

Handbook on Input Service Distributor under GST (September, 2025)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

**Handbook
on
Input Service Distributor
under GST**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Handbook on Input Service Distributor under GST

© The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise without prior permission, in writing, from the publisher.

DISCLAIMER:

The views expressed in this book are of the author(s). The Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the author(s).

The information cited in this book has been drawn primarily from the www.cbic.gov.in and other sources. While every effort has been made to keep the information cited in this book error free, the Institute or any office of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this book.

First Edition	:	August, 2020
Second Edition	:	September, 2025
Committee/Department	:	GST & Indirect Taxes Committee
E-mail	:	gst@icai.in
Website	:	http://www.icai.org ; https://idtc.icai.org/
Price	:	₹ 140/-
ISBN	:	
Published by	:	The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.
Printed by	:	

Foreword

The introduction of the Goods and Services Tax (GST) marked a watershed moment in India's tax reforms, reshaping the indirect tax architecture into a unified, transparent, and efficient framework. As one of the most significant economic reforms since independence, GST has improved compliance, enhanced transparency and fostered a business environment aligned with global best practices. By consolidating multiple levies into a single system, GST has not only simplified taxation but also reinforced India's vision of ease of doing business and sustainable growth.

The Institute of Chartered Accountants of India (ICAI), through its GST & Indirect Taxes Committee, has consistently partnered in this journey by providing valuable inputs for GST policy and implementation, and has also served as a hub for GST knowledge sharing. The Committee undertakes extensive capacity building of GST officers at the Centre and States, enhances the professional competencies of members through specialised certificate courses, conferences, seminars, workshops and digital learning initiatives and reaches out to all stakeholders with publications, newsletters, webinars, and outreach programmes. In doing so, it plays a pivotal role in strengthening the GST ecosystem of the country. Through these sustained efforts, ICAI continues to play a vital role in shaping a robust tax ecosystem that supports India's economic aspirations and policy objectives.

I take this opportunity to commend the GST & Indirect Taxes Committee for preparing the revised edition of the ***Handbook on Input Service Distributor under GST***. The publication provides a comprehensive and practical explanation of the provisions relating to Input Service Distributor (ISD), enriched with illustrations, clarifications, and recent amendments. It is designed to serve as a ready reference for members of the profession, industry participants, and other stakeholders navigating the complexities of GST.

I would like to sincerely appreciate the efforts of CA. Rajendra Kumar P, Chairman and CA. Umesh Sharma, Vice-Chairman of the Committee, along with the subject experts, for their dedicated efforts in developing this valuable knowledge resource.

I am confident that readers will find this publication immensely useful in enhancing their professional competence and in discharging their statutory responsibilities more effectively.

CA. Charanjot Singh Nanda
President, ICAI

Date: 30.09.2025

Place: New Delhi

Preface

Within the broader framework of GST, the Input Service Distributor (ISD) mechanism plays a pivotal role in ensuring seamless and equitable distribution of input tax credit among distinct registrations of an entity. Originating from the erstwhile service tax regime, the concept has been further institutionalized under GST to enable centralized allocation of credits, thereby facilitating tax efficiency, reducing disputes, and supporting compliance for businesses with multi-State operations.

The GST and Indirect Taxes Committee of ICAI has been at the forefront of facilitating knowledge dissemination, capacity building, and research in the field of indirect taxation. This *Handbook on Input Service Distributor under GST* has been prepared with the objective of offering readers a clear, structured, and practical understanding of the subject. It endeavours to simplify the provisions, explain the statutory framework, and highlight the procedural aspects surrounding ISD registration, distribution of credit, and related compliance requirements. The handbook also incorporates illustrations, frequently asked questions, and practical insights to bridge the gap between legislation and practice. The law stated in this edition is updated up to 26th September, 2025.

We sincerely thank CA. Charanjot Singh Nanda, President, ICAI, and CA. Prasanna Kumar D, Vice-President, ICAI, for their encouragement and support to the various initiatives of the GST & Indirect Taxes Committee. We express our profound gratitude to CA. Dilip Phadke, CA. Sunil Dandekar, and CA. R. Krishna Kumar for diligently revising and reviewing the publication. We also acknowledge the painstaking efforts of CA. Ayushi Aggarwal from the Secretariat of the Committee, whose dedicated technical and administrative support has been instrumental in successfully releasing this publication.

While every effort has been made to ensure the accuracy and reliability of the contents of this publication, differing interpretations may exist. Readers are encouraged to share their suggestions or highlight any inadvertent errors, which will help us further improve subsequent editions.

We would be pleased to receive feedback at gst@icai.in and invite readers to visit our website <https://idtc.icai.org> for updates and resources on indirect taxes.

CA. Umesh Sharma

Vice-Chairman

GST & Indirect Taxes Committee

CA. Rajendra Kumar P

Chairman

GST & Indirect Taxes Committee

Date: 30.09.2025

Place: New Delhi

Contents

Chapter 1: Introduction	1
Chapter 2 : Manner of Credit Distribution by Input Service Distributor	7
Chapter 3 : Registration of Input Service Distributor	24
Chapter 4 : ISD Documents and Return	29
Chapter 5 : Cross Charge	42
Chapter 6 : Frequently Asked Questions (FAQs).....	46
Chapter 7 : Appendix	57

Chapter 1

Introduction

Introduction

In the course of business operations, it is quite common for services to be procured centrally at one location of an organization, while the benefits of those services are enjoyed across multiple branches or units. This creates practical challenges to allocate cost—and more importantly, the tax credit—relating to such services to the actual consuming units. To address this, a structured mechanism was introduced in the form of the Input Service Distributor (ISD). The ISD serves as a designated office within an organization, responsible for receiving invoices for input services and proportionately distributing the associated credit. This framework ensures that the benefit of such services is equitably passed on, promoting accuracy in credit allocation and efficiency in internal accounting.

The purpose of introduction of ISD is to distribute Input Tax Credit (ITC) on the services among units of the same entity having same PAN which supplies goods or services or both. ISD is an office of an entity which requires authorization to distribute the ITC on services by way of registration with the authorities. The registration of office of an entity as ISD is different from the branch office registration. Branch office registration facilitates supplies of goods or services or both among the branches and principal place of businesses. The branches in other States of the same PAN entity are required to be registered in the respective States and they are all distinct persons in the eyes of GST Law.

But ISD is the distinct office, and it cannot make any supply and raise invoices for the supply, and it is not a place of business. It exists merely to distribute ITC related to input services which are received on behalf of the units of the same entity which supplies goods, services or both. ISD shall distribute ITC related to the input service in the same month in which ITC on services is received and shall report the same by filing the return.

ISD under Service Tax

ISD concept was not present initially in service tax. In 2004-05, the concept of ISD was formally introduced through rule 2(m) of the CENVAT Credit

Rules, 2004, to allow businesses to distribute service tax paid on the services to multiple units from a centralized office. ISD was allowed to distribute credit of service tax paid on input services to manufacturing units or service provider units, proportionately based on the turnover of recipient units. Specific conditions for credit distribution were prescribed under rule 7 of the CENVAT Credit Rules, 2004. During the initial operation of CENVAT Credit Rules, there were no specific guidelines for distribution of ITC of input services. In the absence of specific guidelines for distribution of the ITC, the ISD can distribute the credit of input services to the non-related unit having no nexus to that service or to any of units of its choice, or among various units without applying any ratio or proportion. In 2014, the distribution of credit was restricted only to those units where the input service was used. The free choice of distribution of ITC services by ISD was curbed by an amendment to CENVAT Credit Rules. [CBEC vide Noti. No. 13/2016- Central Excise (NT), dated 1-3-2016 CENVAT Credit Rules, 2004], w.e.f. 01.04.2016. From 2016, ISD could distribute Swachh Bharat Cess (SBC) and Krishi Kalyan Cess (KKC) separately. In 2017(Pre-GST), discussions began on migrating ISD concept to GST, leading to its continued existence in the GST regime with modifications.

ISD under GST

The concept of ISD prevailing under service tax regime, was adopted under GST. GST, being a **destination-based consumption tax**, the revenue accrues and flows to the consumption State and hence ITC should travel along with tax revenue to consumption State. State which is consuming services should get tax revenue along with ITC and not the State of HO receiving the tax invoices of vendors. ISD facilitates the transfer of common ITC from HO receiving the tax invoices for services to the entity consuming said services.

An ISD is an office or entity that receives tax invoices for input services and issues a prescribed document for distributing ITC to its branches or units with the same PAN, ensuring efficient credit allocation within an organization.

Distinct Person

India is fast growing developing economy and businesses are growing very fast. It becomes necessary for businesses to have multiple places of business for expansion and meeting various needs. This gives rise to

establishments at different places like factories, depots, warehouses, retail outlets, branches, divisions, service outlets, SEZ Unit etc.

Fast growing internet and artificial intelligence make it easy to control the business from one place. Multi-locational entities have HO/ centralized office which performs various function for whole entity including above referred distinct persons (Branch offices). The services used by central office can be divided in two kinds-

- (a) **Internally generated support services** – These are services which are procured by head office and are used for generating internal services which, in turn provide support to the branches. Examples of such expenses are salary, electricity, rent etc. The head office internally generates various services such as accounting, IT system management, CEO / CFO services, compliance, human resource etc. which also act as support services for the distinct persons. In such cases, tax credit on input services cannot be transferred by ISD to the distinct person as it is subsumed by central office.
- (b) **Common services procured from third parties** – These are services that are procured from third party vendors giving benefit to the branches, though billing is made to the central office. Examples of such services are audit fees, tax consultancy, legal services, telecommunication, advertisement, banking services, royalty, marketing, sales promotion etc. The tax credit in such cases is required to be distributed, depending on which branch(es) are benefited by them. The benefit may have been received by one branch, two or more branches or all branches.

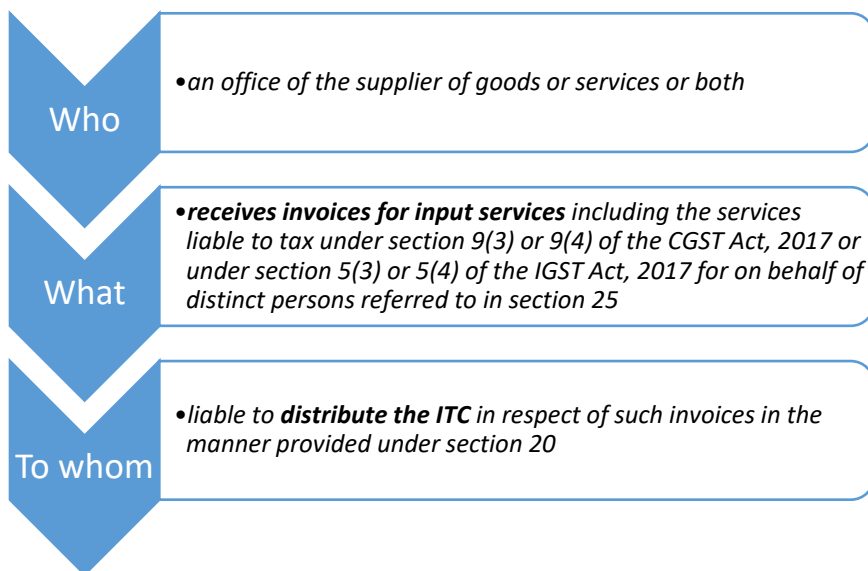
Concept of ISD cannot exist without existence of distinct person. Distinct person means two persons are different and any transaction of supply between them is taxable under GST. As per GST Act, these entities established at different places are called distinct persons even if owned by same person and required to be separately registered.

The development of the ISD concept from Excise to GST reflects India's journey toward a modern, efficient, and equitable indirect tax system. From the narrow scope of Excise Duty to the fragmented Excise-VAT-Service Tax regime, and finally to the comprehensive GST framework, the evolution underscores a shift from production-based to consumption-based taxation. The ISD mechanism, adapted and enhanced under GST, exemplifies this

transformation, enabling businesses to optimize tax credits across their operations.

