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Reversal of Input Tax Credit for E-Commerce Operators Under GST

Introduction:

On December 31, 2024, the Central Board of Indirect Taxes and Customs (CBIC) issued Circular No. 240/34/2024-GST to address a critical concern regarding Input Tax Credit (ITC) for electronic commerce operators (ECOs). This clarification provides much-needed guidance for e-commerce platforms covered under Section 9(5) of the Central Goods and Services Tax (CGST) Act, 2017.

The Background:

Previously, Circular No. 167/23/2021-GST, dated December 17, 2021, clarified that ECOs paying tax on restaurant services under Section 9(5) were not required to reverse ITC. However, ambiguity persisted regarding ITC treatment for other notified services under Section 9(5), prompting the CBIC to step in with additional clarifications.

Key Issues Addressed

1. Applicability of ITC Reversal

The new circular confirms that ECOs supplying notified services under Section 9(5) are not required to reverse proportionate ITC on inputs and input services related to these supplies. This principle aligns with the treatment outlined for restaurant services in Circular No. 167/23/2021.

2. Tax Payment via Cash Ledger


ECOs must discharge their tax liability under Section 9(5) exclusively through the electronic cash ledger. ITC cannot be used for this purpose. However, ITC can still be utilized for other tax liabilities incurred for services provided on their platform (e.g., platform fees or commissions).


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