



# THE GST INSIDER

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INPUT SERVICE DISTRIBUTOR (ISD)

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## »»» PREFACE «««

Welcome to our latest issue of "**The GST Insider**" meticulously compiled by **CA Samarpit Sharma**. As we navigate through the ever-evolving landscape of the Goods and Services Tax (GST), our aim is to bring you the most recent and pertinent updates, including circulars, notifications, press releases, relevant case laws, advance rulings, and other essential documents.

This Newsletter is designed to serve as a comprehensive resource for enhancing your understanding of GST regulations. Each edition is carefully structured to present complex legal content in an accessible and engaging format. Through the use of explanatory visuals and simplified explanations, we strive to make the material not only easier to comprehend but also more interesting to read.

It is important to note that the information provided herein is intended solely for knowledge sharing purposes and should not be utilized as a basis for any form of professional advice. For specific GST-related advice, we recommend consulting with qualified experts.

By integrating visual aids and reformulating the legal text into reader-friendly formats, we hope to enrich your learning experience and keep you updated on significant GST developments. Enjoy the read, and may it spark both your interest and understanding of GST.

Thank you for trusting "The GST Insider" as your go-to source for GST updates. We hope you find this edition both informative and easy to comprehend.

*Thank You!*



CA. SAMARPIT  
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“

*Push past your  
comfort zone*

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# MANDATORY ISD REGISTRATION UNDER GST FROM APRIL 1, 2025: A COMPLETE GUIDE TO INPUT TAX CREDIT DISTRIBUTION FOR MULTI-STATE BUSINESSES

## Input Service Distributor (ISD) Under GST – A Mandatory Compliance from April 1, 2025

With effect from **April 1, 2025**, a significant change is coming into force under the GST regime—**businesses distributing Input Tax Credit (ITC) on common input services across multiple GST registrations must now register as an Input Service Distributor (ISD)**. This amendment, brought in by the Finance Act, 2024 and made effective via **Notification No. 16/2024-Central Tax dated August 6, 2024**, marks a major shift in ITC distribution compliance.

### What Is ISD and Why Is It Required?

The Input Service Distributor (ISD) mechanism under GST allows organizations with a **multi-state presence to distribute ITC on common input services received centrally**. Previously, any GST-registered entity under the same PAN could distribute such credits. However, **from April 2025 onwards, only a valid ISD-registered entity is allowed to distribute ITC on such services to other GST registrations under the same PAN**.

According to **Section 2(61)** of the CGST Act, 2017, an ISD is an office that receives invoices for input services—including those under **Reverse Charge Mechanism (RCM)**—on behalf of other branches (distinct persons under Section 25) and is responsible for distributing the corresponding ITC as per Section 20 of the CGST Act.

### Who Must Register as an ISD?

Businesses that:

- Have **multiple GST registrations under the same PAN**; and
- **Receive common input service invoices at one location on behalf of other units**

**must obtain ISD registration** in the State or Union Territory where such centralized billing occurs—typically at the Head Office or main administrative office.

### Common Scenarios Where ISD Registration is Required

- **Software Subscriptions:** A company's head office pays for an ERP used across various branches.

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- **Consultancy Services:** Legal or tax advisory received by the parent company but applicable to multiple locations.
- **Marketing & Advertising:** National campaigns billed at the corporate level but benefiting multiple states.

## Compliance Roadmap for ISD Implementation

To prepare for this transition, businesses should follow these action steps:

1. **Assess Applicability:** Determine if any GST registration is receiving invoices for services used across multiple branches.
2. **Apply for ISD Registration:** Obtain a new GSTIN under the ISD category before April 1, 2025.
3. **Vendor Communication:** Instruct vendors to issue such common service invoices using the ISD GSTIN going forward.
4. **Record Maintenance:** Ensure accurate tracking of ITC received and to be distributed.
5. **Timely Filing:** File **Form GSTR-6** monthly (by the 13th of the following month) to report and distribute ITC. Also, ensure vendor invoices are visible in **Form GSTR-6A**.

## How Should the Credit Be Distributed?

The method of ITC distribution depends on whether the **ISD and the recipient unit are located in the same or different states:**

### Same State/UT:

- **IGST → IGST**
- **CGST/SGST/UTGST → CGST/SGST/UTGST**

### Different States/UTs:

- **IGST → IGST**
- **CGST/SGST/UTGST → IGST**

If the service benefits **a single branch**, the full credit is allocated to that branch. **If it benefits multiple branches, the ITC is distributed proportionately based on their turnover during the relevant period.**

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## Important Operational Points to Remember

- ITC available for distribution **must be disbursed within the same month** and reported in **Form GSTR-6**.
- Credit distributed **cannot exceed** the total eligible ITC available.
- **Eligible and ineligible ITC** must be distributed **separately** with proper documentation.
- Tax types—**CGST, SGST/UTGST, and IGST**—must be **distributed individually**.
- **ISD invoices** and **credit notes** must be issued as per Rule 54(1) of the CGST Rules.
- In RCM cases, **a unit with the same PAN and State code** as the ISD must first discharge the tax, avail ITC, and then issue an invoice to the ISD for onward distribution.

## What's the Relevant Period for ITC Apportionment?

The "**relevant period**" for determining turnover (used to apportion ITC among branches) will be:

- The **preceding financial year**, if all branches had turnover during that period; or
- The **latest available quarter**, in cases where some branches had no turnover in the previous year.

## Next Steps for Businesses

- Identify all **common services** that qualify for ITC distribution.
- **Complete ISD registration** well before April 1, 2025.
- Implement internal controls for **accurate allocation and documentation**.
- Monitor **monthly filing deadlines** to ensure timely compliance.

## Conclusion

The revised ISD framework mandates a centralized and transparent ITC distribution process. Businesses must update compliance systems, coordinate with vendors, and act early to avoid disruptions and ensure smooth GST compliance.

## MORE INFORMATION ABOUT US



### The GST Insider: Stay Informed, Stay Compliant

As we conclude this edition of **The GST Insider**, we hope the insights and updates have provided valuable knowledge to our readers. Our commitment remains steadfast in delivering timely, accurate, and relevant information to help you navigate the complexities of the GST landscape. We have explored significant developments and shared expert opinions to help you stay compliant and maximize benefits.

We are grateful for your continued support and engagement. Your feedback and suggestions are invaluable as we strive to make "The GST Insider" a trusted resource for all your GST-related needs.

Until the next issue, stay informed, stay compliant, and keep thriving in your business endeavors.

**Email us for a copy and for more info!**

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March 2025

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