

Corrigendum

CA/CMA/CS Inter : Compact Book For May/Sep 2025 Exam

Supply

Circular No. 213/07/2024: Clarification on the taxability of ESOP [Employee Stock Option] / ESPP [Employee Stock Purchase Plan] / RSU [Restricted Stock Unit] provided by a company to its employees [to motivate them to perform better and to retain the employees] through its overseas holding company

Issue: Some of the **Indian companies provide the option to their employees for allotment of securities/shares of their foreign holding company** as part of the compensation package as per terms of contract of employment.

In such cases, on exercising the option by the employees of Indian subsidiary company, the securities/shares of foreign holding company are allotted directly by the holding company to the concerned employees of Indian subsidiary company, and the **cost of such securities/shares is generally reimbursed by the subsidiary company to the holding company.**

ESPPs and ESOPs are typically presented as 'options' granted to employees, whereas RSUs take the form of awards or rewards contingent upon the employee meeting specific performance standards. Regardless of the terminology used, the fundamental essence of the transaction remains the same i.e. the allocation of securities or shares from the employer to employee as part of compensation package with the aim of motivating enhanced performance.

Now, Whether such transfer of shares/ securities by the foreign holding company directly to the employees of the Indian subsidiary company and subsequent re-imbursement of the cost of such shares/ securities by the Indian subsidiary company to the foreign holding company can be considered as import of financial services by the Indian subsidiary company from the foreign holding company and whether the same can be considered as liable to GST in the hands of Indian subsidiary company on reverse charge basis.

Clarification: Purchase or sale of securities/shares, in itself, is neither a supply of goods nor a supply of services. Therefore, GST is not leviable on said transaction of sale/purchase/transfer of securities/shares.

The ESOP/ESPP/RSU is a part of remuneration of the employee by the employer as per terms of employment and will be treated as a part of Salary hence Not a supply and NO GST accordingly.

The foreign holding company directly transfers the shares/securities to the employees of the domestic subsidiary company on the request of the said domestic subsidiary company. Reimbursement of such securities/ shares is generally done by domestic subsidiary company to foreign holding company **on cost-to-cost basis i.e. equal to the market value of securities without any element of additional fee, markup or commission.**

Since the said reimbursement is for transfer of securities/shares, which is not a supply hence not import of Services and Accordingly No GST.

However, if the foreign holding company charges any additional fee, markup, or commission from the domestic subsidiary company for issuing ESOP/ESPP/RSU to the employees of the domestic subsidiary company, then the same shall be considered to be in nature of consideration for the supply of services of facilitating/ arranging the transaction in securities/ shares by the foreign holding company to the domestic subsidiary company. In this case, GST will be leviable on such amount of the additional fee, markup, or commission, charged by the foreign holding company from the domestic subsidiary for issuance of its securities/shares to the employees of the latter. The GST shall be payable by the domestic holding company on reverse charge basis on such import of services from the foreign holding company.

CBIC-20001/4/2024: Clarification on taxability of salvage/ wreck value earmarked in the claim assessment of the damage caused to the motor vehicle

Issue: Whether the insurance company is liable to pay GST on the salvage/ wreckage value earmarked in the claim assessment of the damage caused to the motor vehicle?

Clarification: In cases where due to the conditions mentioned in the contract itself, general insurance companies are deducting the value of salvage as deductibles from the claim amount, the salvage remains the property of insured and insurance companies are not liable to discharge GST liability on the same.

However, in cases, where the insurance claim is settled on full claim amount, without deduction of value of salvage/ wreckage (as per the terms of the contract), the salvage becomes the property of the insurance company and the insurance company will be obligated to discharge GST on supply of salvage to the salvage buyer.

Circular No. 234/28/2024: Clarifications regarding applicability of GST on certain services

Issue: Whether incidental/ ancillary services such as loading/ unloading, packing, unpacking, transshipment, temporary warehousing etc., provided in relation to transportation of goods by road is to be treated as part of Goods Transport Agency service, being composite supply, or these services are to be treated as separate independent supplies:

Clarification: it is hereby clarified that ancillary or incidental services provided by GTA in the course of transportation of goods by road, such as loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. will be treated as composite supply of transport of goods.

