GST on Post Sale Discounts - First

Relief by MADRAS High Court



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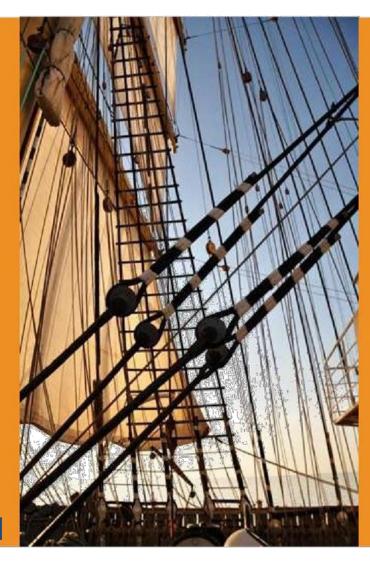
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Is GST discount a Supply of Services -

- 1. Channel Discount From OEM to Wholesaler (WS) through Distributor (DBT)
- 2. Passback discount From OEM to distributor / Down supply chain

Madras High Court on Post Sale Discounts



M/s SUPREME PARADISE Vs ASSISTANT COMMISSIONER (ST), NORTH 1 CIRCLE, TIRUPUR [2024-VIL-111-MAD]

- 1. Section 15(2)(e) of the Act will come into play only when a part of the consideration payable for the supply is subsidised.
- 2. A discount by itself will not qualify as subsidy
- 3. A discount offered by a distributor or a supplier or the manufacturer to buyer/recipient simplicitor cannot form part of the "transaction value" unless such a discount is offered on account of the subsidy for such supplies by a third party. In other words, a discount linked to the subsidy alone can form part of the "transaction value"

Our Contention



Channel Discount -

- 1. It is a 'turnover discount' with the nomenclature of 'incentive'. There is no service rendered at all. The enhanced sale of goods are for own profit of the WS
- 2. Since discount is routed through the Distributor (DBT), hence there are back to back agreements between OEM-DBT and DBT-WS
- 3. Linking with invoices may be possible as all 'discounts' or 'incentives' are provided for a said supply within a said timeframe
- 4. At most it is a 'secondary/post sale' discount which ITC reversal is not required by the recipient

Passback Discount -

- 1. There is no service rendered at all. The enhanced sale of goods are for own profit of the WS
- 2. Linking with invoices may be possible as all 'discounts' are provided for a said supply within a said timeframe
- 3. At most it is a 'secondary/post sale' discount which ITC reversal is not required by the recipient

MH AAAR - M/s MEK PERIPHERALS INDIA PRIVATE LIMITED



- 1. Channel Discount From OEM to WS through DBT is a supply of service by The WS because -
- a. Agreement is for "incentive" from OEM to WS, for achieving target. Hence it not a trade discount
- b. Agreement is for between OEM and WS even though it is routed through the DBT
- c. There is no linking with the invoices
- d. Therefore it is a supply of 'marketing' and 'technical' service

2. Passback discounts - Post Sale

a. Post Sale Discount is a supply of Services

THANK YOU



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