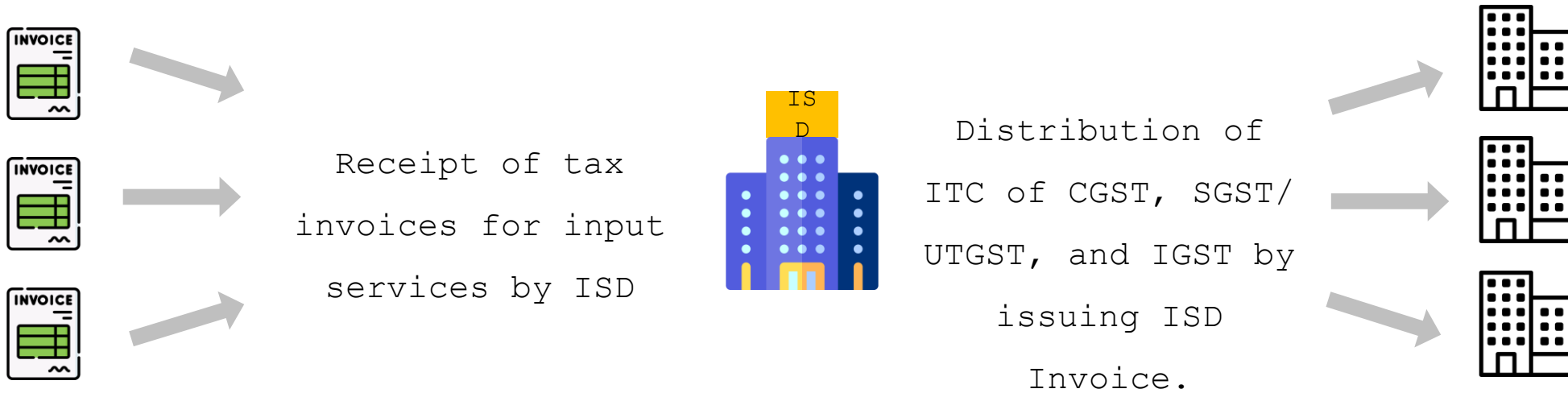




Input Service Distributor Mechanism

Who is an Input Service Distributor?



- ISD as a concept existed even under ST regime and the same has been carried forward to GST.
- The main purpose of ISD is to enable the HO/Centralized location incurring expenses to avail ITC of the GST paid and distribute the credit.
- The need for ISD arose for providing a chance to businesses who have multiple units in different locations to receive common invoice for the services attributable to different units at centralized location.
- ISD mechanism is only a facilitation for distribution of credit of taxes paid and avoid

Manner of distribution of credits by ISD to recipient units

The manner of distribution of ITC primarily depends on two factors:

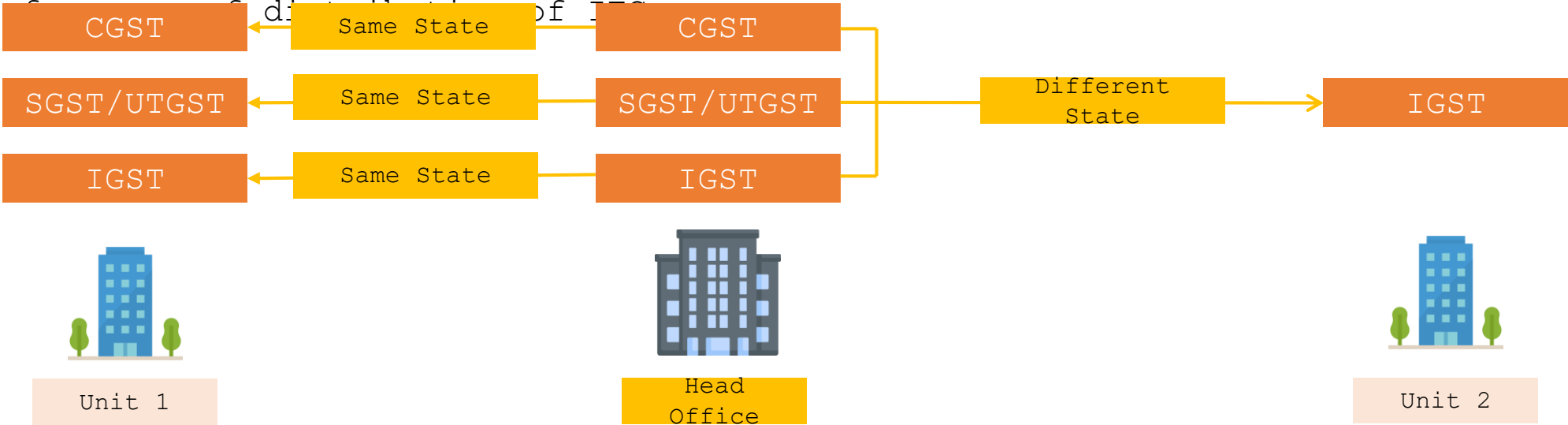
- A. Location of the ISD vis a vis the location of the recipient unit
- B. Nature of tax (CGST/SGST or IGST)

