

# Optimizing Input Tax Credit Distribution through ISD Mechanism-Part 2: Functional Configuration and Operational Execution in SAP

Avnish Goyal

IT Solution Architect, Department of Information and Technology, QuidelOrtho US  
(<https://orcid.org/0009-0008-0790-2169>)

**Abstract:** *This paper is the second in a two-part series focused on the Input Service Distribution (ISD) mechanism under the Central Goods and Services Tax (CGST) Act, 2017, which governs the allocation of Input Tax Credit (ITC) on common services across multiple business units. With ISD provisions becoming mandatory from April 1, 2025, as per Notification No. 16/2024 – Central Tax, businesses are required to implement robust systems to ensure accurate and compliant ITC distribution. Building upon the technical foundation established in the first paper, this second part delves into the functional implementation and operational execution of ISD processes within SAP systems. It provides a detailed overview of functional configuration steps, including Official Document Number (ODN) setup, transaction processing, and the issuance of ISD invoices as prescribed under Rule 54(1) of the CGST Rules, 2017. The paper offers practical guidance supported by real-world case studies and examples, illustrating the proportional distribution of ITC based on turnover and tax jurisdiction. It highlights how SAP enables organizations to execute compliant, transparent, and efficient ISD operations across multiple branches, ensuring end-to-end control and audit readiness.*

**Keywords:** Input Service Distribution (ISD), India GST, Input Tax Credit (ITC), SAP Solutions for ISD, CGST Compliance, SAP CIN Implementation

## 1. Introduction

In Part 1 of this paper series, we examined the conceptual structure and legal framework of the Input Service Distributor (ISD) mechanism under India's CGST Act, 2017. The ISD serves as a centralized unit responsible for distributing Input Tax Credit (ITC) arising from common services to multiple business units under the same PAN, in a proportionate manner based on turnover. The mechanism is designed to promote tax compliance, transparency, and fair credit utilization across organizations. With the Government of India mandating ISD adoption effective April 1, 2025, businesses operating multiple branches are now required to implement an ISD-compliant system to ensure accurate and auditable ITC allocation.

This second part builds on the technical and statutory insights discussed earlier by focusing on the practical implementation of ISD within SAP. It outlines the functional configuration steps including ODN configuration. Furthermore, it demonstrates how the ISD functionality is tested, executed, and validated in SAP using real-world transactions, ensuring compliance with Rule 54(1) of the CGST Rules. The paper aims to guide SAP practitioners and tax professionals through the operational aspects of ISD readiness in enterprise systems.

## 2. Exploring SAP Solutions

The SAP customer has a standard solution to manage ISD under SAP's India Localization support pack. The

implementation of ISD in SAP is typically divided into two main phases: Technical Implementation and Functional Implementation.

- *Technical Implementation* includes Prerequisites and Applying the required SAP OSS notes to enable the functionality in SAP. It also includes Activation of services for ISD in SAP.
- *Functional Implementation* is split into two key steps: Functional Configuration, and Official Document Number (ODN) configuration.

Finally, process to execute the functionality in SAP to distribute and post ITC from ISD office to its branches.

The *technical implementation*, including service activation, are discussed in the first paper titled "*Optimizing Input Tax Credit Distribution through ISD Mechanism – Part 1: Conceptual Overview and SAP System Integration.*"

This second and concluding paper covers the *functional implementation* in detail, including ODN configuration, operational execution, and a sample test case for better understanding.

## 3. Functional Implementation

This is the next step in implementing the ISD solution in SAP. It includes activation, functional configuration, and ODN configuration to enable the ISD functionality in SAP.

### 1) Functional Configuration

Below are the functional configuration steps to enable ISD for India.

#### a) Creation of ISD business place:

In SAP, all branches of a company are set up as business places. Since ISD is a separate office within the company, it must also be created as a business place. Here are the steps to create a business place:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → General Settings → Define Business Places.**

SAP Field	Value	Usage
Business Place	IN01	A unique 4-digit code to identify the branch.
Description	Free Field	A meaningful description for the branch.
Tax Number 3	ISD GSTN Number	The ISD Registration Number

#### b) Creation of a ISD plant

Each business place is linked to a plant, though it is not necessary to create a separate plant for each business place. A business place can be assigned to multiple plants, but a plant can only be assigned to one business place. It is recommended to create a separate plant for each business place in SAP to avoid confusion when determining the business place for plants in sales and purchase orders. A plant can be created in SAP by following the below IMG Path:

**IMG Path: SPRO → IMG → Enterprise Structure → Definition → Logistics – General → Define, copy, delete, check plant.**

SAP Field	Value	Usage
Plant	IN01	A unique 4-digit identification code for the plant.
Name 1	Free Field	The main name of the plant.
Name 2	Free Field	Additional Name for the Plant
Language	EN	Language key (e.g., English).
Address	Address drop-down	The address of the plant.
Factory Calendar	2 Digit Factory Calendar	The factory calendar assigned to the plant.