Definition of ISD under GST

Section 2(61) of the CGST Act, 2017 defines “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 of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017, 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;



ISD is neither a supplier nor recipient of goods/services. ISD is solely registered for availing and distributing common ITC amongst distinct persons and such distinct persons can utilize said ITC to discharge its output liability.

Example - PQR Ltd. has its head office located in Delhi and its branches for selling goods and services located in Bangalore, Mumbai and Chennai. The company procured a customized software from XYZ Ltd. and the invoice in respect of same has been issued in the name of Head Office. However, the software is used at all the locations. Since the software is used at all the locations, the whole ITC relating to the same cannot be availed at the Head

Office in Delhi. PQR Ltd. Is required to take registration as an ISD to distribute the credit of input services to the respective units.

The relevant extract of section 25 of the CGST Act, 2017 which provides meaning of distinct person is as follows-

“(4) A person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or, more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.

(5), Where a person who has obtained or is required to obtain registration in a State or Union Territory in respect of an establishment, has an establishment in another State or Union Territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.”

Since the implementation of the Goods and Services Tax (GST) on July 1, 2017, the provisions related to the ISD have undergone significant changes to streamline the distribution of ITC among distinct entities under the same PAN.

There is an ambiguity regarding whether ITC relating to services taxable under reverse charge be distributed by ISD or not. In order to remove this ambiguity, the definition of ISD has been substituted by the Finance Act, 2024 to explicitly provide for the distribution of reverse charge invoices. However, it has only included the services taxable under sections 9(3) or 9(4) of the CGST Act, 2017 i.e. intra-State supplies on which tax is payable under reverse charge mechanism. This has been notified from 06.08.2024.

Further, the Finance Act, 2025 w.e.f 01.04.2025, amended section 2(61) to explicitly provide the distribution of ITC in respect of inter-State supplies on which tax is payable under reverse charge mechanism. The amendment is notified through *Notification No. 16/2025 – CT dated 17.09.2025*.

An ISD may receive tax invoices for input services, including those liable to tax under reverse charge provisions of sections 9(3) or 9(4) of the CGST Act and sections 5(3) or 5(4) of the IGST Act. However, since an ISD registration is intended solely for the distribution of ITC and not for undertaking outward supplies, it does not have a mechanism to discharge tax liability under its GSTIN. Consequently, invoices pertaining to reverse charge services must be issued to the regular GST registration of the entity, which will make the

tax payment. Thereafter, the ISD can distribute the eligible ITC of such services to the respective units.

ISD mechanism cannot be used for transfer of credit to be holding company, subsidiary company, group entities or related parties.

Illustration 1: XYZ Ltd. has its place of business at Trichy, Tamil Nadu and is registered under GST. It has branches in Mysore, Pune and Mangalore. It has availed recruitment services in Tamil Nadu and the persons recruited are posted at all its branches. Whether the credit can be distributed without ISD registration?

Answer: Separate ISD registration is required at Trichy, Tamil Nadu for distribution of ITC on services to various branches. ISD is a registration of an entity for distribution of services and is different from registration of the place of business from where the supply is being made.

Illustration 2: MNO Ltd has a place of business at Ernakulum and has branch offices at Coimbatore and Guntur. Whether branch offices can act as ISD?

Answer: From the reading of the definition of ISD under section 2(61) it is clear that ISD is an office of supplier of goods or services which receives tax invoices of input services and shall distribute the ITC of input services. An ISD cannot make a supply. In order to register as an ISD, separate registration is required. Branch needs to obtain separate registration in order to act as an ISD.

Manner of Credit Distribution by Input Service Distributor

Section 20 of the CGST Act, 2017, read with rule 39 of the CGST Rules, 2017 lays down the framework for the distribution of ITC by an ISD. This provision ensures that the ITC pertaining to input services received at one centralized location—typically the head office or corporate office of an organization—can be appropriately allocated to the respective units or branches that actually consume those services. Section 20 provides the legal basis for the ISD mechanism and specifies the conditions and restrictions under which credit can be distributed. It facilitates seamless flow of credit across units of a business. Rule 39 further elaborates on the methodology and computation to be followed by the ISD while distributing such credit in compliance with the law.

Till 2023, businesses had flexibility to distribute common ITC either through the ISD mechanism or via cross-charging. This allowed entities to choose the method that best suited their operational needs. Recognizing the interpretational and practical ambiguities surrounding these options, the GST Council in its 50th meeting recommended to clarify through a circular that ISD mechanism is not mandatory for distribution of ITC of common input services procured from third parties to the distinct persons as per the present provisions of GST law, and also to clarify issues regarding taxability of internally generated services provided by one distinct person to another distinct person. The Council has also recommended that amendment may be made in GST law to make ISD mechanism mandatory prospectively for distribution of ITC of such common input services procured from third parties. *Circular No 199/11/2023-GST dated 17.07.2023* has been issued which clarified that as per the provisions prevailing at that time, the ISD mechanism is not mandatory for distribution of ITC of common input services received from third parties. Detailed discussion of the Circular has been made in the Chapter-6.

In order to bring uniformity and eliminate the inconsistent application of credit distribution methods, section 20 of the CGST Act has been substituted by the Finance Act, 2024, with effect from 1st April 2025. The key change brought

about by this amendment is the shift in language from **“may distribute the credit” to “shall distribute the credit,” thereby making it compulsory for businesses** to obtain ISD registration and use the ISD mechanism for the distribution of ITC of common input services received at the central office but consumed by other locations.

This amendment marks a significant shift in policy by removing the earlier flexibility and bringing consistency in credit distribution through a single mandated route—ISD. Going forward, all organizations receiving common input services at a centralized location for use across multiple units will be required to:

- Obtain an ISD registration;
- Comply with the conditions and procedures laid down in section 20 and rule 39;
- Ensure timely and proportionate distribution of ITC based on consumption.

This change has streamlined flow of credit and will reduce disputes relating to cross-charge vs ISD and promote transparency in transactions within large organizations.

Reverse Charge under ISD

An ISD cannot pay tax under the reverse charge mechanism. An ISD registration does not have the facility to discharge tax liability, and there is no provision in Form GSTR-6 to pay tax like a regular taxpayer as in Form GSTR-3B. Invoices for services subject to RCM must be obtained by another distinct person with the same PAN in the same State as the ISD. Alternatively, ISD must register as a distinct person being regular taxpayer to pay RCM tax in the same State as that of ISD. The credit from such transactions is then transferred to the ISD via an invoice issued by the entity registered as a regular taxpayer. Consequently, self-invoicing under section 31(1)(f) does not apply to ISDs.

Distribution of ITC in the same month

ISD shall distribute the ITC in the same month and the details shall be furnished in Form GSTR-6. The amount of ITC distributed shall not exceed the amount of ITC available for distribution.

Distribution of ITC on services

- The ITC of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient.

Example: ABC Ltd., registered under GST is having its Head Office at Mumbai and various branches at Bihar, Chennai, & Kolkata. It is also having registration as ISD in Mumbai. It appoints marketing consultant for Bihar branch for an amount of Rs. 5,00,000 + 18% GST. Mumbai ISD shall transfer ITC in respect of same service to Bihar branch only as it is attributable to it.

- 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/ 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.

Example: In case, in the above example, if the marketing consultant is appointed for Chennai and Kolkata branch. Mumbai ISD shall transfer ITC in respect of same service to Chennai & Kolkata branch only as it is attributable to them.

- 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/ 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.

Example: In case, in the above example, if the marketing consultant is appointed for Head Office and its all branches. Mumbai ISD shall transfer ITC in respect of same service to Head Office and all the branches.

Distribution in any other method is not permitted because the wording used in rule is, “shall be distributed amongst such recipients to whom the input service is attributable.”

Separate Distribution of Eligible and Ineligible credit

ISD shall distribute eligible and ineligible credit (ineligible as per the provisions of section 17(5) of the CGST Act) separately. The distribution is to be made as per the provisions contained in rule 39.

The eligibility or otherwise of the ITC, specifically input services related credit shall be determined as laid in the provisions of section 16 of the CGST Act, 2017 read along with the relevant rules.

Separate invoices for distributing eligible and ineligible ITC are advisable as while entering the invoices details in Table 5 and 8, separate entry of eligible and ineligible ITC details with same invoice number will not be possible on portal.

Note – Reversal of ITC under rule 42/43 is required to be carried out at the level of each individual branch/ unit registration, and not at the ISD level. This is because the provisions of rule 42/43 are to be applied separately for every registration.

Point to be noted:

The applicability of section 16(4) in the context of ISD can be viewed in two scenarios:

- (i) ISD issuing invoices: The limitation under section 16(4) relates to “invoices and debit notes.” An ISD invoice, however, is covered under section 31 read with rule 54. Rule 36(1)(e) also separately recognizes “ISD invoices.” Since the time limit under section 16(4) has already been tested at the stage of the vendor invoice, the credit accrues once conditions are fulfilled. The role of ISD is only to distribute this accrued credit. Therefore, re-imposing the 30th November restriction on ISD invoices would not be appropriate.
- (ii) ISD receiving invoices: The invoices received by ISD from vendors are regular tax invoices as per section 31 read with rule 46. Hence, the time limit prescribed under section 16(4) would apply to such invoices.

Method of Calculation of ITC to be distributed

ITC is required to be distributed in accordance with the provisions of clause (d) and (e) of rule 39 to one of the recipients “R1”, whether registered or not, from amongst the total of all the recipients to whom ITC is attributable,

Manner of Credit Distribution by Input Service Distributor

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 –

$$C_1 = (t_1 / T) \times C$$

where,

“C” is the amount of credit to be distributed,

“t₁” is the turnover, as referred to in clause (d) and (e), of person R1 during the relevant period, and

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

Explanation. — For the purpose of rule 39, -

- (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;
- (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 ISD;
- (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.

The explanation to rule 39 provides mechanism to determine the "relevant period" for calculating the proportionate distribution of ITC by the ISD. The

term "relevant period" is crucial in deciding the turnover basis for each recipient unit (distinct person) to whom the ITC is to be distributed. If all the recipient units were in existence during the previous financial year and had recorded turnover in their respective States or Union Territories during that year, the turnover of that financial year shall be used to calculate the ratio for ITC distribution. If some or any recipient unit do not have turnover in their States/ Union Territories in a financial year preceding the year during which credit is to be distributed, the turnover of the last quarter for which details of all the recipients are available shall be considered for proportionate distribution of ITC.

Example: ABC Ltd., having head office at Mumbai and branches at Bangalore, Chennai, & Kolkata is also registered as ISD in Mumbai. The turnover of previous year of various branches are –

- (a) Mumbai – Rs. 40 crore
- (b) Bangalore – Rs. 30 crore
- (c) Chennai – Rs. 20 crore
- (d) Kolkata – Rs. 10 crore

It started a new branch at Delhi in April, 2025. The turnover of Quarter ended June 2025 was-

- (a) Mumbai – Rs. 5 crore
- (b) Bangalore – Rs. 4 crore
- (c) Chennai – Rs. 3 crore
- (d) Kolkata – Rs. 1.5 crore
- (e) Delhi – Rs. 1.5 crore

Distribute ITC for the month of June 2025 Rs. 2,00,000/- & July 2025 Rs. 2,10,000/-.

Manner of Credit Distribution by Input Service Distributor

Solution

State of Branch or H.O.	Ratio of Turnover (FY 2024-25)	Distribution of ITC for June 25 (Amount in Rs.)	Ratio of Turnover of 1 st Quarter	Distribution of ITC for July 25 (Amount in Rs.)
Mumbai	40%	80,000	33.33%	70,000
Bangalore	30%	60,000	26.67%	56,000
Chennai	20%	40,000	20%	42,000
Kolkata	10%	20,000	10%	21,000
Delhi	Nil	Nil	10%	21,000
Total		2,00,000		2,10,000

It is seen from the above example that even if Delhi was in existence in the month of June 2025 and having turnover in that month, it did not get any share out of total ITC of Rs. 2,00,000/- because it was not in existence in previous year.

