

Here's a simplified explanation of **GST Circular No. 242/36/2024-GST**, issued on **31st December 2024**, which clarifies the rules for determining the place of supply for online services provided to unregistered recipients:

□ **Background**

The Central Board of Indirect Taxes and Customs (CBIC) observed that some suppliers of online services were incorrectly recording the place of supply on invoices when providing services to unregistered recipients. Instead of mentioning the recipient's state, they were declaring their own location as the place of supply, leading to misallocation of tax revenue among states.

□ **Key Clarifications**

1. **Mandatory Inclusion of Recipient's State on Invoices**

Suppliers must record the **recipient's state** on the tax invoice for all online services provided to unregistered persons, regardless of the transaction value.

2. **Determination of Place of Supply**

As per Section 12(2)(b)(i) of the IGST Act, if the recipient's address is available on record, the **place of supply** is considered to be the recipient's location. Therefore, the GST collected will be attributed to the recipient's state.

3. **Applicability to Various Online Services**

This clarification applies to a wide range of online services, including:

- Online gaming
 - Over-the-top (OTT) platforms
 - E-newspapers and e-magazines
 - Digital services accessed via mobile applications
4. Cloud services, e-books, music, software distribution, and digital data storage
- ### 5. **Responsibility of Suppliers**

Suppliers are responsible for collecting and recording the recipient's state information before providing services to unregistered persons. Failure to do so may result in penalties under Section 122(3)(e) of the CGST Act.

□ **Implications for Businesses**

- Ensure that your invoicing systems are updated to capture the recipient's state information for all online services provided to unregistered recipients. Review and, if necessary, revise your processes to comply with the clarified requirements to avoid penalties and ensure proper allocation of tax revenue.