The method of invoicing used by GTAs will not generally alter the nature of the composite supply of service.

However, if such services are not provided in the course of transportation of goods and are invoiced separately, then these services will not be treated as composite supply of transport of goods.

Issue: Applicability of GST on Preferential Location Charges (PLC) collected along with consideration for sale/ transfer of residential / commercial properties:

Clarification: It is hereby clarified that location charges or Preferential Location Charges (PLC) paid along with the consideration for the construction services of residential /commercial/industrial complex forms part of composite supply where supply of construction services is the main service and PLC is naturally bundled with it and are eligible for same tax treatment as the main supply of construction service.

Circular No. 218/12/2024: Clarification regarding taxability of the transaction of providing loan by an overseas affiliate to its Indian affiliate or by a person to a related person

Issue: Whether the activity of providing loans by an overseas affiliate to its Indian affiliate or by a person to a related person, where there is no consideration in the nature of processing fee/ administrative charges/ loan granting charges etc., *and the consideration is represented only by way of interest or discount*, will be treated as a taxable supply of service and value shall be determined under Rule 28 ??

Clarification: Granting Loans: As per [section 7](#) of the [CGST Act](#), read with [Schedule I](#) of [CGST Act](#), Supply of goods or services or both between related persons, when made in the course or furtherance of business, shall be treated as supply, even if made without consideration. Therefore, it is evident that the service of granting loan/ credit/ advances by an entity to its related entity is a supply under GST.

Interest: The supply of services of granting loans/ credit/ advances, in so far as the consideration is represented by way of interest or discount, is fully exempt under GST.

Without Processing Fee etc.: It is mentioned that overseas affiliates or domestic related persons are generally charging no consideration in the form of processing fee/ service fee, other than the consideration by way of interest or discount on the loan amount.

Accordingly, in the cases, where no consideration is charged by the person from the related person, or by an overseas affiliate from its Indian party, for extending loan or credit, other than by way of interest or discount, it cannot be said that any supply of service is being provided between the said related persons in the form of processing/ facilitating/ administering the loan, by deeming the same as supply of services as per [section 7](#) of the [CGST Act](#), read with [Schedule I](#) of [CGST Act](#).

Accordingly, there is no question of levy of GST on the same by resorting to open market value for valuation of the same as per [Rule 28](#).

With Processing Fee etc.: However, in cases of loans provided between related parties, wherever any fee in the nature of processing fee/ administrative charges/ service fee/ loan granting charges **etc. is charged**, over and above the amount charged by way of interest or discount, the same may be considered to be the consideration for the supply of services of processing/ facilitating/ administering of the loan, which will be liable to GST as supply of services by the lender to the related person availing the loan.

Exemptions
Section:11
E/N: 12/2017

Circular No. 234/28/2024: Clarifications regarding applicability of GST on certain services

Issue: Applicability of GST on the service of affiliation provided by universities to colleges:

Clarification: It is hereby clarified that the affiliation services provided by universities to their constituent colleges are not covered within the ambit of exemptions provided to educational institutions and GST at the rate of 18% is applicable on the affiliation services provided by the universities.

Issue: Applicability of GST on the service of affiliation provided by Central and State educational boards or Councils, or other similar bodies, to schools:

Clarification: It is clarified that services of affiliation, provided to schools by Central or State educational boards or councils, or other similar bodies, by whatever name called, are taxable.