The “turnover” for the purpose of distributing ITC by ISD, when a registered person supplies both taxable and / or non-taxable goods/services under the GST Act, like liquor for human consumption and petroleum products. The duties and taxes levied are to be deducted.

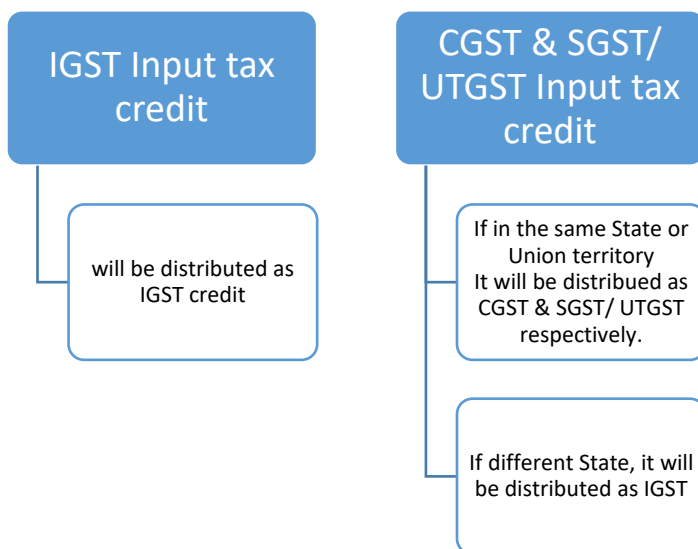
Turnover for Distribution of Credit is calculated as follows:

Particulars	Amount (In Rs.)	Amount (In Rs.)
Total aggregate turnover (taxable + non-taxable) excluding GST		XXX
Less: Amount of any duties or taxes levied under specific entries of the Constitution		
Entry 84 of List I (Union List): Taxes on goods like excise duties.	XXX	
Entry 92A of List I (Union List): Central sales tax on inter-state sales.	XXX	

Entry 51 of List II (State List): Excise duty on alcoholic liquor for human consumption	XXX	
Entry 54 of List II (State List): State VAT on liquor	XXX	
Entry 54 of List II (State List): State VAT on petroleum products	XXX	XXX
Turnover to be considered for distribution by ISD		XXX

Mode of distribution of CGST/SGST/UTGST/IGST

The mode of distribution of CGST/SGST/ UTGST/ IGST is explained in the following flowchart:



Distribution of IGST Credit

From above, it is clear that if IGST is to be distributed, then it will be distributed as IGST only.

Distribution of CGST/ SGST/ UTGST

If CGST/ SGST/ UTGST has to be distributed to a recipient in the same State in which the ISD is located, then it will be distributed as CGST/ SGST/ UTGST respectively. If it is to be distributed to a recipient in other State/ Union Territory, then the credit is to be distributed as IGST.

Manner of Credit Distribution by Input Service Distributor

Example: PQR Ltd., registered under GST is having head office at Mumbai and its branches at Bangalore, Chennai & Kolkata. It is also registered as ISD in Mumbai. The turnover of previous year of various branches and Head Office are as follows-

- (a) Mumbai – Rs. 40 crores
- (b) Bangalore – Rs. 30 crores
- (c) Chennai – Rs. 20 crores
- (d) Kolkata – Rs. 10 crores

Invoice for Maintenance bill of Rs. 6 Lakh + 18% IGST is received by ISD. Calculate the amount of ITC to be distributed by ISD.

Answer: Mumbai ISD shall distribute ITC of Rs. 1,08,000/- (Rs. 6 lakhs *18%) as follows:

Amount to be distributed to each branch =

$$\frac{\text{Total ITC} \times \text{Turnover of the recipient during relevant period}}{\text{Aggregate Turnover}}$$

State of Branch or H.O.	Calculation	Amount to be distributed	To be distributed as
Mumbai	$\frac{1,08,000 \times 40 \text{ Cr.}}{100 \text{ Cr.}}$	Rs. 43,200/-	IGST
Bangalore	$\frac{1,08,000 \times 30 \text{ Cr.}}{100 \text{ Cr.}}$	Rs. 32,400/-	IGST
Chennai	$\frac{1,08,000 \times 20 \text{ Cr.}}{100 \text{ Cr.}}$	Rs. 21,600/-	IGST
Kolkata	$\frac{1,08,000 \times 10 \text{ Cr.}}{100 \text{ Cr.}}$	Rs. 10,800/-	IGST

Example: ABC Ltd., registered under GST is having Head Office at Mumbai and branches at Bangalore, Chennai, & Kolkata. It is also registered as ISD in Mumbai. The turnover of previous year of Head office and branches are as follows-

- (a) Mumbai – Rs. 40 crores
- (b) Bangalore – Rs. 30 crores
- (c) Chennai – Rs. 20 crores
- (d) Kolkata – Rs. 10 crores

ABC Ltd. Has received certain services on which there is total ITC amounting to Rs. 25,00,000/-. Out of this Rs. 25,00,000/-, the ineligible ITC as per the provisions of section 17(5) is Rs. 5,00,000/-. Calculate the amount of ITC to be distributed to be distributed by ISD.

Answer: Mumbai ISD will distribute the ITC as follows –

(Amount in lakhs)

State of Branch/H.O.	Eligible ITC (Amount in ₹)	Ineligible ITC (Amount in ₹)
Mumbai	8	2
Bangalore	6	5.50
Chennai	4	1
Kolkata	2	0.50
Total	20	5

Note: It is preferable to prepare separate invoices for distribution of eligible and ineligible ITC instead showing it in same invoice. This is necessary because while entering the details of invoices in table 5 and 8 of Form GSTR 6 the eligible and in-eligible invoices are to be reported separately. The portal will not allow same invoice number to be reported twice.

Distribution of ITC in case of Debit Note issued to ISD

When the original supplier issues a debit note to ISD because of increase in the value of the services originally invoiced, the ITC to be distributed increases. Such additional amount is to be distributed by ISD in the same manner as provided for the distribution of ITC in the earlier paragraphs. Such credit shall be distributed in the same month in which the debit note is included in the return in FORM GSTR-6.

Distribution of ITC in case of Credit Note issued to ISD

When a credit note is issued by a supplier to the ISD it may lead to a reduction in the ITC that was originally distributed to the recipients. The reduced ITC is apportioned among the recipients in the same ratio in which the ITC contained in original invoice was distributed. This ensures that each branch's ITC is reduced proportionately. Such apportioned credit is to be reduced from the credit to be distributed in the month in which credit note is included in GSTR-6. If the apportioned credit exceeds the credit to be distributed, the same shall be added to the output tax liability of the recipient.

This process is also followed in case of reduction of credit, already distributed for any reason including that it was distributed to wrong recipient.

Example: XYZ Ltd., registered as ISD distributed ITC amounting to Rs. 1,00,000/- pertaining to an invoice to its four branches based on their turnover. Later, it finds that only ITC of Rs. 80,000/- is to be distributed. Thus, XYZ Ltd. will reduce the credit already distributed as follows -

Branch	Turnover	Proportion of Turnover	Original ITC Distributed	ITC Reduction Due to Credit Note	New Total ITC After Credit Note Adjustment
Mumbai	40 crores	40%	40,000	8,000	32,000
Bangalore	30 crores	30%	30,000	6,000	24,000
Chennai	20 crores	20%	20,000	4,000	16,000
Kolkata	10 crores	10%	10,000	2,000	8,000
Total	100crores	100%	1,00,000	20,000	80,000

Original ITC of Rs. 1,00,000/- was distributed in the ratio of turnover i.e. 4:3:2:1. The credit distributed is to be reduced by Rs. 20,000/- on receipt of credit note from the supplier. The amount of reduction of 20,000/- by ISD is done by issuing credit note to branches in the same ratio in which original amount was distributed to avoid excess ITC distribution.

Note: In cases where a registered unit is closed at the time of receipt of a credit note, the distribution or reversal of credit becomes problematic. The law does not clarify whether who will borne such reversal.

Tax Invoice/ Credit Note issued by ISD

ISD shall issue an ISD invoice/ credit note, as provided in sub-rule (1) of rule 54, clearly indicating in such invoice/ credit note that it is issued only for distribution of ITC. ISD invoice is prepared by ISD to distribute ITC to its branches. The invoice/ credit note shall contain the details prescribed in rule 54(1) of the CGST Rules, 2017.

Details Required in the ISD Invoice/ Credit Note (Rule 54(1))

ISD invoice/ credit note shall contain the following details-

- (a) Name, Address, and GSTIN of the ISD.
- (b) Consecutive serial number of the Invoice: unique and not exceeding 16 characters.
- (c) Date of Issuance
- (d) Name, address and GSTIN of the recipient to whom credit is to be distributed
- (e) Amount of ITC Distributed
- (f) Signature or Digital Signature of ISD or its authorized representative

Banking, financial and non-Banking companies can issue any document in lieu thereof, by whatever name called, whether or not serially numbered but containing the above details.

Manner of Credit Distribution by Input Service Distributor

Illustrative format of invoice is as follows-

INVOICE

[Issued only for distribution of Input Tax Credit]

LOGO

<ISD Unit Name>
<Street Address>
<City, State, Post Code>
<E-mail Address >
<ISD GSTIN>

ISD Invoice Number

Date

BILL TO

<Distinct Unit Name>
<Street Address>
<City, State, Post Code>
<Distinct Unit GSTIN>
<State Code & Name>

OTHER DETAILS

<Contact Person>
<E-mail Address >
<Tel/ Mobile No.>

Details of *Eligible/ Ineligible Input Tax Credit Distributed

S. No.	Description	IGST	CGST	STGST/ UTGST	Cess	Total
	Total					

Remarks/ Instructions

1. If the invoice pertains to eligible ITC, the unit should reverse appropriate ITC if the provisions of section 17 or rule 42 are applicable to it.
- 2 If the invoice pertains to ineligible ITC, the same should be claimed and reversed in Unit's GST return.

Total amount of credit to be distributed (in words)

For <Name of ISD Unit>

E & O.E.

*Delete not applicable

< Name of signatory>

<Designation>

Illustrative format of credit note is as follows -

Note: There is no specified format for debit notes to be raised by ISD in the CGST Rules. As the ISD debit note results in addition of credit, one may adopt the same format of an ISD invoice for raising an ISD debit note with a change only in the name of the document.

For the distribution of credit in respect of input services liable to tax under section 9(3) or 9(4) of the CGST Act, attributable to one or more distinct persons, a registered person having same PAN and State Code as an ISD, may issue an invoice, or as the case may be, a credit note or debit note as per the provisions of rule 54(1A) to transfer the credit of such services to the ISD and such credit shall be distributed by ISD to the recipients to whom it is attributable. The taxable value in the invoice issued shall be the same as the value of the common services.

Notification No. 13/2025-Central Tax dated 17.09.2025 has amended sub-rule (1A) of rule 39 with effect from 01.04.2025, to give reference to section 5(3) and section 5(4) of the IGST Act, which provides for payment of integrated tax on inter-state supply of goods or services or both under reverse charge mechanism.

Details Required in Registered Person' Invoice having same PAN of ISD (Rule 54(1A))

A registered person, having the same PAN and State Code as an ISD, 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 ISD, which shall contain the following details:-

- (a) name, address and GSTIN of the registered person having same PAN and same State Code as an ISD
- (b) Consecutive serial number of the Invoice: unique and not exceeding 16 characters.
- (c) date of issuance
- (d) GSTIN of the supplier of common service and original invoice number whose credit is sought to be transferred to the ISD
- (e) name, address and GSTIN of ISD
- (f) taxable value, rate and amount of credit to be distributed
- (g) Signature or Digital Signature of ISD or its authorized representative

Such an invoice typically arises in cases where a reverse charge liability is payable, and the liability pertains to the services that are common to multiple units of an organization. An ISD does not have facility to discharge tax liability. Hence, the registered unit having regular registration shall pay the tax under reverse charge and shall raise an invoice on the ISD for the common ITC. The ISD in turn can avail the ITC based on this invoice and distribute such credit in the manner laid down in rule 39 of the CGST Rules.

