

**GIB/KR/Santhosh Distributors/16.09.2019/AAR-260**

**Advance Ruling Category :** Taxability

**State :** Kerala

**Order No.:** GIB/KR/Santhosh Distributors/16.09.2019/AAR-260

**Name of Entry :**  
Santhosh Distributors

**Date :** 16-09-2019

**Breif Issue :**

**Facts & Issue of the Ruling**

Applicant “Santhosh Distributors” is authorized distributor of M/s Castrol India Ltd, Mumbai (Principal Company) for the supply of Castrol brand Industrial and Automotive lubricants. Castrol India is managing entire marketing activities of their products. Billing is done by the applicant using M/s Castrol India Billing Software. Invoice issued by the applicant based on various rate scheme prefixed by M/s Castrol India. Invoice is generated after deducting discount as per pre fixed scheme. Such Discounts are being reimbursed by M/s Castrol India by financial credit notes. Applicant/Distributor is bound to supply products as per the Invoice Value.

The applicant has sought Advance Ruling on the following questions:

1. On the tax liability of the applicant for the transactions mentioned herein and explained as above. The applicant is paying the tax due as per the invoice value issued by the applicant and availing the input credit of GST shown in the inward invoice received by the applicant from the Principal Company or their stockist.
2. Whether the discount provided by the Principal Company to their dealers through the applicant attracts any tax under the GST laws.
3. Whether the amount shown in the Commercial Credit note issued to the applicant by the Principal Company attracts proportionate reversal of input tax credit.
4. Is there any tax liability under GST laws on the applicant 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 Advance Ruling Authority :**

**Decision**

In view of the above stated questions, the following rulings are issued:

For the First Question asked- The applicant/distributor is eligible to avail ITC shown in the inward invoice received by him from the supplier of goods / principal company.

Fir the Second Question asked- It is established from the statement of the applicant that the prices of the products supplied by the applicant is determined by the supplier/principal company 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/principal company to the distributor/applicant for supply of goods by the distributor/applicant to the customer. Therefore, this additional discount reimbursed by the supplier of goods/principal company to the distributor/applicant is liable to be abided to the consideration payable by the customer to the distributor/applicant to arrive at the value of supply under Section 15 of the CGST/SGST Act at the hands of the distributor/applicant.

For the Third Question asked by the Applicant- The supplier of goods / principal company issuing the commercial credit note is not eligible to reduce his original tax liability and hence the recipient / applicant will not be liable to reverse the ITC attributable to the commercial credit notes received by him from the supplier.

And for the Fourth Question asked by the Applicant- The applicant is liable to pay GST at the applicable rate on the amount received as reimbursement of discount / rebate from the principal company.