TREATMENT OF DISCOUNTS IN GST

DISCOUNTS

PRIMARY** - PRE-SALES

S-15(3)(a)

***KNOWN* & <u>GIVEN BEFORE</u> or AT THE TIME OF supply**

IN INVOICE*

Reduce value of supply

S-15(3) (b

***KNOWN* or offered at the time of supply but <u>GIVEN AFTER</u> supply over**

Para C of Circular No. 92/11/2019 dated 07.03.2019

THROUGH GST CREDIT NOTE*

Issue credit note as per section 34(1) with GST if-

- Discounts established in terms of an agreement entered into at or before the time of such supply
- Linked to relevant invoices
- ITC as is attributable to the discount on the basis of credit note issued by the supplier has been reversed by the recipient of the supply

SECONDARY- POST SALES

***NOT KNOWN* at the time of supply or are offered after & <u>GIVEN AFTER</u> the supply is over**

Para D of Circular No. 92/11/2019 dated 07.03.2019

*****THROUGH FINANCIAL/COMMERCIAL C/N**

value of supply cannot be reduced hence no impact on GST liability & ITC

Para 3 of Circular No. 105/24/2019 dated 28.06.2019

Given as post sales incentive [requiring the dealer to do some act like undertaking special sales drive, advertisement campaign, exhibition

- Separate transaction
- additional discount will be the consideration.
- Recipient of discount will raise invoice & charge GST.
- Supplier take ITC

*Supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts means supplier no need to reverse ITC for reduction in value of outward supply due to discount.

**Discount under "Buy more, save more" scheme and post supply / volume discounts established before or at the time of supply.

*** Not required to reverse ITC though payment (due to discount through financial C/N) not made fully- 2nd proviso to section 16(2)- [Para 5 of Circular No. 105/24/2019]

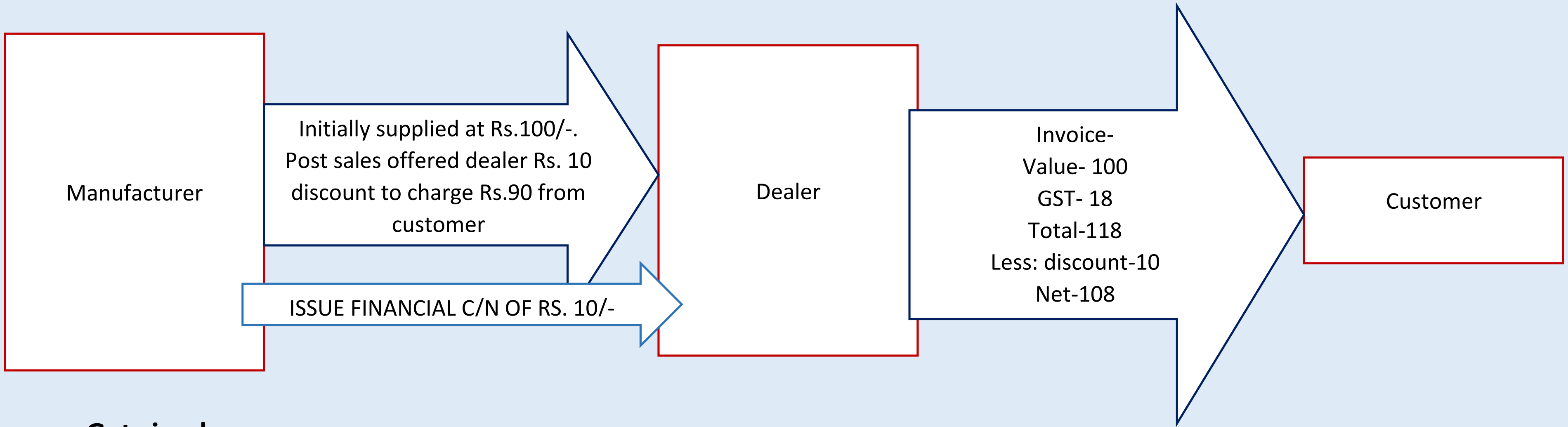
Refer Circular No. 92/11/2019 dated 07.03.2019 for treatment of sales promotion schemes-

A. Free samples and gifts
B. Buy one get one free offer

Circular No. 105/24/2019 dated 28.06.2019-

Additional discount given by the supplier of goods to the dealer to offer a special reduced price by the dealer to the customer to augment the sales volume

Additional discount would represent the consideration flowing from the supplier of goods to the dealer for the supply made by dealer to the customer. This additional discount as consideration, payable by any person (supplier of goods in this case) would be liable to be added to the consideration payable by the customer, for the purpose of arriving value of supply, in the hands of the dealer, under section 15 of the CGST Act



Get circular-

92/11/2019 dated 07.03.2019
105/24/2019 dated 28.06.2019