



Cross Charges vs ISD

Finance Bill, 2024 as introduced in Lok Sabha on 01/02/2024

- Government vide Notification No 16/2024 dated 06/08/2024 have notified amendments to GST Act proposed vide Finance Bill 2024 dt. 01/02/2024
- Vide the said amendment, separate ISD registration will be compulsorily required (as against optional) in case of dealers having multiple GSTIN's and who are receiving common input services on behalf of other branches.
- Therefore all common ITC received by Head Office is to be compulsorily distributed to its branches by way of ISD registration. ITC distribution to also include invoices liable for reverse charge.
- The above ISD compliance is mandatorily to be followed wef 01/04/2025



- Such amendment is likely to increase the compliance burden of companies having multiple GSTIN's viz obtaining registration, filing of separate ISD returns, disclosure in GSTR-3B, etc.
- Tax payers would also be required to have a robust accounting system in order to identify invoices which are common in nature and which are ought to be distributed vide ISD registration.
- Additionally there exists a concept of cross charges under GST. Presently, there exists lot of confusion between cross charges and ISD mechanism.
- The same is explained in detailed manner in succeeding slides



Cross Charges vs ISD

Maharashtra

Head Office



Common
services

- Software License
- Audit Fees
- Brand Promotion
- Rent
- Legal services

Gujarat

Factory

MP

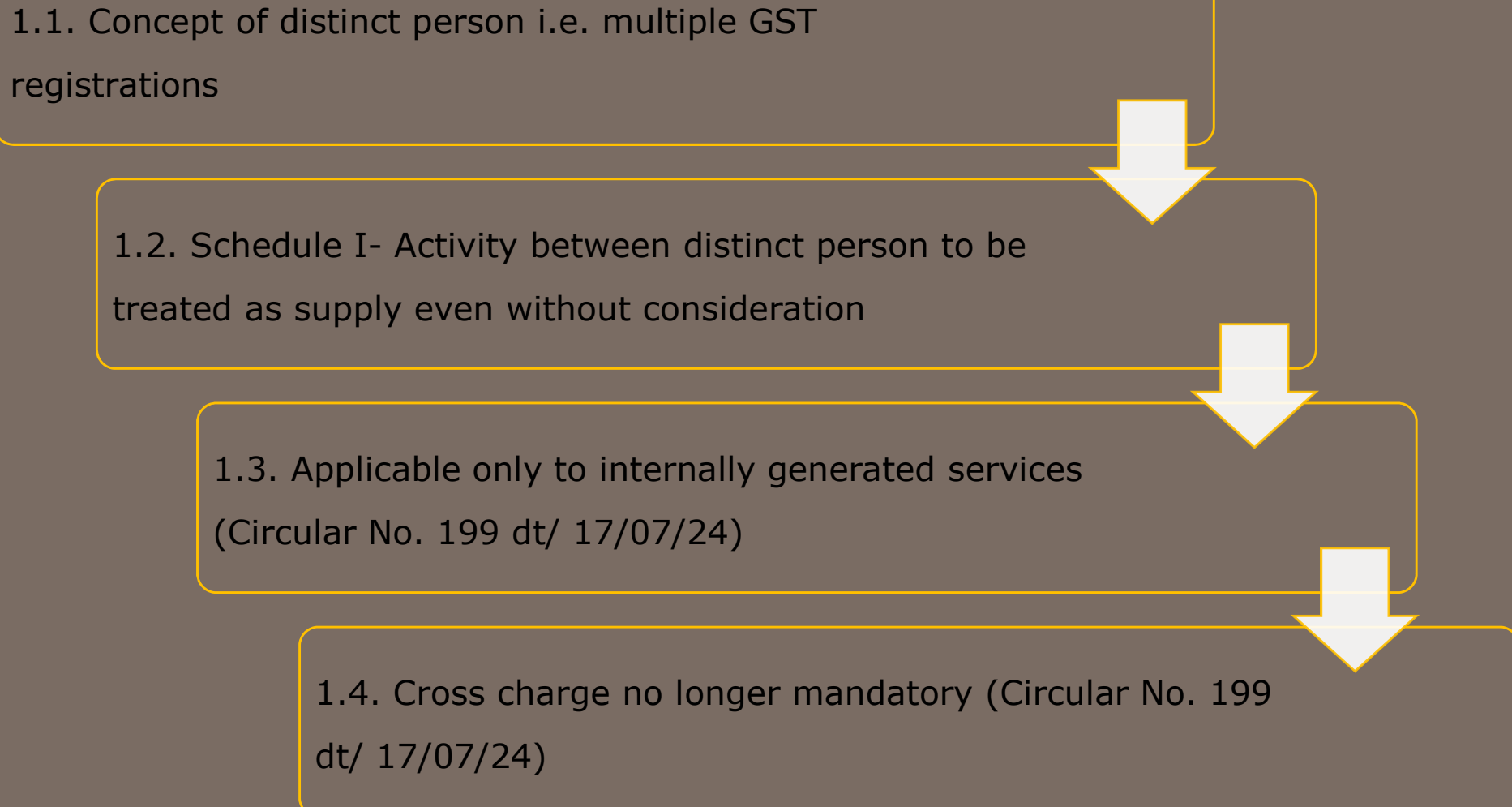
Factory

Haryana

Factory

ITC on Common Services

1.1. Concept of distinct person i.e. multiple GST registrations



1.2. Schedule I- Activity between distinct person to be treated as supply even without consideration

1.3. Applicable only to internally generated services
(Circular No. 199 dt/ 17/07/24)

1.4. Cross charge no longer mandatory (Circular No. 199 dt/ 17/07/24)

Concept of Cross Charges

1.1. Introduced in regime of Central Excise to allow credit of services to entities having HO and factories across India

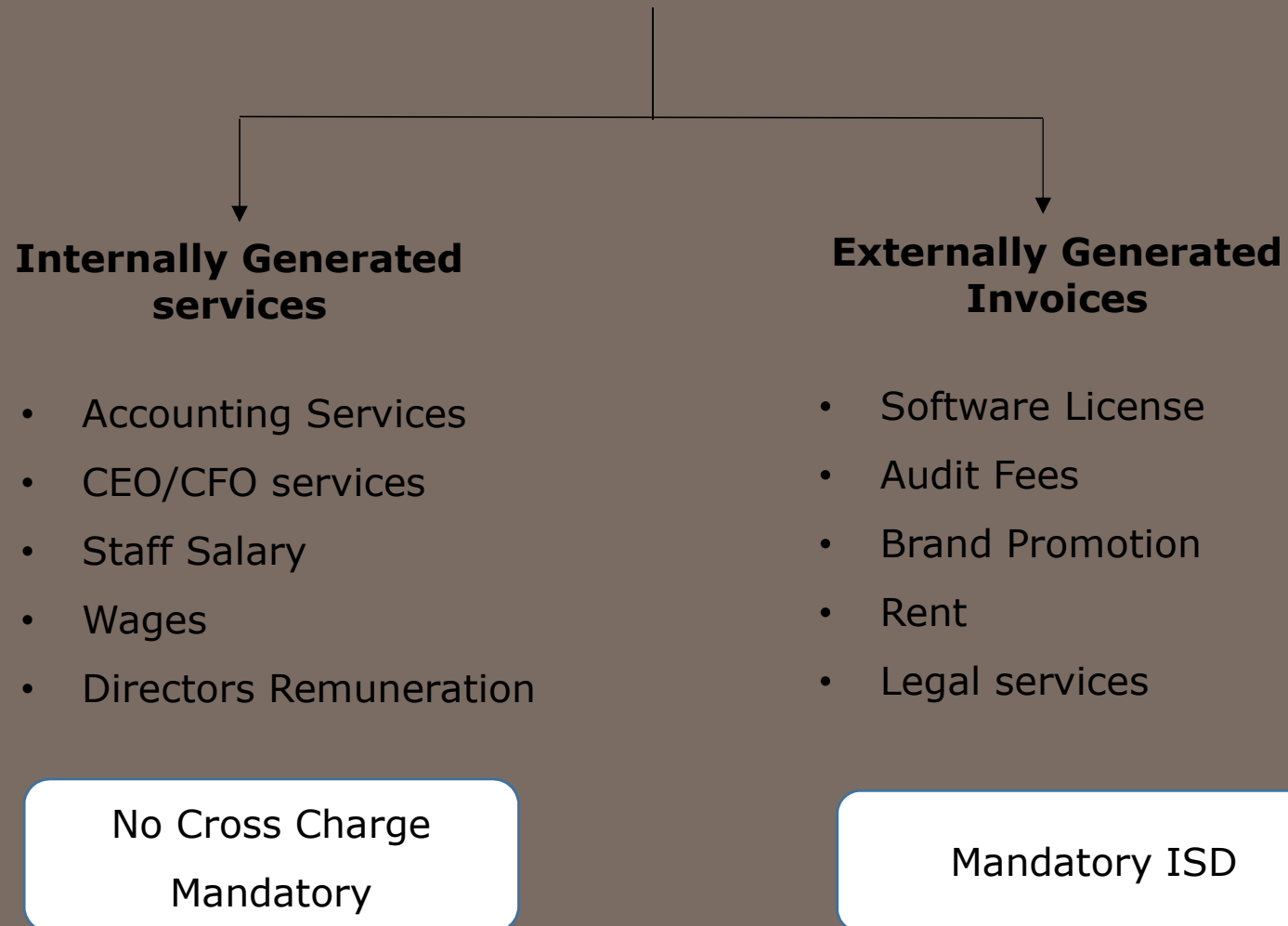
1.2. Under GST, HO registered in main state and branches across India.

