



**The Institute of Chartered
Accountants of India**
(Set up by an Act of Parliament)
Ernakulam Branch

Welcomes You to the

Members Study Circle Meeting

**GST Amnesty Scheme Nearing End - March 2025 &
ISD Modifications Effective April 1, 2025:
(Unlocking Compliance & Maximizing Benefits)**

Wednesday

26 March 2025

Time: 5.30 p.m. - 7.30 p.m.

Venue:

ICAI Bhawan, Ernakulam

Faculty

CA. Soman N.L

Fees: Nil

CA. Anand A.S.
Chairman
Mob: 9847003181

CA. Beena Beegom V.K.
Study Circle Coordinator
Mob: 9446605236

If you have any queries,
please send in your queries
two days in advance to
ernakulam@icai.org

Those members who are interested to take study circle meetings,
please mail your willingness to "ernakulam@icai.org" with your area of interest

Ernakulam Branch of SIRC of



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Ernakulam Branch of SIRC of

Have a Branch Office?

Don't Miss Out on ITC!



Get Your
ISD Registration
Today!!





Finance Act, 2024 –

Input Service Distributor (ISD)

Mechanism to be made mandatory

w.e.f. 01.04.2025

(m) **"input service distributor"** means **an office** of the manufacturer or producer of final products or provider of output service, **which receives invoices** issued under rule 4A of the Service Tax Rules, 1994 towards **purchases of input services and issues invoice**, bill or, as the case may be, challan **for the purposes of distributing the credit** of service tax paid on the said services to such manufacturer or producer or provider or an outsourced manufacturing unit, as the case may be; *(Cenvat Credit Rules, 2004)*

2(61) **"input service distributor"** means **an office** of the supplier of goods or services or both **which receives tax invoices** issued under section 31 towards the **receipt of input services** and **issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax** paid on the said services to a supplier of **taxable goods** or services or both having the same Permanent Account Number as that of the said office; *(Prior to substitution by Fin Act, 2024, w.e.f. 01.04.2025)*

2(61) **"input service distributor"** means **an office** of the supplier of goods or services or both **which receives tax invoices** towards the **receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25**, and **liable to distribute** the input tax credit in respect of such invoices in the manner provided in section 20; *(After substitution by Fin Act, 2024, w.e.f. 01.04.2025)*

Input Service Distributor (ISD) Amendments

Definition Change

[2(61)] -

- ❖ ISD **definition** in CGST Act, amended to include distribution of ITC for services liable to tax under reverse charge mechanism **(RCM)**.

Mandatory Registration

[Sec. 20 & 24(viii)] -

- ❖ ISD **registration** mandatory for distribution of ITC, including for RCM invoices.

Credit Distribution

Rule 39 -

- ❖ **Substituted** for distribution of Central tax and Integrated tax credit, and specific procedures prescribed.

❖ Scope enhanced:

- ❖ To include offices that receive tax invoices for input services **for or on behalf of persons having same PAN**, including those services liable to tax under **Reverse Charge Mechanism** specified in sections 9(3) and 9(4) of CGST Act.



Section 20 – Changes : ISD TO REGISTER & DISTRIBUTE: [FA 2024, w.e.f 1ST Apr, 2025]

~~(1) The Input Service Distributor shall distribute the credit of {central tax as central tax or integrated tax} and {integrated tax as integrated tax or central tax}, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.~~

(1) Any office of the supplier of goods or services or both which **receives** tax invoices towards the receipt of **input services**, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of **distinct persons** referred to in section 25, **shall be required to be registered** as Input Service Distributor under **clause (viii) of section 24** and shall **distribute** the input tax credit in respect of such invoices.

Substituted
as given
below

- (2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:—
- (a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;
 - (b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;
 - (c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;
 - (d) the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be *pro rata* on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;
 - (e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be *pro rata* on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

Explanation.—For the purposes of this section,—

- (a) the "relevant period" shall be—
 - (i) if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; or
 - (ii) if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;
- (b) the expression "recipient of credit" means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;
- (c) the term "turnover", in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under entries 84 and 92A of List I of the Seventh Schedule to the Constitution and entries 51 and 54 of List II of the said Schedule."

