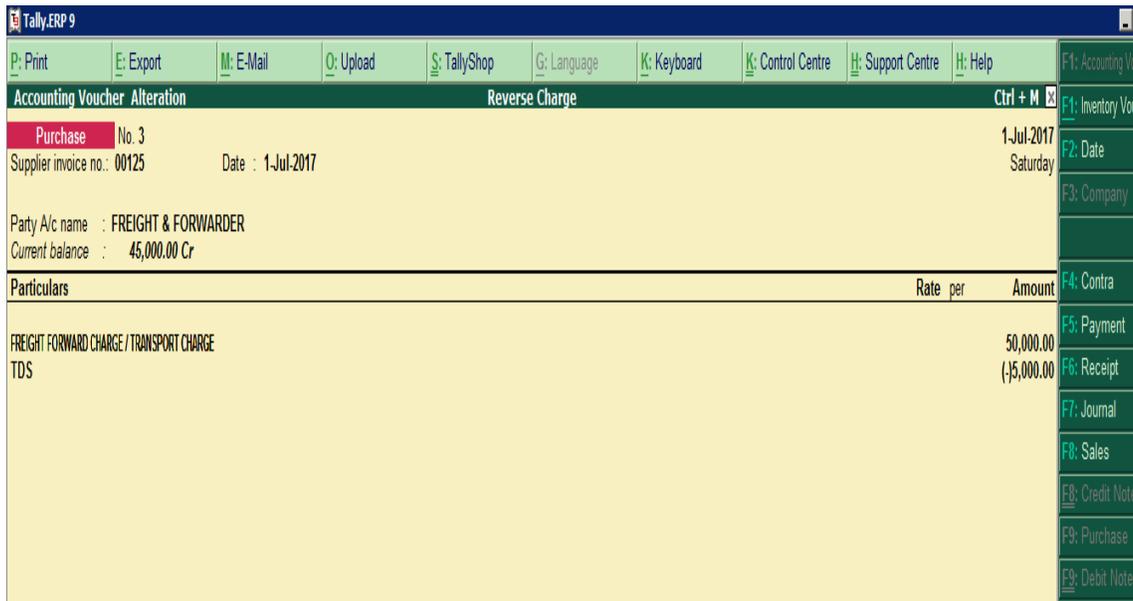


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Tax Classification Details		
Classification/Nature	: Not Applicable	(Purchase Taxable)
Is reverse charge applicable?	Yes	(Yes)
Tax Type	Rate	
	New	(Current)
Integrated Tax		(18)
Central Tax		(9)
State Tax		(9)
Cess		
Taxable Value	:	(50,000.00)

As we have already enable allow modification of GST in F12 option this option will appear and just cross verify the option as Purchase Taxable and Reverse Charge is applicable

Final Entry



Tally.ERP 9 - Accounting Voucher Alteration - Reverse Charge

Purchase No. 3 1-Jul-2017
 Supplier invoice no.: 00125 Date : 1-Jul-2017 Saturday
 Party A/c name : FREIGHT & FORWARDER
 Current balance : 45,000.00 Cr

Particulars	Rate per	Amount
FREIGHT FORWARD CHARGE / TRANSPORT CHARGE		50,000.00
TDS		(-),5,000.00

F1: Accounting Voucher
 F1: Inventory Voucher
 F2: Date
 F3: Company
 F4: Contra
 F5: Payment
 F6: Receipt
 F7: Journal
 F8: Sales
 F8: Credit Note
 F9: Purchase
 F9: Debit Note

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Rest of entry

2. Raising Tax liability on month end same as explained in Topics 3 but in this case ITC can not be claimed hence we need to Debit our expenses ledger not Tax Paid on RCM (Select Purchase under Reverse Charge)

3. Payment Of Tax as above

4. ITC Can not be claimed hence no need to pass 4TH Entry. If we can claim ITC as well then it becomes same as above topics 3

**Incase of any queries, please call us on 022-40864086 or mail us at gst@antraweb.com.
Watch GST related videos and documents on www.tallyhelp.com**

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