



**N S H AND AFFILIATES**  
CHARTERED ACCOUNTANTS

**Mandatory ISD  
Registration  
under GST  
Effective from  
1st April 2025**



**CPE SEMINAR**  
**ON**  
**COMPLIANCE AND RETURN FILING PROCESS**  
**FOR INPUT SERVICE DISTRIBUTORS**

**QN 1: WHY ISD?**

**GST**

- **Consumption**-based Tax
- **Tax revenue** must go to the state of consumption.

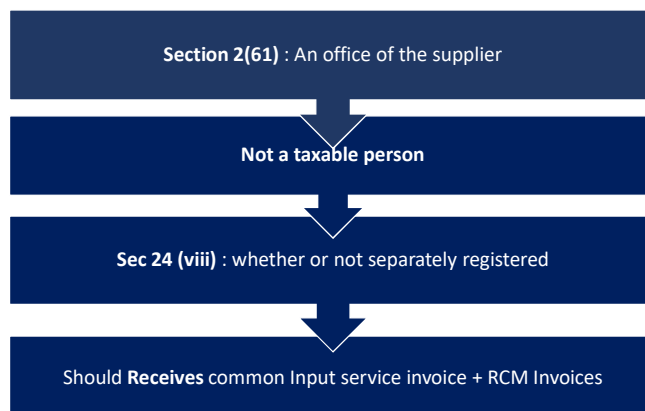
**Corporate**

- Centralized procurement
- **Benefits** multiple branches
- Full ITC by HO – **Unfair distribution**

**ISD**

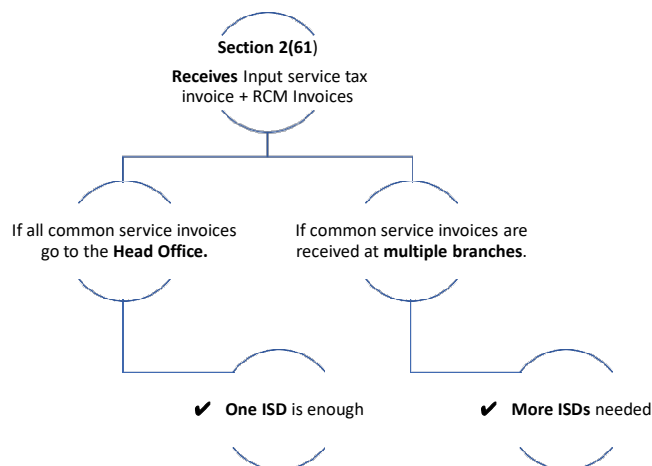
- Fair distribution
- Exists even in the **service tax** regime

## QN 2 : ADDRESS FOR REGISTRATION?

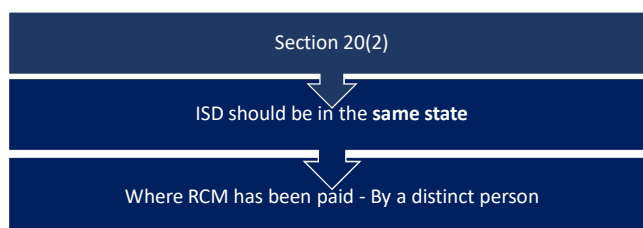


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## QN 3: MULTIPLE ISD POSSIBLE?

