

TAX INFO

S. No. 064 Dated: 02.01.2025

Latest update on GST Law: **Summary of Circular No. 240/34/2024-GST dated 31st December, 2024.**
(Subject Matter = E-com Operator paying Tax need not to reverse ITC under Rule 42 or 43)

Summary of Circular No. 240/34/2024-GST dated 31st December, 2024

Issue: Whether electronic commerce operator, required to pay tax under section 9(5) of CGST Act, is liable to reverse proportionate input tax credit on his inputs and input services to the extent of supplies made under section 9(5) of the CGST Act.?

Clarification: ECO, required to pay tax under section 9(5) of CGST Act, is making supplies under 2 counts:

- Supplies notified under section 9(5) of CGST Act for which he is liable to pay tax as if he is the supplier of the said services.
- Supply of his own services by providing his electronic platform for which he charges platform fee /commission etc. from the platform users. For providing such services, the ECO procures inputs as well as input services for which he avails Input Tax Credit.

It has been clarified in Circular No. 167/23/2021 – GST dated 17.12.2021 that ECO shall not be required to reverse input tax credit on account of restaurant services on which he pays tax under section 9(5) of CGST Act. It has also been clarified that the input tax credit will not be allowed to be utilized for payment of tax liability under section 9(5) and whole of tax liability under section 9(5) will be required to be paid in cash.

Now, **it is clarified that Electronic Commerce Operator, who is liable to pay tax under section 9(5) of the CGST Act in respect of specified services**, is not required to reverse the input tax credit on his inputs and input services proportionately under section 17(1) or section 17(2) of CGST Act to the extent of supplies made under section 9(5) of the CGST Act.

It is further clarified that ECO will be required to pay the full tax liability on account of supplies under section 9(5) of the CGST Act only through electronic cash ledger. The credit availed by him in relation to the inputs and input services used to facilitate such supplies cannot be used for discharge of such tax liability under section 9(5) of the CGST Act. However, such credit can be utilized by him for discharge of tax liability in respect of supply of services on his own account.

Suresh Aggarwal, Advocate

Compliance & Litigation under GST

Address: House No. 54, Pocket A-3, Sector-5, Rohini- 110085

Phone: 91-9810032846; 011 - 45131427

Email: sureshagg@gmail.com

Website: <http://www.sureshtaxation.com>

We expressly disclaim liability to any person in respect of anything done in reliance of the contents of this publication