A professional portrait of a young man with dark hair, smiling and resting his chin on his hand. He is wearing a dark blue button-down shirt. The background is a solid dark blue.

Hiragumi

One of the
RSM team

Newsflash: GST Quarterly Digest - [January 2025 to March 2025]

GST Quarterly Digest

[January 2025 to March 2025]

For Circulation

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QUARTER AT A GLANCE

We are pleased to present the **GST Quarterly Digest**, summarizing the significant amendments, clarifications, case laws, notifications and circulars released during **January 2025 to March 2025**. The report incorporates key highlights under the Indirect Tax, providing a concise overview of the important updates during this period. The report also provides updates on the Input Service Distributor mechanism.



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GST PORTAL: NEWS AND UPDATES

As of April 4, 2025, several significant updates and changes have been implemented concerning India's Goods and Services Tax (GST). These developments are crucial for businesses to ensure compliance and optimize their tax positions.

Directors can opt for Biometric Authentication in Their Home State

The Directors and Promoters of a Public Limited Company, Private Limited Company, Unlimited Company, or Foreign Company may now opt for Biometric Authentication within their home state. They are no longer required to travel to the designated GST Suvidha Kendra (GSK) mapped to their jurisdiction for this purpose.

Business Continuity: E-invoice and E-waybill interoperability

For e-invoice generation, the Goods and Services Tax Network (GSTN) has operationalized six Invoice Registration Portals (IRPs). Of these, two IRPs are managed by the National Informatics Centre (NIC) and are interoperable, enabling seamless switchover during instances of service disruptions.

For e-waybill generation, the GSTN has facilitated two operational portals, ensuring uninterrupted business continuity for users in the event of technical outages.

In respect of the NIC-maintained portals for both e-invoicing and e-waybill functionalities, a unified authentication token is being implemented. This token remains valid across all NIC platforms, thereby eliminating the requirement for multiple authentication credentials per platform.

Hard Locking of Auto-populated values in GSTR-3B deferred

The implementation of hard locking of auto-populated values in GSTR-3B, which was scheduled to commence from January 2025, has been deferred pursuant to requests received from the trade and industry. The revised implementation date will be notified separately by the GSTN in due course.

Enrolment of unregistered dealers/persons for generation of e-waybill

Pursuant to **Notification No. 12/2024, dated 10th July 2024**, the facility for generating e-waybills by unregistered persons has been enabled from 11th February 2025. This provision allows unregistered transporters/persons to register on the e-waybill portal, thereby enabling them to generate e-waybills in cases where they are neither the supplier nor the recipient.

KEY CIRCULARS AND NOTIFICATIONS

Circular No. 245/02/2025-GST) dated 28th January 2025	
GST on Penal Charges by Banks and NBFCs	
Issue	Clarification
<ul style="list-style-type: none"> Based on RBI's Circular dated 18th August 2023, Regulated Entities (REs) like banks & NBFCs were directed to stop the practice of charging penal interest on loan defaulters and instead levy penal charges. This change is applicable from 1st Jan 2024. Field officers were having ambiguity on the applicability of GST on these penal charges' basis of Circular No. 178/10/2022-GST, whether they amount to "agreeing to the obligation to tolerate an act." 	<ul style="list-style-type: none"> It has been clarified that penal charges collected by banks and NBFCs is for discouraging the borrowers from default of payment of loans and inculcate financial discipline. It has been clarified that these charges arise on account of non-payment and not as a service rendered by the banks & NBFCs therefore GST is not applicable on penal charges collected by them.

GST Exemption on Small Value Transactions by Payment Aggregators	
Issue	Clarification
<ul style="list-style-type: none"> Queries have been raised on the applicability of GST exemption for Payment Aggregators (PA) who are acting as intermediaries between the customers and merchants on transactions up to Rs 2,000 as per Notification No. 12/2017-CTR (Sl. No. 34). The question raised here is whether PA comes under the ambit of acquiring banks. 	<ul style="list-style-type: none"> It has been clarified that PAs regulated by RBI fall under the extended meaning of "acquiring bank" as they perform the function of settling payments to merchants who accept card payments. Their operational mechanism involves pooling customer payments in escrow account and transferring to the merchant, thereby making them functionally identical to acquiring banks. Hence, PAs are entitled to claim exemption for such low-value transactions. This exception is available to only PA and not to the Payment Gateway providers who maintain the technical infrastructure.

