



The Institute of Chartered Accountants of India

GST & Indirect Taxes Committee

GOODS & SERVICES TAX UPDATE - 264

Clarification on various doubts related to treatment of secondary or post-sale discounts under GST

The CBIC has issued following clarifications regarding the **treatment of secondary or post-sale discounts under GST** to ensure uniformity in implementation:

1. Availability of ITC when the recipients make discounted payments to the supplier of goods on account of financial/ commercial credit notes issued by the said supplier

As per *Circular 92/11/2019-GST dated 7th March 2019*, supplier of goods can issue financial/ commercial credit notes and in such cases, he will not be eligible to reduce his original tax liability. As the transaction value is not allowed to be reduced on account of issuance of financial/ commercial credit note, accordingly the tax charged from the recipient would also not get reduced.

Hence, it has been clarified that when suppliers issue financial or commercial credit notes (without reducing tax liability), recipients are not required to reverse such ITC, since the original transaction value and tax liability remain unchanged.

2. Whether a post-sale discount offered by a manufacturer to its dealer/ distributor, would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer?

If the dealer independently sells goods to end customers (principal-to-principal basis) and there is no agreement between the manufacturer and the end customer, such discounts are only a reduction in sale price and not treated as consideration for inducement of further supply of such goods.

However, if there is an agreement between manufacturer and end customer requiring supply at discounted price and the manufacturer issues commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer, such discounts will form part of consideration as they act as inducement towards supply.

3. Post-Sale Discounts as Consideration for Promotional Activities

When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales, which ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. Therefore, it is clarified that post-sale discounts offered by manufacturers to dealers in such cases shall not be treated as consideration for a separate transaction of supply of services.

However, if specific promotional or service activities (advertising, co-branding, exhibitions, customer support, etc.) are agreed upon with defined consideration between the manufacturer and the dealer, then these constitute a separate taxable supply and GST is payable.

[Circular No. 251/08/2025-GST dated 12.09.2025](#)

Readers can access all updated Notifications/Circulars on the Committee's website <https://idtc.icai.org/> under the 'GST Statutes' section.

***Vice – Chairman
GST & Indirect Taxes Committee***

***Chairman
GST & Indirect Taxes Committee***

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