



Input Service Distributor (ISD)

Law & Rules

What is GST?

Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition.

In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.

Central Taxes

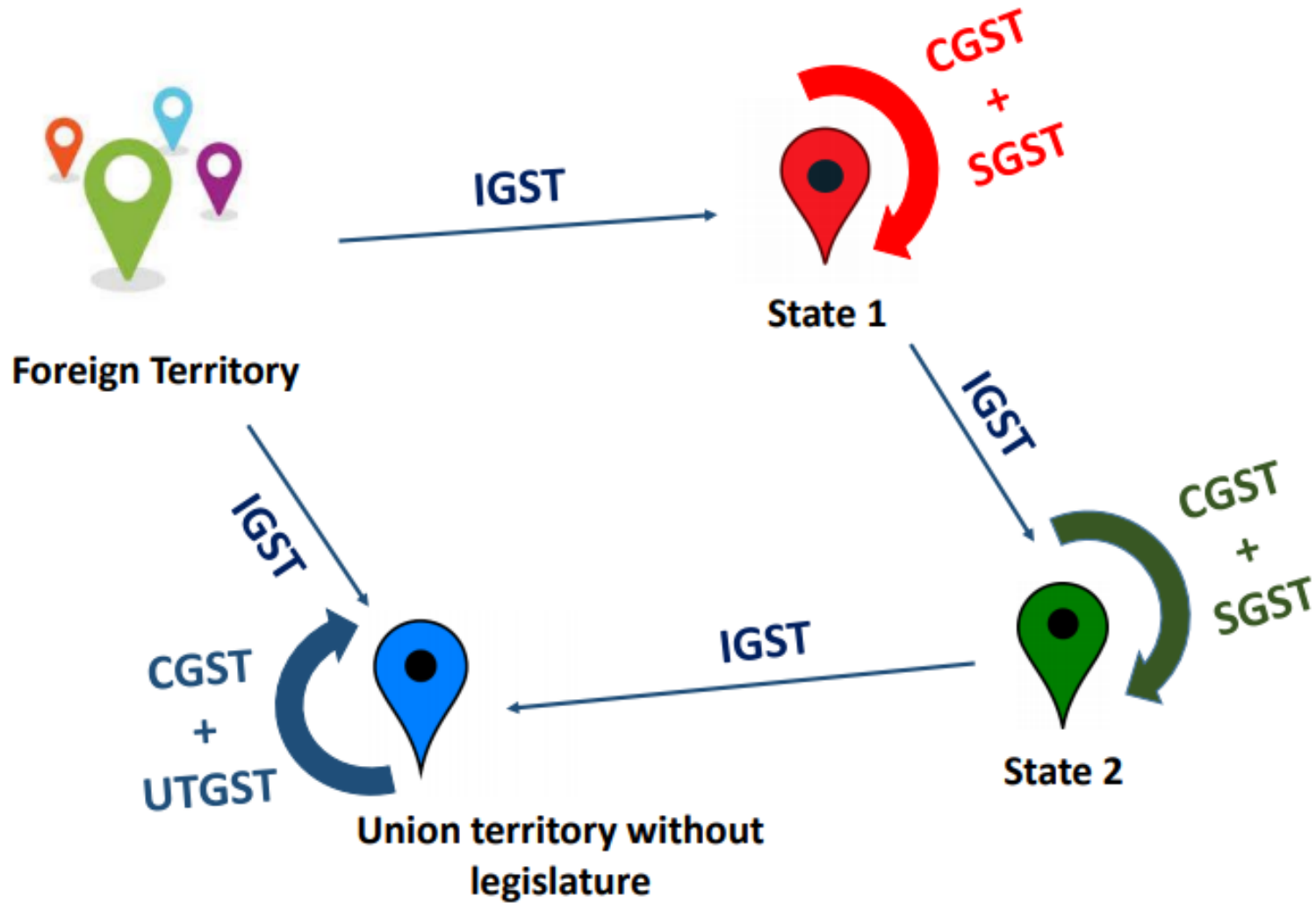
- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

GST

State Taxes

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

GST Types



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As per Section 2(61) of CGST Act, 2017 Input Service Distributor (ISD) means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD.

Registration under GST

An ISD is required to obtain a separate registration. The registration is mandatory and there is no threshold limit for registration for an ISD. Businesses who are already registered as an ISD under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST. This is because, the existing ISD registration will not be migrated to the GST regime. The other locations may be registered separately. Since the services relate to other locations the corresponding credit should be transferred to such locations (having separate registrations) as the output services are being provided there.

