

GST on Post Sale Discounts – First Relief by MADRAS High Court



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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

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"**

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

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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