



**SUPPLEMENTARY FOR DECEMBER 2025
TERM OF EXAMINATION**

PAPER - 7B

INDIRECT TAXATION

SYLLABUS 2022



SUPPLEMENTARY_PAPER 7B_FOR DECEMBER 2025 TERM OF EXAMINATION_SYLLABUS 2022

INDIRECT TAX (PAPER 7B)

Clarification in respect of input tax credit availed by electronic commerce operators where services specified under Section 9(5) of the Central Goods and Services Tax Act, 2017 are supplied through their platform [Circular 240/34/2024 dated 31-12-2024]

Issue

Whether electronic commerce operator, required to pay tax u/s 9(5) of CGST Act, is liable to reverse proportionate input tax credit on his inputs and input services to the extent of supplies made u/s 9(5) of the CGST Act.

Clarification

1. ECO, required to pay tax u/s 9(5) of CGST Act, is making supplies under two counts:
 - i. Supplies notified u/s 9(5) of CGST Act for which he is liable to pay tax as if he is the supplier of the said services.
 - ii. Supply of his own services by providing his electronic platform for which he charges platform fee/commission etc. from the platform users.
2. For providing the services mentioned at 1(ii) above, the ECO procures inputs as well as input services for which he avails Input Tax Credit.
3. It has been clarified vide question no. 6 of Circular No. 167/23/2021 – GST dated 17.12.2021 that the ECO shall not be required to reverse input tax credit on account of restaurant services on which he pays tax u/s 9(5) of the CGST Act. It has also been clarified that the input tax credit will not be allowed to be utilized for payment of tax liability under section 9(5) and whole of the tax liability u/s 9(5) will be required to be paid in cash.
4. The principle, which has been outlined in question no. 6 of Circular No 167/23/2021 – GST dated 17.12.2021, also applies to the supplies made in respect of other services specified under section 9(5) of CGST Act.
5. In view of this, it is clarified that Electronic Commerce Operator, who is liable to pay tax under section 9(5) of the CGST Act in respect of specified services, is not required to reverse the input tax credit on his inputs and input services proportionately under section 17(1) or section 17(2) of CGST Act to the extent of supplies made under section 9(5) of the CGST Act.



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6. It is further clarified that ECO will be required to pay the full tax liability on account of supplies under section 9(5) of the CGST Act only through electronic cash ledger. The credit availed by him in relation to the inputs and input services used to facilitate such supplies cannot be used for discharge of such tax liability under section 9(5) of the CGST Act. However, such credit can be utilized by him for discharge of tax liability in respect of supply of services on his own account

In short

Issue	Clarification
Whether ECOs must reverse ITC proportionately for 9(5) services?	No. ECOs are not required to reverse ITC on inputs/input services used for making 9(5) supplies. The principle already clarified for restaurant services (Circular No. 167/23/2021-GST) also applies to other 9(5) notified services.
Use of ITC for 9(5) tax liability?	Not allowed. Tax under Section 9(5) must be paid fully in cash . ITC cannot be used for such liability. However, ITC can be used for the ECO's own taxable services (e.g., platform commission).

Clarification on availability of input tax credit as per clause (b) of sub-section (2) of section 16 of the Central Goods and Services Tax Act, 2017 in respect of goods which have been delivered by the supplier at his place of business under Ex-Works Contract [Circular 241/35/2024 dated 31-12-2024]

Circular clarifies the applicability of input tax credit (ITC) under Section 16(2)(b) of the CGST Act, particularly in cases where goods are delivered under Ex-Works (EXW) contracts. The issue arose in the automobile sector, where dealers receive goods (e.g., vehicles) from OEMs at the factory gate, and transport is arranged on behalf of the dealer. Field formations had raised objections, arguing that ITC can only be claimed upon physical receipt of goods at the dealer's premises.

The Board clarified that as per the Explanation to Section 16(2)(b), goods are deemed to be received when they are delivered by the supplier to a recipient or to any person (e.g., transporter)



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on the direction of the recipient. Hence, in EXW contracts, the handing over of goods by the OEM to the transporter at the factory gate, on the dealer's instructions, amounts to receipt of goods. ITC can thus be claimed at that point, without waiting for physical arrival at the dealer's premises.

