



# GST UPDATES

TAXABILITY OF CORPORATE GUARANTEE (CG) SERVICES UNDER  
GST LAW CIRCULAR No. 225/19/2024-GST

S. No.	Issue	Clarification
1	<p>Applicability of sub-rule (2) of Rule 28 to corporate guarantees (CG) issued before 26th October 2023 (insertion of sub-rule (2)), also cases where intra-group CG still in force i.e. issued before 26th October 2023.</p>	<p>Prior to the insertion of the said sub-rule, i.e., before 26th October 2023, the valuation of service of providing CG to any banking company or financial institution by a supplier to a related recipient, on behalf of the said recipient, was to be done as per the provisions of <b>Rule 28 of CGST Rules, as it existed then.</b></p> <p>However, after 26th October 2023, the valuation of the said supply will be required to be done as per Rule 28(2) of CGST Rules.</p>
2	<p>Value of supply of service in case CG provided for an amount, but loan was only partly availed or not availed at all?</p> <p>Eligible to avail full ITC?</p>	<p>Value of supply of the service of providing a CG will be calculated <b>based on the amount guaranteed</b>, not the loan disbursed.</p> <p><b>Full ITC available</b> irrespective of when the loan is actually disbursed to the recipient, and irrespective of the amount of loan actually disbursed.</p>
3	<p>GST applicability on takeover of existing loans by another banking company/ financial institution.</p>	<p>There will be <b>no impact on GST</b>, unless there is issuance of fresh CG or there is a renewal of the existing CG.</p>
4	<p>Where CG is provided by more than one entity/co-guarantor, what is the amount on which GST is payable by each co-guarantor?</p>	<p>GST shall be payable by each co-guarantor <b>proportionately</b> on one percent of the amount guaranteed by them.</p>

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5	GST payment mechanism for intra-group guarantees?	<p>Where domestic corporates issue intra-group guarantees, GST is to be paid under forward charge mechanism: <b>Forward Charge Mechanism (FCM)</b>.</p> <p>Where such guarantee is provided by the foreign/ overseas entity for a related entity located in India: <b>Reverse Charge Mechanism (RCM)</b>.</p>
6	Frequency of GST payment on corporate guarantees i.e. to be done one time or on yearly basis or on monthly basis and when issued for a fixed term.	<p>Value of supply of the service of providing corporate guarantee shall be one per cent of the amount guaranteed <b>per annum</b> or the actual consideration, whichever is higher.</p> <p>Where the corporate guarantee is provided for a period less than a year then <b>proportionately</b> for the period of the guarantee.</p>
7	Whether the cases where that value declared in invoice is deemed to be the open market value and full ITC is available to the recipient of services, is applicable in cases falling under sub-rule (2) i.e. applicability of second proviso to sub-rule (1) to sub-rule (2)	Cases involving the supply of service of CG provided between related persons, where full ITC is available to the recipient of services, the <b>value declared in the invoice shall be deemed to be the value of supply</b> of the said service.
8	Whether the valuation in terms of Rule 28(2) of CGST Rules will apply to the export of the service of providing CG between related persons?	The provisions of the said sub-rule <b>shall not apply to the export of the services</b> of providing CG between related persons.

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