1.3. HO performs function of centralized accounting, auditing, brand promotion, advertisement, etc

1.4. ISD mandatory from 01.04.2025

Concept of ISD

HO Common Services



Cross Charges vs ISD

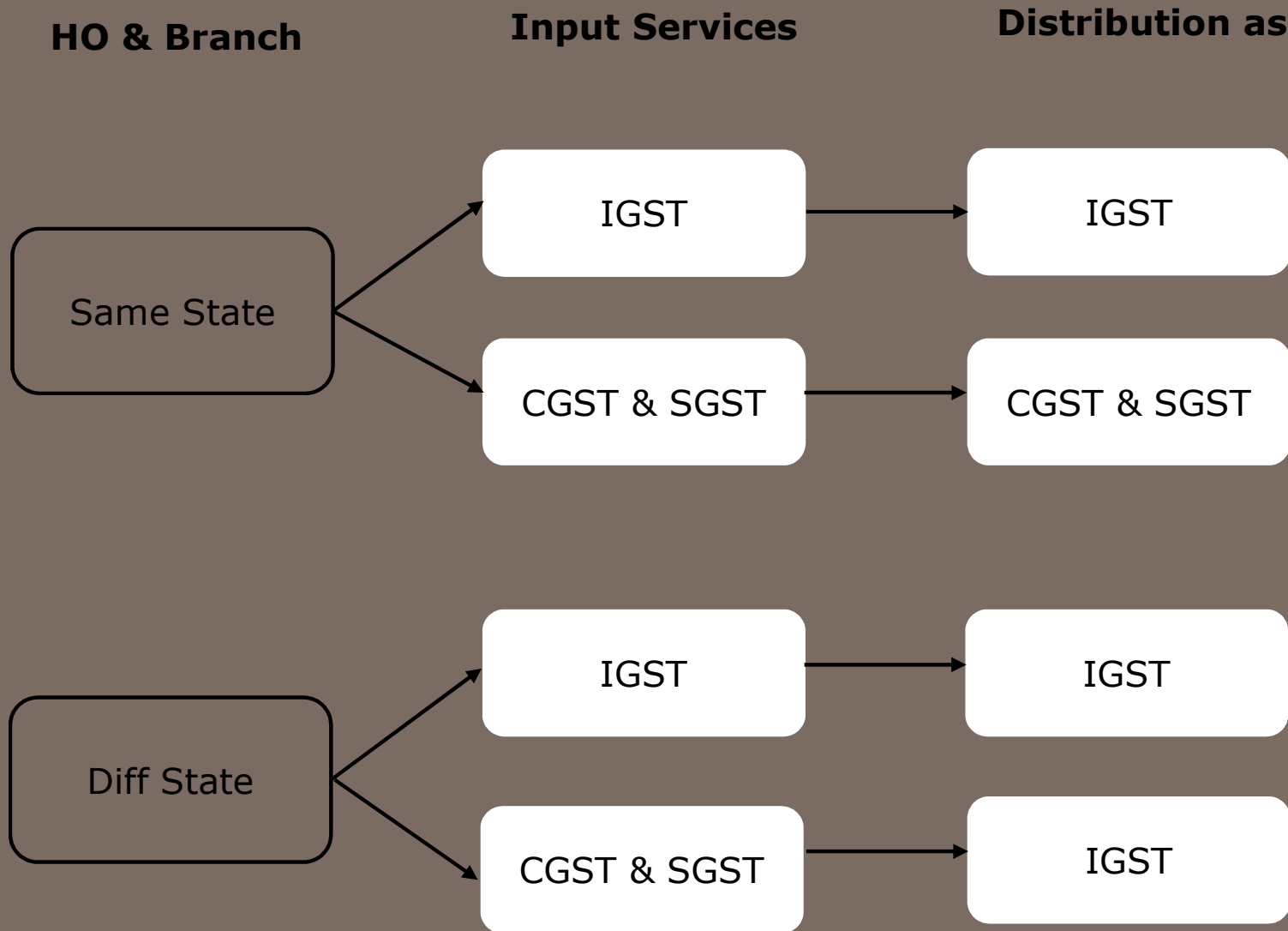
Sr. No.	Section/ Rule	Narration
1.	Section 2(61)	Definition of ISD
2.	Section 24 (viii)	Compulsory Registration for ISD
3.	Section 25(4) & (5)	Multiple registrations- distinct persons
4.	Proviso to Rule 8(1)	Separate Application to be done for ISD Registration even for assessee who has regular registration as supplier
5.	Rule 36(1)	Allows ISD to avail ITC based on invoices issued by supplier
6.	Rule 36(1)	Allows separate registration of establishment of same business entity to take credit based on invoices or debit notes issued by ISD.
7.	Rule 54	Prescribes details to be furnished in invoice issued by ISD

LEGAL FRAMEWORK OF ISD

**DEFINITION OF ISD
S. 2(61)**

Section 2(61) - Input Service Distributor

- *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, and*
- *liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20.”*



DISTRIBUTION OF ISD – Rule 39(1)(f)

Sr. No.	Action
1.	Applicable to all taxpayers having multiple GSTIN under 1 PAN
2.	Obtain separate ISD registration before 01.04.2025
3.	Identify externally generated common services received on behalf of branches such as audit fees/ brand promotion/ advertisement/ stationery/ etc
4.	Communicate ISD GSTIN to all such relevant suppliers
5.	Inform suppliers to raise invoice in new ISD GSTIN
6.	Distribute ITC to branches by raising ISD invoice in turnover ratio
7.	Branches to book respective portion of ITC received from ISD
8.	ISD to file Form GSTR-6 by 13 th of following month
9.	Branches to download Form GSTR-6A

THANK YOU



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