GST on R&D Services by Government Entities – Regularization for Past Period	
Issue	Clarification
<ul style="list-style-type: none"> Queries have been raised on applicability of GST on grants received by the Government Research bodies like DRDO, CSIR and other such entities who undertake research and development activates for the grants received prior to October 2024 as it is not mentioned explicitly in the notification vide No. 08/2024-CT(Rate) dated 8.10.2024. 	<ul style="list-style-type: none"> It has been clarified that with effect from 10th October 2024, the grants given by the Government to entities for carrying out research and development activities are exempted from GST if they fall under Section 35 of the Income Tax Act, 1961. For grants received from 1st July 2017 to 9th Oct 2024, if any GST that was paid or not paid is to be treated on an "as is where

GST on R&D Services by Government Entities – Regularization for Past Period	
Issue	Clarification
	is" basis—meaning no recovery or refund action will be taken

GST on Skilling Services by NSDC Training Partners	
Issue	Clarification
<ul style="list-style-type: none"> The withdrawal of GST exemption for NSDC-approved training partners in October 2024, created confusion and disrupted ongoing skilling programs. This particularly affected government-funded initiatives designed to serve economically disadvantaged populations. 	<ul style="list-style-type: none"> In response to the unintended consequences, the Council has reinstated the GST exemption for NSDC training partners effective January 16, 2025. Additionally, all tax matters—whether paid or unpaid—from October 10, 2024, to January 15, 2025, have been regularized on “as is where is basis”. This action ensures the financial viability and continuity of the skill development ecosystem.

GST on Facility Management Services at MCD Headquarters	
Issue	Clarification
<ul style="list-style-type: none"> A question was raised on applicability of GST on housekeeping, maintenance, and horticulture services provided to the Municipal Corporation of Delhi (MCD) Headquarters in New Delhi would qualify for GST exemption under Serial Number 3A of Notification 12/2017-CTR. This notification exempts services related to the functions of a municipality as outlined in Article 243W of the Constitution. 	<ul style="list-style-type: none"> It has been clarified that although the Municipal Corporation of Delhi (MCD) is a local authority, services received for maintaining its headquarters building are considered administrative services for internal operations rather than municipal functions. These services do not relate to core municipal responsibilities outlined in Article 243W of the Constitution, such as waste management, water supply, or urban planning. Therefore, they do not qualify for the exemption under Serial Number 3A of Notification 12/2017-CTR, and GST is applicable at the standard rate on these housekeeping, maintenance, and horticulture services.

Whether DDA is a Local Authority under GST	
Issue	Clarification
<ul style="list-style-type: none"> Delhi Development Authority (DDA) requested clarification about whether it qualifies as a "local authority" under Section 2(69) of the Central Goods and Services Tax (CGST) Act. This classification is significant because it affects the tax treatment of services provided by or to DDA, including potential applicability of reverse charge mechanism. 	<ul style="list-style-type: none"> The Council has clarified that Delhi Development Authority (DDA) does not qualify as a "local authority" under Section 2(69) of the CGST Act. This determination is based on two key criteria that DDA fails to meet: <ul style="list-style-type: none"> DDA is not like elected municipal bodies in structure and governance DDA is not entrusted with control over municipal or local funds

Whether DDA is a Local Authority under GST	
Issue	Clarification
	<ul style="list-style-type: none"> Instead, DDA is classified as a statutory body specifically created for land development and urban planning functions, without elected governance mechanisms or municipal fund management responsibilities. <p>Consequently, DDA should not be treated as a local authority under GST law, which affects the tax treatment of services it provides or receives.</p>

Regularizing payment of GST on Reverse Charge on Commercial Rent for Composition Dealers	
Issue	Clarification
<ul style="list-style-type: none"> The implementation of reverse charge mechanism for renting commercial property from unregistered persons in October 2024 unintentionally affected composition dealers as well. These composition dealers are small taxpayers who operate with limited compliance capabilities and resources. 	<ul style="list-style-type: none"> To address the concerns raised by trade bodies and small businesses, the Council has excluded composition taxpayers from the reverse charge mechanism for renting commercial property from unregistered persons, effective January 16, 2025. Additionally, any GST that was either collected or not collected during the period from October 10, 2024, to January 15, 2025, has been regularized on "as is where is" basis. This decision ensures fair treatment for composition dealers and prevents imposing excessive compliance requirements on small traders and service providers.

