CONECPT OF CROSS-CHARGE & INPUT SERVICE DISTRIBUTOR IN GST

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RENUNCIATION

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[Fellow member of The Institute of Chartered Accountants of India | Associate member of Professional Accounting Body of Certified Practising Accountants (CPA), Australia

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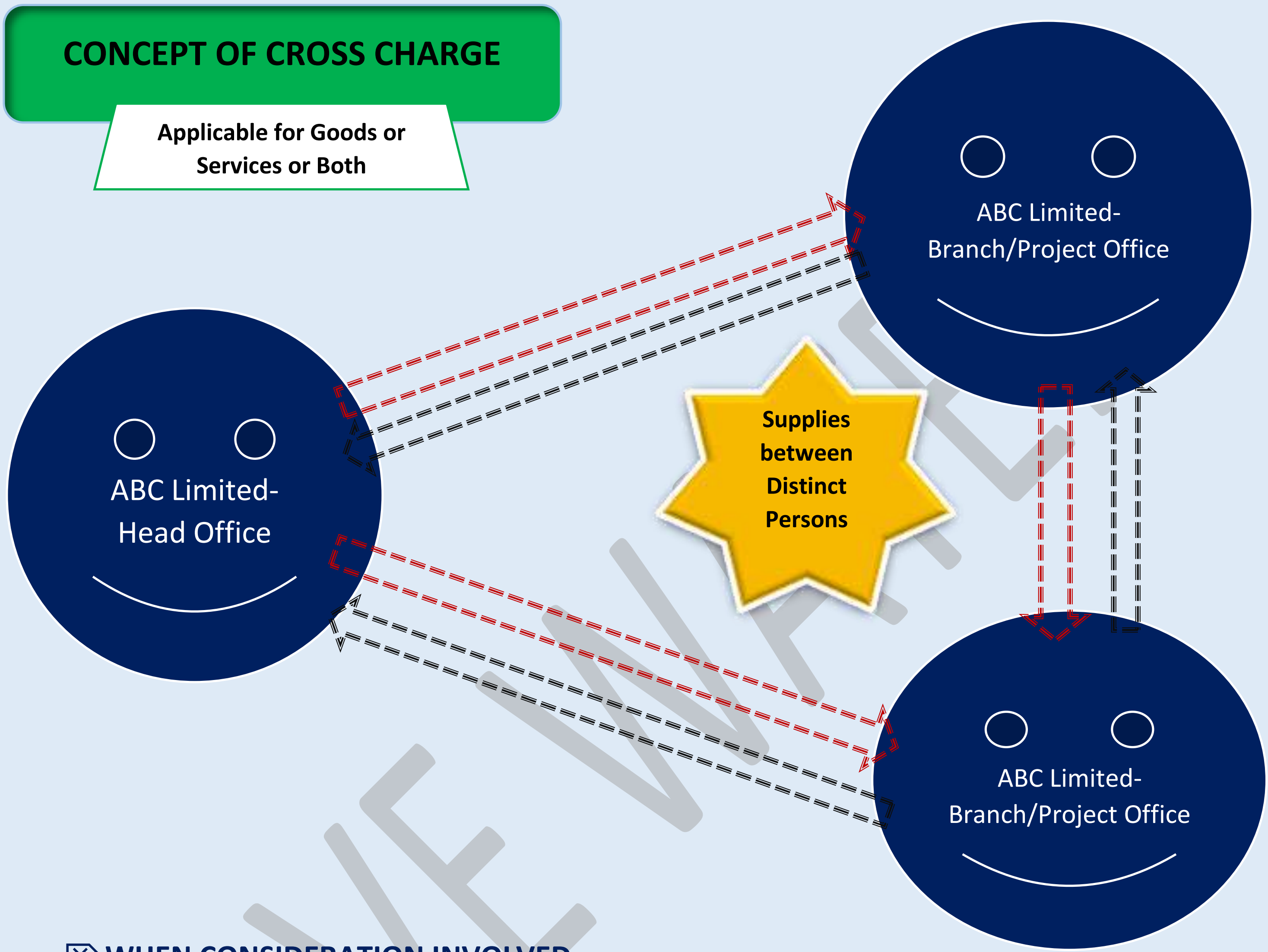
CONCEPT OF CROSS CHARGE