#### c) Assign ISD Business place to ISD Plant

Assign the newly created plant to the ISD business place by following the below IMG path.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → General Settings → Assign Business Places to Plants.**

SAP Field	Value	Usage
Plant	ISD Plant code	A unique 4 digits identification code for the ISD plant.
Business Place	ISD Business Place code	A unique 4 digits identification code for the ISD business place

#### d) Creation of ISD Document Type

It is recommended to create a separate document type in SAP to distribute Input Tax Credit (ITC) from the ISD branch to other branches of the organization. The new document type can be created using the following IMG path:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Document → Basic Settings → Document Types → Define Document Types for Entry View.**

Standard SAP delivers the document type 'JS' for ISD. You can either use the standard document type or copy it into a custom Z document type, as shown below.

SAP Field	Value	Usage
Document Type	2-digit code	A unique 2-digit identification of the document type.
Description	Free Field	A meaningful description
Number Range	2-digit number range code	A unique 2-Digit number range
Account Type	Select account type allowed	Select as per the screenshots below.
Control Data	Select any special control indicator	Select as per the screenshots below.

**Change View "Document Types": Details**

New Entries

Document Type: ZF GST - ISD Invoice

Properties

Number range: 19 Number range information

Reverse DocumentType:

Authorization Group:

Account types allowed

☒ Assets

☐ Customer

☒ Vendor

☒ Material

☒ G/L account

Special usage

☐ Btch input only

Control data

☐ Net document type

☐ Cust/vend check

☒ Negative Postings Permitted

☐ Inter-company postgts

☐ Enter trading partner

Required during document entry

☐ Reference number

☐ Document header text

Joint venture

Debit Rec.Indic:

Rec.Ind. Credit:

#### e) Assign ISD Document type to ISD transfer postings

Assign the ISD document type to the ISD process using the IMG path below. This setting ensures that the ISD document type is linked to ITC transfer postings from the ISD branch.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Specify Document Types.**

SAP Field	Value	Usage
Co. Code	4-digit India Company Code	A 4-digit code for the India Company Code.
Process type	Select ISD from the dropdown	Choose the ISD process type.
Doc type	2-digit code for document type	A unique 2-digit code for the ISD document type.

**Change View "GST IN: Configuration Table 1**

New Entries

GST IN: Configuration Table for Document Type mainten...

CoCd	Doc Type	Type
2003	1 Journal Voucher With Refe...	ZY
2003	2 Journal Voucher Without R...	ZY
2003	3 ISD Invoice	ZF

#### f) Map ISD Business Places to Receiving Business Places (J\_1IG\_ISD\_MAP\_V)

This is an important configuration to assign the ISD branch to the receiving branch. By default, the ISD credit will be distributed to all branches listed here, as long as the turnover ratio is set for the receiving branches in the next configuration.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Input Service Distributor → Map ISD Business Places to Receiving Business Places.**

SAP Field	Value	Usage
Co. Code	4-digit India Company Code	4 digits code for India Co. Code.
ISD BUPLA	4-digit code for ISD Branch	A 4-digit code for the ISD business place (selected from dropdown).
Receiving BUPLA	4-digit code for Receiving Branch	A 4-digit code for the receiving business place (selected from dropdown).

**Change View "GST: Map ISD Business place with Receiving Business Place**

New Entries

GST: Map ISD Business place with Re...

CoCd	ISD BUPLA	REC BUPLA
2003	IN01	IN02
2003	IN01	IN03
2003	IN01	IN04
2003	IN01	IN05
2003	IN01	IN06
2003	IN01	IN07
2003	IN01	IN08
2003	IN01	IN09
2003	IN01	IN10
2003	IN01	IN12

#### g) Maintain Turnover for Receiving Business Places (J\_1IG\_ISD\_TO\_V)

This is a recurring activity where the turnover of each branch needs to be updated annually. The ISD will distribute the ITC based on the proportionate turnover ratio.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Input Service Distributor → Maintain Turnover for Receiving Business Places.**

SAP Field	Value	Usage
Receiving BUPLA	4-digit code for receiving branch	A 4-digit code for the receiving business place
Year	Year	The last year.
Turnover	Turnover of the year	Used to distribute ITC in proportion to the turnover.
Currency	INR	3-digit country code for INR (Indian Rupee).