(2) The Input Service Distributor shall **distribute** the credit of **central tax or integrated tax** charged on invoices received by him, including the credit of **central or integrated tax** in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be **prescribed**. [Rule 39]

Section 20 – (3) – NEW SUB-SECTION - ISD Invoice for distribution:

(3) The credit of central tax shall be distributed as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit, in such manner as may be prescribed. [Rule 39]

Rule - 39, Central Goods and Services Tax Rules, 2017

Rule 39	Procedure for distribution of input tax credit by Input Service Distributor		
(1)	An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely: <table border="1" data-bbox="341 874 2999 1621"><tbody><tr><td data-bbox="341 874 480 1621">(a)</td><td data-bbox="486 874 2999 1621">The input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in <u>FORM GSTR-6</u> in accordance with the provisions of Chapter VIII <small>(Returns)</small> of these rules;</td></tr></tbody></table>	(a)	The input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in <u>FORM GSTR-6</u> in accordance with the provisions of Chapter VIII <small>(Returns)</small> of these rules;
(a)	The input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in <u>FORM GSTR-6</u> in accordance with the provisions of Chapter VIII <small>(Returns)</small> of these rules;		

HOW DOES THE ISD GET THE INWARD INVOICE DETAILS??

Rule 60 *Form and manner of ascertaining details of inward supplies.*

- (1) *Details of outward supplies furnished by a supplier in **FORM GSTR-1**, shall be made available electronically to the concerned registered persons (recipients) in Part A of **FORM GSTR-2A**, in **FORM GSTR-4A** and in **FORM GSTR-6A**, through the common portal, as the case may be.*

WHAT TO DO WITH THE INWARD INVOICE DETAILS RECEIVED??

Rule 65 *Form and manner of submission of return by an Input Service Distributor*

*Every ISD shall, on the basis of details contained in **FORM GSTR-6A**, and where required, after adding, correcting or deleting the details, furnish electronically the return in **FORM GSTR-6**, containing the details of tax invoices on which credit has been received and those issued under **section 20** through the common portal either directly or from a **Facilitation Centre notified by the Commissioner.***

HOW WILL THE ULTIMATE ENTITY GET THE INWARD INVOICE DETAILS??

Rule 60	<i>Form and manner of ascertaining details of inward supplies.</i>
(3)	<i>Details of invoices furnished by an Input Service Distributor (ISD) in his return in FORM GSTR-6 under rule 65 shall be made available to the recipient of credit in Part B of FORM GSTR 2A electronically through the common portal.</i>

Rule 60

Form and manner of ascertaining details of inward supplies.

(7)

*An auto-generated statement containing the details of input tax credit shall be made available to the registered person in **FORM GSTR-2B**, and shall consist of—*

(ii)

*Details of invoices furnished by an ISD in his return in **FORM GSTR-6**.*

Rule 39	Procedure for distribution (Continues.....)

	(b)	The amount of the credit distributed shall not exceed the amount of credit available for distribution;
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	(c)	The credit of tax paid on input services attributable <u>to a recipient</u> of credit shall be distributed only to that recipient;
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- (d) The credit of tax paid on input services attributable to **more than one recipient** of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro-rata on the basis of the **turnover in a State** or turnover in a Union territory of such recipient, **during the relevant period, {defined}** **to the aggregate of the turnover** of all such recipients to whom such input service is attributable **and which are operational** in the current year, (**during the said relevant period??**);

Rule 39 Procedure for distribution

(e) The credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro-rata on the basis of the **turnover in a State** or turnover in a Union territory of such recipient, during the relevant period, **to the aggregate of the turnover** of all recipients and which are operational in the current year, during the said **relevant period;**

Rule 39 Procedure for distribution

(f) The input tax credit that is required to be distributed in accordance with the provisions of **clauses (d) and (e)** to one of the recipients "**R1**", **whether registered or not**, from amongst the total of all the recipients to whom input tax credit is attributable, **including the recipients** who are **engaged** in making **exempt supply**, or are otherwise not registered for any reason, shall be the amount, "**C1**", to be calculated by applying the following formula –

$$C1 = (t_1 / T) \times C$$

where ,

"C" is the amount of credit to be distributed,

"t₁ " is the turnover, as referred to in clauses (d) and (e), of person **R1** during the relevant period, and

"T" is aggregate turnover, during the relevant period, of all recipients to whom input service is attributable in accordance with clauses (d) and (e);

Rule 39	Procedure for distribution	
	(g)	the Input Service Distributor shall, in accordance with the provisions of clauses (d) and (e) , separately distribute the amount of ineligible input tax credit (ineligible under the provisions of sub-section (5) of section 17 or otherwise) and the amount of eligible input tax credit;
	(h)	the input tax credit on account of central tax, State tax, Union territory tax and integrated tax shall be distributed separately in accordance with the provisions of clauses (d) and (e) ;
	(i)	the input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient;