Applicable for Goods or Services or Both

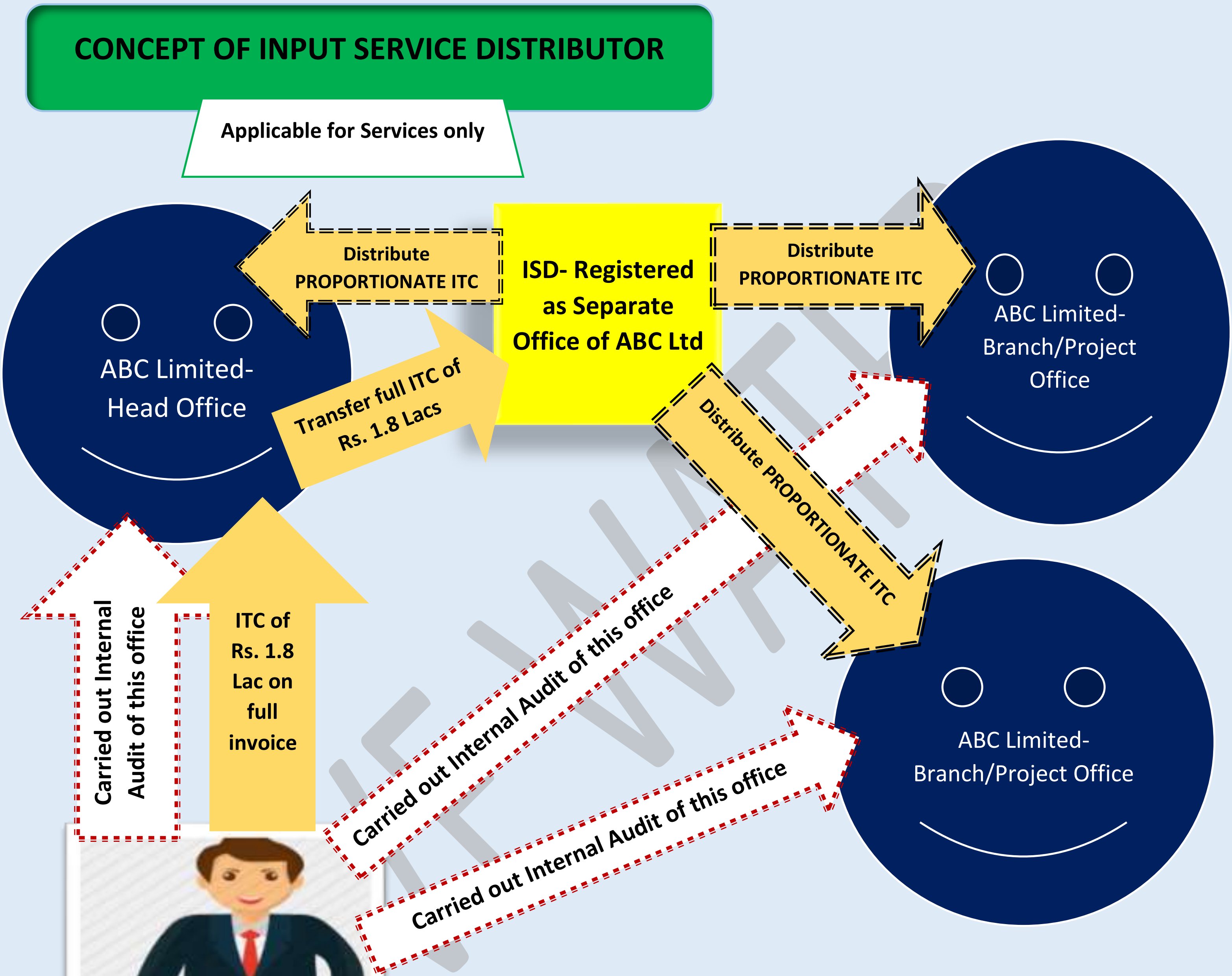


WHEN CONSIDERATION INVOLVED

It is a supply as per clause (a) of sub-section (1) of Section (7) of CGST Act, 2017 as the word “By a person” is used in this provision but “Supply to whom” is not mentioned which means supply to anyone is a supply under this section. In conclusion, supplies between distinct persons are supplies and Tax will be charged on the value in terms of valuation rule 28 of CGST (Rules), 2017.

