

**GIB/KA/SURFA COATS/29.06.18/AAR-24**

**Advance Ruling Category :** Input Tax Credit

**State :** Karnataka

**Order No.:** GIB/KA/SURFA COATS/29.06.18/AAR-24

**Name of Entry :**

Surfa Coats India Private Limited

**Date :** 12-09-2019

**Breif Issue :**

**Facts & Issue Of The Case :**

Surfa Coats (India) Pvt. Ltd. , applicant was engaged in the manufacturing of decorative paints meant for interiors aswell as exterior surfaces. He had three manufacturing plants. The manufactured paints are marketed throughtheir sales offices spread across in Southern and Western India.

The applicant used to make incentiveschemes in order to motivate the dealers to lift the products. The incentives are given in the forms of kinds onthe fulfillment of the terms as mentioned in various schemes. Since the customers trust painters about thequality of the paints, these painters are incentivized by the companies and for the same purpose, thecompanies introduce paint schemes. When paint is marketed through a painter then details of such painteris tracked through a scheme called “Painter Scheme”.The applicant had also framed gold scheme in whichgold is given to dealers once the scheme is over as per actual sale in terms of targets fixed.

The applicant has sought advance ruling in respect of the following question:

Whether the applicant is eligible to claim the GST Input tax credit on the items purchased for furtherance of business?

**Decision of Advance Ruling Authority :**

**Decision:**

It was held that the applicant gives incentives/gifts to those persons who assist in the marketing of theproducts i.e. dealers, painters etc., in the form of goods and services, which are duly tax suffered & procuredfrom other registered supplier, without receiving

any consideration for the same. Section 17(5) (h) of CGST Act, 2017 was referred that states that ITC shall not be available in case of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. In the instant case, the applicant was disposing of procured items as gifts under various incentive schemes and thus, he was not eligible for claiming ITC on such items.

Further, the applicant used to offer local and foreign trips for which they procured various tax services. It was held that such free travel services without any consideration do not qualify for 'supply' under GST and therefore, input tax credit on the services procured (input services), for offering aforesaid services of free trips, is not available to the applicant.