Rule 39: Manner of Distribution of Credit

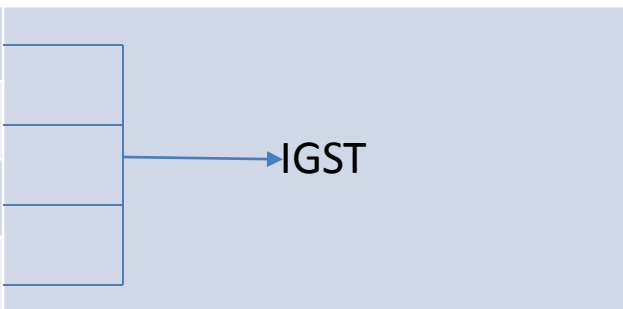
For the purposes of distributing the input tax credit, an ISD has to issue an ISD invoice, as prescribed in rule 54(1) of the CGST Rules, 2017, clearly indicating in such invoice that it is issued only for distribution of input tax credit. The input tax credit available for distribution in a month shall be distributed in the same month and details furnished in FORM GSTR-6. Further, an ISD shall separately distribute both the amount of ineligible and eligible input tax credit.

ISD and recipient of credit are located in the same state

Recipient Of Credit and ISD are in Same State	
Input Credit with ISD	Distribution to Recipient of credit
IGST	IGST
CGST	CGST
SGST	SGST
UTGST	UTGST

Recipient of credit and ISD are located in different states

When the ISD and the recipient of credit are located in different states/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient of credit in the following manner:

Input Tax credit With ISD	Distribution to Recipient of Credit
IGST	
CGST	
SGST	
UTGST	

Return Forms under GST



Return Type	Frequency	Due Date	Details to be Furnished
Form GSTR 6	Monthly	13th of succeeding month	Furnish the details of input credit distributed
Form GSTR 6A	Monthly	On 11th of succeeding month	Details of inward supplies made available to the ISD Recipient on the basis of form GSTR 1 furnished by supplier

The details in the returns will be made available to the respective recipients in their GSTR 2A. The recipients may include these in its GSTR-2 and take credit. An ISD shall not be required to file Annual return. An ISD cannot accept any invoices on which tax is to be discharged under reverse charge mechanism. This is because the ISD mechanism is only to facilitate distribution of credit of taxes paid.

Case Study-

M/s ABC Ltd, having its head Office at Mumbai, is registered as ISD. It has three units in different states namely 'Mumbai', 'Jabalpur' and 'Delhi' which are operational in the current year. M/s ABC Ltd furnishes the following information for the month of July, 2017 & asks for permission to distribute the below input tax credit to various units.

- (i) CGST paid on services used only for Mumbai Unit: Rs.300000/-
- (ii) IGST, CGST & SGST paid on services used for all units: Rs.1200000/-

Total Turnover of the units for the Financial Year 2015-16 are as follows: -

Unit	Turnover (Rs.)
Total Turnover of three units	Rs. 10,00,00,000
Turnover of Mumbai unit	Rs. 5,00,00,000 (50%)
Turnover of Jabalpur unit	Rs. 3,00,00,000 (30%)

Case Study - Contd....

Particulars	Credit distributed to all units			
	Total Credit Available	Mumbai	Jabalpur	Delhi
CGST paid for services used only for Mumbai unit	300000	300000	0	0
IGST, CGST & SGST paid on services used in all units-Distribution on pro-rata basis to all the units which are operational in the current year	1200000	600000	360000	240000
Total	1500000	900000	360000	240000

Case Study - Contd....



Note 1: Credit distributed pro rata basis on the basis of the turnover of all the units is as under:-

(a) Unit Mumbai: $(50000000/100000000)*1200000=$ Rs.600000

(b) Unit Jabalpur: $(30000000/100000000)*1200000=$ Rs.360000

(c) Unit Delhi: $(20000000/100000000)*1200000=$ Rs.240000

Relevant period for distribution of credit:

(a) If the recipient of credit has turnover in their State in preceding financial year of the year in which credit is distributed – Such financial year.

(b) If some or all recipients do not have any turnover in their State in preceding financial year of the year in which credit is distributed – 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.

THANK YOU

1. **Central Goods and Services Tax, 2017**
2. **Bare Law on GST by ICAI- IDT Department**
3. **Central Goods and Services Tax (CGST) Rules,2017**

Notified vide Notification No. 3 /2017-Central Tax (Dated 19th June 2017) and further as amended by

- Notification No. 7/2017-Central Tax (Dated 27th June 2017)
- Notification No. 10/2017-Central Tax (Dated 28th June 2017)
- Notification No. 15/2017-Central Tax (Dated 1st July 2017)
- Notification No. 17/2017- Central Tax (Dated 27th July 2017)
- Notification No. 22/2017-Central Tax (Dated 17th August 2017)
- Notification No. 27/2017-Central Tax (Dated 30th August 2017)
- Notification No. 34/2017-Central Tax (Dated 15th September 2017)
- Notification No. 36/2017-Central Tax (Dated 29th September 2017)
- Notification No. 45/2017-Central Tax (Dated 13th October 2017)
- Notification No. 47/2017-Central Tax (Dated 18th October, 2017)
- Notification No. 51/2017-Central Tax (Dated 28th October, 2017)
- **Notification No. 55/2017-Central Tax (Dated 15th November, 2017)**

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