INDIRECT TAX
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VERENDRA KALRA & CO
CHARTERED ACCOUNTANTS

Various GST Clarifications issued by Circulars

GST Clarification on Vouchers

The Board has clarified key issues regarding the GST treatment of vouchers to address industry confusion and ensure uniform implementation.

Vouchers Do Not Constitute Goods or Services:

Definition	Vouchers are instruments creating an obligation for suppliers to accept them as consideration for goods or services. The payment instruments are regulated by RBI.
GST Provisions	If a voucher qualifies as a prepaid instrument recognized by RBI, it is treated as money, and transactions in such vouchers are not taxable.
	If not considered money, vouchers are treated as actionable claims, which are also exempt from GST as per Schedule III of the CGST Act.
Taxability	Transactions in vouchers themselves are not taxable, but GST is applicable only on the underlying supply of goods or services for which the voucher is redeemed.

GST Treatment of Voucher Trading

P2P Model	Agency/Commission Model
Distributors purchase vouchers at a discount and sell them for a margin. Such transactions are pure trading and do not constitute a supply of goods or services under GST. Therefore, GST is not applicable to trading of vouchers under the P2P model.	Distributors act as agents for the voucher issuer and receive a commission or fee for marketing or distribution services. The commission/fee is taxable under GST as it constitutes a supply of services.

GST Treatment of Additional services:

Services like advertisement, marketing, customization, and technology support provided alongside vouchers are taxable. The service provider is liable to pay GST on the service fee/charge collected from the voucher issuer.

Unredeemed Vouchers (Breakage)

Unredeemed vouchers do not involve any supply of goods or services and are not taxable under GST. The amount retained by the voucher issuer as breakage cannot be considered consideration as there is no supply.

Source: GST Circulars

GST Clarification on ITC Eligibility for Ex-Works Contracts

The GST Department has clarified that Input Tax Credit (ITC) is available for goods delivered under Ex-Works contracts when handed over to a transporter at the supplier's (OEM's) factory gate.

Key Clarifications:

Physical receipt of goods at the recipient’s premises is not mandatory for ITC. ITC is allowed if goods are deemed received at the supplier’s factory, as ownership transfers upon delivery to the transporter.

Conditions:

ITC eligibility is subject to the following:

- Goods are used or intended to be used in the course or furtherance of business.
- All other conditions under Section 16 and Section 17 of the CGST Act are fulfilled.

ITC is disallowed if goods are:

- Diverted for non-business purposes before reaching the dealer's premises.
- Lost, stolen, or destroyed after receipt by the dealer.

Source: GST Circulars

GST Clarification on ITC Reversal for Electronic Commerce Operators Under Section 9(5)

The GST Board has clarified that Electronic Commerce Operators who are required to pay tax under section 9(5) of the CGST Act, including for restaurant services, are not required to reverse the Input Tax Credit on their inputs and input services to the extent of supplies made under this section. However, the ECO must pay the full tax liability for these supplies via electronic cash ledger. The credit availed for inputs and services used in these supplies cannot be utilized to discharge the tax liability under section 9(5) but can be used for other services supplied by the ECO.

Source: GST Circulars

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