

# Important Circulars issued by CBIC

## Clarifications regarding applicability of GST on certain services

CBIC has issued **Circular No. 245/02/2025-GST dated 28.01.2025** to provide clarifications on the applicability of GST to several services, based on the recommendations of the 55th GST Council:

- 1. Penal Charges by Regulated Entities (REs):** It is clarified that no GST is payable on penal charges levied by banks and non-banking financial companies (NBFCs), as per the RBI instructions (dated 18.08.2023) replacing penal interest with penal charges. These charges are considered penalties for breach of contract, not subject to GST.
- 2. GST Exemption for Payment Aggregators:** The GST exemption under notification No. 12/2017-CTR applies to RBI-regulated Payment Aggregators (PAs) when settling amounts up to ₹2,000 through various payment card services. PAs are deemed to be "acquiring banks" for this purpose. This exemption is limited to payment settlements, not for Payment Gateway services.
- 3. GST on Research & Development Services:** GST on R&D services provided by government entities against grants is regularized for the period from 01.07.2017 to 09.10.2024. Research services are exempt from GST from 10.10.2024 onward.



4. **GST on Skilling Services by NSDC-Approved Training Partners:** The exemption for skilling services provided by NSDC-approved training partners is reinstated, effective from 16.01.2025. GST is regularized for services provided between 10.10.2024 and 15.01.2025.
5. **GST on Facility Management Services to MCD:** Facility management services provided to the Municipal Corporation of Delhi (MCD) for office upkeep are subject to GST, as they are not related to municipal functions.
6. **Delhi Development Authority (DDA) as a Local Authority:** DDA is not considered a local authority under GST, and thus cannot avail local authority exemptions under section 2(69) of the CGST Act, 2017.
7. **GST on Renting Commercial Property by Unregistered Persons:** GST on renting commercial property by an unregistered person to a registered person under the reverse charge mechanism is regularized for the period from 10.10.2024 to 15.01.2025 for taxpayers under the composition levy.
8. **GST on Support Services by Electricity Utilities:** The GST Council recommended exempting certain ancillary services provided by electricity transmission and distribution utilities, including meter rentals, testing, and issuing duplicate bills, in relation to the supply of electricity.

**Source: GST Circulars**

**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**

CBIC has issued **Circular No. 245/02/2025-GST dated 28.01.2025** to provide clarifications based on the recommendations of the 53rd GST Council meeting held on June 22, 2024, includes the following key points:



**1. Activities or Transactions Treated as Neither Supply of Goods Nor Services:** Two specific transactions are now included in Schedule III of the CGST Act, 2017 as activities that will be treated as neither a supply of goods nor a supply of services:

- **Apportionment of Co-insurance Premium:** This refers to the apportionment of the co-insurance premium by the lead insurer to the co-insurer in co-insurance agreements. The condition is that the lead insurer must pay all applicable taxes (Central, State, Union Territory, and Integrated) on the total premium paid by the insured.
- **Services by Insurer to Reinsurer:** Services rendered by an insurer to a reinsurer, where ceding or reinsurance commission is deducted from the reinsurance premium, will not be considered a supply. The reinsurer must pay taxes on the gross reinsurance premium, including the ceding or reinsurance commission.

**2. Enactment and Effective Date:**

- These provisions were enacted through the **Finance (No. 2) Act, 2024**, and have come into force on **November 1, 2024**, as per **Notification No. 17/2024-Central Tax** dated **September 27, 2024**.

**3. Regularization of GST Payment:**

- As per the GST Council's recommendation, GST payment on these transactions from **July 1, 2017, to October 31, 2024**, will be regularized on an '**as is where is**' basis, meaning that the past period will be treated as settled, and GST is not required to be paid again for this period.

**Source: GST Circulars**



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