**Change View "GST IN: Receiving BUPLA Turnover": Overview**

New Entries

REC BUPLA	Year	Turn-over	Crcy
IN02	2024	10,000,000.00	INR
IN02	2025	10,000,000.00	INR
IN03	2016	4,000,000.00	INR
IN03	2017	4,000,000.00	INR
IN03	2018	4,000,000.00	INR
IN03	2019	4,000,000.00	INR
IN03	2020	4,000,000.00	INR
IN03	2021	4,000,000.00	INR
IN03	2022	4,000,000.00	INR
IN03	2023	4,000,000.00	INR
IN03	2024	4,000,000.00	INR
IN03	2025	4,000,000.00	INR
IN04	2016	5,000,000.00	INR
IN04	2017	5,000,000.00	INR
IN04	2018	5,000,000.00	INR
IN04	2019	5,000,000.00	INR
IN04	2020	5,000,000.00	INR
IN04	2021	5,000,000.00	INR
IN04	2022	5,000,000.00	INR
IN04	2023	5,000,000.00	INR
IN04	2024	5,000,000.00	INR
IN04	2025	5,000,000.00	INR
IN05	2016	3,000,000.00	INR
IN05	2017	3,000,000.00	INR
IN05	2018	3,000,000.00	INR
IN05	2019	3,000,000.00	INR
IN05	2020	3,000,000.00	INR
IN05	2021	3,000,000.00	INR
IN05	2022	3,000,000.00	INR
IN05	2023	3,000,000.00	INR
IN05	2024	3,000,000.00	INR
IN05	2025	3,000,000.00	INR
IN06	2016	7,000,000.00	INR

#### h) Create ISD GL accounts for CGST, SGST, and IGST.

It is recommended to create a separate set of Tax GL accounts for ISD. The total amount posted in these GL accounts should be transferred to the receiving branches every month.

**IMG Path:** SAP East Access → SAP Menu → Accounting → Financial Accounting → General Ledger → Master Records → G/L Accounts → Individual Processing → FS00 - Centrally

Search in Table: SKB1 G/L account master (company code)

Number of hits: 3

Runtime: 0 Maximum no. of hits: 500

Insert Column

CoCd	G/L Account	Tx	Curr.	Post Automat.
2003	11630111	<	INR	X
2003	11630131	<	INR	X
2003	11630141	<	INR	X

#### i) Create a new ISD tax code activating all three GST tax conditions e.g. three conditions - JIS, JIC, JII

A new tax code needs to be created for ISD to distribute the ITC. This tax code will have all three GST tax conditions—CGST, SGST, and IGST—activated. If UTGST applies, please activate UTGST as well. The tax rate for all activated tax conditions will be set to 0.

**IMG Path:** SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Calculation → Define Tax Codes for Sales and Purchases.

**Maintain Tax Code: Tax Rates**

Properties Tax accounts Deactivate line

Country Key: IN India  
Tax code: ID ISD Tax Code for India  
Procedure: TAXINR  
Tax type: V Input tax

Tax Type	Acct Key	Tax Percent. Rate	Level	From Lvl	Cond. Type
Base Amount			0	0	
Calculated Cal			100	0	BASB
Sub total			110	100	
IN: Service tax	ESA		120	110	
IN:Service tax debit	ESE		250	100	JSER
Imp SrvTxEces Cr	VSS		260	120	JSVD
Imp SrvTxSEces Cr	JIS		265	260	JEC3
Imp SrvTx w/o Cr	NVV		266	260	JSE1
Imp SrvTxSEces w/o Cr	NVV		270	120	JSV2
Imp SrvTxSEces w/oCr	NVV		275	270	JEC4
Total SrvTx			276	270	JSE2
IN Central GST	JIC	0.000	280	260	
IN State GST	JIS	0.000	350	100	JICG
IN Integrated GST	JII	0.000	360	100	JISG
IN:Import GST deduct	JIM		370	100	JIIG
IN:Import GST ND	NVV		371	100	JIMD
IN: GST Comp. CESS	JCI		372	100	JIMN
IN State GST - ND	NVV		373	100	JCIS
IN Central GST - ND	NVV		380	100	JISN
IN Integrated GST ND	NVV		390	100	JICN
			400	100	JIIN

#### j) Configure ISD Invoice Posting Settings (J\_1IG\_ISD\_POST\_V)

In the next customization, please maintain the ISD GL accounts created in step h for ISD tax posting, as shown in the screenshot below, using the IMG path provided:

**IMG Path:** SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Input Service Distributor → Configure ISD Invoice Posting Settings.

**Change View "GST IN: ISD Invoice Posting Configurations": Overview**

New Entries

CoCd	BP	CGST G/L	SGST G/L	IGST G/L	UGST G/L	CESS G/L	NVV G/L	Tx
2003	IN01	11630131	11630111	11630141				ID
2003	IN02	11630132	11630112	11630142	11630102			ID
2003	IN03	11630133	11630113	11630143	11630103			ID
2003	IN04	11630134	11630114	11630144	11630104			ID
2003	IN05	11630135	11630115	11630145	11630105			ID
2003	IN06	11630136	11630116	11630146	11630106			ID
2003	IN07	11630137	11630117	11630147	11630107			ID
2003	IN08	11630138	11630118	11630148	11630108			ID
2003	IN09	11630139	11630119	11630149	11630109			ID
2003	IN10	11630140	11630120	11630150	11630110			ID
2003	IN12	11630162	11630161	11630163				ID

#### k) Maintain default tax code

In the next customization, please maintain the ISD tax code created in step I above in the default tax code settings, as shown in the screenshot below, using the IMG path provided:

**IMG Path:** SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Input Service Distributor → Configure ISD Invoice Posting Settings.