GST on Ancillary Services by Electricity Utilities	
Issue	Clarification
<ul style="list-style-type: none"> Certain support services rendered by electricity transmission and distribution utilities—including meter rentals, testing, release of connections, shifting services, and issuance of duplicate bills—were brought under the ambit of GST, notwithstanding their incidental or ancillary nature to the transmission and distribution of electricity, which itself is exempt from GST 	<ul style="list-style-type: none"> The GST Council's decision to exempt incidental services provided by electricity distribution and transmission utilities effective October 10, 2024, represents a welcome policy correction. By extending this exemption to services like meter testing, connection shifting, and equipment rentals, the Council has acknowledged their intrinsic connection to electricity supply itself. Importantly, the regularization of the tax position for the transitional period between October 10, 2024, and January 15, 2025, on an "as is where is" basis

GST on Ancillary Services by Electricity Utilities	
Issue	Clarification
	<p>demonstrates practical governance. This approach prevents retrospective tax demands and provides clarity to both utilities and consumers. The alignment of entries Sr. No. 25 and 25A in the relevant notifications creates consistency in the tax treatment of these services. This correction effectively addresses a longstanding anomaly that had been creating unnecessary disputes and compliance complications in the sector.</p>

GST on Services by Goethe Institute/Max Mueller Bhawan	
Issue	Clarification
<ul style="list-style-type: none"> These cultural institutions, operating in major cities across India, were under the bona fide impression that their services—primarily language training and cultural education—were exempt from GST. They neither collected nor paid GST till 31st March 2023. 	<ul style="list-style-type: none"> The GST Council has taken a compassionate and pragmatic stance by regularizing the tax position of these cultural institutions for the period spanning from July 1, 2017, to March 31, 2023. By waiving recovery proceedings and penalties, the Council acknowledges both the good faith understanding these institutions had regarding their tax-exempt status and the valuable public service they provide through language training and cultural education.

Circular No. 244/01/2025-GST dated 28th January 2025	
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	
Issue	Clarification
<ul style="list-style-type: none"> When examining these insurance industry arrangements, the GST Council has clarified two specific practices that were causing significant confusion: <ol style="list-style-type: none"> 1. Co-insurance arrangements - Where the lead insurer collects the full premium and distributes portions to co-insurers 2. Reinsurance transactions - Where the insurer pays premiums to reinsurers after deducting ceding/reinsurance commissions 	<ul style="list-style-type: none"> By regularizing the GST treatment for these transactions from July 1, 2017 (GST implementation) through October 31, 2024 (day before the new notification took effect) on an "as is where is" basis, the Council has effectively eliminated potential disputes over past practices.

Circular No. 244/01/2025-GST dated 28th January 2025

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

Issue	Clarification
<ul style="list-style-type: none"> The 53rd GST Council Meeting determined these transactions should not be treated as supplies of goods or services, placing them under Schedule III. This was officially notified through Notification No. 17/2024-Central Tax (dated September 27, 2024), effective from November 1, 2024. This has created uncertainty among field formations and industry stakeholders regarding the applicability of this exemption, does this exclusion from GST apply retrospectively from GST implementation in 2017, or only prospectively from the notification date? 	

The Input Service Distributor Mechanism: What does it entail for businesses?

Effective 1 April 2025, recent amendments to the CGST Act via the Finance Act, 2024 make the Input Service Distributor (ISD) mechanism mandatory for distribution of credit on common input services, including those liable to reverse charge (e.g., legal, sponsorship services). Head Offices must now obtain such invoices and distribute credit to recipient branches through ISD returns, following prescribed rules and allocation formulas.

Until now, businesses could opt for cross-charge or inter branch billing to transfer credit across GST registrations under the same PAN. With the new mandate, ISD becomes the only legally permissible route for such distribution, marking a significant shift in approach.

This change will require careful review of vendor billing processes, GST registration structures, ERP configurations, and inter-office workflows. Though procedural in nature, the impact is organisation-wide, calling for proactive involvement from tax, finance, and operations teams.

