

TAX INFO

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Latest update on GST Law: **Summary of Circular No. 243/37/2024-GST dated 31st December, 2024**
(Subject - Vouchers Taxability under GST.)

Summary of Circular No. 243/37/2024-GST dated 31st December, 2024

Clarifications on Various Aspects of Vouchers under GST:

Vouchers are instruments that create an obligation for a supplier to accept them as full or partial consideration for goods or services. If vouchers are recognized as pre-paid instruments by the Reserve Bank of India (RBI) and used to settle obligations, **they are treated as “money” under Section 2(75) of the CGST Act and are excluded from GST.** If not considered as “money,” vouchers may qualify as actionable claims, which are also excluded from GST unless specified under Section 2(102A).

- **When vouchers are classified as money:-** They are excluded from the definition of goods (Section 2(52)) and services (Section 2(102)). **Transactions in such vouchers are neither supply of goods nor services and hence not taxable under GST.**
- **When vouchers are not classified as money but represent a promise for goods/services :-** They are considered actionable claims). **Transactions in actionable claims (other than specified actionable claims, such as betting or gambling) are categorized under Schedule III, meaning they are neither a supply of goods nor services.**
- **Underlying Goods/Services: –** While the transactions in vouchers themselves are not taxable, the supply of goods or services for which vouchers are redeemed may be subject to GST.

GST on Voucher Distribution by distributors/ sub-distributors/ agents etc.:

- **Principal-to-Principal Model (P2P):** Distributors/sub-distributors purchase vouchers from the issuer at a discounted price and sell them to end customers, sub-distributors, or corporates. Distributor/dealer assumes ownership of the vouchers and operates independently. **Pure trading of vouchers is not taxable under GST.**
- **Distribution on Commission/Fee Basis (Principal-Agent Relationship):** Distributors/sub-distributors/agents act on behalf of the voucher issuer, without owning the vouchers. Their role involves marketing, promotion, or other support activities for voucher distribution. Revenue is earned as a commission/fee (or equivalent remuneration) from the voucher issuer. The commission or fee earned by the distributor/sub-distributor/agent is treated as a supply of services to the voucher issuer. **GST is payable on this commission/fee amount as per the applicable GST rate for services.**

Additional Services Related to Vouchers: GST applies to services such as advertising, co-branding, marketing, customization, and technology support provided to voucher issuers.

Unredeemed Vouchers (Breakage): Breakage refers to the value of unredeemed vouchers that remain unused at the end of their expiry period. Section 9(1) of CGST Act, provides that GST is chargeable only on the supply of goods and/or services. In the case of breakage, there is no redemption of the voucher and consequently, there is no supply of the underlying goods and/or services. Breakage amounts are not considered consideration under GST as there is no express or implied agreement between the issuer and redeemer for payment in such cases. **No GST is applicable on unredeemed vouchers** as there is no underlying supply of goods or services.

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