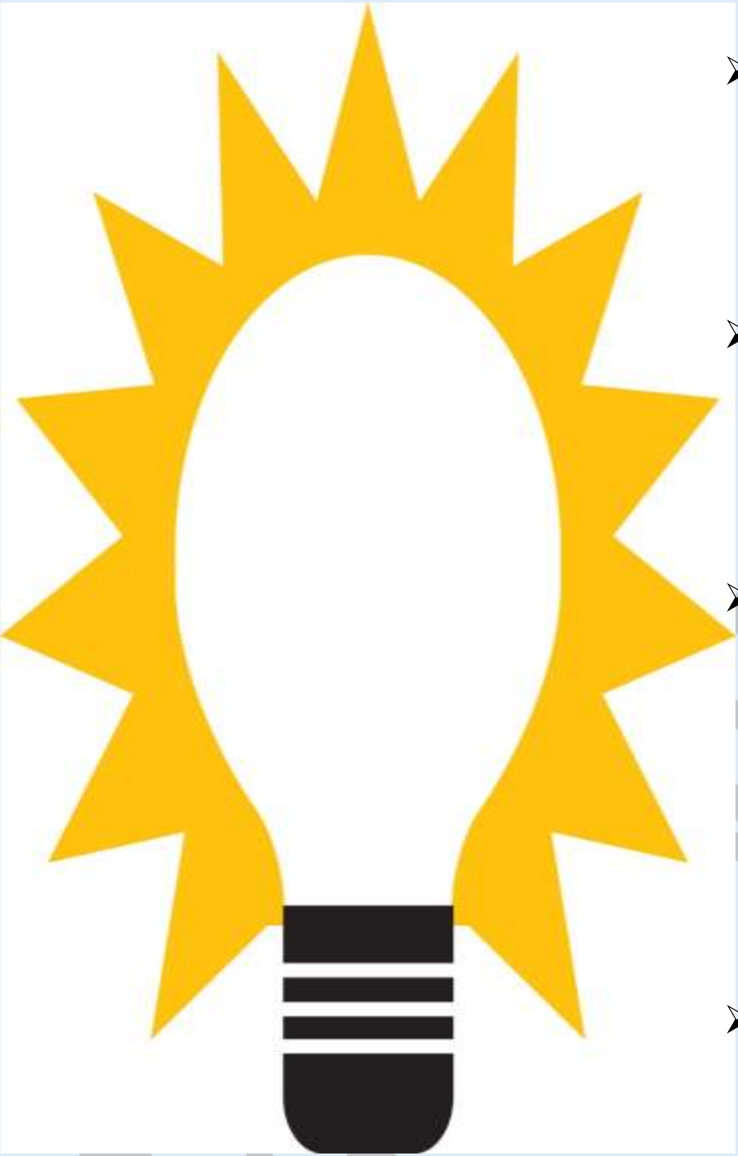
WHEN CONSIDERATION NOT INVOLVED

Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business is a deemed supply as per entry 2 of Schedule-I of CGST Act, 2017. Tax will be charged on the value in terms of valuation rule 28 of CGST (Rules), 2017.



Description of activity in above presentation

ABC Limited appointed Mr. A as an internal auditor for its head office as well as branches/project offices/sites throughout India. Mr. A carried out audit & raised Tax Invoice of Rs. 11.80 Lacs (10 Lacs+ 1.8 Lacs GST) on Head Office mentioning HO's GST Number. As per clause (d) of sub-section (2) of Section 20 of CGST Act, 2017, HO will take ITC of full amount of Rs. 1.8 Lacs, transfer this full ITC to its ISD registration and from ISD number, can distribute ITC to all branches/offices (where internal audit carried out) in proportion as given under Rule 39 of CGST Rules, 2017.



- Don’t get confused between Cross Charge & ISD as both have altogether different concept & legal backing in GST laws.
- Cross Charge applicable for Goods or Services or Both while ISD (as name suggest) only in relation of distribution of ITC-Services.
- When you distribute ITC as per ISD concept, always remain supporting documents/process-trails or transactions’ logs to substantiate your claim of receipt of services by respective branches/offices to whom ITC distributed by ISD office of a person.
- ISD is a separate office for which separate registration is compulsory.

Relevant Provisions of GST Laws

- Clause (a) of sub-section (1) of Section (7), section 25(4), Section 2(61) & Section 20 of CGST Act, 2017.
- Entry 2 of Schedule-I of CGST Act, 2017.
- Explanation-1 with section 8 of IGST Act, 2017
- Rule 28 & 39 of CGST Rules, 2017
- For definition of relevant terms, section 2 of CGST Act, 2017 be referred.

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