Example: ABC Ltd. is having head office at Mumbai and its branches at Bangalore, Chennai, & Kolkata. It is also registered as an ISD in Mumbai. ABC Ltd. has taken legal advice from advocate with quarterly retainership of Rs. 1,00,000/-. The advocate has raised an invoice on 5th April 2025 for the

period starting from January, 2025 to March, 2025. Give the steps to be followed till distribution of ITC to all distinct persons by ISD.

Date	Particulars
05.04.2025	Mumbai Head Office receive Invoice from advocate
	Mumbai Head Office will prepare tax invoice on ISD registration as per provisions of rule 54(1A)
On or before 20.05.2025	Mumbai Head Office will file GSTR 3B & pay taxes including taxes payable under RCM on this invoice
Between 20.05.2025 and 31.05.2025	Pune ISD between 20.05.2025 to 31.05.2025 prepare ISD invoice for distribution as per provisions of rule 54(1)
13.06.2025	ISD will furnish GSTR-6 to distribute ITC to the branches
20.06.2025	Distinct person files GSTR-3B for the month of May 2025 & claims credit

Note: The above example highlights that this mechanism inherently involves a one-month lag, which may temporarily tie up working capital.

Difference between tax invoice and ISD invoice

Rule 46 of the CGST rules govern the tax invoice whereas rule 54(1) and rule 54(1A) govern the provisions of ISD invoices. There is a simplified format for ISD invoice. ISD invoices are not required to include taxable value, tax rate or HSN code.

E-Invoicing

As per FAQs issued by the GSTN on e-invoicing, it has been provided that e-invoicing is not applicable to the invoices issued by ISD. Therefore, ISD invoices do not attract e-invoicing compliances even if the e-invoicing threshold is crossed under regular GST registrations.

Consequence of Excess Distribution of Credit by ISD

Section 21 provides for the manner of recovery in case of excess distribution by ISD. *Circular No. 71/45/2018—GST dated 26.10.2018* clarifies the consequences of excess distribution of credit by ISD to one unit.

Manner of Credit Distribution by Input Service Distributor

1. According to section 21 of the CGST Act, where the ISD distributed the credit in contravention of the provisions contained in section 20 of the CGST Act resulting in excess distribution of credit the excess credit so distributed shall be recovered from such recipients along with interest and penalty, if any.
2. The recipient unit(s) which has received excess credit from ISD may deposit the said excess amount voluntarily along with interest, if any by using Form GST DRC-03.
3. If the said recipient unit/ units does/ do not come forward voluntarily, necessary proceedings may be initiated against the said unit(s) under the provisions of section 73 or section 74 or section 74A of the CGST Act, as the case may be. Form GST DRC-07 can be used by the tax authorities in such cases.
4. The ISD would also be liable to general penalty under the provisions contained in section 122(1)(ix) of the CGST Act.

Illustration 1: The total credit available to ISD is Rs 5,00,000/- and the credit is required to be distributed equally to Chennai branch and Mangalore branch. If the ISD distributes the credit of Rs. 3,00,000/- to Chennai branch and Rs. 2,00,000 to Mangalore branch, what would be the consequence?

Answer: The excess credit of Rs. 50,000/- distributed to Chennai branch would be recovered along with interest from Chennai branch. The provisions of section 73 or section 74 or section 74A, as the case may be, in case the said recipient unit does not come forward voluntarily.

Penalty for certain offences

Section 122(1)(ix) prescribes that where a taxable person i.e. ISD takes or distributes ITC in contravention of section 20, or the rules made thereunder, he shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded or ITC availed of or passed on or distributed irregularly, whichever is higher. Further, as per the provisions of section 122(1A) any person who retains the benefit of a transaction covered under clause (ix) of sub-section (1) of section 122 and at whose instance such transaction is conducted, shall be liable to a penalty of an amount equivalent to the tax evaded or ITC availed of or passed on. Section 122(1A) penalty is applicable to recipient distinct person who retains and utilises the wrong ITC received from ISD.

Registration of Input Service Distributor

Section 24 of the CGST Act, 2017 specifies the cases in which registration under GST is compulsory. According to it, ISD must be compulsorily registered irrespective of the turnover limit.

Section 25 deals with the procedure involved in registration which specially provides that every person being an ISD shall make a separate application for registration as such ISD.

Key Features of ISD Registration

- **Separate Registration:** ISD registration is distinct from regular GST registration.
- **No Threshold Exemption:** Unlike regular GST registration (which has a turnover threshold limit of ₹10 lakh, ₹20 lakh or ₹40 lakh, as the case may be), ISD registration is mandatory regardless of threshold limit, if the entity opts to function as an ISD.
- **Same PAN:** The ISD and recipient units must belong to the same legal entity (same PAN).
- **Services Only:** ISD registration applies to the distribution of ITC on input services, not goods.

The procedure for registration of ISD and registered person is the same under GST. ISD shall make a separate application for registration as ISD.

- The PAN shall be validated online by the common portal from the database maintained by the Central Board of Direct Taxes (CBDT).
- Mobile Number and e-mail shall be validated by sending One Time Password (OTP).
- On successful verification of the PAN, mobile number and e-mail address, a temporary registration number shall be generated and communicated to the applicant on the said mobile number and e-mail address.

Registration of Input Service Distributor

- The applicant shall electronically submit an application in PART B of Form GST REG-01. Form REG-01 is the form which needs to be filled for registration under GST.
- The application shall be duly signed or verified by through electronic verification code, along with the documents specified in the said form.

Note: Services are taxable either under forward charge or reverse charge. If tax on input services has been charged by the supplier under forward charge, ISD registration can be taken in any State even if there is no regular registration of another entity having same PAN in the same State. If the tax on input services is payable under reverse charge, the registration of ISD needs to be in same State in which tax has been paid under reverse charge by the regular registration. In other words, the payment of RCM liability is to be paid from the regular registration registered in the same State as that of ISD.

Process of ISD Registration

The registration process under GST is online via Common Portal (www.gst.gov.in).

1. Access the GST Portal:

Visit www.gst.gov.in and click on “Services” > “Registration” > “New Registration.”

2. Select Registration Type:

- From the dropdown menu under “I am a”, select “Taxpayer”.
- Enter the **PAN** of the business.
- Select the appropriate **State/UT** and enter the **legal name of the business** as per PAN records.
- Provide a valid **email ID** and **mobile number** to receive OTPs.
- Submit the form to receive a **Temporary Reference Number (TRN)**, which will be sent to the provided contact details for verification.

3. Complete the Application (Form GST REG-01):

Once TRN is generated, log in using the TRN and proceed to fill Part B of Form GST REG-01. Provide the following details:

- Business Details: Enter the legal name, address, and contact details of the ISD.
- On the basis of constitution of business, details of proprietor, partners or directors are to be entered.
- Principal Place of Business: Specify the location of the ISD from where credit will be distributed.
- Authorized Signatory: Furnish the details of authorised signatory.
- Bank Details: Optional at the time of registration stage but required later.

Note - ISD never performs payment function, except payment of late fees and penalty if any. If separate account is not opened, you may give bank details of the distinct person in the same State. If you do not give the details, portal will not permit filing of the returns

4. Upload necessary documents

List of documents to be uploaded: -

- **Photographs** (wherever specified in the Application Form)
Proprietor/ Partners/ Karta/ Managing Director/ Managing Trustee/ Authorized Signatory
- **PAN:** Proprietor/ Company/ HUF/ Partnership Firm/ Authorized Signatory
- **Aadhaar Card** : Proprietor/ Karta/ Partners / Authorized Signatory
- **Proof of Constitution of Business:** Partnership Deed in case of Partnership Firm, Registration Certificate/Proof of Constitution in case of Society, Trust, Club, Government Department, Association of Persons or Body of Individuals, Local Authority, Statutory Body and Others etc./ Company Incorporation Certificate in case of company.
- **Proof of Principal Place of Business:**
 - (a) For Own premises – Any document in support of the ownership of the premises like latest property tax receipt or Municipal Khata copy or copy of electricity bill.
 - (b) For Rented or Leased premises – A copy of the valid rent / lease agreement with any document in support of the ownership

Registration of Input Service Distributor

of the premises of the lessor like latest property tax receipt or Municipal Khata copy or copy of electricity bill.

- (c) For premises not covered in (a) and (b) above – A copy of the consent letter with any document in support of the ownership of the premises of the consenter like Municipal Khata copy or electricity bill copy. For shared properties also, the same documents may be uploaded.
- (d) For rented/leased premises where the rent/lease agreement is not available, an affidavit to that effect along with any document in support of the possession of the premises like copy of electricity bill.
- (e) If the principal place of business is located in a Special Economic Zone or the applicant is a Special Economic Zone developer, necessary documents/certificates issued by Government of India are required to be uploaded.
- **Bank Account Related Proof** (where details of such Account are furnished): First page of bank passbook/ bank statement or cancelled cheque.
- **Letter of Authorized Signatory in case of partnership firm, company, HUF etc.**

For each Authorized Signatory mentioned in the application form, Authorization or copy of Resolution of the Managing Committee or Board of Directors to be filed. Illustrative format is as follows-

Declaration for Authorized Signatory (Separate for each signatory)
(Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.)

I/We (name) being (Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.) of (name of registered person) hereby solemnly affirm and declare that <<name of the authorized signatory, (status/designation)>> is hereby authorized, vide resolution No. ... dated (copy submitted herewith), to act as an authorized signatory for the business << Name of the

Business>> for which application for registration is being filed under the Act. All his actions in relation to this business will be binding on me/ us.

Signature of the person competent to sign:

Name:

Designation/Status:

Acceptance as an authorized signatory

I <<Name of the authorized signatory>> hereby solemnly accord my acceptance to act as authorized signatory for the above referred business and all my acts shall be binding on the business.

Signature of Authorized Signatory:

Name:

Designation/Status:

Place & Date:

Verification and Submission:

Verify the details using an Electronic Verification Code (EVC) or Digital Signature Certificate (DSC). Submit the application.

On receipt of application, an acknowledgement shall be issued electronically to the applicant in Form GST REG-02.

ISD Documents and Return

As per section 35 of CGST Act, it is compulsory for every registered person to maintain at his place of business a true and correct account of –

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable or paid; and
- (f) such other particulars as may be prescribed.

In case of ISD there is no production, inward supply, outward supply, stock, or output tax payable. ISD receives the invoices from supplier of services who have provided services to distinct persons, which are normal tax invoice. After receiving these invoices ISD will distribute the credit in accordance with rule 39. The invoices are prepared by the ISD for the purpose of the distribution of the ITC. It is not necessary to prepare a separate invoice for distribution against each supplier's invoice. The ISD can collectively at the end of the month prepare two ISD invoices per distinct person to distribute eligible and ineligible ITC separately. There is no payment function except for late fees, penalty (if applicable), no stock & no supply.

The invoice received from the suppliers is tax invoice, showing taxable value, tax rate, amount, and GSTIN of ISD. The invoice prepared by ISD will not show the taxable amount. It will only show the amount of ITC distributed (as per Rule 54(1)). It is only for distribution of taxes.

It is necessary for the ISD to maintain records in respect of the invoices received for common input services procured by the distinct persons. Also, ISD is required to maintain records of the invoices issued for the distribution of credit.

GSTR-6A [Details of inward supplies]

Matching of Suppliers Invoices and Debit / Credit Notes with auto-generated GSTR-6A

The details of outward supplies furnished by the supplier in FORM GSTR-1 or FORM GSTR-1A or using the IFF is made available electronically to the ISD (recipient) in FORM GSTR-6A through the common portal, as the case may be.

ISD is required to verify that all the invoices on which ITC is to be claimed are reported by its suppliers correctly or not.