	<p>Issue: Applicability of GST on the Directorate General of Civil Aviation (DGCA) approved flying training courses conducted by Flying Training Organizations [FTOs] approved by the DGCA:</p> <p>Clarification: It is clarified that the approved flying training courses conducted by FTOs approved by DGCA, wherein the DGCA mandates the requirement of a completion certificate, are covered under Exemption.</p>
Valuation/ Computation	<p>Circular No. 228/22/2024: Applicability of GST on the incentive amount shared by acquiring banks with other stakeholders in the digital payment ecosystem under the notified Incentive Scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions.</p> <p>it is hereby clarified that further sharing of the incentive amount by the acquiring bank with other stakeholders, up to the point where the incentive is distributed in the proportion and manner as decided by NPCI in consultation with the participating banks under the notified Incentive Scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions, is in the nature of a subsidy and is thus, not taxable.</p>
Time of supply	<p>Circular No. 221/15/2024: Clarification on time of supply in respect of supply of services of construction of road and maintenance thereof of National Highway Projects of National Highways Authority of India (NHAI) in Hybrid Annuity Mode (HAM) model</p> <p>Issue: Under HAM model of National Highways Authority of India (NHAI), the concessionaire has to construct the new road and provide Operation & Maintenance of the same which is generally over a period of 15- 17 years and the payment of the same is spread over the years. What is the time of supply for the purpose of payment of tax on the said service under the HAM model?</p> <p>Clarification: Under the Hybrid Annuity Model (HAM) of concession agreements, the highway development projects are under Design, Build, Operate and Transfer model (DBOT), wherein the concessionaire is required to undertake new construction of Highway, as well as the Operation and Maintenance (O&M) of Highways. The payment terms for the construction portion as well as the O&M portion of the contract are provided in the agreement between National Highways Authority of India (NHAI) and the concessionaire.</p> <p>A HAM contract is a single contract for construction as well as operation and maintenance of the highway. The payment terms are so staggered that the concessionaire is held accountable for the repair and maintenance of the highway as well. The contract needs to be looked at holistically based on the services to be performed by the concessionaire and cannot be artificially split into two separate contracts for construction and operation and maintenance, based on the payment terms. The concessionaire is bound contractually to complete not only the construction of the highway but also to operate and maintain the same.</p> <p>In HAM contract, the payment is made spread over the contract period in installments and payment for each installment is to be made after specified periods, or on completion of an event, as specified in the contract. The same appears to be covered under the 'Continuous supply of services'.</p> <p>As per section 13(2) [Time of Supply of Services] read with section 31(5)[Issuance of Invoice under Continuous Supply of Services]: Time of supply of services under HAM contract, including construction and O&M portion,</p> <p>■ Where invoice is issued on time: Time of supply will be :The Date of issue of Invoice or</p>

Payment date [whichever is earlier]

- Where invoice is NOT issued on time: Time of supply will be : The Date of provision of the service or Payment date [whichever is earlier]

It is also clarified that as the installments/annuity payable by NHAI to the concessionaire also includes some interest component, the amount of such interest shall also be includible in the taxable value for the purpose of payment of tax on the said annuity/installment in view of the provisions of [section 15\(2\)\(d\)](#).

Circular No. 222/16/2024: Clarification on time of supply of services of spectrum usage and other similar services under GST

Issue: In cases of spectrum allocation where the successful bidder (i.e. the 'telecom operator') opts for making payments in instalments as mentioned in the Notice Inviting Application (NIA) and Frequency Assignment Letter (FAL) issued by Department of Telecommunications (DoT), Government of India, what will be the time of supply for the purpose of payment of GST on the said supply of spectrum allocation services.

Clarification: The GST is to be discharged on the supply of spectrum allocation services by the recipient of services (the telecom operator) on reverse charge basis.

In respect of supply of services, on which tax is paid or liable to be paid on reverse charge basis, as per [Section 13\(3\)](#) of [CGST Act](#), 2017, the time of supply of services shall be the earlier of the following dates, namely:-

- (a) The date of payment ; or
- (b) 61st Day from invoice date

It is clarified that in case where full upfront payment is made by the telecom operator, GST would be payable when the payment of the said upfront amount is made or is due, whichever is earlier,

Whereas in case where deferred payment is made by the telecom operator in specified installments, GST would be payable as and when the payments are due or made, whichever is earlier.

