

TAX INFO

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Latest update on GST Law: Clarification regarding GST on certain services vide Circular No. 244 & 245 dated 28.01.2025

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As per Circular No. 244 Dated 28.01.2025, the following Clarifications were issued:

1. **Co-Insurance Premium Apportionment:** The activity of the lead insurer apportioning co-insurance premiums to co-insurers is included in Schedule III of the CGST Act (as a non-supply activity) if certain tax conditions are met.
2. **Reinsurance Commission:** Services provided by the insurer to the reinsurer, where ceding or reinsurance commissions are deducted from the premium, are also treated as non-supply activities, with tax payments as specified.
3. **Effective Date:** These provisions were enacted and came into force on November 1, 2024.
4. **Regularization of GST Payment:** The GST payment on these activities from July 1, 2017, to October 31, 2024, is regularized on an "as is where is" basis.
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As per Circular No. 245 Dated 28.01.2025, the followings clarifications were issued:

1. **Penal Charges by Regulated Entities (REs):** No GST is payable on penal charges levied by banks or NBFCs in compliance with RBI instructions (dated 18.08.2023) for non-compliance with loan terms, effective from 01.01.2024.
2. **GST Exemption for Payment Aggregators (PAs):** RBI-regulated Payment Aggregators facilitating payments through cards are eligible for the GST exemption under Notification No. 12/2017-CTR, as they act as "acquiring banks" for amounts up to ₹2,000 per transaction.
3. **Research & Development Services:** GST on research and development services provided by Government Entities against grants received is regularized from 01.07.2017 to 09.10.2024, following the exemption introduced on 10.10.2024.
4. **Skilling Services:** GST exemption is reinstated for skilling services provided by Training Partners approved by the National Skill Development Corporation (NSDC), with regularization for the period 10.10.2024 to 15.01.2025.
5. **Facility Management Services to MCD:** GST applies on facility management services provided to the Municipal Corporation of Delhi (MCD) for the upkeep of its headquarters, as these services are not related to functions under Article 243W of the Constitution.
6. **Delhi Development Authority (DDA):** DDA is not considered a "local authority" under GST, as per Section 2(69) of the CGST Act.
7. **Commercial Property Rent by Unregistered to Registered Persons:** GST payment on reverse charge for renting commercial property by an unregistered person to a registered person (under composition levy) is regularized for the period 10.10.2024 to 15.01.2025.
8. **Support Services by Electricity Utilities:** GST on ancillary services like metering, testing, and connection services provided by electricity transmission or distribution utilities is regularized for the period 10.10.2024 to 15.01.2025.
9. **Goethe Institute/Max Mueller Bhawans:** GST on services provided by these institutes for linguistic and cultural training is regularized for the period 01.07.2017 to 31.03.2023.

These clarifications aim to address various interpretational issues and provide regularization for past periods on an "as is where is" basis.

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