



**SNR** & COMPANY  
CHARTERED  
ACCOUNTANTS



# SNR – GST UPDATE

03<sup>rd</sup> January 2025

Central Board of Indirect Taxes & Customs (CBIC), pursuant to 55<sup>th</sup> GST council Meeting recommendations, has issued four circulars on 31<sup>st</sup> December 2024 providing clarification on certain critical issues being faced by Trade and Industry. Aforesaid circulars have been summarized in this Update.

1	<p><b>Circular No. 240/34/2024-GST</b></p> <p>ITC for E-Commerce Operators (ECOs) where services specified u/s 9(5) of CGST Act are supplied through their platform</p>	<ul style="list-style-type: none"> <li>As per the circular 167/23/2021-GST issued earlier, it was clarified that ECOs are neither required to reverse ITC nor can utilise such credit for payment of liability for supplies specified under Section 9(5). All the liability is required to be paid in cash.</li> <li>Thus, ECOs liable to pay tax under Section 9(5) of the CGST Act are not required to proportionately reverse ITC on inputs and input services related to such supplies under Sections 17(1) or 17(2) of the Act.</li> <li>ITC can still be utilized by the ECO to discharge tax liability for their own services (e.g., platform fees or commissions).</li> </ul>
2	<p><b>Circular No. 241/35/2024-GST</b></p> <p>Clarification on ITC for Goods Delivered Under Ex-Works Contracts</p>	<ul style="list-style-type: none"> <li>Ownership of goods transfers to the dealer upon handing over to the transporter at the supplier's factory gate even if transport is arranged by supplier on behalf of dealer.</li> <li>The goods are deemed "received" by the dealer at this point, even if physically delivered later. The same principle applies to other EXW contracts where goods are handed over to the transporter or recipient at the supplier's premises.</li> <li>ITC is available to the dealer on receipt of goods at the supplier's premises, provided they are used or intended for business purposes and other conditions of Sections 16 and 17 of the CGST Act are satisfied.</li> </ul>
3	<p><b>Circular No. 242/36/2024-GST</b></p> <p>Clarification on Place of Supply for Online Services to Unregistered Recipients</p>	<ul style="list-style-type: none"> <li>It is clarified that the proviso to Rule 46(f) of the CGST Rules applies to all online services supplied to unregistered recipients (for example, online money gaming, OIDAR services., subscriptions to e-newspapers and e-magazines, OTT platforms etc)</li> <li>The supplier must include the name of the recipient's State on the tax invoice, regardless of the value of the supply. For this, suppliers must establish a process to collect the State details from recipients before providing the services.</li> </ul>

		<ul style="list-style-type: none"> <li>The recorded State will be treated as the recipient's address for determining the place of supply and same shall be declared in FORM GSTR-1/1A. If the supplier fails to issue invoices with the required details (e.g., the recipient's State), they may be liable to penal actions u/s 122(3)(e) of the CGST Act.</li> </ul>						
<p><b>4</b></p>	<p><b>Circular No: 243/37/2024-GST</b> Clarification on various issues pertaining to GST treatment of vouchers</p>	<table border="1"> <tr> <td data-bbox="204 584 630 1234"> <p><b>Issue 1:</b> Whether “transactions in vouchers” falls under the category of supply of goods and/or services</p> </td> <td data-bbox="630 584 1453 1234"> <ul style="list-style-type: none"> <li>If vouchers are pre-paid instruments recognized by the RBI, they qualify as "money" under Section 2(75) of the CGST Act. As money is excluded from the definitions of goods and services, such vouchers are not subject to GST.</li> <li>If vouchers are not considered money but create an obligation to accept them as consideration, they may qualify as actionable claims. Since actionable claims (other than specified ones like betting or gambling) are excluded from being goods or services under Schedule III, such vouchers are also not taxable under GST.</li> <li>While transactions in vouchers are not taxable, the supply of goods/services redeemed against vouchers is subject to GST.</li> </ul> </td> </tr> <tr> <td data-bbox="204 1234 630 1653"> <p><b>Issue 2:</b> GST on Voucher Distribution Models</p> </td> <td data-bbox="630 1234 1453 1653"> <ul style="list-style-type: none"> <li>In this, distributors purchase vouchers and sell them at a margin. As these transactions do not involve the supply of goods or services, no GST is applicable on the trading margin. However, GST is chargeable on the supply of goods and/or services.</li> <li>If vouchers are distributed for a commission/fee, the commission earned by the agent is taxable as a supply of services under GST.</li> </ul> </td> </tr> <tr> <td data-bbox="204 1653 630 2004"> <p><b>Issue 3:</b> GST treatment of additional services such as advertisement, co-branding, marketing &amp; promotion, customization services, technology support services, customer support services etc.</p> </td> <td data-bbox="630 1653 1453 2004"> <ul style="list-style-type: none"> <li>In some cases, additional services may be provided by the distributor, sub-distributor, or another entity to the voucher issuer. These services are typically provided in exchange for a service fee, service charge, affiliate charge, or any other agreed-upon amount, as per the contract between the service provider and the voucher issuer.</li> </ul> </td> </tr> </table>	<p><b>Issue 1:</b> Whether “transactions in vouchers” falls under the category of supply of goods and/or services</p>	<ul style="list-style-type: none"> <li>If vouchers are pre-paid instruments recognized by the RBI, they qualify as "money" under Section 2(75) of the CGST Act. As money is excluded from the definitions of goods and services, such vouchers are not subject to GST.</li> <li>If vouchers are not considered money but create an obligation to accept them as consideration, they may qualify as actionable claims. Since actionable claims (other than specified ones like betting or gambling) are excluded from being goods or services under Schedule III, such vouchers are also not taxable under GST.</li> <li>While transactions in vouchers are not taxable, the supply of goods/services redeemed against vouchers is subject to GST.</li> </ul>	<p><b>Issue 2:</b> GST on Voucher Distribution Models</p>	<ul style="list-style-type: none"> <li>In this, distributors purchase vouchers and sell them at a margin. As these transactions do not involve the supply of goods or services, no GST is applicable on the trading margin. However, GST is chargeable on the supply of goods and/or services.</li> <li>If vouchers are distributed for a commission/fee, the commission earned by the agent is taxable as a supply of services under GST.</li> </ul>	<p><b>Issue 3:</b> GST treatment of additional services such as advertisement, co-branding, marketing &amp; promotion, customization services, technology support services, customer support services etc.</p>	<ul style="list-style-type: none"> <li>In some cases, additional services may be provided by the distributor, sub-distributor, or another entity to the voucher issuer. These services are typically provided in exchange for a service fee, service charge, affiliate charge, or any other agreed-upon amount, as per the contract between the service provider and the voucher issuer.</li> </ul>
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		<ul style="list-style-type: none"> <li>In such instances, the service fee or charge for providing these additional services will be subject to GST at the applicable rate, payable by the service provider.</li> </ul>
	<b>Issue 4: GST Treatment of Unredeemed Vouchers (Breakage)</b>	<ul style="list-style-type: none"> <li>Unredeemed vouchers do not result in the supply of goods or services; hence, no GST is applicable on the breakage amount.</li> <li>As there is no underlying supply, the breakage amount retained by the voucher issuer cannot be treated as consideration under GST.</li> </ul>



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