At RSM Astute, we view this as a critical transformation—not merely a compliance update. This note outlines the implications of the ISD mandate and key action points for a smooth transition into FY 2025–26. **Here are a few FAQs which will enable our readers to better appreciate this new compliance update.**

Q1. What is an Input Service Distributor (ISD)?

- *An ISD is typically the head office, central office, or regional office of a company that receives input service invoices on behalf of its branches or units, each treated as distinct persons under GST.*

Q2. When does ISD become mandatory?

- Starting 1st April 2025, the ISD mechanism becomes legally mandatory, eliminating its earlier optional status. This change reshapes how Input Tax Credit (ITC) is managed across an organisation.

Q3. Who Needs to Obtain an ISD Registration?

- Any taxpayer with more than one GST registration, either within the same state or across states, must obtain an ISD registration in order to distribute input service credits.

Example: If Taxpayer A has one registration as a regular unit and another as a SEZ unit, these are treated as distinct persons, thereby necessitating ISD registration for the central office distributing common service credits.

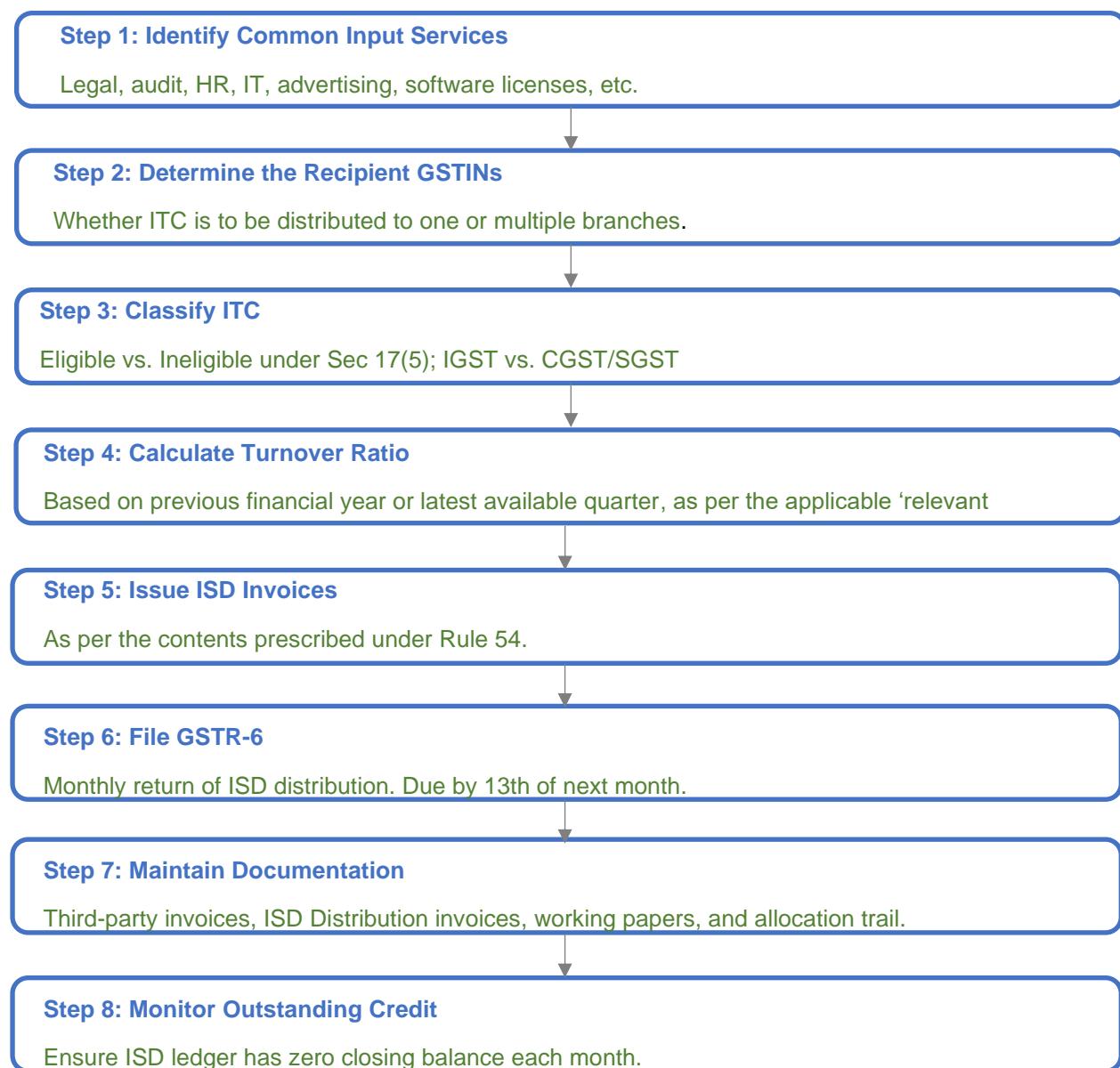
Q4. What Can Be Distributed?

