

## **NDA Update – GST on supply of Metal scrap**

The Changes in the supply of **Metal Scrap** under **GST effective from 10th October 2024**, are summarized below:

**1. Introduction of Reverse Charge Mechanism (RCM) on supply by unregistered person to registered person**

In the 54<sup>th</sup> GST Council meeting held on 09-09-2024, it was recommended to bring supply of metal scrap by unregistered person to a registered person under Reverse Charge Mechanism (RCM). **The recommendation has been now notified vide Notification No. 06/2024-Central Tax (Rate) dt. 08-10-2024 and has been made effective from 10-10-2024.**

With effect from 10-10-2024, in case of supply of metal scrap falling under **Chapter headings 72 to 81** by an unregistered person (seller) to registered person (buyer), the buyer shall be liable to pay GST @ 18% under RCM.

**2. Exclusion from Registration Exemption**

Under the existing provisions as notified vide Notification No. 5/2017 – Central Tax dt. 19-06-2017, **suppliers, exclusively engaged in making outward supplies** where GST is payable **only under RCM** by the recipient, were **exempted from** obtaining **GST registration**, even if their turnover exceeded the threshold limit. However, as per Notification No. 24/2024-Central Tax dt. 09-10-2024, metal scrap suppliers falling under Chapters 72 to 81 in the first schedule to the Customs Tariff Act, 1975 are now **excluded from this exemption**. If a supplier's **turnover exceeds the threshold limit**, they must apply for registration under **GST**, even if their supplies are only under RCM. Upon registration, their supplies to buyers will be under the **forward charge mechanism (FCM)**.

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### **3. Introduction of TDS under GST on Transactions of metal scrap between registered parties**

As per Notification No. 25/2024-Central Tax dt. 09-10-2024, supplies of metal scrap falling under Chapters 72 to 81 in the First Schedule to the Customs Tariff Act, 1975 **by registered person to another registered person, TDS** under GST at 2% must be deducted if the total value of contract exceeds ₹2.5 lakhs. Registered buyers are required to deduct TDS and remit it to the government. TDS will apply only in case where both buyer and seller are registered. In all other cases (where the buyer is unregistered or the seller is unregistered) there will be no requirement of TDS under GST.