

## ***GST payable on Amount received as Reimbursement of Discount or Rebate from Castrol: The AAAR, Kerala***

### **Fact of the Case**

The appellant, Santhosh Distributors Kottayam is paying tax due as per the value of the invoice issued and availing the Input tax credit of GST shown in the inward invoice received by them from tm Principal Company Castrol or their stockist.

The appellant has sought the advance ruling in respect of the tax liability of the appellant for the transactions mentioned herein and explained as above The appellant is paying the tax due as per invoice value Issued by them and availing the input credit of GST Shown in the inward invoices reached by them from the Principe Company Castrol their stockist. Yet another issue raised was whether the discount provided by the Principal Company to their dealers through the Appellant attracts any tax under the GST laws; whether the amount shown in the Commercial Credit note issued to the Appellant by the Principal Company attracts proportionate reversal of input tax credit. Is there any tax liability under GST laws on the appellant for the amount received as reimbursement of discount or rebate provided by the Principal Company as per written agreement between the Principal Company and their dealers and also an agreement between the principal and distributors ?

### **Decision of the Case**

The Kerala AAR ruled that the applicant/distributor is eligible to avail ITC shown in the inward invoice received by him from the supplier of goods. It is established from the Statement of the applicant that the prices of the products supplied by the applicant is determined by the supplier and the applicant has no control on the price of-the products, Therefore it is evident that the additional discount given by the supplier through the applicant which is reimbursed to the applicant is to offer a special reduced price by the distributor/ applicant to the customers and hence the amount represent consideration paid by the supplier of goods to the distributors applicant for supply of goods by the distributor to the customer.

Therefore, this additional discount reimbursed by the supplier of goods / principal company the distributor is liable to be added to the consideration payable by the customer to the distributor arriving at the value of supply under Section 15 of the CGST or SGST Act at the hands of the distributors. The supplier of goods issuing the commercial credit notes is not eligible to reduce his original tax liability and hence any recipient will not be liable to reverse the ITC attributable to the commercial credit notes received by him from the supplier. The applicant is liable to pay GST at the applicable rate on the amount received as reimbursement of discount/ rebate from the principal company. Aggrieved of the decision, the appellant has filed the instant appeal before this Appellate authority.

The Coram ruled that the additional discount reimbursed by M/s Castrol, is liable to be added to the consideration payable by the customers or dealers to the appellant. The appellant is liable to pay GST at the applicable rate. "M/s Castrol is issuing commercial credit notes, hence are not eligible to reduce their original tax liability. Thereby the appellant will not be liable to reverse the ITC attributable to the commercial credit notes Issued to them by M/s Castro," the AAAR observed. The Appellate Authority added that the appellant is liable to pay GST at the applicable rate on the amount received as reimbursement of discount or rebate from M/s Castrol.

***The Kerala Appellate Authority of Advance Ruling (AAAR) ruled that Goods and Service Tax (GST) is payable on Amount received as reimbursement of discount or rebate from Castrol.***