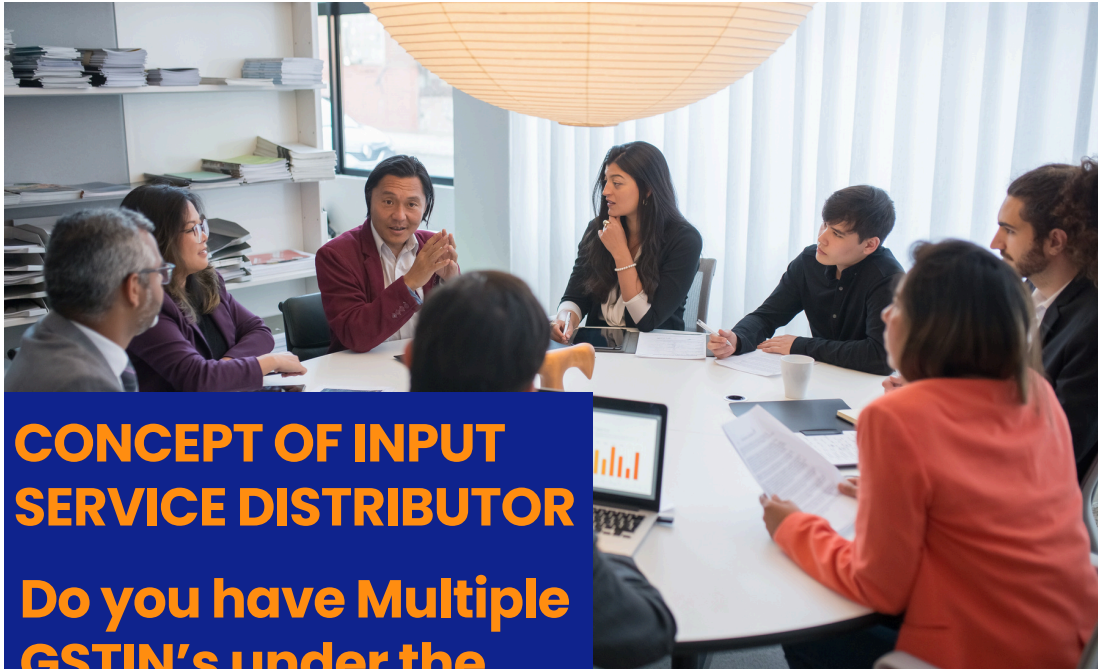


# INPUT SERVICE DISTRIBUTOR



## CONCEPT OF INPUT SERVICE DISTRIBUTOR

### Do you have Multiple GSTIN's under the same PAN?

If so, it is essential to understand the concept of an Input Service Distributor (ISD), where input tax credit on common services must be allocated among branches or units through ISD invoices in proportion to their respective turnovers.

#### For Example,

Abinaya Limited, has taken an professional service from a registered taxpayer under GST, amounting to Rs. 1,00,000 (CGST & SGST - Rs 9,000/- each). Abinanya Limited has GSTIN in Tamilnadu and Pondicherry.

Now, as per Notification No 16/2024-Central Tax dt 6th August, 2024 - it is mandatory for Abinaya limited to obtain registration as an Input Service Distributor from **1st April 2025**, and it has to distribute the credit to the states based on the turnover of each unit.

#### ● Who is an ISD?

An Input Service Distributor (ISD) is a taxpayer who is registered under GST only for the purpose of distributing Input tax credits to its branches/units under the same PAN. Extracts of the act is reproduced below,

***“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;***



### Things to be done,

**Registration:** The normal taxpayer has to obtain a separate registration under the category Input Service Distributor apart from their normal registration. This will help them to distribute the credits to each unit. Upon registration inform service vendors to raise bill on the ISD Registration.

**Invoicing:** The Input Service Distributor shall raise separate invoice to distribute the credit to each of its unit. Incase if the recipient is also registered under the same state as that of ISD then it has to raise invoice with taxes under CGST & SGST.

**Retuns:** The ISD must file GSTR 6 within 13th of every month. However, ISD's need not file the GST Annual Returns.

**Distribution:** The ISD shall distribute the credit in the same month as that of credit available. Even tax paid under RCM can also be distributed. ITC has to distributed to the respective units based on the turnover and incase if it exclusively used by a single unit then it can be distributed only it.



### Applicable from?

It has been mandated from 01.04.2025.



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**Penalties :** If ITC has been distributed incorrectly, then it has to be recovered along with interest. Further, A penalty of ₹10,000 or an amount equal to the irregularly distributed ITC (WEH) may apply for, failing to register as ISD despite mandatory requirements.

**Update the ERP / Accounting Software:** Make sure to update your ERP with ISD provisions for seamless allocation of ITC.

### ● Key Considerations

- ISDs cannot distribute ITC on capital goods.
- ISD provisions apply only to service invoices that are common to two or more branches (Eg. Audit Fee, Corporate Office Rent etc.)
- ISD provisions are applicable only to businesses with multiple GSTINs registered under the same PAN.

*Happy Reading!*

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