

GIB/KN/SOUTHERN MOTORS/18-01-2017/SC-16

Supreme Court Category : Discount

State : Karnataka

Order No.: GIB/KN/SOUTHERN MOTORS/18-01-2017/SC-16

Name of Entry :

Southern Motors –vs-State of Karnataka

Date : 18-01-2017

Breif Issue :

Facts & Issue of The Case:

The appellant is a dealer in the motor vehicles and registered under the Act. Its version is that during the years in question i.e. 2007- 2008 and 2008-2009, it raised tax invoices on the purchasers as per the policy of manufacturers of vehicles to maintain uniformity in the price thereof.

The emphatic insistence on behalf of the appellant is that the combined reading of Section 30 and Rule 31 demonstrates in clear terms that the assesses are entitled to claim deduction of the discount allowed to their customers by credit notes, from the total turnover to quantify their taxable turnover.

The learned counsel have urged that as some discounts, especially those linked to targets to be achieved in a particular period are not comprehensible at the time of sale, these logically cannot be reflected in the tax invoices. They have maintained that such discounts actualize through credit notes at the end of the prescribed period for which the target is fixed and are thus governed by Section 30 of the Act and Rule 31 of the Rules.

Decision of Advance Ruling Authority :

Decision

On an overall review of the scheme of the Act and the Rules and the underlying objectives in particular of Sections 29 and 30 of the Act and Rule 3 of the Rules, we are of the considered opinion that the requirement of reference of the discount in the tax invoice or bill of sale to qualify it for deduction has to be construed in relation to the transaction resulting in the final sale/purchase price and not limited to the original sale sans the trade discount.

However, the transactions allowing discount have to be proved on the basis of

contemporaneous records and the final sale price after deducting the trade discount must mandatorily be reflected in the accounts as stipulated under Rule 3(2)(c) of the Rules. The sale/purchase price has to be adjudged on a combined consideration of the tax invoice or bill of sale as the case may be along with the accounts reflecting the trade discount and the actual price paid. The first proviso has thus to be so read down, as above, to be in consonance with the true intendment of the legislature and to achieve as well the avowed objective of correct determination of the taxable turnover.

The contrary interpretation accorded by the High Court being in defiance of logic and the established axioms of interpretation of statutes is thus unacceptable and is negated. The appeals are thus allowed in the above terms. No costs.