**Change View "GST IN: ISD Invoice Posting Configurations": Overview**

New Entries

GST IN: ISD Invoice Posting Configurations

CoCd	BP	CGST G/L	SGST G/L	IGST G/L	UGST G/L	CESS G/L	NVV G/L	Tx
2003	IN01	11630131	11630111	11630141				ID
2003	IN02	11630132	11630112	11630142	11630102			ID
2003	IN03	11630133	11630113	11630143	11630103			ID
2003	IN04	11630134	11630114	11630144	11630104			ID
2003	IN05	11630135	11630115	11630145	11630105			ID
2003	IN06	11630136	11630116	11630146	11630106			ID
2003	IN07	11630137	11630117	11630147	11630107			ID
2003	IN08	11630138	11630118	11630148	11630108			ID
2003	IN09	11630139	11630119	11630149	11630109			ID
2003	IN10	11630140	11630120	11630150	11630110			ID
2003	IN12	11630162	11630161	11630163				ID

## 2) Official document number (ODN) Configuration:

Below are steps for ODN configuration for the ISD branch.

### a) Maintain Document Classes

The first step is to create a 3-digit document class to set up ODN for the ISD branch.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Cross-Application Document Numbering → Maintain Document Classes.**

SAP Field	Value	Usage
Document Class	3-Digit code	This code will use for further ODN configuration.
Text	Free field	A meaningful description of the document class

**Change View "Maintain Document Classes": Overview**

New Entries

Country: IN

Maintain Document Classes

D...	Text
GCR	Customer Credit memo (SD/FI)
GIN	Customer Invoice (SD/FI)
GIS	Ortho ISD (Input Servc Distr)
GSD	Ortho Delivery Challan
GSI	Ortho Self Invoice

### b) Assign Document Types to Document Classes

The next step is to maintain default document type for the document class using the below IMG path.

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and**

**Services Tax → Cross-Application Document Numbering → Assign Document Types to Document Classes.**

SAP Field	Value	Usage
Document type	2-digit ISD document type	The ISD document type created in step d of functional configuration.
Document Class	3-digit ISD document class	ISD document class created in step a above.
Force Number	Tick	Check box to force ODN.
Official Number	Select C	Setting to generate the Official Document number

**Assign Document Types to Document Classes**

BillT	Type	Document ...	Force Num	OffNumCntr
	DG	GCR	<input checked="" type="checkbox"/>	C Generate Official Docume
	DR	GIN	<input checked="" type="checkbox"/>	C Generate Official Docume
	XD	GIN	<input checked="" type="checkbox"/>	C Generate Official Docume
	ZE	GSI	<input checked="" type="checkbox"/>	C Generate Official Docume
	ZF	GIS	<input checked="" type="checkbox"/>	C Generate Official Docume
	ZK	GSI	<input checked="" type="checkbox"/>	C Generate Official Docume

### c) Maintain Number Groups

The following setting is used to create a 6-digit ISD number group. Later, this number group will be used to maintain the number range for ISD:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Cross-Application Document Numbering → Maintain Number Groups.**

SAP Field	Value	Usage
Number Group	6-digit ISD Number Group	The number range will be maintained using the number group.
TEXT	Free Field	A meaningful description of number group

**Change View "Number Groups": Overview**

New Entries

Number Groups

Num...	Text
GCR001	Customer Credit
GIN001	Customer Invoice
GISD01	ISD Invoice
GSD001	Delivery Challan Number Grp
GSI001	Self Invoice

### d) Maintain Number Ranges

The next step is to maintain the ODN number range for the ISD branch. Please make sure to select the object as J\_1IG\_ODN and the number group as GISD01. Follow the steps shown in the screenshots below:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Cross-Application Document Numbering → Maintain Number Ranges.**

SAP Field	Value	Usage
Object	J_1IG_ODN	Default SAP value for India localization.
Number Group	6-digit ISD Number Group	The ISD number group created in step c above.
Number code	2-digit number code	The number range grouping code.
Year	Fiscal Year	The number range year.
From and To Number	Number Range	The actual ODN number range.

**Number Range Object Maintenance**

Interval Editing

Object: J\_1IG\_ODN

Display Change Create

**Range Maintenance: Official Documents**

Change documents

Number group: GISD01

**Interval Maintenance: Official Documents, Subobject GISD01**

N.	Year	From No.	To Number	NR Status	Ext
01	2025	0000000001	0000100000	0	

#### e) Assign Number Ranges to Business Places (Table J\_1IG\_OFNUM)

The final step in setting up ODN for ISD is to activate and assign the ODN number range to the ISD business place using the IMG path below:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Cross-Application Document Numbering → Assign Number Ranges to Business Places.**

SAP Field	Value	Usage
Co. Code	4-digit India Company Code	A 4-digit code for the India Company Code.
ISD BUPLA	4-digit code for ISD Branch	A 4-digit code for the ISD business place (selected from the dropdown).
Document Class	3-digit ISD document class	The 3-digit ISD document class created in step a above.
Date Range	From and To validity date	The validity date for ODN customization.