GSTR-6A display invoices reported by suppliers under following categories -

GSTR6A - Details of supplies auto-drafted from GSTR-1/1A			
Input tax credit received for distribution		Debit / Credit notes (including amendments thereof) received during current tax period	
Amendments to Input tax credit received for distribution		Amendments to Credit/Debit Notes received during current tax period	

ISD can view list of suppliers who has submitted invoices under each category by clicking respective category

Input tax credit received for distribution			
Supplier/ECO details	Supplier/ECO name	GSTR-1/IFF/GSTR-1A/GSTR-5 Filing Status	GSTR-1/IFF/GSTR-1A/GSTR-5 Filing Period
27	LIMITED	NO	Apr-25

On clicking on the Supplier details (GSTIN), ISD can view list of bills of said supplier.

B2B Invoice Summary											
Uploaded by Supplier/ECO											
Invoice No. :	Invoice Date	Place Of Supply	Total Invoice Value (₹)	Total Taxable Value (₹)	Integrated Tax (₹)	Central Tax (₹)	State/UT tax (₹)	CESS (₹)	Source	IRN	IRN date
/2526	05-04-2025	Maharashtra	1,29,689.08	1,09,906.00	0.00	9,891.54	9,891.54	0.00	E-Invoice		
/2526	05-04-2025	Maharashtra	4,562.48	3,866.50	0.00	347.99	347.99	0.00	E-Invoice		

On clicking on Invoice No., ISD can view details of bill such as Taxable amount and respective taxes levied.

B2B Invoice Summary

Item details

Rate (%)	Taxable value (₹)	Amount of tax			
		Integrated tax (₹)	Central tax (₹)	State/UT tax (₹)	Cess (₹)
18	109906	0	9891.54	9891.54	0

Invoice Management System (IMS) Applicability

IMS is a facility in GST system, where the invoices/records saved/filed by the supplier in GSTR-1/1A/IFF, can be accepted, rejected or kept pending by recipients in order to correctly avail ITC. Below records will not be part of IMS but will directly flow to GSTR-2B:

- a) Document flowing from the following forms:
 - GSTR 5
 - GSTR 6
- b) ICEGATE documents RCM records
- c) Document where ITC is ineligible due to:
 - POS rules
 - Section 16(4) of CGST Act
- d) Documents where ITC to be reversed on account of rule 37A

It has been clarified by the GSTN FAQs dated 22.09.2024, any ITC distributed by ISD through GSTR-6 will not be a part of IMS and instead it will directly flow to the recipient's GSTR-2B.

Return by ISD [Form GSTR-6]

Every ISD must electronically file a return in Form GSTR-6 for each calendar month, or part thereof, within 13 days after the end of such month.

Every ISD shall, on the basis of invoices, debit or credit notes and amendments received from suppliers in Form GSTR-6A and where required, after adding, correcting or deleting the details, furnish the details of ISD invoices, debit or credit notes issued during the month or amendments to earlier issued documents, furnish the return in FORM GSTR-6.

Tables in Form GSTR-6

Form GSTR-6 comprises of following tables:

Form GSTR-6 Invoice Details:

1. Table 3: To enter details of ITC received for distribution.
2. Table 6A: To make amendments to information furnished in earlier returns in Table 3.
3. Table 6B: To enter details of debit or credit notes received.
4. Table 6C: To make amendments to debit or credit notes received.

Form GSTR-6 ITC Distribution:

5. Table 4: To view details of ITC available and eligible and ineligible ITC distributed.
6. Table 5, 8: To enter details of distribution of ITC for ISD invoices and ISD credit notes.
7. Table 9: To enter details of ITC available and eligible and ineligible ITC redistributed.
8. Table 4: To view details of ITC available and eligible and ineligible ITC distributed.

GSTR-6 - Other Details:

8. Table 10- Late Fee: To view Late Fee details for the return period.

Preparation of Return [GSTR-6]

GSTR-6 details are mainly divided into two categories –

- A) details of documents regarding ITC received for distribution.

GSTR-6 - Invoice Details ⓘ To Add / View Details in a Particular Table Please Click in the Respective Table.

3 - Input tax credit received for distribution	6A - Amendment of information furnished in earlier returns in Table 3	6B - Credit Notes/Debit Notes received
Count of records 0	Count of records 0	Count of records 0
• Validated records 0	• Validated records 0	• Validated records 0
• Validated with error 0	• Validated with error 0	• Validated with error 0
• To be validated 0	• To be validated 0	• To be validated 0

6C - Amendment of Credit Notes/Debit Notes received
Count of records 0
• Validated records 0
• Validated with error 0
• To be validated 0

B) details of ITC distribution

GSTR-6 - ITC Distribution

4 - Total ITC available and Eligible ITC/Ineligible ITC distributed		5, 8 - Distribution of Input tax credit (ISD Invoices & ISD Credit notes)		9 - Redistribution of ITC distributed in earlier returns	
Total ITC available ₹0.00	Total Eligible ITC ₹0.00	Count of records	0	Count of records	0
Total Ineligible ITC ₹0.00		• Validated records	0	• Validated records	0
		• Validated with error	0	• Validated with error	0
		• To be validated	0	• To be validated	0

GSTR-6 - Other Details

10 - Late Fee	
Central tax (₹)	State / UT tax (₹)
₹0.00	₹0.00

Table 3, 6B - Details of Tax Invoices, Debit or Credit Notes and amendments thereto received from the Supplier of Services who has billed to ISD

ISD need to manually enter the details of the invoices, debit or credit notes received by ISD for the services supplied or provided for other distinct persons from the suppliers as per ISD records and documents.

Details of invoices to be added manually filled in Table 3 of GSTR-6

B2B - Add Invoice

❗ Input Tax Credit (ITC) for distribution shall be available only against such inward supplies wherein the Place of Supply (PoS) is same as the state where ISD is registered. Ineligible credit will not become part of the ITC available for distribution in Table 4. ✕

• Indicates Mandatory Fields

Supplier's GSTIN *	Supplier Name	Invoice no. *
Please Enter GSTIN		Enter Invoice Number
Invoice date *	POS *	Total Invoice Value (₹) *
DD/MM/YYYY	Select	Enter Total Invoice Value
Supply type *		
Select		

Details of Debit or Credit Notes to be manually filled in Table 6B of GSTR-6

Credit/Debit Notes - Add HELP

* Indicates Mandatory Fields

Supplier GSTIN *	Supplier Name *	Note type *
Enter Supplier GSTIN		Select
Note value *	Credit/debit note no. *	Credit/debit note date *
	Enter Debit/Credit Note No.	DD/MM/YYYY
POS *	Supply type *	
Select		

CANCEL SAVE

Notes –

- 1) For each invoice and debit or credit note, Place of Supply (POS) needs to be selected.
- 2) GST Portal would determine supply type i.e. whether it is an Inter-State or Intra-State transaction based on the State/UT where supplier is registered and State that has been selected in POS field.
- 3) While filing up the invoices, if the place of supply (PoS) given by the Supplier is different from the State where ISD is registered, ITC in such invoices is not considered by Portal while calculating total ITC available for distribution in Table 4. Hence, it can be said that ITC for distribution shall be available only against such inward supplies where PoS is same as the State where ISD is registered.
- 4) After selecting the compulsory fields, the tax rate, taxable value and tax rows will appear.

Table 6A, 6C - Details of amendments to Tax Invoices, Debit or Credit Notes received from the Supplier of Services which are reported in earlier period GSTR-6

ISD need to manually enter the details of any amendment done by supplier of services in the invoices, debit or credit notes received and reported by ISD in earlier periods.

To report the amendment, ISD need to enter GSTIN of the supplier and original invoice number or original note number of the earlier reported invoice or debit / credit note number which needs to be amended.

Amend B2B Invoice Help ?

* Indicates Mandatory Fields

Financial Year* 2025-26	GSTIN* Enter GSTIN	Original invoice no.* Enter Invoice No
----------------------------	-----------------------	---

AMEND INVOICE

Details already reported by ISD will be displayed and amendments can be done to displayed details.

B2BA- Edit Invoice

* Indicates Mandatory Fields

Original Supplier's GSTIN* 27	Supplier's GSTIN* 	Original Invoice Number /24-25
Original Invoice Date /2025	Revised Invoice No. 	Revised Invoice Date*
Total Invoice Value (₹)* 	POS* 27-Maharashtra	Supply type* Intra-State

Item details

Rate (%)	Taxable value (₹)*	Amount of tax		
		Central tax (₹)*	State/UT tax (₹)*	Cess (₹)
0%				
0.1%				

Table 4 – Summary of ITC available for distribution based on Table 3 and Table 6A, 6B and 6C

Summary of ITC available for distribution will be auto-populated from Table 3, 6A, 6B and 6C reported.

Amount of eligible ITC and ineligible ITC are auto-populated from ISD invoices and debit / credit notes along with amendments reported in Table 5 and Table 8 and it cannot exceed ITC available for distribution.

ITC DETAILS					Help ?
Description	Integrated tax (₹)	Central tax (₹)	State/UT tax (₹)	Cess (₹)	
a. Total ITC available for distribution					
b. Amount of eligible ITC					
c. Amount of ineligible ITC					

Table 5 - Details of ISD invoices and Debit / Credit Notes for distributing ITC

Details of the invoices or credit notes issued by ISD to distinct persons for distribution of ITC need to be disclosed in Table 5 and Table 8.

Handbook on Input Service Distributor under GST

ISD - Add

• Indicates Mandatory Fields

Eligibility of ITC *
Select

Unit Type *
Registered
Select
Registered
Unregistered

GSTIN of Registered recipient *
[Text Field]

ISD Document Type *
Select

ISD Invoice Number *
[Text Field]

ISD Invoice Date *
DD/MM/YYYY [Calendar Icon]

BACK SAVE

- (a) Eligible ITC or ineligible ITC are to be entered separately by selecting the Eligibility drop down.
- (b) In the case of registered distinct person, you need to enter GSTIN of said person
- (c) Select ISD document type viz. invoice (including debit note) or credit note;

In the case of unregistered distinct person, you need to enter State of said person instead of GSTIN

ISD - Add

• Indicates Mandatory Fields

Eligibility of ITC *
Select

Unit Type *
Unregistered
Select
Registered
Unregistered

State code of the Receiver *
Select

ISD Document Type *
Select

ISD Invoice Number *
[Text Field]

ISD Invoice Date *
DD/MM/YYYY [Calendar Icon]

BACK SAVE

Note - In a case where the receiving unit is located in SEZ, then distribution of ITC out of IGST/CGST/SGST/UTGST will be distributed as IGST only irrespective of the SEZ State code.

Rule 39 provides that –

- (a) ITC available for distribution in a month shall be distributed in same month,
- (b) amount of credit distributed shall not exceed amount of credit available for distribution;
- (c) ISD has to distribute both eligible and ineligible ITC to its units separately; and

- (d) Ineligible ITC will be decided by ISD by applying the provisions of section 17(5) for the entity.

Considering the above restrictions, it is important to remember that the total ITC available for distribution and total ITC distributed should be equal in each month.