- Only **ITC in relation to services** can be distributed. It is important to highlight that even services attracting reverse charge would need to be distributed.
- **Goods and capital goods** are excluded.
- Credit must be passed on **without any markup**, unlike typical inter-unit transactions.

Q5. What are the compliance essentials for an ISD mechanism?

- To operate as an ISD, a separate ISD registration is required to be obtained under GST. Further, the ISD unit must **file GSTR-6 monthly** to report credit distribution.

For your ready reference, we have provided a brief ISD process as per the flowchart below:



Case Law Alerts

GST Case Law Alert

01

PETITIONER / RESPONDENT

Petitioner: M/s Puma Sports India Private Limited

Respondents : Union of India & Ors

02

COURT/ FORUM

High Court : High Court of Karnataka

03

GROUNDS OF WRIT

The Petitioner, aggrieved by the impugned Order-in-Original (O-I-O) issued by Respondent No. 4, has preferred the present Writ Petition. It is contended that the impugned order was passed without due consideration of the relevant GST circulars, namely Circular Nos. 123/42/2019, 183/15/2022, and 193/05/2023. The Petitioner further submits that the denial of Input Tax Credit (ITC) was erroneous, as it was based solely on the supplier's failure to file GSTR-3B, an aspect beyond the Petitioner's control. Additionally, the Petitioner seeks the benefit of the Amnesty Scheme under Section 128A of the CGST Act, 2017, pursuant to reassessment.

04

ORDER

The High Court, having found merit in the submissions, set aside the impugned order and remanded the matter to Respondent No. 4 for reconsideration, with a direction to pass a fresh order. The Court further directed the Petitioner to appear before Respondent No. 4 on 24th March 2025, and mandated that the fresh order be passed on or before 28th March 2025, in accordance with the applicable statutory provisions. Additionally, the Petitioner was permitted to seek relief under the Amnesty Scheme in terms of Section 128A of the CGST Act, 2017, upon issuance of the fresh adjudication order.

GST Case Law Alert

01

PETITIONER / RESPONDENT

Petitioner: A.M. Enterprises

Respondent : State of Karnataka & Ors

02

COURT/ FORUM

Court of Filing: Karnataka High Court

03

GROUNDS OF WRIT

The Petitioner, aggrieved by the impugned order pertaining to the blocking of the Electronic Credit Ledger (ECL), has preferred the present Writ Petition. It is contended that the impugned order suffers from the absence of "reasons to believe", and that no pre-decisional hearing was afforded—both of which are pre-requisites under the law for invoking the power to block the ECL. Furthermore, the impugned action appears to be premised solely on a borrowed satisfaction derived from enforcement reports, rather than an independent application of mind. The Petitioner has relied upon various judicial precedents that underscore the necessity of procedural compliance and adherence to principles of natural justice.

04

ORDER

The Court has set aside the impugned order and ruled in favour of the Petitioner. It has further directed the Respondent to unblock the Electronic Credit Ledger (ECL) forthwith upon receipt of the certified copy of the order, thereby enabling the Petitioner to file their returns without further hindrance. The Court observed that the impugned order was passed without affording a prior hearing, and was devoid of any independent or cogent reasoning. The reliance placed solely on the reports of the enforcement authority amounted to borrowed satisfaction, a practice already held impermissible by the Division Bench in previous rulings.

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This Newsflash summarizes the GST updates for the quarter of January to March 2025. It may be noted that nothing contained in this Newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain thereof and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this Newsflash.

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11 April 2025

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