Prefix	2-digit prefix to ODN	A 2-digit prefix that will be added to the ODN.
Number Group	6-digit ISD ODN number group	The 6-digit ISD ODN number group created in step c above.
Number code	2-digit number code	The 2-digit ISD ODN number code created in step d above.

#### Change View "Assign Number Ranges to Business Places": Overview of Sel

CoCd	BP	Do...	Date	Exp. date	Prefix	Num...	N...
2003	IN01	GIS	01/01/2025	12/31/9999	IS	GISD01	01

#### f) The fiscal year check for the distribution for the ISD formula (April to March) for India will be considered by the below configuration

India follows a fiscal year from April to March. The turnover and ODN number range customization are maintained by the calendar year. The customization below links the calendar fiscal year with India's fiscal year. Please assign India's fiscal year variant as shown in the screenshot below, using the IMG path provided:

**IMG Path: SPRO → IMG → Financial Accounting → Financial Accounting Global Settings → Tax on Sales/Purchases → Basic Settings → India → Goods and Services Tax → Cross-Application Document Numbering → Maintain Fiscal Year Variant for ODN.**

#### Change View "INDIA GST Cloud:View to

CoCd	C/R	FV
2003	IN	V3

## 4. Test/Execution of the Functionality

The next step is to test the ISD setup and functionality to ensure everything is working as expected.

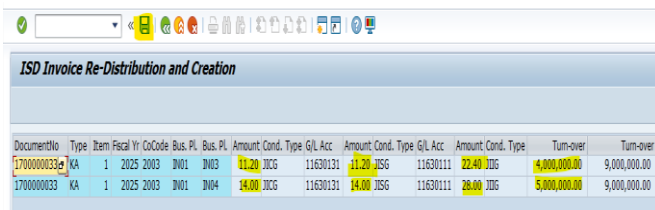
### 1) Post Common Service Invoices in the ISD business Place:

Any invoice for common service expenses must be issued by the vendor to the ISD business place under the ISD GST number. The invoice should then be posted to the ISD branch with the relevant taxes using the FI or FI-MM functionality in SAP.

### 2) Intra-state ISD Invoice

Invoices for intra-state ISD will be posted with CGST and SGST or UTGST, as shown below.

424

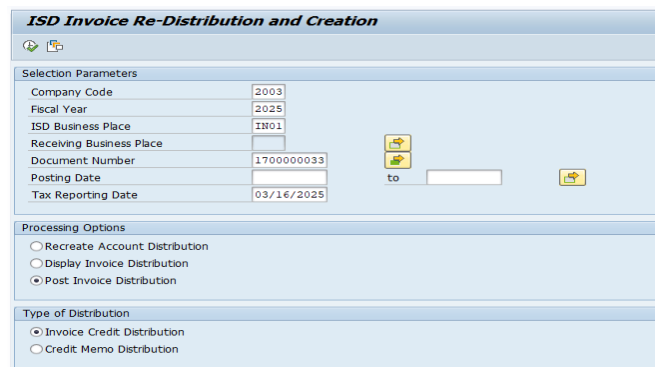


Document No	Type	Item	Fiscal Yr	CoCode	Bus. Pl.	Bus. Pl.	Amount	Cond.	Type	G/L Acc	Amount	Cond.	Type	G/L Acc	Amount	Cond.	Type	Turn-over	Turn-over
170000033	KA	1	2025	2003	IN01	IN03	11.20	J0G		11630131	11.20	J0G		11630111	22.40	J0G		4,000,000.00	9,000,000.00
170000033	KA	1	2025	2003	IN01	IN04	14.00	J0G		11630131	14.00	J0G		11630111	28.00	J0G		5,000,000.00	9,000,000.00

### 7) Posting of ITC by ISD:

After verifying the credit distribution for all ISD invoices, the final step is to post the credit from the ISD business place to the receiving business place by executing the same transaction code J1IG\_ISDN.

- Company Code, Fiscal Year, and ISD business place are mandatory fields.
- Enter either the document number (Invoice number for MIRO transaction) or the posting date.
- Enter the credit distribution posting date as the 'Tax Reporting Date.'
- Select 'Post Invoice Distribution,' as shown below.
- Choose 'Invoice Credit Distribution' or 'Credit Memo Distribution' depending on the type of distribution.



