

Here's a simplified summary of **GST Circular No. 245/02/2025-GST**, issued on **28th January 2025**, which provides clarifications on the applicability of GST to certain services, based on the recommendations of the 55th GST Council meeting held on 21st December 2024:

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## 1. GST on Penal Charges by Banks and NBFCs

- **Background:** The Reserve Bank of India (RBI) directed banks and Non-Banking Financial Companies (NBFCs) to replace penal interest with penal charges for loan term violations, effective from 1st January 2024
  - **Clarification:** Such penal charges are not considered as payment for tolerating an act or situation and, therefore, are **not subject to GST**.
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## 2. GST Exemption for Payment Aggregators (PAs)

- **Background:** Payment Aggregators facilitate transactions between customers and merchants.
- **Clarification:** PAs are eligible for GST exemption under Sl. No. 34 of Notification No. 12/2017-CTR for transactions up to ₹ 2,000 made through credit/debit cards. This exemption applies only to the settlement function and not to Payment Gateway services

## 3. GST on Research and Development (R&D) Services by Government Entities

- **Background:** Government entities often provide R&D services funded by grants.
  - **Clarification:** Such R&D services are exempt from GST effective from 10th October 2024. For the period from 1st July 2017 to 9th October 2024, any GST paid is regularized on an "as is where is" basis
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## 4. GST Exemption for Skilling Services by NSDC-Approved Training Partners

- **Background:** Training Partners approved by the National Skill Development Corporation (NSDC) provide skilling services
  - **Clarification:** The exemption for such services has been reinstated from 16th January 2025. GST payments made between 10th October 2024 and 15th January 2025 are regularized.
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## 5. GST on Renting of Commercial Property by Unregistered Persons

- **Clarification:** When an unregistered person rents commercial property to a registered person, the GST is payable under the Reverse Charge Mechanism (RCM). For composition taxpayers, GST payments made between 10th October 2024 and 15th January 2025 are regularized.