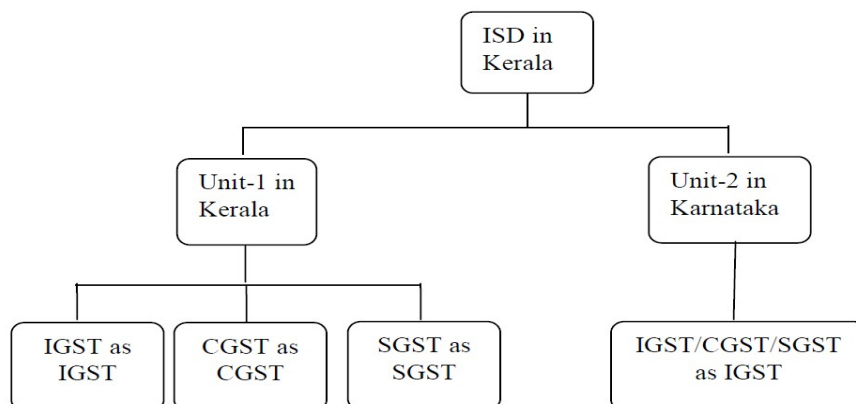


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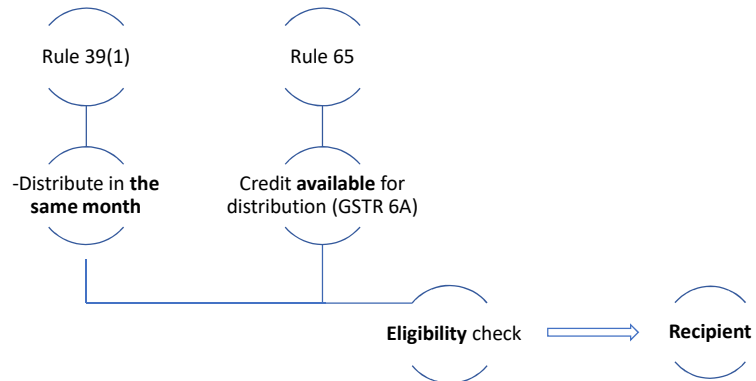
**QN 4: ISD IN RCM PAYING STATE?****EG:**

Common RCM expenses like import of services or legal fees - then it must get ISD registration in the state where the branch is located.

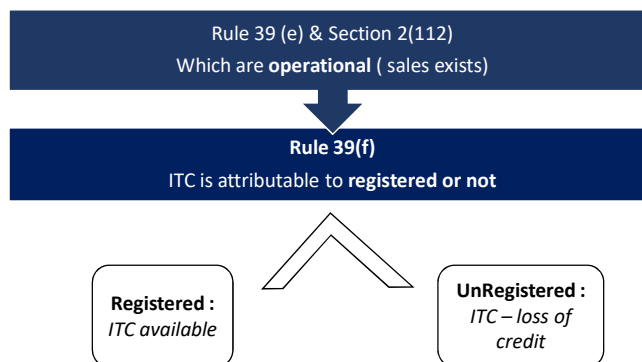
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**CREDIT DISTRIBUTION**

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**QN 5: WHEN TO DISTRIBUTE?**

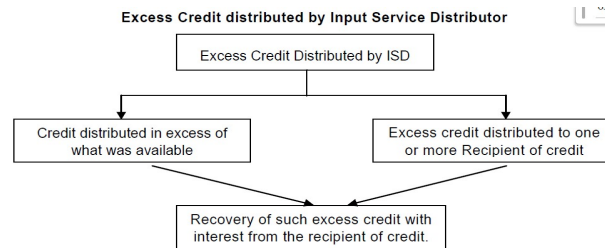
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**Qn 6 :CREDIT DISTRIBUTION TO UNREG BRANCH?**

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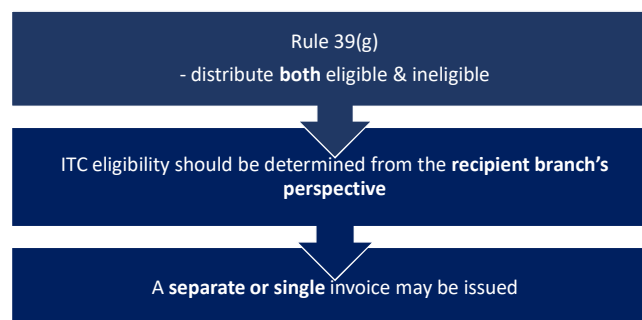
**QN 7: PENALTY – WRONG CREDIT DISTRIBUTED?**

Section 21 &amp; Circular No.71/45/2018-GST

**Key Points**

- **Interest** payable by the recipient branch
- Penalty of **10k or excess credit** distributed, higher – payable by **ISD**

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**QN 8: INELIGIBLE ITC TO BE DISTRIBUTED?**

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### QN 9: ISD FOR INTERNALLY GENERATED SERVICES?

Should internally provided services, such as Human Resources, be distributed through the ISD?

- ✓ Circular **199/11/2023-GST**
- ✓ ISD is applicable only for externally procured services

#### Key points

Clearly distinguish between internally generated and externally procured services to determine the applicability of ISD.