Summary will be displayed in Table 4 from the details of ITC available reported in Table 3 and Table 6. The details of eligible or ineligible ITC along with ITC distributed reconciliation table amounts are displayed from ISD invoices and credit notes reported in Table 5 and Table 8 as follows -

ITC DETAILS					Help ?
ⓘ Total ITC available for distribution shall be auto updated based on the inward supplies reported in table no. 3 and 6 except where Place of Supply(PoS) lies in Supplier's State in case of inter-State supplies. ITC taken back through issue of ISD credit note(s) will also be added to the total credit available for distribution.					✕
Description	Integrated tax (₹)	Central tax (₹)	State/UT tax (₹)	Cess (₹)	
a. Total ITC available for distribution	0.00	734.87	734.87	0.00	
b. Amount of eligible ITC	1,249.74	110.00	110.00	0.00	
c. Amount of ineligible ITC	0.00	0.00	0.00	0.00	

Distributed credit reconciliation table					
Description	Amount of ITC distributed including negative amounts in table 4A	Utilization of ITC for distribution			
		Integrated tax (₹)	Central tax (₹)	State/UT tax (₹)	Cess (₹)
1	2	3	4	5	6
Integrated tax (₹)	1,249.74	0.00	624.87	624.87	
Central tax (₹)	110.00	0.00	110.00		
State / UT tax (₹)	110.00	0.00		110.00	
Cess (₹)	0.00				0.00
Total	1,469.74	0.00	734.87	734.87	0.00

Notes –

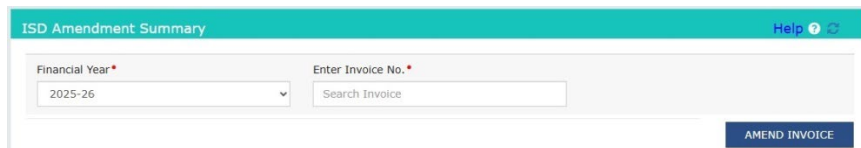
- 1) Total ITC available for distribution displayed at (a) will not include ITC where place of supply (POS) is different from the State in which ISD has taken registration.
- 2) Amounts of eligible ITC and ineligible ITC are auto-filled from the amount of ITC distributed as per ISD invoices and debit / credit notes reported in Table 5 and 8.
- 3) “Utilisation of ITC for distribution” reflects a summary of ISD invoices and debit or credit Notes issued by ISD along with amendments, if any, reported in Table 5 and Table 8.

- 4) Total credit available (IGST+CGST+SGST) for distribution must be equal to total credit distributed (IGST+CGST+SGST), though the amounts of individual taxes may not tally as the distribution of ITC of central tax and State tax or Union territory tax,
- (a) in respect of a recipient located in the same State or Union territory in which the ISD is located, be distributed as ITC of central tax and State tax or Union territory tax respectively (Rule 39(1)(j)(i)); and
 - (b) in respect of a recipient located in a State or Union territory other than that of the ISD, be distributed as integrated tax and the amount to be so distributed shall be equal to the aggregate of the amount of ITC of central tax and State tax or Union territory tax that qualifies for distribution to such recipient (Rule 39(1)(j)(ii)).

Table 9 - Redistribution of ITC distributed to a wrong recipient –

Table 9 of GSTR-6 provides for rectification of the mistake done in earlier months in distributing the ITC to wrong recipient or wrong type i.e. eligible or ineligible.

This can be done by making corrections in the earlier month invoice or debit or credit note. For the same, select the ISD invoice which needs to be amended.



The screenshot shows the 'ISD Amendment Summary' form. It has a teal header with the title and a 'Help' icon. Below the header, there are two input fields: 'Financial Year' with a dropdown menu showing '2025-26' and 'Enter Invoice No.' with a search bar labeled 'Search Invoice'. At the bottom right, there is a blue button labeled 'AMEND INVOICE'.

The details of the invoice will be displayed, and taxpayer needs to modify the required details.

ISD Amendment - Edit

• Indicates Mandatory Fields

Original GSTIN of Registered recipient *	User Type *	Revised GSTIN of Registered recipient *
	Registered	
Eligibility of ITC *	ISD Document Type *	Original ISD Invoice Number *
	ISD Invoice	
Original ISD Invoice Date *	Revised ISD Invoice Number *	Revised ISD Invoice Date *
		DD/MM/YYYY

Details

Sr. No.	Distribution of ITC			
	Integrated tax (₹)	Central tax (₹)	State/UT tax (₹)	Cess (₹)
1	0.00	0.00	0.00	0.00

BACK SAVE

Note – The tax amounts cannot be modified through this Table. ISD needs to use debit or credit note if any correction is required to be done in tax amounts

Table 7 - Mismatch ITC and Reclaim

7. Input tax credit mis-matches and reclaims to be distributed in the tax period

Description	Integrated tax	Central Tax	State/ UT Tax	Cess
1	2	3	4	5
7A. Input tax credit mismatch				
7B. Input tax credit reclaimed on rectification of mismatch				

Note – Instructions to Form mention that Table 7 will be auto-populated by the System, however it is not active on the GST Portal till the time of going to press. Accordingly, Table 7 is displayed as appearing in the notified Form GSTR-6.

ISD Submission of Return –

- Click “CALCULATE ITC” button under Table 4 and verify Table 4 and 9 amounts and then click “Proceed to File” and on processing without errors, status is displayed on the top as “Ready to File”;
- Once ISD has proceeded to file, CONSOLIDATED SUMMARY of the Form GSTR-6 will be available for review. Review summary of the entries made in different sections before submitting Form GSTR-6 and then Click the PROCEED button.

Handbook on Input Service Distributor under GST

CONSOLIDATED SUMMARY ▲

Eligibility	Document Type	Number of records	Taxable value (₹)	Tax amount (₹)			
				Integrated tax (₹)	Central tax	State/UT tax	Cess
1	2	3	4	5	6	7	8
3 - Input tax credit received for distribution							
	Invoice	0	0.00	0.00	0.00	0.00	0.00
6B - Credit/debit notes received							
		0	0.00	0.00	0.00	0.00	0.00
6A - Amendment of information furnished in earlier returns in Table 3							
	Invoice	0	0.00	0.00	0.00	0.00	0.00
6C - Amendment of credit/debit notes received							
		0	0.00	0.00	0.00	0.00	0.00
4 - Total ITC available and Eligible ITC/Ineligible ITC distributed							
Eligible	Invoice			0.00	0.00	0.00	0.00
Ineligible	Invoice			0.00	0.00	0.00	0.00
5, 8 - Distribution of input tax credit (ISD Invoices & ISD Credit notes)-Registered							
Eligible	Invoice	0	0.00	0.00	0.00	0.00	0.00
	Credit Note	0	0.00	0.00	0.00	0.00	0.00
Ineligible	Invoice	0	0.00	0.00	0.00	0.00	0.00
	Credit Note	0	0.00	0.00	0.00	0.00	0.00
5, 8 - Distribution of input tax credit (ISD Invoices & ISD Credit notes)-UnRegistered							
Eligible	Invoice	0	0.00	0.00	0.00	0.00	0.00
	Credit Note	0	0.00	0.00	0.00	0.00	0.00
Ineligible	Invoice	0	0.00	0.00	0.00	0.00	0.00
	Credit Note	0	0.00	0.00	0.00	0.00	0.00

BACK TO GSTR-6 DASHBOARD
PROCEED

- (c) After proceeding, **Payment of Late Fees** page is displayed.
- (d) As per *Notification No.07/2018-Central Tax dated 23.01.2018*, late fees of Rs. 25/- under CGST (Rs.25/- under SGST / UTGST) per day is applicable for late filing of GSTR-6.
- (e) After that, it displays balance available in cash ledger, late fee payable and late fee paid. It also shows if any additional cash is required to pay the late fee. In case of insufficient balance, ISD can add balance by clicking 'Create Challan' button and after payment of late fee, "file the return" message is displayed.
- (f) Click the PREVIEW DRAFT GSTR-6 button to download the draft summary pdf of Form GSTR-6 for your review.
- (g) Click the FILE RETURN button to proceed filing.
- (h) Click the FILE WITH DSC or FILE WITH EVC button to file your return.

- (i) On successful submission, the status on the top of Form GSTR-6 is changed to **Filed**.
- (j) Similarly, on filing of the Form GSTR-6, notification through e-mail and SMS is sent to the Authorized Signatory.

Availability of ITC to distinct persons on submission of GSTR 6 –

On successful submission of GSTR-6 by ISD, the details of invoices furnished by an ISD in his return in FORM GSTR-6 will be available to the distinct person (recipient) in Part B of FORM GSTR 2A electronically through the common portal.

It is important to note that the distinct person should claim both eligible and ineligible credit distributed by the ISD. The ineligible credit distributed should be reversed by respective distinct person in his GST return.

If reversal of ITC is to be done as under rule 42/43, the same is required be done by respective distinct Person in its GST return. Reversal of ITC under rule 42/43 is required to be carried out at the level of each individual branch/unit registration, and not at the ISD level. This is because the provisions of rule 42/43 are to be applied separately for every registration.

Cross Charge

In the framework of GST in India, businesses operating with multiple registrations across different States or Union Territories often engage in the internal transfer of goods or services between their distinct units. These internal transactions, when made between two different GST-registered entities under the same PAN, even though they belong to the same legal entity, are considered "distinct persons" under section 25(4) of the CGST Act, 2017. As a result, such inter-unit transactions attract GST, giving rise to the concept of Cross Charge. The principle behind this is to ensure tax neutrality and avoid revenue leakage when services or goods are consumed by another unit of the same entity.

Over time, the practical application of cross charge, particularly in the context of employee costs, shared services, and common input services, has raised interpretational challenges. In response to industry representations and to bring uniformity in the implementation of the law, the CBIC issued *Circular No. 199/11/2023-GST on 17.07.2023*. This circular provides critical clarifications on the treatment of cross charge versus ISD mechanism, particularly addressing whether employee costs and common expenses need to be cross charged or routed through the ISD mechanism. The circular significantly shaped the compliance approach of multi-location entities and served as a guiding document to reduce litigation and interpretational disputes.

Circular No. 199/11/2023-GST on 17.07.2023 has provided clarification regarding whether Head Office (HO) can avail the ITC in respect of common input services procured from a third party but attributable to both HO and BOs (Branch Offices) or exclusively to one or more BOs, issue tax invoices under section 31 to the said BOs for the said input services and the BOs can then avail the ITC for the same or whether it is mandatory for the HO to follow the ISD mechanism for distribution of such ITC?

Eg., A business entity which has Head Office (HO) located in State-1 and branch offices (BOs) located in other States. The HO procures some input services e.g., security service for the entire organization from a security

agency (third party). HO also provides some other services on their own to branch offices (internally generated services).

Clarifications:

- A) Input services procured from the third party for the entire organization by HO but attributable to both HO and BOs or exclusively to one or more BOs. HO has an option to distribute ITC in respect of such common input services by following ISD mechanism or it can issue tax invoice under section 31 of CGST Act to the concerned BOs and the BOs can then avail ITC on such common ITC subject to the provisions of section 16 and 17 of CGST Act. However, the distribution of ITC in respect a common input services procured from a third party can be made by the HO to a BO through ISD mechanism only if –

- it gets itself registered mandatorily as an ISD in accordance with section 24(viii) of the CGST Act, and
- the said input services are attributable to the said BO or have actually been provided to the said BO, and

After 1st April 2025 when ISD mechanism is compulsory, ISD will issue ISD invoices as per rule 54(1) to the concerned BOs in respect of common input services procured from a third party by HO but attributable to the said BOs and the BOs can then avail ITC on the same subject to the provisions of section 16 and 17 of CGST Act.

- B) Whether the cost of all components including salary cost of HO employees involved in providing the said services has to be included in the computation of value of services provided by HO to BOs when full ITC is available to the BOs

In respect of internally generated services provided by the HO to BOs, the value declared in the invoice by HO shall be deemed to be the open market value of such services, in terms of second proviso to rule 28 of CGST Rules, irrespective of the fact whether cost of any particular component of such services, like employee cost etc., has been included or not in the value of the services in the invoice.

- C) Value of supply of internally generated services provided by HO to BOs in cases where HO is not issuing tax invoice, but full ITC is available to the concerned BO

In such cases, the value of services may be deemed to be declared as Nil by HO to BO and may be deemed as open market value in terms of second proviso to rule 28 of CGST Rules.

- D) Value of internally generated services where HO is issuing tax invoice to the BOs and full ITC is not available to the concerned BO

In respect of internally generated services provided by the HO to BO but full ITC is not available to the BO, the cost of salary of employees of the HO, involved in providing services to BOs is not mandatorily required to be included while computing the taxable value of supply of services.

From above circular and changes made in Act and Rules it can be said that -

- 1) ISD mechanism is compulsory from 1st April 2025 for the services attributable to branch and procured from outside supplier.
- 2) Cross charge is not compulsory if the recipient branch is entitled for full ITC.
- 3) In cases, where full ITC is not available, the value of the services provided by HO shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of these valuation rules. But in this case the employee cost may not be considered by HO.

