

GST

GST has been a landmark reform of Independent India, enabling “One Nation One Tax One Market”. GST has reduced the compliance burden on trade and industry by unifying the highly fragmented indirect tax regime in India, leading to supply chain optimization and elimination of tax arbitrage and octroi. Therefore, the Introduction of GST has benefitted not only the taxpayers but the Consumers as well due to reduced logistics costs and taxes, thereby leading to a reduction in the prices of goods and services.

The Hon’ble Finance Minister highlighted that the tax base of GST has more than doubled, and the average monthly gross GST collection has almost doubled to Rs. 1.66 lakh crore in the current financial year. Also, State GST revenue, including compensation released to States, during the post-GST period of 2017-18 to 2022-23, has achieved a tax buoyancy of 1.22 as against the tax buoyancy of 0.72 during the period of FY 2012-2013 to 2015-2016.

The Finance Bill 2024, vide Clause 11 to 13, has introduced certain changes in the Central Goods and Services Tax Act, 2017 (“the CGST Act”). These changes broadly relate to the Input Service Distributor and imposition of penalty for failure to register certain machines used in the manufacturing of specified goods as per the special procedure.

These changes will come into effect from a date to be notified, as far as possible, concurrently with the corresponding amendments to the similar the CGST Act, which will be passed by the State(s) and union territories with the legislature.

In line with the recommendations made in the 52nd GST Council Meeting, changes are proposed in the definition of Input Service Distributor and the manner of distribution of credit by Input Service Distributor. Also, in line with the recommendations made in the 49th and 50th GST Council Meeting, the penalty is proposed to be introduced in case where any person, who is engaged in the manufacture of goods such as tobacco, pan masala, any other similar items or any other goods in respect of which any special procedure relating to registration of machines has been notified under Section 148 of the CGST Act, contravenes the special procedure.

Proposed amendments in the CGST Act		
Current provisions	Proposed provisions	Effect
Clause 11– Section 2(61) – Input Service Distributor		
Section 2(61): <i>“Input Service Distributor” means an office of the supplier of goods or services or both</i>	Section 2(61): <i>“Input Service Distributor” means an office of the supplier of goods or services or both</i>	Seeks to make Input Service Distributor (ISD) mandatory prospectively for

<p>which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office;</p>	<p>which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office; including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;</p>	<p>distributing Input Tax Credit (ITC) concerning common input services acquired by the Head Office (HO) from a third party but applicable to both the HO and Branch Office (BO) or exclusively to one or more BOs.</p> <p>Vide the proposed amendment, ISD can now pay GST for common input services under the reverse charge mechanism as per Sections 9(3) and 9(4) of the CGST Act and also distribute ITC related to such common input services.</p>
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Clause 12 – Section 20 – Manner of Distribution of Credit by Input Service Distributor

<p>Section 20</p> <p>(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.</p>	<p>Section 20</p> <p>(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall</p>	<p>Seeks to prescribe compulsory registration by ISD for distributing credit in the case of procuring common input services and subsequently distributing the ITC to distinct persons as referred to under section 25 of the CGST Act.</p> <p>Previously, the 50th GST Council Meeting and CBIC through Circular No. 199/11/2023-GST dated July 17, 2023, clarified that the HO had the flexibility to</p>
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<p>(2) The Input Service Distributor may distribute the credit subject to the following conditions, namely: —</p> <p>(a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;</p> <p>(b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;</p> <p>(c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;</p> <p>(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;</p>	<p><i>distribute the input tax credit in respect of such invoices.</i></p> <p><i>(2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.</i></p> <p><i>(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.”.</i></p>	<p>distribute ITC for common input services either through the ISD mechanism or cross charge, with the ISD route not being obligatory under the existing provisions of the CGST Act and Rules.</p> <p>The proposed changes mandated the distribution/ allocation of the credit of central tax or integrated tax charged on invoices received by the ISD.</p> <p>This amendment streamlines the process, ensuring uniformity and adherence to specified guidelines in the distribution of credit for common input services.</p>
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<p><i>(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.</i></p> <p><i>Explanation.</i></p> <p><i>For the purposes of this section,</i></p> <p><i>(a) the “relevant period” shall be</i></p> <p><i>(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</i></p> <p><i>(ii) if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month</i></p>		
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<p>during which credit is to be distributed;</p> <p>(b) the expression “recipient of credit” means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;</p> <p>(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 1[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.</p>		
<p>Clause 13 – Section 122A – Penalty for failure to register certain machines used in manufacture of goods as per special procedure</p>		
<p>After Section 122</p>	<p>After Section 122</p> <p><i>122A. (1) Notwithstanding anything contained in this Act, where any person, who is engaged in the manufacture of goods in respect of which any special procedure relating to registration of machines has been notified under section 148, acts in contravention of the said special procedure, he shall, in addition to any penalty that</i></p>	<p>Seeks to insert a new Section 122A, pertaining to levy of penalty for failure to register certain machines used in the manufacturing of goods as per special procedure notified under Section 148 of CGST Act (i.e. Tobacco, Pan-masala and similar items).</p>

	<p><i>is paid or is payable by him under Chapter XV or any other provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees for every machine not so registered. Penalty for failure to register certain machines used in manufacture of goods as per special procedure.</i></p> <p><i>(2) In addition to the penalty under sub-section (1), every machine not so registered shall be liable for seizure and confiscation:</i></p> <p><i>Provided that such machine shall not be confiscated where—</i></p> <p><i>(a) the penalty so imposed is paid, and</i></p> <p><i>(b) the registration of such machine is made in accordance with the special procedure within three days of the receipt of communication of the order of penalty.</i></p>	<p>According to the newly inserted section, an additional penalty of Rs. 1 lakh per unregistered machine shall be imposed.</p> <p>Further, the above-stated penalty of Rs. 1 Lakh is in addition to the other penalties specified under Chapter XV or any other provisions of this Chapter under the CGST Act.</p> <p>Moreover, the Finance Bill establishes that apart from the penalty, each machine that is not registered under the specified special procedure will be susceptible to seizure and confiscation. However, such machines may not be confiscated if the penalty is paid, and registration of such machines is completed within three days of receiving the penalty order.</p> <p>The CBIC vide Notification No. 30/2023-Central Tax dated July 31, 2023, notified special procedure for manufacturers of pan masala and tobacco goods to report Details of Packing Machines and records of inputs procured and utilized along with machine-wise production records and waste generation in specified FORMs.</p>
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- [Notification No. 30/2023-Central Tax dated July 31, 2023, Notification No. 03/2024-Central Tax dated January 05, 2024](#) and [Notification No. 04/2024-Central Tax dated January 05, 2024](#)
- The Finance Bill 2024 can be accessed at: https://www.indiabudget.gov.in/doc/Finance_Bill.pdf
- The Press Release of the Union Budget 2024-25 can be accessed at <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2001136>

Hope the information will assist you in your Professional endeavours. In case of any query/information, please do not hesitate to write back to us.



Thank You



Thanks & Best Regards,

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