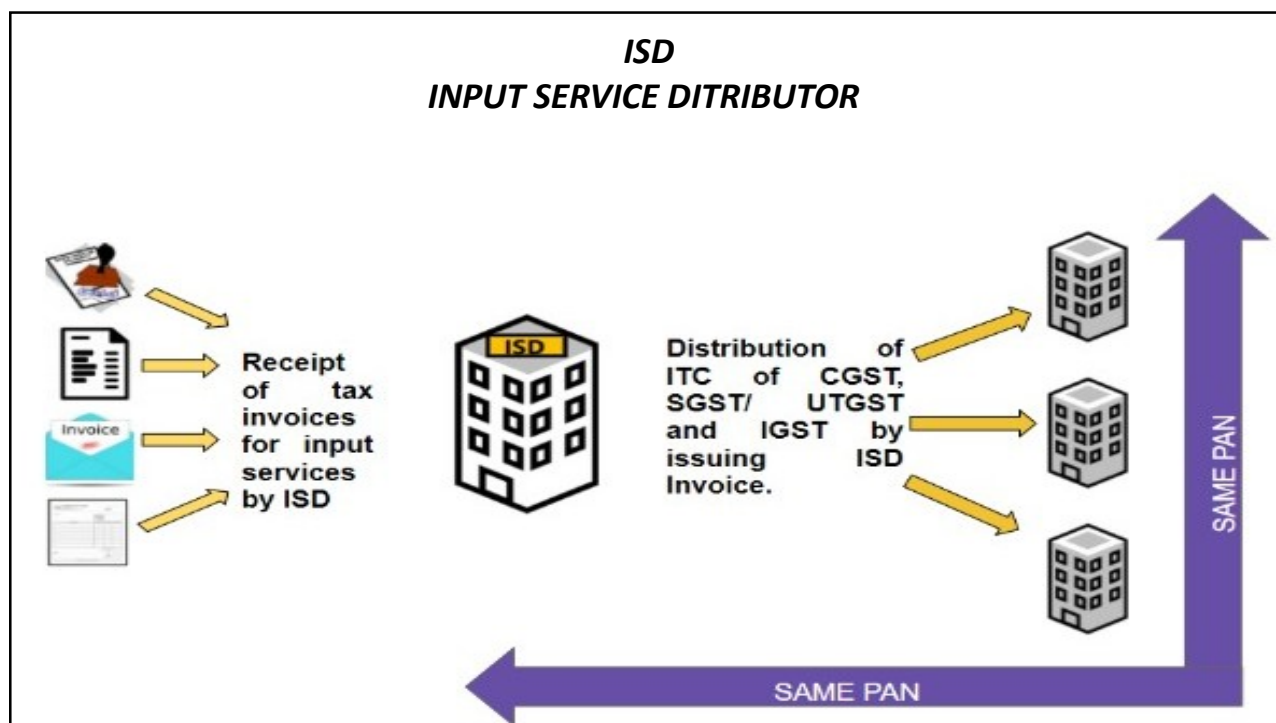
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### ISD VS CROSS CHARGE

PARTICULARS	ISD	CROSS CHARGE
<b>SERVICE TYPE</b>	EXTERNALLY PROCURED SERVICES	INTERNALLY GENERATED SERVICES
<b>EXAMPLE</b>	AUDIT FEE, LEGAL FEE, ETC.,	PAYROLL SERVICES, IT SUPPORT SERVICES.
<b>PURPOSE</b>	DISTRIBUTE ONLY COMMON ITC	DISTRIBUTE ITC & COST
<b>REGISTRATION</b>	SEPARATE ISD REGISTRATION REQUIRED.	NOT REQUIRED. NORMAL REGISTRATION IS ENOUGH
<b>E-INVOICE</b>	NOT REQUIRED FOR ISD INVOICE	REQUIRED, SINCE IT IS A REGULAR TAX INVOICE.
<b>VALUATION</b>	NA	RULE 28 CAN BE NIL
<b>APPLICABILITY</b>	MANDATORY	OPTIONAL
<b>RETURN</b>	GSTR 6	GSTR 1 & 3B
<b>IMS</b>	Directly flow to GSTR 2B	Populated in IMS, they must be accepted to move them to GSTR-2B.

