

## Central Goods & Services Tax Act, 2017

### <sup>1</sup>[Section 20 : Manner of distribution of credit by Input Service Distributor

- (1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9<sup>2</sup>[of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017], for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.

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1 Substituted by Finance Act, 2024 (No. 8 of 2024). It is made effective from 01-04-2025 by Noti. No. 16/2024-Central Tax, dt. 06-08-2024. Earlier it read as under:

#### **"Section 20 : Manner of distribution of credit by Input Service Distributor**

- (1) The Input Service Distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.
- (2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:—
- (a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;
  - (b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;
  - (c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;
  - (d) the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be *pro-rata* on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;
  - (e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be *pro-rata* on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

**Explanation—**For the purposes of this section,—

- (a) the "relevant period" shall be—
- (i) if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; <sup>A</sup>[or]
  - (ii) if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;
- (b) the expression "recipient of credit" means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;
- (c) the term "turnover", in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied <sup>B</sup>[under entries 84 and 92A] of List I of the Seventh Schedule to the Constitution and entries 51 and 54 of List II of the said Schedule."

A. In Hindi version of gazette "or" word is missing.

B. Substituted for "under entry 84" by CGST (Amendment) Act, 2018 (No. 31 of 2018). It is made effective from 01-02-2019 by Noti. No. 02/2019-Central Tax, dt. 29-01-2019.

2 Inserted by Finance Act, 2025 (No. 7 of 2025) w.e.f. 01-04-2025.

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- (2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 <sup>3</sup>[of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017] paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.
- (3) The credit of central tax shall be distributed as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit, in such manner as may be prescribed.]

**Relevant Rule: Rule 39**

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**3** Inserted by Finance Act, 2025 (No. 7 of 2025) w.e.f. 01-04-2025.