

Mandatory ISD registration from 1st April 2025 - Act now to stay GST compliant

Businesses must obtain ISD registration before 1st April 2025!

As per Notification No. 16/2024 – Central Tax (dated 6th August 2024), the government has made ISD registration mandatory, effective from 1st April 2025. Previously optional, businesses that distribute Input Tax Credit (ITC) across multiple branches must now register as an ISD to comply with GST regulations.

Who Needs to Register as an ISD?

Any business receiving invoices for services used by multiple branches (having different GSTINs but the same PAN) must register as an Input Service Distributor and allocate ITC through ISD invoices.

Why is this Important?

- Mandatory compliance from 1st April 2025
- Ensures proper ITC distribution among branches
- Avoids non-compliance penalties under the CGST Act



Example:

M/s ABC Limited has its head office in Bangalore and operates branches in Chennai, Mumbai, and Kolkata. The head office incurs an annual software maintenance expense for services used by all branches and receives the invoice for the same. Since the software is utilized across multiple locations, the entire ITC cannot be claimed solely in Bangalore. Instead, the ITC must be distributed proportionally to all three branches. In this case, the head office in Bangalore acts as the ISD, ensuring that the tax credit is properly allocated among its branches through ISD invoices, as per GST regulations.

Situations where ISD is not applicable

ISD cannot distribute the input tax credit in the following cases:

1. Where ITC is paid on inputs and capital goods. For instance, raw materials and machinery purchased.
2. ITC cannot be distributed to outsourced manufacturers or service providers.



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