
E-NEWSLETTER FOR
MAY 2026
OF
BRAHMAPUR BRANCH OF
EIRC(ICAI)
MAY 2026
1st -31st

A Message from Our Chairperson

Respected Members,

It is always an honour to address you all through this newsletter. The month of May shall be remembered as one of the most remarkable months of this year, as we witnessed budding speakers addressing the members with great confidence and excellence. A representation from our branch had the privilege of meeting our respected President Sir at the Visakhapatnam Branch — a first-of-its-kind initiative for our branch.

The weekly seminars and full-day programmes witnessed enthusiastic participation from both members and students. We are delighted to include topics of strong professional relevance that contribute meaningfully towards the capacity building of our members. As a team, we reaffirm our total commitment towards the continued growth and strengthening of our fraternity.

CA K Seeta Rajani -
Chairperson,Brahmapur Branch

MCA Amendment Highlights

Enhanced Compliance

Streamlined filing requirements for companies

Governance Updates

Revised norms for board composition & disclosures

Digital Initiatives

Expanded MCA21 portal capabilities

What Changes for Practitioners?

Updated Filing Norms

MCA introduced revised e-forms and shifted many ROC filings to the MCA V3 portal. Filing procedures became more digital with stricter validation, DSC association, and auto-scrutiny checks. Annual filing formats like AOC-4 and MGT-7 were also updated.

Fee Structure Revisions

MCA revised additional filing fees under the Companies (Registration Offices and Fees) Rules. Late filing penalties increased significantly, with additional fees going up to 18 times the normal fee. This made timely ROC compliance more important for companies and practitioners.

Updated Filing Norms under MCA Amendments

Introduction

The MCA introduced several changes through the MCA21 Version 3 (V3) portal and amendments to Companies Rules to simplify and digitize corporate filings. The objective is to improve transparency, faster processing, and stricter compliance monitoring.

Introduction of New Web Forms

Many forms are converted into web-based forms such as:

PAS-7

MGT-6

BEN-2

CSR-2

Annual filing forms

The filing process is now more structured and digitally verified.

Benefits of MCA Web Forms

PAS-7

- ➢ Simplifies reporting of share capital details
- ➢ Improves transparency in securities information
- ➢ Faster online verification and approval

MGT-6

- Helps maintain proper records of beneficial ownership
- Ensures better compliance with Companies Act provisions
- Enhances corporate transparency

BEN-2

- Enables disclosure of Significant Beneficial Owners (SBO)
- Prevents misuse of hidden ownership structures
- Strengthens corporate governance and accountability

CSR-2

- Simplifies reporting of CSR activities and expenditure
- Increases transparency in CSR compliance
- Helps MCA monitor social responsibility initiatives effectively

Annual Filing Forms

- Faster and paperless compliance process
- Reduces filing errors through auto-validation
- Improves accuracy, tracking, and timely submission of company records

Fee Structure Revisions under MCA Amendment

Introduction

The MCA amended the Companies (Registration Offices and Fees) Rules, 2014 to impose stricter penalties for delayed filings and encourage timely compliance.

Delay Based Fee Multipliers

Revised Additional fee structure

Delay period	Additional fee
Upto 15 days	1x normal fee
15-30 days	2x normal fee
More delays	Increasing multiples
Repeated defaults	Higher additional fee

Heavy Penalty on DIR-3 KYC :

DelayDIR-3 KYC Filing

Before due date → Nil fee

After due date → ₹5,000 late fee per DIN

This is one of the strictest compliance penalties

Understanding Input Service Distributor (ISD) under GST

-CA Ravi Shankar Samantaray

The concept of Input Service Distributor (ISD) is an important mechanism under the Goods and Services Tax (GST) framework in India. It enables centralized distribution of input tax credit (ITC) on input services to various branches or units of an organization, thereby streamlining tax credit flow.

This article answers some general important questions surrounding ISD with examples and references to relevant GST provisions and notifications.

1. What is an Input Service Distributor (ISD)?
Input Service Distributor (ISD) is a facility under GST that allows a head office or a centralized office to distribute input tax credit (ITC) on common input services (like audit fees, advertisement, legal services, etc.) to its units/branches that are operational across different states.
Important Point: Only input services (not goods) can be distributed through ISD.
Legal Reference:
As per Section 2(61) of the CGST Act, 2017:

"Input Service Distributor means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services."