Input Service Distributor vs. Cross Charge: A Clear Comparison

Feature	Input Service Distributor (ISD)	Cross Charge
Meaning	Mechanism to distribute common ITC of input services procured from third-party vendors to the branches or units.	Allocation of expenses for internally generated services within the same entity, by allocating the cost of generating services to its different branches.
Purpose	To distribute common ITC on services bought from third parties.	To allocate expenses and ITC from generation and provision of services internally.

Cross Charge

Applicability	Applies when input services are commonly used by or for another branch(es).	Applies when allocating the cost of input services, goods, or capital goods for providing services internally to its branches.
Legal Basis	Defined under section 2(61) of the GST Act. Requires separate GST registration under section 24(viii).	Not specifically defined in the GST Act. Guidance can be found in <i>Circular No. 199/11/2023-GST</i> . No separate registration is required.
Distribution	ITC is distributed through an ISD invoice as per rule 54(1) and reported in GSTR-6. ITC is to be distributed as per the provisions of rule 39.	A regular tax invoice can be raised.
Distribution/Valuation	The mechanism to distribute ITC is provided in rule 39.	Valuation provisions apply. However, if full ITC is available to the recipient branch, the value may be declared as NIL. This can simplify the process.
Frequency	Monthly Return GSTR-6	Not specified. To be shown in the regular return.

Frequently Asked Questions (FAQs)

1. What is ISD?

Ans: An ISD is a GST-registered entity that receives invoices for input services received by branches and distributes ITC to its branches based on their turnover so that branches can claim ITC accordingly.

2. Why is ISD mandatory Now?

Ans: There are changes in section 20 making it compulsory to register as ISD by changing word 'may' to 'shall'. This is done to fulfil the objective of the GST that consumption State shall get the benefit of ITC. This is accomplished by Government by making ISD compulsory.

3. Whether separate ISD registration is compulsory for organisation having multiple offices?

Ans: If all branches receive separate invoices for services utilized, and there are no common services for which a single invoice is raised by supplier, ISD registration is not necessary.

4. Is it mandatory to take ISD registration for multi-locational organisations?

Ans: Even if multilocal organisation is ready to forgo the ITC which is common without distribution to branches, it will have to take the registration as ISD, because there is a penalty of Rs.10,000/- and amount of ITC availed of or passed on or distributed not in accordance with section 20, whichever is higher. There is also a penalty for not registering the organisation when it is compulsory to register the organisation under clause (viii) of section 24.

5. Can I register as ISD if there is no other GST registered normal office of same organisation in the same State?

Ans: If the amount of ITC to be distributed by ISD is arising out of forward charge, registered office may not be necessary. But if ITC is arising out of tax payable according to the provisions of sections 9(3) or 9(4) of CGST Act or sections 5(3) or 5(4) of IGST Act it will be necessary to

Frequently Asked Questions (FAQs)

register normal office in that State in which ISD is registered to make payment of RCM liability and to raise invoice on ISD as per provisions of rule 54 (1A).

6. Can an organisation take multiple ISD registration in different states?

Ans: Yes, there is no prohibition for taking ISD registration in state where there is common ITC to be distributed.

7. Can ISD distribute ITC on Inputs & Capital Goods?

Ans: ISD is for distribution of ITC arising out of input services only and not out of input (goods) or capital goods.

8. Can ISD distribute ITC of tax paid under Reverse Charge Mechanism (RCM) to its units?

Ans: The Finance Act 2024 with effect from 1st April 2025 substituted clause 61 of section 2 (Definition of ISD) and section 20 (manner of distribution of credit by ISD). These amendments now permit the distribution of ITC of tax paid under the RCM by a head office (as a distinct person) to its branches located in the same state and having the same PAN. The Head Office registered in the same State as ISD will raise an invoice on ISD. The ISD will then transfer the ITC to the branches/ units.

9. How to Correctly Distribute ITC under ISD Rules?

Ans: The rules for distribution of ITC by ISD are as follows-

If an input service is used exclusively by one unit/branch, the entire ITC shall be distributed only to that unit. If the input service is used by more than one unit, the ITC must be distributed proportionately, based on the turnover of those recipient branches during the relevant period.

10. What are the conditions for distribution of ISD while issuing an ISD Invoice?

- ISD must issue separate invoice to each branch for ITC distribution.
- Invoice shall mention CGST, SGST, and IGST separately.
- ISD shall prepare separate invoice showing each type of taxes separately for eligible and ineligible ITC.

11. What are conditions for filing of ISD Return?

- ISD must file monthly GSTR-6 within 13 days of next month after end of such month.
- The late fees for filing GSTR-6 after due date is Rs.50 per-day (CGST Rs. 25 + SGST Rs. 25).
- ISD must match ITC in GSTR-6 with supplier invoices in GSTR-6A.

12. What are the documents for distribution of credit by ISD?

Ans: The distribution of credit would be done through an ISD invoice or debit note and reduced by ISD credit note or any document issued by an ISD in accordance with the provisions of rule 54(1) of the CGST Rules, 2017, mentioning the amount of ITC being distributed.

13. Can an ISD distribute the ITC to all distinct persons having same PAN?

Ans: No. The ITC of input services shall be distributed only amongst those distinct persons who have used the input services in the course or furtherance of business.

14. What are the provisions for recovery of excess/wrongly distributed credit by ISD?

Ans: The excess/wrongly distributed credit if not rectified by ISD, can be recovered from the recipients of credit along with interest by initiating action under section 73 or 74 or 74A as the case may be (section 21 of the CGST Act, 2017)

15. How to distribute IGST credit by ISD to recipients of same or different States?

Ans: IGST credit shall be distributed as IGST to distinct person in same or different states as that of ISD.

16. How are CGST, SGST and UTGST to be distributed?

Ans: The distribution is to be made by an ISD as per following criteria:

- (a) Central tax as central tax (if the recipient and ISD are located in the same State) and as integrated tax (if the recipient and ISD are located in different States).

Frequently Asked Questions (FAQs)

- (b) SGST or UTGST as SGST or UTGST (if the recipient and ISD are located in the same State or union territory) and as integrated tax (if the recipient and ISD are located in different States).

In case of distribution of central/ state tax as integrated tax, it should be ensured that the amount distributed equals the amount of credit of central and state tax put together.

17. Which is the turnover of distinct persons used for ISD distribution by ISD?

Ans: Turnover for Distribution of Credit is calculated as follows:

Type of Turnover	Amt. Rs.	Amt. Rs.
Total aggregate turnover (taxable + non-taxable) - GST		XXX
Less: Amount of any duties or taxes levied under specific entries of the Constitution		
Entry 84 of List I (Union List): Taxes on goods like excise duties.	XXX	
Entry 92A of List I (Union List): Central sales tax on inter-state sales.	XXX	
Entry 51 of List II (State List): Excise duty on alcoholic liquor for human consumption	XXX	
Entry 54 of List II (State List): State VAT on liquor	XXX	
Entry 54 of List II (State List): State VAT on petroleum products	XXX	XXX
Turnover to be considered for distribution by ISD		XXX

To calculate the turnover under the clauses of this rule, aggregate turnover under GST is already excluding the taxes leviable under GST

Act, and other turnover which is not under GST is including the taxes leviable under other Acts.

18. What are the documents on the basis of which ISD can claim the ITC?

Ans: ISD will be entitled for claiming ITC for distribution from following documents-

- (a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
- (b) an invoice issued by distinct person in the same state for tax paid on RCM basis by preparing an invoice for transfer of credit in accordance with the provisions of rule 54(1A);
- (c) a debit note issued by a supplier in accordance with the provisions of section 34;

The provisions of section 16 of CGST Act for availment of ITC shall be applicable to ISD.

19. What are the precautions to be taken by the organisation for receiving the invoices from suppliers?

Ans: The invoices issued by suppliers shall be in the GSTIN of ISD if the services are taxable under forward charge. The invoices shall be in the GSTIN of distinct person in same state if it is relating to services on which tax is payable on RCM basis. Distinct person has to pay tax under RCM and issue invoice as prescribed under rule 54(1A) in favour of ISD for purpose of distribution.

20. What are the conditions applicable to ISD to distribute the credit?

Ans: ISD shall distribute ITC subject to the following conditions, —

- (a) the ITC available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in FORM GSTR-6 in accordance with the provisions of Chapter VIII of these rules;
- (b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;

Frequently Asked Questions (FAQs)

- (c) the credit of tax paid on input services attributable to recipients in the manner prescribed in clause (c) to (j) of sub rule 1 of rule 39.
- (d) the ISD shall issue an ISD invoice, as provided in sub-rule (1) of rule 54, clearly indicating in such invoice that it is issued only for distribution of ITC;
- (e) the ISD shall issue an ISD credit note, as provided in sub-rule (1) of rule 54, for reduction of credit in case the ITC already distributed gets reduced for any reason;

21. How shall ISD distribute the credit among distinct persons?

Ans: The ISD has to separately distribute the amount of eligible/ ineligible ITC (ineligible as per the provisions of section 17(5)), by preparing separate invoice for every distinct person. It is advisable to prepare two separate invoices for every distinct person regarding eligible credit and ineligible credit. The credit of IGST, CGST, SGST & UTGST shall be given separately without mentioning tax rate or taxable amount.

22. How distinct persons shall show the ITC received from ISD in his returns?

Ans: The distinct person shall show total amount received from ISD along with his other credits. The ITC to be distributed will appear in his GSTR-2A/ 2B. After taking credit, he shall reverse the ineligible credit as per the provisions of section 17(5) of CGST Act and then calculate reversal, if any as per the provisions of rule 42/ 43 of CGST Rules.

23. If there is reversal applicable for non-payment to supplier within 180 days as per the provisions of 2nd proviso of sub section 2 of section 16, how it shall be carried out?

Ans: If payment is not made as per provision read with rule 37A it is necessary to reverse the credit taken of the tax charged by the supplier along with interest. The ISD shall raise a credit note on all distinct persons to whom the credit was originally distributed to reverse the ITC distributed. The ITC will be recovered/ reversed from the branch units in the same proportion as it is originally distributed. The interest payable shall be paid by the distinct person if applicable (depending upon eligibility). After the payment is made, the credit

available will be redistributed in original ratio among distant persons by preparing ISD invoice or debit note.

24. Whether ISD can distribute ITC received in a month in subsequent months?

Ans: No. The ITC available for distribution by an ISD should be distributed to the recipients in the same month itself, when available.

25. How will the ITC having already distributed be reversed on issuance of an ISD credit note?

Ans: ISD will receive credit note from supplier. The credit will be reduced by issuance of an ISD credit note. The amount of credit is to be apportioned to each recipient in the same ratio in which the credit of the original invoice was distributed.

The amount mentioned in the credit note should be reduced from the amount to be distributed in the month in which credit note is issued. If the amount of credit being distributed is less, the amount to be apportioned needs to be added to the output tax liability.

FAQs on GSTR 6

26. Who needs to file Form GSTR-6 and is it mandatory to file this form?

Only those persons who are registered as ISD need to file Form GSTR-6. It is a mandatory return, to be filed on monthly basis. A 'Nil' return must be filed in case of no ITC is being available for distribution or no ITC is being distributed during the month.

27. By when do I need to file Form GSTR-6?

ISD Returns for month should be filed on or before the 13th of next month.

28. Form GSTR-6 comprises of which tables?

Form GSTR-6 comprises of following tables:

Form GSTR-6 Invoice Details:

- a. Table 3: To enter details of input tax credit received for distribution.

Frequently Asked Questions (FAQs)

- b. Table 6B: To enter details of debit or credit notes received.
- c. Table 6A: To make amendments to information furnished in earlier returns in Table 3.
- d. Table 6C: To make amendments to debit or credit notes received.

ITC Distribution:

- e. Table 4: To view details of ITC available and eligible and ineligible ITC distributed.
- f. Table 5, 8: To enter details of distribution of input tax credit for ISD invoices and ISD credit notes.
- g. Table 9: To enter details of ITC available and eligible and ineligible ITC redistributed.