This principle applies across all industries where similar EXW contracts are executed. However, ITC is admissible only if the goods are used in the course or furtherance of business and subject to other conditions of Sections 16 and 17 of the CGST Act. If goods are diverted for non-business use or lost/stolen/destroyed/written off or given as free samples, ITC will not be available. The clarification ensures uniform application of law and prevents unwarranted denial of credit in genuine business transactions.

Clarification on place of supply of Online Services supplied by the suppliers of services to unregistered recipients [Circular 242/36/2024 dated 31-12-2024]

This circular addresses the issue of incorrect declaration of place of supply (POS) in cases where online services—including OIDAR, digital subscriptions, and services via electronic commerce platforms—are supplied to **unregistered recipients**. Field formations observed that several suppliers are wrongly declaring the POS as their own location (under Section 12(2)(b)(ii) of IGST Act), instead of the recipient's location (as mandated by Section 12(2)(b)(i)), due to non-recording of the recipient's State in invoices. This results in incorrect tax credit allocation across States.

The clarification states that for all taxable online services supplied to unregistered persons—whether through self-operated or third-party electronic commerce platforms—the **State of the recipient must be recorded on the invoice**, regardless of the transaction value. This is mandatory as per the **proviso to Rule 46(f)** of CGST Rules, and such State will be deemed as the **“address on record”** under Section 12(2)(b)(i) of IGST Act. Accordingly, the POS shall be the **recipient's State**, and tax must be deposited to the appropriate State accordingly.

Examples of such services include subscriptions to OTT platforms, e-newspapers, mobile app services, telecom services, and OIDAR supplies. Suppliers are required to collect State information from unregistered users before supply and report it correctly in **GSTR-1/1A**. Failure to comply may attract penal provisions under **Section 122(3)(e)** of the CGST Act.



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The circular ensures accurate tax distribution among States and mandates strict compliance by digital service providers and e-commerce operators.

Clarification on various issues pertaining to GST treatment of vouchers [Circular 243/37/2024 dated 31-12-2024]

This circular addresses multiple ambiguities surrounding the GST implications on vouchers. The first issue pertains to whether transactions in vouchers amount to supply of goods or services. The clarification issued states that vouchers are instruments creating an obligation to accept them as consideration for supply. If the voucher qualifies as a prepaid instrument recognized by RBI, it is considered “money” and thus excluded from the definitions of both goods and services under the CGST Act. Even if not recognized by RBI, such vouchers can be treated as actionable claims (other than specified actionable claims) and fall under Schedule III, hence not considered as supply. Therefore, transactions in vouchers themselves are not taxable under GST, though the underlying supply of goods/services for which the voucher is redeemed remains taxable.

The second issue relates to the GST treatment of distribution of vouchers by distributors or agents. In principal-to-principal (P2P) transactions—where distributors purchase and resell vouchers at a margin—the trading of vouchers is not considered a supply and is hence not liable to GST. However, if vouchers are distributed on a commission or agency basis, the commission received by the agent is treated as taxable supply of service and attracts GST.

The third issue concerns additional services provided to voucher issuers such as co-branding, advertising, technical support, and customer care. The circular clarifies that these are separate taxable supplies of services and GST is applicable on the service charges received for such services.

The fourth issue relates to unredeemed vouchers (termed as "breakage"). The circular clarifies that no GST is payable on breakage since there is no underlying supply of goods or services in such cases, and the retained amount does not qualify as consideration under Section 2(31) of the CGST Act. There must be a clear supply and a contractual agreement for consideration to trigger tax liability, which is absent in case of mere non-redemption.

Overall, the circular brings clarity and uniformity in GST treatment of vouchers, distinguishing between voucher issuance, trading, associated services, and non-redemption scenarios.