It is also clarified that the similar treatment regarding the time of supply, may apply in other similar cases of natural Resources.

Input tax credit

Circular no. 21/05/2024: Clarification on time limit under section 16 (4) of CGST Act, 2017 in respect of RCM supplies received from unregistered persons

Issue: view #1: Supply Received Basis: The time limit for availment of ITC under [section 16 \(4\)](#) of [CGST Act](#) is only upto the September/ November of the following financial year, i.e. the financial year following the financial year in which the said services was received.

view #2: Invoice Basis: ITC should be available on the said invoice under [section 16 \(4\)](#) of [CGST Act](#) till the September/ November of the financial year following the financial year in which such invoice has been issued.

Clarification: It is clarified that in cases of supplies received from unregistered suppliers, where tax has to be paid by the recipient under reverse charge mechanism (RCM) and where invoice is to be issued by the recipient of the supplies, the relevant financial year for calculation of time limit for availment of input tax credit under the provisions of [section 16 \(4\)](#) of [CGST Act](#) will be **the financial year in which the invoice has been issued by the recipient**, subject to payment of tax on the said supply by the recipient and fulfilment of other conditions and restrictions of [section](#)

16 and 17 of CGST Act.

In case, the recipient issues the invoice after the time of supply of the said supply and pays tax accordingly, he will be required to pay interest on such delayed payment of tax.

Further, in cases of such delayed issuance of invoice by the recipient, he may also be liable to penal action under the provisions of [Section 122](#) of [CGST Act](#)

Circular No. 216/10/2024: Clarification in respect of GST liability and input tax credit (ITC) availability in cases involving Warranty/ Extended Warranty, in furtherance to [Circular No. 195/07/2023](#)

GST liability as well as liability to reverse input tax credit in respect of cases where goods as such or the parts are replaced under warranty:

Issue 1: Earlier Circulars clarifies regarding GST liability as well as liability to reverse ITC, only in cases involving replacement of 'parts' and not if goods as such are replaced under warranty.

In cases where warranty is provided by the manufacturer/ suppliers to the customers in respect of any goods, and if any defect is detected in the said goods during the warranty period, the manufacturer may be required to replace either one or more parts or the goods as such, depending upon the extent of damage/ defect noticed in the said goods.

However, Earlier circular only clarifies in respect of the situations involving replacement of part/ parts and does not specifically refer to the situation involving replacement of goods as such.

Clarification: It is clarified that the Earlier clarification of the said circular is also applicable in case where the goods as such are replaced under warranty.

Issue 2: in respect of cases where the distributor replaces the parts/ goods to the customer as part of warranty out of his own stock on behalf of the manufacturer and subsequently gets replenishment of the said parts/ goods from the manufacturer:

Clarification: *In such a case, no GST is payable on such replenishment of goods or the parts, as the case may be. Further, no reversal of ITC is required to be made by the manufacturer in respect of the goods or the parts, as the case may be, so replenished to the distributor.* [The same Treatment as earlier]

Issue 3: Nature of supply of extended warranty, at the time of original supply of goods, as a separate supply from supply of goods, if the supply of extended warranty is made by a person different from the supplier of the goods;

Clarification: Nature of supply of extended warranty, made after original supply of goods:

Different Person: There may be cases where the [supplier of the goods may be the dealer](#) while the [supplier of extended warranty may be the OEM \[Original Equipment Manufacturer\] or third party](#). In such cases, the supplies being made by different suppliers cannot be treated as part of the composite supply. In such cases, supply of extended warranty will be treated as a separate supply from the original supply of goods.

Different Time: In case where a consumer enters into an agreement of extended warranty at any time after the original supply, then the same shall be treated as a supply of services distinct from the original supply of goods and the supplier of the said extended warranty shall be liable to discharge GST liability applicable on such supply of services.

