A simplified explanation of **GST Circular No. 240/34/2024-GST**, issued on **31st December 2024**, which clarifies the treatment of Input Tax Credit (ITC) for Electronic Commerce Operators (ECOs) under Section 9(5) of the Central Goods and Services Tax (CGST) Act, 2017:

□ Background

Under Section 9(5) of the CGST Act, certain services—such as passenger transport, accommodation, housekeeping, and restaurant services—when supplied through ECOs, require the ECO to pay GST as if they are the supplier. Previously, Circular No. 167/23/2021-GST clarified that ECOs are not required to reverse ITC for restaurant services supplied under this provision. However, there was uncertainty regarding the ITC treatment for other services covered under Section 9(5

□ Key Clarifications

1. **No ITC Reversal Required for Notified Services**
   ECOs are **not required to reverse proportionate ITC** on inputs and input services used for supplying services notified under Section 9(5), including services beyond restaurant services.
2. **Tax Liability Must Be Paid in Cash**
   While ECOs can avail ITC on inputs and input services, they **cannot use this ITC to discharge their tax liability** under Section 9(5). The entire tax liability for such supplies must be paid **in cash** through the electronic cash ledger.
3. **Utilization of ITC for Own Services**
   The ITC availed by ECOs can be utilized to discharge GST liabilities arising from their **own services**, such as platform fees or commissions charged to users.

□ Implications for ECOs

- ECOs can **retain full ITC** on inputs and input services used across their operations, without the need for proportionate reversal for supplies under Section 9(5
- They must ensure that the **GST liability for services under Section 9(5)** is settled entirely through cash payments, not by utilizing ITC
- Proper accounting and segregation of ITC utilization are essential to comply with these provisions.