




Clarification on GST Issues on Post Sale Discounts




Circular No 251/08/2025 dt 12/09/2025

The CBIC, vide **Circular No. 251/08/2025 dated 12th September 2025**, has issued important clarifications on the GST treatment of secondary or post-sale discounts. The following issues are clarified:

(I) Input Tax Credit on Financial/Commercial Credit Notes:

- The circular clarifies that where suppliers issue financial or commercial credit notes without GST, such notes do not reduce the transaction value or the supplier's tax liability.
- Accordingly, the circular further clarifies that recipients are not required to reverse ITC attributable to such discounts.




(II) Post-sale Discounts from Manufacturer to Dealer/Distributor:

- The circular clarifies that post-sale discounts ordinarily represent mere price reductions and are not to be treated as consideration for any service.
- However, it further clarifies that where a manufacturer has an agreement with the end customer and issues credit notes to the dealer to enable supply at an agreed discounted price, such discounts shall be regarded as an inducement forming part of the consideration.

(III) Discounts vis-à-vis Promotional Activities

- The circular clarifies that general post-sale discounts are not consideration for promotional services undertaken by dealers.

- 
- Nevertheless, it clarifies that GST will be applicable where dealers undertake specific promotional activities (such as advertising, co-branding, sales campaigns, exhibitions, customer support, etc.), under a separately agreed arrangement with defined consideration

The circular provides much-needed clarity and distinguishes between pure price-based discounts and those linked to specific arrangements or promotional activities.

Businesses are advised to review existing dealer and distributor agreements and structure credit notes carefully to ensure compliance with the clarified position and avoid potential disputes with tax authorities



THANK YOU



D-723/ 724, Neelkanth Business Park,
Vidyavihar (West), Mumbai 400086



+91 9152729402 | +91 9152729403 |
+91 8291466022



www.scvora.com

PARTNERS

Subodh Vora

M: +91-9821151467 | E: subodh@scvora.com

Kush Vora

M: +91-9821305187 | E: kush.vora@scvora.com

Bhakti Vora

M: +91-9821362481 | E: bhakti.vora@scvora.com