



Analysis of GST Council's Decision on Issues pertaining to taxability of Vouchers

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In a significant move to address long-standing concerns regarding the taxability of vouchers under GST, the GST Council made the following recommendations:

- i. To omit sections 12(4) and 13(4) from CGST Act, 2017 and rule 32(6) from CGST Rules, 2017 to resolve ambiguities in the treatment of vouchers.
- ii. To issue clarification on the following issues:
 - a. Transactions in vouchers shall be treated neither as a supply of goods nor as a supply of services.
 - b. Distribution of vouchers on principal-to-principal basis shall not be subject to GST. However, where vouchers are distributed on principal-to-agent basis, the commission/fee or any other amount charged by the agent for such distribution is taxable under GST.
 - c. Additional services such as advertisement, co-branding, marketing and promotion, customization and technology support, customer support etc. related to vouchers would be leviable to GST on the amount paid for these services.
 - d. Unredeemed vouchers (breakage) would not be considered as supply under GST and no GST is payable on income booked in the accounts in respect of breakage.

Our Comments:

As per Sec 2(118) "voucher" means an **instrument** where **there is an obligation to accept it as consideration or part consideration** for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument;

As per S 2(75) "money" means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or **any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an**

obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value;

Incase Vouchers are recognised by RBI, then they are money.

As per Sec 2(1) read with [section 3](#) of the Transfer of Property Act, 1882 (4 of 1882) "actionable claim" is a "claim for debt"

Incase Vouchers are not recognised by RBI, then they are actionable claim.

As per Entry 6 of Sch II of CGST Act, *Actionable claims, other than⁴[specified actionable claims]* are TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES.

Hence, Vouchers are not 'goods' or 'services' and No GST is leviable on transactions in them. Therefore there is no question of Time of Supply or Valuation.

Other Clarifications for Vouchers –

i. Distribution of vouchers on principal-to-principal basis shall not be subject to GST – Since vouchers are not goods or services

However, where vouchers are distributed on principal-to-agent basis, the commission/fee or any other amount charged by the agent for such distribution is taxable under GST – Since commission is charged for services rendered.

ii. Additional services such as advertisement, co-branding, marketing and promotion, customization and technology support, customer support etc. related to vouchers would be leviable to GST on the amount paid for these services – Since these are specific services rendered.

iii. Unredeemed vouchers (breakage) would not be considered as supply under GST and no GST is payable on income booked in the accounts in respect of breakage - There is no separate supply of service per-se.

BRIEF ABOUT THE AUTHOR:

Vivek Jalan is a Chartered Accountant, M.B.A (International Trade) & a qualified L. LM (Constitutional Law) & LL.B. He is the Founder & Partner of Tax Connect Advisory Services LLP. He is the Chairman of The Indirect Tax Core Group of The Confederation of Indian Industries – EAC(ER). He is the Chairperson of The National Fiscal Affairs & Taxation Committee of The Bengal Chamber of Commerce and Industry. He is a Member of The Managing Committee of The Bengal Chamber of Commerce and Industry.

He is a regular Columnist and guest expert in Economic Times, Times of India, Dalal Street Journal, Money Control, Live mint, CNBC, Hindustan Times, Zee Business, Financial Express, other dailies and business magazines like Business Today, etc. He is also a guest expert on Taxation matters in All India Radio and other media platforms. He is the Editor of Weekly Bulletin TAX CONNECT, a publication on Indirect Taxes and Direct Taxes which reaches more than 70000 professionals.

He is also a visiting faculty for Taxes in The Confederation of Indian Industries (CII), The Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Indian Institute of Foreign Trade, The Bengal Chamber of Commerce and Industry, The Indian Chamber of Commerce and other Business Forums. He has also delivered Lectures at various Government Taxation Forums including the CGST & SGST Departments across the country.

He has worked as a Finance Manager in ITC Ltd. and Chief Compliance Officer with IntraSoft Technologies Ltd. He has more than 15 years of experience in the field of Indirect & Direct Taxation. He was also an All-India Rank holder in CA Final Examination conducted by the Institute of Chartered Accountants of India.

His Books on taxation include the following –

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- **Union Budget 2024 Edition**
- **GST APPELLATE TRIBUNAL (GSTAT)**
- **TAX PLEADING & PRACTICE JOURNAL – OCTOBER 2023**
- **GST PLEADING & PRACTICE – SEPTEMBER 2023**
- **UNION BUDGET – 2023-24**
- **HANDBOOK ON GST – August 2022**
- **COMMENTARY ON UNION BUDGET 2022 – Feb 2022**
- **GST PLEADING & PRACTICE – AUGUST 2021**
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- SECTION-WISE COMPENDIUM ON GST – Oct 2020
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- SECTION-WISE COMMENTARY ON GST – SEPTEMBER 2018
- HOW TO HANDLE GST-TDS, GST-TCS, GST AUDIT & GST ANNUAL RETURN – NOVEMBER 2018
- COMMENTARY ON UNION BUDGET 2019 – July 2019
- WITHDRAWAL OF LEGAL TENDER 2016
- COMMENTARY ON UNION BUDGET 2017
- A COMPENDIUM ON GST W.E.F. 1ST JULY 2017
- GST MODEL LAW (NOVEMBER 2016) & BUSINESS PROCESSES – A TECHNICAL COMMENTARY
- GST MODEL LAW (JUNE 2016) & BUSINESS PROCESSES – A TECHNICAL COMMENTARY

He is a regular speaker at various professional forums on the various key areas in Indirect & Direct Taxes and has delivered more than 300 lectures on various topics under GST, Customs, Foreign Trade Policy of India, Income Tax, etc.