Rule 39	Procedure for distribution		
	(j)	the input tax credit on account of central tax and State tax or Union territory tax shall-	
		(i)	in respect of a recipient located in the same State or Union territory in which the Input Service Distributor is located, be distributed as input tax credit of central tax and State tax or Union territory tax respectively;
		(ii)	in respect of a recipient located in a State or Union territory other than that of the Input Service Distributor, be distributed as integrated tax and the amount to be so distributed shall be equal to the aggregate of the amount of input tax credit of central tax and State tax or Union territory tax that qualifies for distribution to such recipient as referred to in clauses (d) and (e) ;

Rule 39	Procedure for distribution	
	(k)	the Input Service Distributor shall issue an Input Service Distributor invoice , as provided in <u>sub-rule (1) of rule 54</u> , clearly indicating in such invoice that it is issued only for distribution of input tax credit;

Rule 54(1)	An Input Service Distributor invoice or, as the case may be, credit note issued by an Input Service Distributor shall contain the following details:—	
	(a)	Name, address and GSTIN of the Input Service Distributor;
	(b)	A consecutive serial number not exceeding sixteen characters,
	(c)	Date of its issue
	(d)	Name, address and GSTIN of the recipient ;
	(e)	Amount of the credit distributed;
	(f)	Signature of the ISD or his authorised representative.

(1) the Input Service Distributor shall issue an **ISD credit note**, as provided in **sub-rule (1) of rule 54**, for reduction of credit in case the input tax credit already distributed gets reduced for any reason;

(m) any additional amount of input tax credit on account of issuance of a **debit note** to an Input Service Distributor **by the supplier** shall be distributed in the manner and subject to the conditions specified in **clauses (a) to (j)** and the amount attributable to any recipient shall be calculated in the manner provided in **clause (f)** and such credit shall **be distributed in the month in which the debit note is included in the return in FORM GSTR-6**;

Rule 39	Procedure for distribution
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	(n)	any input tax credit required to be reduced on account of issuance of a credit note to the Input Service Distributor by the supplier shall be apportioned to each recipient in the same ratio in which the input tax credit contained in the original invoice was distributed in terms of clause (f) , and the amount so apportioned shall be-
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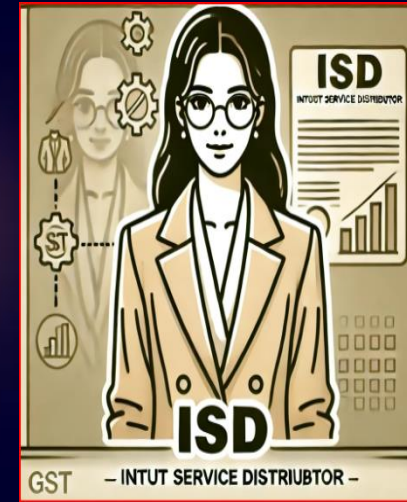
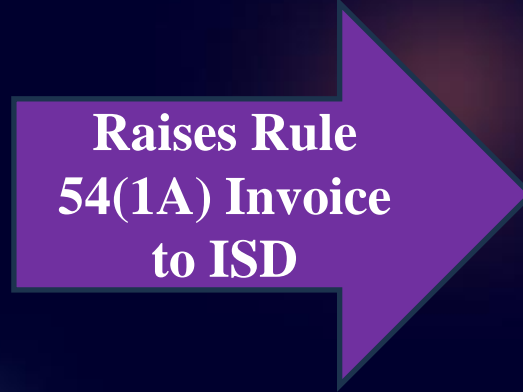
	(i)	<i>reduced from the amount to be distributed in the month in which the credit note is included in the return in FORM GSTR-6 ; or</i>
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	(ii)	<i><u>added to the output tax liability of the recipient</u> where the amount so apportioned is in the negative by virtue of the amount of credit under distribution being less than the amount to be adjusted.</i>
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Self Invoice – Sec. 31(3)(f) – To the ISD for Distribution

Rule 39	Procedure for transfer of ITC (RCM) to ISD & further distribution:
(1A)	<p>For the distribution of credit in respect of input services, attributable to one or more distinct persons, subject to levy of tax under sub-section (3) or (4) of section 9, <u>a registered person, having the same PAN and State code as an Input Service Distributor</u>, may issue an invoice or, as the case may be, a credit or debit note as per the provisions of <u>sub-rule (1A) of rule 54 (*)</u> to transfer the credit of such common input services to the Input Service Distributor, and such credit shall be distributed by the said Input Service Distributor in the manner as provided in sub-rule (1).</p>
	<p><i>{Pictorial presentation – follows}</i></p>