**ISD Invoice Re-Distribution and Creation**

**Selection Parameters**

Company Code: 2003  
 Fiscal Year: 2025  
 ISD Business Place: IN01  
 Receiving Business Place:   
 Document Number: 170000033  
 Posting Date:   
 Tax Reporting Date: 03/16/2025

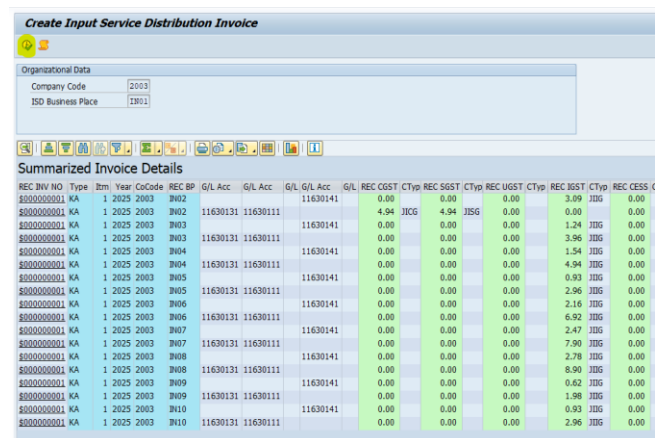
**Processing Options**

☐ Recreate Account Distribution  
☐ Display Invoice Distribution  
☒ Post Invoice Distribution

**Type of Distribution**

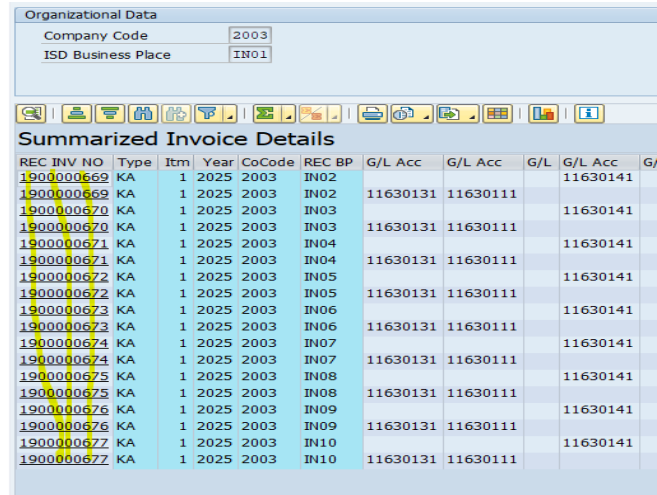
☒ Invoice Credit Distribution  
☐ Credit Memo Distribution

The system will display the final posting. If everything looks correct, please proceed with executing the transaction to post it.



REC INV NO	Type	Item	Year	CoCode	REC BP	G/L Acc	G/L Acc	G/L Acc	G/L Acc	REC CGST	CTyp	REC SGST	CTyp	REC UGST	CTyp	REC IGST	CTyp	REC CESS	CTyp
8000000001	KA	1	2025	2003	IN02	11630141				0.00		0.00		0.00		3.09	J0G	0.00	
8000000001	KA	1	2025	2003	IN02	11630131	11630111			4.94	J0G	4.94	J0G	0.00		0.00		0.00	
8000000001	KA	1	2025	2003	IN03	11630141				0.00		0.00		0.00		1.24	J0G	0.00	
8000000001	KA	1	2025	2003	IN03	11630131	11630111			0.00		0.00		0.00		3.96	J0G	0.00	
8000000001	KA	1	2025	2003	IN04	11630141				0.00		0.00		0.00		1.54	J0G	0.00	
8000000001	KA	1	2025	2003	IN04	11630131	11630111			0.00		0.00		0.00		4.94	J0G	0.00	
8000000001	KA	1	2025	2003	IN05	11630141				0.00		0.00		0.00		0.93	J0G	0.00	
8000000001	KA	1	2025	2003	IN05	11630131	11630111			0.00		0.00		0.00		2.96	J0G	0.00	
8000000001	KA	1	2025	2003	IN06	11630141				0.00		0.00		0.00		2.16	J0G	0.00	
8000000001	KA	1	2025	2003	IN06	11630131	11630111			0.00		0.00		0.00		6.92	J0G	0.00	
8000000001	KA	1	2025	2003	IN07	11630141				0.00		0.00		0.00		2.47	J0G	0.00	
8000000001	KA	1	2025	2003	IN07	11630131	11630111			0.00		0.00		0.00		7.90	J0G	0.00	
8000000001	KA	1	2025	2003	IN08	11630141				0.00		0.00		0.00		2.78	J0G	0.00	
8000000001	KA	1	2025	2003	IN08	11630131	11630111			0.00		0.00		0.00		8.99	J0G	0.00	
8000000001	KA	1	2025	2003	IN09	11630141				0.00		0.00		0.00		0.62	J0G	0.00	
8000000001	KA	1	2025	2003	IN09	11630131	11630111			0.00		0.00		0.00		1.98	J0G	0.00	
8000000001	KA	1	2025	2003	IN10	11630141				0.00		0.00		0.00		0.93	J0G	0.00	
8000000001	KA	1	2025	2003	IN10	11630131	11630111			0.00		0.00		0.00		2.96	J0G	0.00	

The system will generate the posting, creating one accounting document for each combination of sending and receiving business places.