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Regularizing payment of GST on co-insurance premium apportioned by the lead insurer to the co-insurer and on ceding /re-insurance commission deducted from the reinsurance premium paid by the insurer to the reinsurer [Circular 244/01/2025 dated 28-01-2025]

This circular addresses the GST treatment of co-insurance and reinsurance transactions, following the recommendations of the 53rd GST Council meeting held on 22nd June 2024. The issue involved relates to the taxability of (i) apportionment of premium by a lead insurer to co-insurers in co-insurance arrangements, and (ii) deduction of reinsurance commission by insurers from premiums paid to reinsurers.

The clarification issued states that both these transactions have been retrospectively included under Schedule III of the CGST Act—designating them as activities neither supply of goods nor services, provided specific conditions are met. For co-insurance, this is valid only if the lead insurer pays GST on the full premium collected from the insured. For reinsurance, exemption applies if GST is paid by the reinsurer on the gross premium, inclusive of the commission retained by the insurer.

These provisions have been made effective from 1st November 2024 via Notification No. 17/2024-Central Tax. Importantly, the circular regularizes any GST already paid on such transactions from 01.07.2017 to 31.10.2024 on an "as is where is" basis, thus avoiding retrospective disputes or litigation for that period. This regularization provides legal certainty and compliance ease for the insurance sector.

Clarifications regarding applicability of GST on certain services [Circular 245/002/2025 dated 28-01-2025]

This circular, based on the recommendations of the 55th GST Council meeting, provides clarifications on several GST-related issues involving financial, educational, municipal, and utility services.

1. **Penal Charges by Banks/NBFCs:** The issue was whether GST applies to penal charges imposed by Regulated Entities (REs) in place of penal interest following RBI's directive dated 18.08.2023. It is clarified that such penal charges, being in the nature of deterrence for breach of contract terms, are not subject to GST.
2. **Payment Aggregators (PAs):** A question arose on whether PAs are eligible for GST exemption under Sl. No. 34 of Notification No. 12/2017-CTR for card-based transactions



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- under ₹2,000. The circular confirms that RBI-regulated PAs qualify as ‘acquiring banks’ and are eligible for the exemption, but it does not apply to Payment Gateways (PGs).
3. **R&D Services by Government Entities:** To address ambiguity over GST on R&D services provided against government grants, the circular regularizes GST payment from 01.07.2017 to 09.10.2024 on an “as is where is” basis. Post 10.10.2024, such services are exempt.
 4. **Skilling Services by NSDC Partners:** The exemption for NSDC-approved Training Partners was withdrawn effective 10.10.2024 but later restored from 16.01.2025. GST paid between 10.10.2024 and 15.01.2025 is regularized.
 5. **Facility Management Services to MCD:** The exemption under Sr. No. 3A of Notification No. 12/2017-CTR does not apply to facility management services (e.g., housekeeping, horticulture) availed by MCD for office upkeep. GST is applicable on such services.
 6. **DDA's Status as Local Authority:** It is clarified that Delhi Development Authority (DDA) is **not** a "local authority" under Section 2(69) of CGST Act, and services provided by DDA are not eligible for reverse charge mechanism benefits applicable to local authorities.
 7. **Renting by Unregistered Persons to Composition Taxpayers:** GST under RCM for commercial property rentals by unregistered persons to registered composition taxpayers is regularized for the period 10.10.2024 to 15.01.2025.
 8. **Support Services by Electricity Utilities:** Services such as meter testing, release of connections, duplicate bills, etc., by transmission/distribution utilities are exempt from 10.10.2024. GST paid on such services until 15.01.2025 is regularized.
 9. **Goethe Institutes/Max Mueller Bhawans:** These institutes did not charge GST until 01.04.2023, under a bona fide belief of exemption. GST paid for services from 01.07.2017 to 31.03.2023 is regularized on an “as is where is” basis.

Introduction of Temporary Identification Number under GST [Notification No. 07/2025-CT dated 23-01-2025]

The notification introduces key amendments to the Central Goods and Services Tax Rules, 2017 to provide for the grant of a Temporary Identification Number (TIN) under the new Rule 16A. The issue addressed is the procedural gap where certain persons, although not liable for GST registration, are still required to make payments under the Act—such as in cases of enforcement actions or penalties. Earlier, there was no formal mechanism to enable such individuals to deposit tax compliantly without registration.



