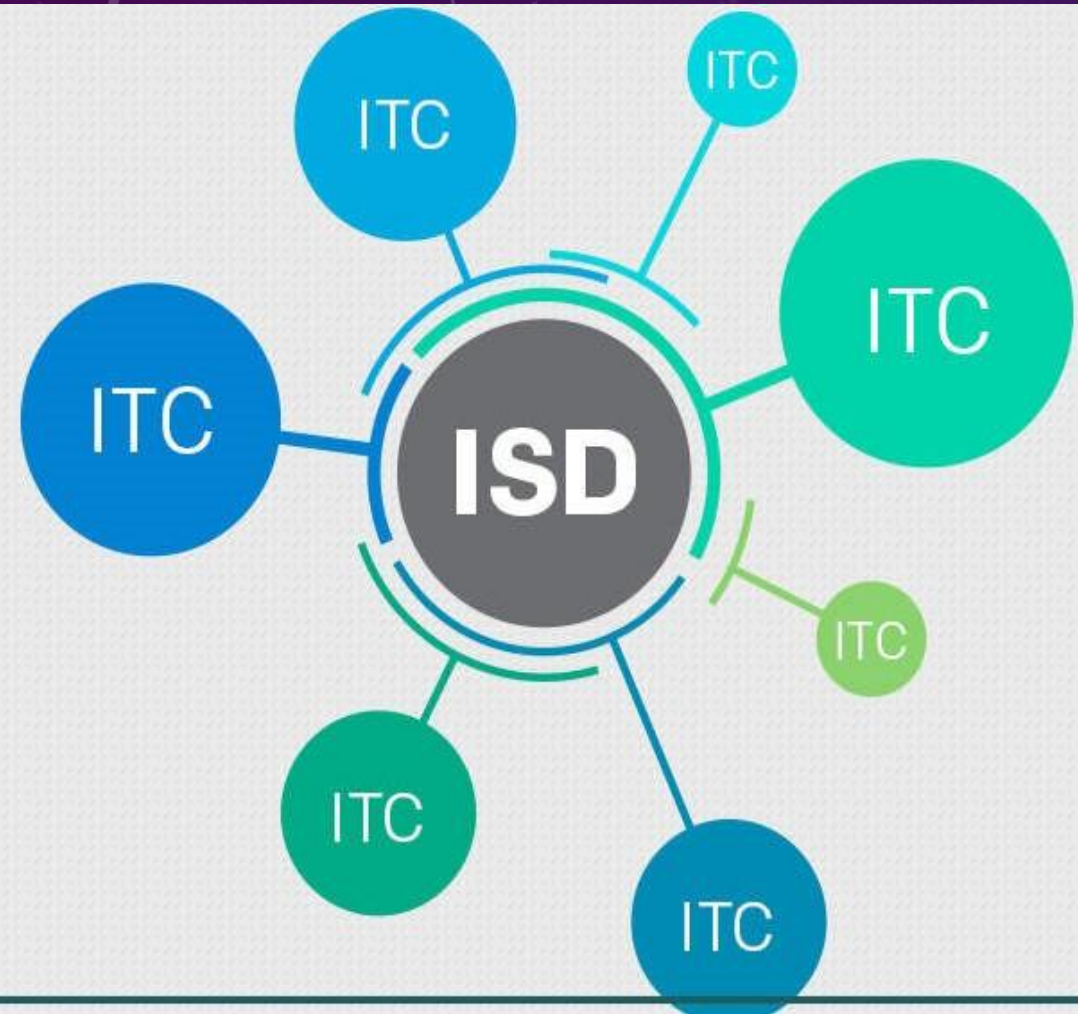


INPUT

SERVICE DISTRIBUTOR
(ISD)