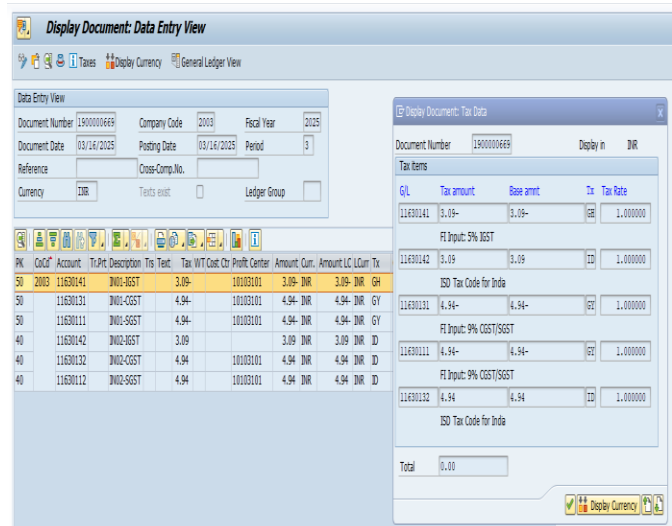
**Organizational Data**

Company Code: 2003  
 ISD Business Place: IN01

**Summarized Invoice Details**

REC INV NO	Type	Item	Year	CoCode	REC BP	G/L Acc	G/L Acc	G/L	G/L Acc	G/L
1900000669	KA	1	2025	2003	IN02	11630131	11630111			11630141
1900000669	KA	1	2025	2003	IN02					11630141
1900000670	KA	1	2025	2003	IN03					11630141
1900000670	KA	1	2025	2003	IN03	11630131	11630111			11630141
1900000671	KA	1	2025	2003	IN04					11630141
1900000671	KA	1	2025	2003	IN04	11630131	11630111			11630141
1900000672	KA	1	2025	2003	IN05					11630141
1900000672	KA	1	2025	2003	IN05	11630131	11630111			11630141
1900000673	KA	1	2025	2003	IN06					11630141
1900000673	KA	1	2025	2003	IN06	11630131	11630111			11630141
1900000674	KA	1	2025	2003	IN07					11630141
1900000674	KA	1	2025	2003	IN07	11630131	11630111			11630141
1900000675	KA	1	2025	2003	IN08					11630141
1900000675	KA	1	2025	2003	IN08	11630131	11630111			11630141
1900000676	KA	1	2025	2003	IN09					11630141
1900000676	KA	1	2025	2003	IN09	11630131	11630111			11630141
1900000677	KA	1	2025	2003	IN10					11630141
1900000677	KA	1	2025	2003	IN10	11630131	11630111			11630141

Below is a sample accounting document for the transfer of input credit from the ISD business place IN01 to the receiving business place IN02.



**Display Document: Data Entry View**

Document Number: 1900000669  
 Company Code: 2003  
 Fiscal Year: 2025  
 Document Date: 03/16/2025  
 Posting Date: 03/16/2025  
 Period: 3  
 Reference:   
 Cross-Comp. No.:   
 Currency: INR  
 Tax: ☒ Tax is not ☐ Ledger Group:   
 PK CoCd Account Trs Pct Description Trs Text Tax Wt Cost Ctr Profit Center Amount Curr. Amount LC (LCom Tx

**Display Document: Tax Data**

Document Number: 1900000669  
 Display in: INR

G/L	Tax amount	Base amt	Tx	Tax Rate
11630141	3.09	3.09	100	1.000000
FI Input: 5% IGST				
11630142	3.09	3.09	100	1.000000
ISD Tax Code for India				
11630131	4.94	4.94	100	1.000000
FI Input: 9% CGST/SGST				
11630111	4.94	4.94	100	1.000000
FI Input: 9% CGST/SGST				
11630132	4.94	4.94	100	1.000000
ISD Tax Code for India				
Total	0.00			

## 5. Conclusion

The Input Service Distributor (ISD) framework is a pivotal compliance mechanism under India's GST regime, especially for businesses operating across multiple locations. With ISD becoming mandatory from April 1, 2025, organizations must move beyond conceptual understanding and prioritize system-level readiness. This paper demonstrated how SAP's India localization functionalities can be leveraged for a robust, end-to-end ISD implementation. From configuration of business places, document types, and GL accounts to executing ITC distribution via transaction codes like J1IG\_ISDN, SAP provides a compliant and scalable solution.

Functional alignment within SAP ensures that ITC is allocated proportionally and accurately, supporting traceability and auditability. Additionally, real-time reporting and seamless integration across modules reduce manual errors and compliance risks. As the GST framework continues to evolve,



it is crucial for businesses to adapt their ERP systems proactively. A well-implemented ISD mechanism in SAP not only meets statutory obligations but also enhances tax governance, financial accuracy, and operational transparency across the enterprise.