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To address this, Rule 16A is inserted to empower the proper officer to grant a Temporary Identification Number to any person not liable for registration but required to pay GST. An order for the same will be issued in Part B of the revised FORM GST REG-12, which has now been updated to include provisions for both temporary registration and temporary identification.

Consequently, related amendments have been made to Rule 19 and Rule 87 to align them with Rule 16A, and REG-12 format has been comprehensively updated to capture personal, contact, and bank account details of such persons. This amendment streamlines compliance by creating a formal mechanism for non-registered persons to fulfill their GST obligations, particularly in cases of enforcement or ad hoc payments.

Appointment of Dates for enforcement of GST Amendment Rules [Notification No. 09/2025-CT dated 11-02-2025]

This notification, issued under the powers granted by Section 164 of the CGST Act, 2017, specifies the effective dates for certain provisions of the Central Goods and Services Tax (Amendment) Rules, 2024 as notified earlier via Notification No. 12/2024-Central Tax dated 10th July 2024.

The notification provides a two-phase commencement of specific amended rules:

Rule	Date
Rules 2, 24, 27 and 32	11-02-2025
Rules 8, 37 and clause (ii) of rule 38	01-04-2025

Amendment in exempted services - Notification 12/2017 [Notification No. 06/2025-CT(R) dated 16-01-2025]

1. In entry 25A, for the words transmission and distribution” wherever occurring, the words “transmission or distribution” shall be substitute
2. Entry 36B has been inserted which provides that Services of insurance provided by the Motor Vehicle Accident Fund, constituted u/s 164B of the Motor Vehicles Act, 1988(59 of 1988), against contributions made by insurers out of the premiums collected for third party insurance of motor vehicles.
3. Against serial number 69, in the entry following item shall be inserted: (f) a training partner approved by the National Skill Development Corporation



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Amendment in reverse charge Notification No. 13/2017 [Notification No. 07/2025-CT(R) dated 16-01-2025]

1. against serial number 4 (i.e. relating to sponsorship), supplier of service should be any person other than a body corporate
2. against serial number 5AB (i.e. relating to renting of any immovable property other than residential dwelling), recipient of service should be any registered person other than a person who has opted to pay tax under composition levy

Guidelines for Processing GST Registration Applications [Instruction No. 03/2025-GST dated 17-04-2025]

This instruction addresses inconsistencies and delays in GST registration caused by officers seeking unnecessary clarifications and documents beyond those prescribed in FORM GST REG-01. It aims to balance the prevention of fraudulent registrations with the need to ensure genuine applicants are not harassed.

The instruction supersedes earlier guidelines (Instruction No. 03/2023-GST) and lays down comprehensive directions for uniform processing of applications. Officers are strictly advised to adhere to the indicative list of documents prescribed in FORM GST REG-01 and avoid seeking unwarranted information such as PAN, Aadhaar, or photographs of lessors, unless necessary.

For proof of principal place of business, various scenarios such as owned premises, rented premises, shared spaces, or SEZ locations are covered with specific documentary requirements. Only one valid document (e.g., electricity bill, rent agreement) should be demanded, and presumptive queries (e.g., unrelated to nature of business or applicant's residence) are discouraged.

Applications not flagged as risky should be approved within 7 working days, while flagged applications or those requiring physical verification must be processed within 30 days. Officers must upload verification reports promptly and seek clarifications only for specific, documented reasons. Queries beyond prescribed grounds require approval from Deputy/Assistant Commissioners.

Additionally, zonal heads are instructed to supervise processing timelines, prevent deemed registrations due to officer inaction, and ensure sufficient staff is assigned. Strict disciplinary action is recommended for non-compliance with these guidelines.

The instruction seeks to standardize registration practices, reduce delays, and enhance the ease of doing business while safeguarding the system from ITC fraud.