Other Details:

- h. Table 10- Late Fee: To view Late Fee details for the return period.

Note: This tile can only be accessed after return has been filed.

29. Is there any Offline Tool for filing Form GSTR-6?

Ans: Yes, there is an offline tool for filing Form GSTR-6.

30. Is there any late fee in case of delayed filing of Form GSTR-6?

Ans: Yes, the late fees prescribed by *Notification No. 07/2018 – CT dated 23.01.2018* is Rs. 25/- for CGST + Rs. 25/- SGST for every day during which such failure continues.

31. Is there an Electronic Credit Ledger available for ISD Registrations?

No, there is no Electronic Credit Ledger maintained for ISD Registrants, since ISD has to only distribute credit available during a tax period.

32. How do I allocate credit to my other units in the Form GSTR 6?

Ans: Using Table 5 and Table 8 of the Form GSTR-6, both eligible and ineligible ITC can be distributed to the units.

33. Can I amend the credit allocated to the units in Form GSTR 6 of earlier tax periods? If yes, how?

Ans: Table 9 of GSTR-6 provides for rectification of the mistake done in earlier months in distributing the ITC to wrong recipient or wrong type i.e. eligible or ineligible. The Tax amounts cannot be modified through this Table. ISD needs to use debit or credit note if any correction is required to be done in tax amounts.

If you want to change the wrong distribution of credit to distinct persons you should prepare ISD credit note for reducing the credit and issue ISD invoice or debit note to distinct person whose credit is to be increased, and upload them in Table 5 and 8.

34. What happens after Form GSTR-6 is filed?

Ans: After Form GSTR-6 is filed,

- ARN is generated on successful filing of the Form GSTR-6 Return.
- An SMS and an email are sent to the applicant on their registered mobile and email id.

35. Can I preview Form GSTR-6 before submitting?

Ans: Yes, you can preview Form GSTR-6 before submitting on the GST Portal.

36. What happens if I add invoices/debit notes/credit notes which are dated after the date of cancellation of registration of supplier?

Ans: You cannot add invoices/debit notes/credit notes which are dated after the date of cancellation of registration of supplier. They should be dated on or after the date of grant of registration of supplier and before the effective date of cancellation of registration of supplier.

Similarly, in case of amendment tables, revised invoices/debit/credit notes should be dated on or after the date of grant of registration of supplier and before the effective date of cancellation of registration of supplier.

37. What happens if I add invoices/debit notes/credit notes which are dated after my registration is cancelled?

Frequently Asked Questions (FAQs)

Ans: You cannot add invoices/debit notes/credit notes which are dated after your registration is cancelled. They should be dated on or after your registration grant date and before your registration is cancelled.

Similarly, in case of amendment tables, revised invoices/debit/credit notes should be dated on or after your registration grant date and before your registration is cancelled.

38. What happens in case there is insufficient balance to pay off the liabilities?

Ans: In case of insufficient balance, you can add balance by creating challan to pay off your liabilities.

Cross Charge

39. What is cross charge?

Ans: Cross charge is not defined in GST Act. The phrase 'Cross charge' is commonly used to describe the amount charged by one distinct person to another for supply of goods &/or services on which regular GST is to be charged at rates applicable.

40. When cross charge can be used?

Ans: The cross charge is used to charge services supplied to another distinct person.

41. Can the cost of inputs and capital goods be recovered by the person who has acquired it and used it while providing support services?

Ans: While calculating the value as per section 15 of CGST Act read with rules 27 to 31 of CGST Rules, these amounts can be added to the value of services to be charged.

42. Whether it is necessary to include employee cost while valuing the support service?

Ans: If you are doing branch accounting and want to include the employee cost while calculating value of the services given to the branches it will be permitted, but you will have to charge GST on the same.

As per *Circular No. 199/11/2023 dated 17.07.2023*, in respect of internally generated services provided by the HO to BOs, the cost of

salary of employees of the HO, involved in providing the said services to the BOs, is not mandatorily required to be included while computing the taxable value of the supply of such services, even in cases where full ITC is not available to the concerned BO.

43. If the invoice is received from supplier in your regular GSTIN, can you transfer the same to other distinct person directly by cross charge?

Ans: No, you cannot use cross charge unless you use that service to produce some support service for distinct person and charge for such service generated.

44. If supplier raises the invoice in your GSTIN instead of distinct person who received the services can you transfer the bill amount with tax to distinct person by cross charge?

Ans: No, you will have to get bill rectified from supplier in the name of distinct person or if services are rendered to two or more distinct persons you will have to get in GSTIN of ISD, otherwise the ITC will be lost.

45. Whether the books of accounts maintenance is compulsory for ISD?

Ans: As per section 35 of CGST Act it is compulsory for ISD to maintain proper books of accounts as it is registered person under the Act. ISD needs to maintain records relating to the ITC received for distribution and ITC distributed. It needs to keep a proper record of the invoices relating to the same. Other accounts like outward register, inward register, stock records may not be necessary.

Chapter 7

Appendix

Extract of the CGST Act, 2017

¹[20. Manner of distribution of credit by Input Service Distributor

¹ Substituted by Finance Act, 2024, notified through Notification No. 16/2024-CT dated 06.08.2024 w.e.f. 01.04.2025. Prior to its substitution it was read as “**20. Manner of distribution of credit by Input Service Distributor.**”

- (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.
- (2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:
 - (a) the credit can be distributed to 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 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

- (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 ²[of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017)], 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.*
- (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 ³[of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017)] 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.*
- (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.]*

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 of 'recipient of credit' means the supplier of goods or services or both having the same Permanent Account Number as that of 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 entry 92A] of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.*

^{}Substituted vide CGST (Amendment) Act, 2018 w.e.f. 01.02.2019. Prior to substitution it was read as "under entry 84"*

² Inserted vide the Finance Act, 2025 w.e.f. 01.04.2025

³ Inserted vide the Finance Act, 2025 w.e.f. 01.04.2025

21. Manner of recovery of credit distributed in excess

Where the Input Service Distributor distributes the credit in contravention of the provisions contained in section 20 resulting in excess distribution of credit to one or more recipients of credit, the excess credit so distributed shall be recovered from such recipients along with interest, and the provisions of section 73 or 74 or ⁴[section 74A], as the case may be, shall mutatis mutandis apply for determination of amount to be recovered.

Extract of the CGST Rules

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

⁵[(1) An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely, -

⁴ Inserted vide the Finance (No. 2) Act, 2024. notified through Notification No. 17/2024 - CT dated 27.09.2024. Applicable w.e.f. 01.11.2024.

⁵ Substituted vide Notification No. 12/2024 – CT dated 10.07.2024, Applicable w.e.f. 01.04.2025 as Notified through Notification No. 09/2025- CT dated 11.02.2025. Prior to substitution, it was read as

(1) An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely,-

- (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 FORM GSTR-6 in accordance with the provisions of Chapter VIII of these rules;
- (b) the Input Service Distributor shall, in accordance with the provisions of clause (d), 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;
- (c) 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 clause (d);
- (d) the input tax credit that is required to be distributed in accordance with the provisions of clause (d) and (e) of sub-section (2) of section 20 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 recipient(s) 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 –

$$C_1 = (t_1 / T) \times C$$

where,

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

- (a) *the input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be*

"t₁" is the turnover, as referred to in section 20, of person R₁ during the relevant period, and

"T" is the aggregate of the turnover, during the relevant period, of all recipients to whom the input service is attributable in accordance with the provisions of section 20;

- (e) *the input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient;*
- (f) *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 in accordance with clause (d);*
- (g) *the Input Service Distributor shall issue an Input Service Distributor invoice, as prescribed in sub-rule (1) of rule 54, clearly indicating in such invoice that it is issued only for distribution of input tax credit;*
- (h) *the Input Service Distributor shall issue an Input Service Distributor credit note, as prescribed in sub-rule (1) of rule 54, for reduction of credit in case the input tax credit already distributed gets reduced for any reason;*
- (i) *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 (f) and the amount attributable to any recipient shall be calculated in the manner provided in clause (d) and such credit shall be distributed in the month in which the debit note is included in the return in FORM GSTR- 6;*
- (j) *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 (d), and the amount so apportioned shall be-*
- (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*
 - (ii) *added to the output tax liability of the recipient 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.*

furnished in FORM GSTR-6 in accordance with the provisions of Chapter VIII of these rules;

- (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;
- (f) the input tax credit that is required to be distributed in accordance with the provisions of clause (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 –

$$C_1 = (t_1 / T) \times C$$

where,

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

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

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

- (g) the Input Service Distributor shall, in accordance with the provisions of clause (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 clause (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;*
- (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 clause (d) and (e);*
- (k) the Input Service Distributor shall issue an Input Service Distributor invoice, as provided in sub-rule (1) of rule 54, clearly indicating in such invoice that it is issued only for distribution of input tax credit;*
- (l) the Input Service Distributor shall issue an Input Service Distributor 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;*
- (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-*
 - (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*
 - (ii) *added to the output tax liability of the recipient 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.]*

⁶[(1A) *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 ⁷[of the Central Goods & Services Tax Act, 2017 or under sub-section (3) or (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2025)], 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 as per the provisions of sub-rule(1A) of rule 54 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).]*

- (2) *If the amount of input tax credit distributed by an Input Service Distributor is reduced later for any other reason for any of the*

⁶ Inserted vide Notification No. 12/2024 – CT dated 10.07.2024, Applicable w.e.f. 01.04.2025 as notified through Notification No. 09/2025- CT dated 11.02.2025.

⁷ Inserted vide Notification No. 13/2025 – CT dated 17.09.2025. Applicable retrospectively w.e.f. 01.04.2025.

recipients, including that it was distributed to a wrong recipient by the Input Service Distributor, the process specified in ⁸[clause n] of sub-rule (1) shall apply, mutatis mutandis, for reduction of credit.

- (3) *Subject to sub-rule (2), the Input Service Distributor shall, on the basis of the Input Service Distributor credit note specified in ⁹[clause l] 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.*

¹⁰[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;*
- (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*

⁸ Substituted vide Notification No. 12/2024 – CT dated 10.07.2024, Applicable w.e.f. 01.04.2025 as notified through Notification No. 09/2025- CT dated 11.02.2025. Prior to substitution, it was read as “clause (j)”

⁹ Substituted vide Notification No. 12/2024 – CT dated 10.07.2024, Applicable w.e.f. 01.04.2025 as notified through Notification No. 09/2025- CT dated 11.02.2025. Prior to substitution, it was read as “clause (h)”

¹⁰ Inserted vide Notification No. 12/2024 – CT dated 10.07.2024, Applicable w.e.f. 01.04.2025.

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.]

54. Tax invoice in special cases

(1) *An Input Service Distributor invoice or, as the case may be, an Input Service Distributor credit note issued by an Input Service Distributor shall contain the following details:-*

- (a) *name, address and Goods and Services Tax Identification Number of the Input Service Distributor;*
- (b) *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 “-” , “/” respectively, and any combination thereof, unique for a financial year;*
- (c) *date of its issue;*
- (d) *name, address and Goods and Services Tax Identification Number of the recipient to whom the credit is distributed;*
- (e) *amount of the credit distributed; and*
- (f) *signature or digital signature of the Input Service Distributor or his authorised representative:*

Provided that where the Input Service Distributor is an office of a banking company or a financial institution, including a non-banking financial company, a tax invoice shall include any document in lieu thereof, by whatever name called, whether or not serially numbered but containing the information as mentioned above.

¹¹[(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*

¹¹ Inserted vide Notification. No. 03/2018- CT dated 23.01.2018

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.]*

65. Form and manner of submission of return by an Input Service Distributor.-

Every Input Service Distributor 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.



GST & Indirect Taxes Committee

The Institute of Chartered Accountants of India

ICAI Bhawan, A - 29, Sector - 62, Noida - 201 309 (U. P.)

Phone: 120-3045954

E-mail: gst@icai.in

Website: www.icai.org, <https://idtc.icai.org/>