2. Why is ISD Important?
The ISD mechanism ensures that the input tax credit on common services like advertising, security, HR consultancy, legal services, etc., availed at a head office or regional office, can be fairly and legally distributed to the respective units that use these services.
Without ISD, such credit could go unutilized or lead to unnecessary compliance burdens.
Example:
A company headquartered in Brahmapur hires a legal consultancy firm and receives an invoice of ₹1,00,000 + 18% GST. The services relate to both its Brahmapur and Bhubaneswar units. The Brahmapur head office can distribute ₹9,000 each (i.e., 50% of ₹18,000) to both locations using the ISD mechanism.

3. From When is it Mandatory to Take Separate Registration?
As per Rule 9(1) of the CGST Rules and Section 24(viii) of the CGST Act.
Every person who intends to act as an Input Service Distributor must obtain a separate registration as ISD irrespective of turnover.
As per CBIC Circular No. 199/11/2023-GST (dated July 17, 2023), businesses had the flexibility to choose between ISD and cross charge until March 31, 2025.
However, from April 1, 2025, (Finance Bill 2025), the ISD mechanism becomes mandatory for distributing ITC related to common input services procured from third parties. Cross charge will remain applicable only for internally generated services.

4. Manner of Distribution of Credit
The ITC should be distributed in the ratio of the turnover of each recipient unit to the aggregate turnover of all such units to which the input service relates.

5. Is any Document or Separate Tax Invoice Required?
Yes, as per Rule 54(1) of the CGST Rules, an ISD must issue a document (ISD invoice) containing prescribed particulars for the distribution of credit. an ISD invoice clearly indicates that it is issued only for distribution of input tax credit.

6. Filing of Return for ISD
An ISD is required to file Form GSTR-6 on a monthly basis by the 13th of the succeeding month.
Details in GSTR-6:
Inward supplies received by the ISD
Details of input tax credit distributed
ISD invoices issued
This ensures that the recipients can avail the distributed ITC in their GSTR-2B.

7. Meaning of Turnover for Distribution of ITC
Turnover for ISD purposes means the "turnover of relevant units during the relevant period" and includes:
Value of all taxable supplies (excluding inward supplies under reverse charge)
Exports of goods/services
Exempt supplies
Inter-state and intra-state supplies

This is defined under Explanation to Rule 39(1)(d) and refers to "turnover in a State or a Union territory" as defined under Section 2(112) of the CGST Act.
Illustrative Example

Scenario: ABC Ltd. has its Head Office in Brahmapur and two branches in Bangalore and Kolkata. The Head Office receives a legal consultancy invoice worth ₹1,00,000 with GST (IGST) of ₹18,000.

Turnover of the branches:

Bangalore:₹30,00,000   Kolkata:₹20,00,000

Total:₹50,00,000

Distribution of IGST (₹18,000):

Bangalore: ₹10,800 (60%)

Kolkata: ₹7,200 (40%)

The Head Office will issue ISD invoices to Bangalore and Kolkata units and distribute the ITC accordingly

8.Consequences of Not Registering as an ISD

Failure to obtain ISD registration can have severe adverse consequences, as explained below-

i. Inability to Distribute Input Tax Credit (ITC):

The HO cannot legally distribute the ITC on common input services (e.g., audit fees, software subscriptions, etc.) used for multiple branches.

This could result in loss of ITC to the company, especially when the HO incurs significant centralized expenses.

ii. Wrong Distribution of ITC (Without ISD):

If the HO distributes ITC without taking ISD registration (e.g., by booking input credit in its own GSTIN or wrongly allocating it), it will be treated as wrongful distribution.

This may lead to demand and recovery proceedings under Section 20 of the CGST Act read with Rule 39.

iii. Interest and Penalty:
Incorrect or unregistered distribution may attract:

➤ Interest under Section 50 of the CGST Act.

➤ Penalty under Section 122 for contravention of provisions (can be up to 10,000 or tax evaded, whichever is higher).

iv. Audit and Assessment Risk:
GST officers may treat non-ISD distribution as non-compliance, increasing the likelihood of audits or scrutiny assessments.

v. Compliance Issues for Receiving Units:
If branches receive ineligible or wrongly distributed credits, they may also face issues in their own assessments.

Conclusion:
ISD registration and compliance under GST is not optional if an entity is distributing ITC on input services. It brings clarity, legality, and efficiency to the management of shared service credits. Businesses with multi-state operations should take proactive steps to register and file returns as ISD to avoid legal complications and ensure seamless credit flow.

Disclaimer: This article is intended for informational purposes only and should not be construed as legal advice. Auditors must refer to the latest notifications and amendments from statutory authorities.

Meeting with ICAI President CA D Prasanna Kumar sir

Weekly meeting on13/05/26

Weekly meeting on 06/05/2026

Full day Workshop on 17/05/2026