## References

- [1] CGST 2017 Bare Act, Published by Central Board of Indirect Taxes and Customs (CBIC), Department of Revenue, Ministry of Finance, Government of India. CBIC website [Online] Available at: [https://taxinformation.cbic.gov.in/content/html/tax\\_repository/gst/acts/2017\\_CGST\\_act/documents/Central\\_Goods\\_and\\_Services\\_Tax\\_Act\\_\\_2017\\_28-September-2022.html](https://taxinformation.cbic.gov.in/content/html/tax_repository/gst/acts/2017_CGST_act/documents/Central_Goods_and_Services_Tax_Act__2017_28-September-2022.html)
- [2] Official Rule 39 explaining the procedure for distribution of input tax credit by Input Service Distributor, Published by Central Board of Indirect Taxes and Customs (CBIC), Department of Revenue, Ministry of Finance, Government of India. CBIC website [Online] Available at: [https://taxinformation.cbic.gov.in/content/html/tax\\_repository/gst/rules/cgst\\_rules/active/chapter5/rule39\\_v1.00.html](https://taxinformation.cbic.gov.in/content/html/tax_repository/gst/rules/cgst_rules/active/chapter5/rule39_v1.00.html)
- [3] GST Council. Explaining ISD: Its Key Principles and Applicability. Published by the GST Council of Central and State Finance Ministers, Government of India. GST Council website [Online] Available at: [https://gstcouncil.gov.in/sites/default/files/e-version-gst-flyers/51\\_GST\\_Flyer\\_Chapter10.pdf](https://gstcouncil.gov.in/sites/default/files/e-version-gst-flyers/51_GST_Flyer_Chapter10.pdf)
- [4] GST Council. Notification No. 16/2024 – Central Tax: Mandating ISD Provisions from April 1, 2025. Published by the GST Council of Central and State Finance Ministers, Government of India. GST Council website [Online] Available at: <https://www.gstcouncil.gov.in/sites/default/files/2024-09/16-2024-ct-eng.pdf>
- [5] Annapoorna [Author], Cleartax.in [Online Website], Goods and Services Tax: What is GST in India? Indirect Tax Law Explained [Title]: Available at: <https://cleartax.in/s/gst-law-goods-and-services-tax>
- [6] PrasadYanamala[Author], SAP Community [SAP Blog Portal], ISD-Input service distributor for distributing GST to multiple business places - In S4 Hana [title], Available at: <https://community.sap.com/t5/enterprise-resource-planning-blogs-by-members/isd-input-service-distributor-for-distributing-gst-to-multiple-business/ba-p/13573713>
- [7] Unknown Author, SAP Community [SAP Blog Portal], Input service distributor process and configuration in SAP S/4HANA Cloud [Title], Available at: <https://community.sap.com/t5/enterprise-resource-planning-blogs-by-sap/input-service-distributor-process-and-configuration-in-sap-s-4hana-cloud/ba-p/12824309>
- [8] SAP ISD Solution Explanation at SAP help Portal. SAP Help portal [Online]. Available at [https://help.sap.com/docs/SAP\\_S4HANA\\_CLOUD/634261119fec4d58970471f2c4a9a740/a53d584031bb4f4aa7bb0fb7c50ccfb7.html](https://help.sap.com/docs/SAP_S4HANA_CLOUD/634261119fec4d58970471f2c4a9a740/a53d584031bb4f4aa7bb0fb7c50ccfb7.html)
- [9] Use of ChatGPT for Proofreading, Sentence Formation, and Grammar Correction. Available at: <https://chatgpt.com/>
- [10] Guided list of SAP OSS notes for technical implementation of ISD under India GST framework. SAP Support Portal [Online]. Available at: <https://ga.support.sap.com/dtp/viewer/#/tree/2259/action/s/29120:34135>
- [11] SAP NOTE - 1175384- Minimum Support Package (SP) level to obtain support for legal change in India Logistics and Indirect taxes (CIN). SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/1175384>
- [12] SAP NOTE - 2620349 - GST IN SAP ECC: Data Dictionary Activities for additional changes in ISD solution. SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/2620349>
- [13] SAP NOTE - 2676848 - GST IN S4HANA: Data dictionary activities for additional changes in ISD solution. SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/2676848>
- [14] SAP NOTE - 2621654 - GST IN: Changes to Input Service Distribution Solution. SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/2621654>
- [15] SAP NOTE - 2677060 - GST IN S4HANA: Changes to input service distribution solution. SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/2677060>
- [16] SAP NOTE - 2536753 - GST IN: No Distribution Details found for the entered ISD Business Place error in J1IG\_ISDN. SAP Support Portal [Online]. Available at: <https://me.sap.com/notes/2677060>