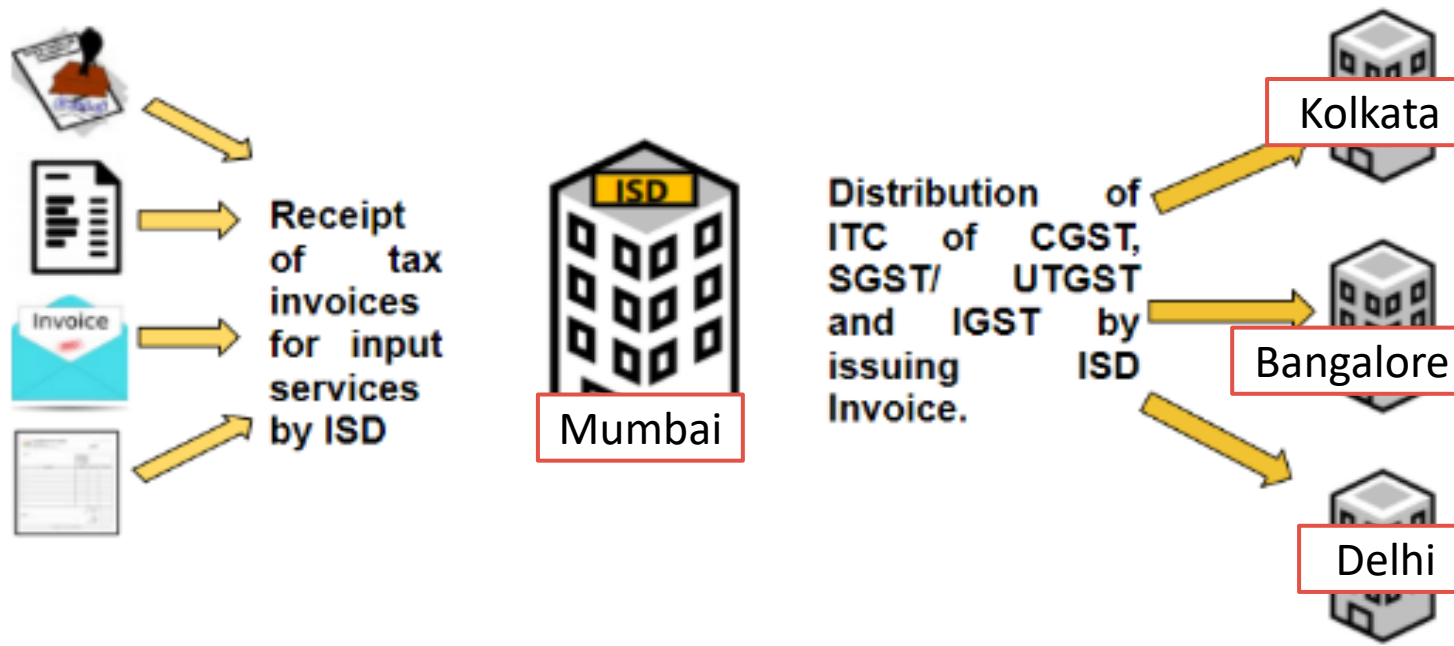


GSTR 6

CMA **AMIT DEY**, M.COM, LLB.

ISD - INPUT SERVICE DISTRIBUTOR IN GST

Distribution of ITC by ISD



Input Service Distributor (ISD) means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD.

ISD – ONLY SERVICES

- It is important to note that the ISD mechanism is meant only for distributing the credit on common invoices pertaining to input **services only and not goods (inputs or capital goods)**.
- Companies may have their head office at one place and units at other places which may be registered separately. The Head Office would be procuring certain services which would be for common utilization of all units across the country. The bills for such expenses would be raised on the Head Office. But the Head Office itself would not be providing any output supply so as to utilize the credit which gets accumulated on account of such input services.

ISD - REGISTRATION

- The concept of ISD under GST is a legacy carried over from the Service Tax Regime.
- An ISD will have to compulsorily take a **separate registration as ISD** and apply for the same in form GST REG-1.
- There is **no threshold limit** for registration for an ISD.
- The other locations may be **registered separately**. Since the services relate to other locations the corresponding credit should be transferred to such locations (having separate registrations) as the output services are being provided there.

M/s XYZ Ltd, having its head Office at Mumbai, is registered as ISD.

It has three units in different states namely 'Mumbai', 'Kolkata' and 'Delhi' which are operational in the current year.

M/s XYZ Ltd furnishes the following information for the month of July, 2017 & asks for permission to distribute the below input tax credit to various units.

- i. CGST paid on services used only for Mumbai Unit: Rs.300000/-
- ii. IGST, CGST & SGST paid on services used for all units: Rs.1200000/-

Total Turnover of the units for the Financial Year 2015-16 are as follows: -

Unit Turnover (Rs.)

Total Turnover of three units = Rs. 10, 00, 00,000

Turnover of Mumbai unit =Rs. 5, 00, 00,000 (50%)

Turnover of Kolkata unit = Rs. 3, 00, 00,000 (30%)

Turnover of Delhi unit = Rs. 2, 00, 00,000 (20%)

Computation of Input Tax Credit Distributed to various units is as follows:

Particulars	Total credit available	Mumbai	Kolkata	Delhi
CGST paid on services used only for Mumbai Unit.	300000	300000		
IGST, CGST & SGST paid on services used in all units Distribution on pro rata basis to all the units which are operational in the current year	1200000	600000	360000	240000
Total	1500000	900000	360000	240000

ISD – RETURNS:

- An ISD will have to file monthly returns in GSTR-6 within **thirteen days** after the end of the month
- and will have to furnish information of all ISD invoices issued.
- The details in the returns will be made available to the respective recipients in their **GSTR 2A**.
- An ISD shall not be required to file **Annual return**.
- An ISD cannot accept any invoices on which tax is to be discharged under reverse charge mechanism. This is because the ISD mechanism is only to facilitate distribution of credit of taxes paid. The ISD itself cannot discharge any tax liability (as person liable to pay tax) and remit tax to government account. If ISD wants to take **reverse charge supplies, then in that case ISD has to separately register as Normal taxpayer**.

ISD – CONCLUSION:

Thus the concept of ISD is a facility made available to business having a large share of common expenditure and billing/payment is done from a centralized location. The mechanism is meant to simplify the credit taking process for entities and the facility is meant to strengthen the seamless flow of credit under GST.