Rule 54	Tax invoice for ISD – RCM invoice Distribution) - Notifn No. 03/2018- CT dt. 23.01.2018.		
(1A)	(a)	A registered person, having the same PAN and State code as an Input Service Distributor, may issue an invoice or, as the case may be, a credit or debit note to transfer the credit of common input services to the Input Service Distributor, which shall contain the following details:—	
		(i)	name, address and Goods and Services Tax Identification Number of the registered person having the same PAN and same State code as the Input Service Distributor;
		(ii)	a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
		(iii)	date of its issue;
		(iv)	Goods and Services Tax Identification Number of supplier of common service and original invoice number whose credit is sought to be transferred to the Input Service Distributor;
		(v)	name, address and Goods and Services Tax Identification Number of the Input Service Distributor;
		(vi)	taxable value, rate and amount of the credit to be transferred; and
		(vii)	signature or digital signature of the registered person or his authorised representative.
	(b)	The taxable value in the invoice issued under clause (a) shall be the same as the value of the common services.	

Rule 39

Procedure for distribution of input tax credit by Input Service Distributor

(2)

If the amount of input tax credit **distributed** by an Input Service Distributor is **reduced later on for any other reason** for any of the recipients, including that it was distributed to a wrong recipient by the Input Service Distributor, the process specified in **clause (n)** of sub-rule (1) shall apply, mutatis mutandis, for reduction of credit.

Rule 39 Procedure for distribution of input tax credit by Input Service Distributor

(3) Subject to sub-rule (2), the Input Service Distributor shall, on the basis of the Input Service Distributor credit note specified in **clause (1)** of sub-rule (1), issue an **Input Service Distributor invoice to the recipient** entitled to such credit and include the **Input Service Distributor credit note** and the Input Service Distributor invoice in the return in **FORM GSTR-6** for the month in which such credit note and invoice was issued.

Rule 39 Procedure for distribution of input tax credit by Input Service Distributor

Explanation. — For the purpose of this rule, -

(i) the term "**relevant period**" shall be—

(a) *if the recipients of credit have turnover in their States or Union territories in the financial year **preceding the year** during which credit is to be distributed, the said financial year; or*

(b) *if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the **last quarter** for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;*

Rule 39

Procedure for distribution of input tax credit by Input Service Distributor:

Explanation. — For the purpose of this rule, -

- (ii) **the expression "recipient of credit" means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;**
- (iii) **the term "turnover", in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under entries 84 and 92A of List I of the Seventh Schedule to the Constitution and entries 51 and 54 of List II of the said Schedule.**

Key Takeaways:

- ❖ The amendment makes distribution of credits on input service invoices received by any Office mandatory by way of ISD mechanism.
- ❖ From 01.04.2025, the option for cross charging for input services invoiced from third parties would no longer be available.
- ❖ The present amendment made is only to the Central GST with respect to distribution of CGST and IGST.
- ❖ The States should also make such amendments in their respective State GST Act for distribution of SGST credit to ensure uniform law.

- ❖ However, cross charging for internally generated services would continue.
- ❖ Accordingly, point 1 of Circular No. 199/11/2023-GST dated 17th July, 2023 which provided option of either cross charge or ISD mechanism ceases to have effect.
- ❖ Where invoices are received by any Unit on which RCM is applicable, it may discharge GST on RCM and raise a self-invoice and transfer to ISD, for distribution.
- ❖ GSTR-6 (the return to be filed by the ISD for distribution of credits) does not have a specific table for discharge of liability.

- ❖ The industry needs to conduct a thorough review of their business processes for adopting the Input Service Distributor mechanism;
- ❖ Obtain an ISD registration upon making the provisions effective.
- ❖ Further, cross charge would apply instead of ISD only in the case of services provided by one office to another being distinct persons and not for services received from third parties.
- ❖ Where RCM credit needs to be distributed, it is to be ensured that the ISD receives the invoice from the supplier with GSTIN of the ISD.
- ❖ Also, RCM liability shall be discharged in cash.

- ❖ All common ITC to be compiled at one place – ISD.
- ❖ Ensure all common invoices routed to ISD.
- ❖ Multiple ISD registrations in case of business requirement at National, Regional, Zonal levels.
- ❖ **Impact of non-compliance → Disallowance of ITC to the organisation.**
- ❖ **In-eligible ITC also to be distributed – Circular 170.**
- ❖ ISD does a post box function – Input Service comes to ISD → Goes to units.

- ❖ Revenue loss to the States, if not properly distributed. (ineligible ITC)
- ❖ **ISD also subject to Section 65 Audit.**
- ❖ ISD registration may be jurisdictionally opposite to normal registration also.

Thank You



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"Everyday may not be wonderful, but there is something wonderful in every day."