Circular No. 217/11/2024: Entitlement of ITC by the insurance companies on the expenses incurred for repair of motor vehicles in case of reimbursement mode of insurance claim settlement

Issue 1: The insurance companies, which are engaged in providing general insurance services in respect of insurance of motor vehicles, insure the cost of repairs/ damages of motor vehicles incurred by the policyholders and settle the claims in two modes i.e., Cashless or Reimbursement. **Whether ITC is available to insurance companies in respect of repair expenses reimbursed by the insurance company in case of reimbursement mode of claim settlement.**

Clarification: Further, [section 2\(93\)](#) of [CGST Act](#) defines "recipient" of supply of goods or services or both, as the person who is liable to pay the consideration, where such consideration is payable for the said supply of goods or services or both.

Moreover, as per [section 2\(31\)](#) of [CGST Act](#), "consideration" includes any payment made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

In reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.

Accordingly, it is clarified that **ITC is available** to Insurance Companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement.

Issue 2 : Where the invoice raised by the garage also includes an amount in excess of the approved claim cost, the insurance company only reimburses the approved claim cost to the garage after considering the standard deductions viz. the compulsory deductibles to be borne by the insured, depreciation, improvements outside the coverage, value of salvage of the damaged parts of the motor vehicles, etc. The remaining amount is to be paid by the insured to the garage. What is the extent of ITC available to the insurer in such cases?

Clarification: In cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, input tax credit may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.

However, if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then, the input tax credit may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.

Issue 3: Whether ITC is available to the insurer where the invoice for the repair of the vehicle is not in name of the insurance company.

Clarification: In such a case, conditions as given under section 16 [Invoice must be received] is not satisfied and accordingly, input tax credit will not be available to the insurance company in respect of such an invoice.

Circular No. 219/13/2024: Clarification on availability of input tax credit on ducts and manholes used in network of optical fiber cables (OFCs) in terms of [Section 17\(5\)](#).

Issue: Whether the input tax credit on the ducts and manholes used in network of optical fiber cables (OFCs) for providing telecommunication services is barred in terms of clauses (c) and (d) of [Section 17\(5\)](#) of the [CGST Act](#),?

Clarification: 1. Sub-section (5) to [Section 17](#) of the [CGST Act](#) provides that input tax credit shall not be available, inter alia, in respect of the following:

- i. Works contract services Except use for Repair, Installation etc of Plant and Machinery, Similar Activity; or
- ii. goods or services or both received by a taxable person Except use for Repair, Installation etc of Plant and Machinery, Similar Activity

Explanation in [Section 17](#) of [CGST Act](#) provides that the expression "**plant and machinery**" means:

- Apparatus, equipment, and machinery fixed to earth by foundation or structural support
- that are used for making outward supply of goods or services or both and
- Includes such foundation and structural supports
- but excludes land, building or any other civil structures; telecommunication towers; and pipelines laid outside the factory premises.

Ducts and manholes are basic components for the optical fiber cable (OFC) network used in providing telecommunication services. The OFC network is generally laid with the use of PVC ducts/sheaths in which OFCs are housed and service/connectivity manholes, which serve as nodes of the network, and are necessary for not only laying of optical fiber cable but also their upkeep and maintenance.

In view of the Explanation in [Section 17](#) of the [CGST Act](#), it appears that ducts and manholes are covered under the definition of "plant and machinery" as they are used as part of the OFC network for making outward supply of transmission of telecommunication signals from one point to another.

Moreover, ducts and manholes used in network of optical fiber cables (OFCs) have not been specifically excluded from the definition of "plant and machinery" in the Explanation to [Section 17](#) of [CGST Act](#), as they are neither in nature of land, building or civil structures nor are in nature of telecommunication towers or pipelines laid outside the factory premises.

Therefore, It is clarified that availment of input tax credit is not restricted in respect of such ducts and manhole used in network of optical fiber cables (OFCs), either under clause (c) or under clause (d) of [Section 17](#) of [CGST Act](#).