

Are GST Discounts supply of services?



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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

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

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 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

After withdrawal of Circular No. 105/24/2019-GST dated 28th June 2019 which was rescinded there is no conclusive policy for field officers which is the need of the hour

THANK YOU



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