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## GSTR 6

- Monthly GSTR-6 Filing is Mandatory – Even if no ITC is available, a ‘Nil’ return must be filed.
- Due Date – File by the **13th** of the following month.
- Reconciliation with GSTR-6A(dynamic) – Download by **12th**; match and reconcile invoices.
- Set **Cut-Off Date** – Finalize reconciliation before filing.
- **Include** in Return – Inward supplies, eligible/ineligible ITC, and amendments.
- **Distribute** ITC Properly – Follow Rule 39 and ignore unmatched invoices.
- Create **ISD Invoice** – Prepare on the last day of the month for ITC distribution.
- Report Accurately – Add ISD invoice in GSTR-6; ensure **ITC distributed = ITC available**.
- File After Final Check – Click “Compute ITC,” file return, and **maintain YTD reconciliation**.
- **Late Fees** – ₹50/day for regular returns, ₹20/day for Nil returns.



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## QN 10: HOW TO DISTRIBUTE RCM CREDIT?

### 1. Rule 39(1A) ,54(1A) & 65

- Branch will pay and issue an invoice to ISD
- Invoice format as per Rule 54(1A)
- Manually add the Invoice in GSTR 6

### 2. Key points

The aforementioned method may be applied if the vendor has **mistakenly** issued the invoice to the Head Office GSTN instead of the ISD GSTN.

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## CALCULATION FOR GSTR 6

### Step 1 : Calculate the Turnover (ISD in TN)

GST Turnover for FY 2024-25	Amount	% of Total turnover
Tamil Nadu	100	45%
Kerala	60	27%
Delhi	40	18%
Karnataka	20	9%
<b>TOTAL</b>	<b>220</b>	<b>100%</b>

### Step 2 : Find the Matching ITC

Particulars	CGST	SGST	IGST
ITC	10.00	10.00	20.00
Debit/Credit Note	-	-	-5.00
<b>Total</b>	<b>10.00</b>	<b>10.00</b>	<b>15.00</b>

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## CALCULATION FOR GSTR 6

Step 3 : Distribute based on Turnover

Particulars	ITC available	TN			KL	DL	KN
		CGST	SGST	IGST	IGST	IGST	IGST
CGST	10.00	4.55			2.73	1.82	0.91
SGST	10.00		4.55		2.73	1.82	0.91
IGST	15.00			6.82	4.09	2.73	1.36
<b>TOTAL</b>	<b>35.00</b>	<b>4.55</b>	<b>4.55</b>	<b>6.82</b>	<b>9.55</b>	<b>6.36</b>	<b>3.18</b>

Step 4 : Raise ISD Invoice based on Credit distribution in Step 3

Particulars	CGST	SGST	IGST
Tamil Nadu	4.55	4.55	6.81
Kerala	-	-	9.55
Delhi	-	-	6.36
Karnataka	-	-	3.18
<b>Total</b>	<b>4.55</b>	<b>4.55</b>	<b>25.90</b>

**35.00**

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## CALCULATION FOR GSTR 6

Step 5 : Credit available = Credit distributed

Particulars	CGST	SGST	IGST	Total
<b>Credit available</b>	<b>10.00</b>	<b>10.00</b>	<b>15.00</b>	<b>35.00</b>
<b>Credit distribution</b>	<b>4.55</b>	<b>4.55</b>	<b>25.91</b>	<b>35.00</b>

Step 6 : Utilization of ITC for distribution

Distributed credit reconciliation table				
Description	Credit distribution	Utilization of ITC for distribution		
		IGST	CGST	SGST
Integrated tax	25.90	15.00	5.45	5.45
Central tax	4.55		4.55	
State / UT tax	4.55			4.55
Cess	-			
<b>Total</b>	<b>35.00</b>	<b>15.00</b>	<b>10.00</b>	<b>10.00</b>

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## KEY POINTS FOR ISD COMPLIANCE

- **Identify Vendors & Ensure Correct Invoicing**

- Coordinate with vendors to issue invoices under the ISD GSTIN for common services.
- Raise separate invoices for goods and services to ensure proper credit distribution under ISD, as the goods portion may be missed if combined.

- **Use Prescribed ISD Format**

Follow Rule 54 of CGST Rules, 2017 – only invoices and credit notes are allowed under ISD.

- **Allocate Credit Accurately**

Distribute ITC only to the unit to which the service relates.

- **Distribute Based on Turnover**

Use the previous financial year's turnover (or last quarter's if unavailable) for proportional distribution.

- **State-Specific Turnover Only**

Use the respective unit's turnover, not the company's total, for accurate ITC allocation.

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*For clarification, kindly refer to*

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