Recipient unit & ISD are in same state - The ITC of CGST & SGST are distributed as CGST & SGST

Recipient unit & ISD are in different state - The ITC of CGST & SGST are distributed as IGST

In case of distribution of IGST, it is always distributed as IGST irrespective of the location.

Summary



Registrations and Returns



Registration of ISD

- There is no threshold prescribed for obtaining ISD registration.
- ISD is a separate registration obtained under the nature of registration marked as 'ISD registration'

GST return for ISD

- The ISD shall have to file a monthly return in Form GSTR 6 by 13th day from the end of the month.
- An ISD shall have to furnish the details of the invoices of input services received, the amount of eligible and ineligible ITC available for distribution.

Other Key aspects

- ISD shall distribute the ITC relating to procurement of Input services only.
- ISD shall receive tax invoices for taxable supplies and distribute the tax charged on such invoice to appropriate supplier having the same PAN.
- The concept of ISD and cross-charge is being debated yet different treatments are often seen

Conditions to be fulfilled for availing ISD ITC



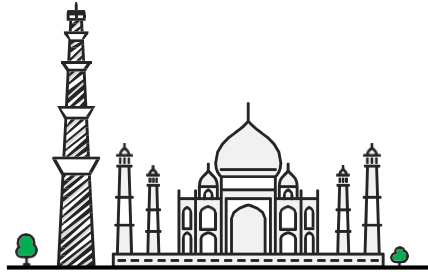
- Distribution of common credits by ISD to one or more recipients on basis of their total turnover of previous FY.
- If the expenses are directly related to any specific unit, then it shall be directly apportioned to that unit only.
- An ISD invoice is to be issued with a clear indication that such invoice is issued only for distribution of ITC
- The invoice must contain the information of distribution CGST/SGST or IGST separately
- Any ITC received by ISD through a debit note issued by a vendor which increases the ITC available for distribution, it shall be distributed in the same manner
- The distribution of ITC must not be more than the ITC available for distribution.

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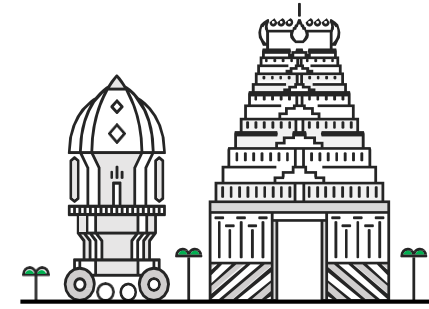
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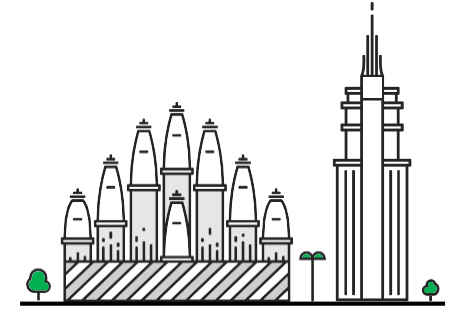
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Thank You



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