

Here is a simplified summary of **GST Circular No. 243/37/2024-GST**, issued on **31st December 2024**, which clarifies the Goods and Services Tax (GST) treatment of vouchers:

## □ 1. Nature of Vouchers under GST

- **Prepaid Vouchers (Recognized by RBI):** These are considered as "money" under Section 2(75) of the CGST Act. Since "money" is excluded from the definitions of goods and services, transactions involving such vouchers are **not subject to GST**.
- **Non-Prepaid Vouchers:** These are treated as "actionable claims" under Section 2(1) of the CGST Act. As per Schedule III, actionable claims (excluding specific ones like betting, gambling) are **neither goods nor services**, hence **not taxable under GST**.

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## □ 2. GST Treatment Based on Distribution Models

- **Principal-to-Principal (P2P) Model:**
  - Distributors purchase vouchers at a discount and sell them at a margin.
  - This is considered pure trading; thus, **no GST is applicable** on such transactions.
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- **Commission or Fee-Based Model:**
  - Distributors or agents sell vouchers on behalf of the issuer and earn a commission.
  - The commission or fee earned is considered a supply of services and is **subject to GST**

## □ 3. GST on Additional Services Related to Vouchers

Services such as advertising, co-branding, marketing, customization, technology support, or customer support provided to voucher issuers are considered taxable services. GST is **applicable at the relevant rate** on the service fees charged for these activities.

## 4. GST Treatment of Unredeemed Vouchers (Breakage)

Unredeemed vouchers, i.e., vouchers that are not used before their expiry, do not involve any supply of goods or services. Therefore, the amount retained from such unredeemed vouchers is **not subject to GST**

## □ Key Takeaways

- **Transactions involving vouchers themselves are generally not subject to GST**, whether they are considered as money or actionable claims.
- **GST applies to services** such as distribution on a commission basis and other related services like marketing or customer support.
- **Unredeemed vouchers do not attract GST**, as there is no underlying supply.