

## **Supply of vouchers and it's taxability under GST – Dispute Continues**

In the matter of ***Premier Sales Promotion Pvt. Ltd. [Advance Ruling No. KAR ADRG 37/2021 decided on July 30, 2021]*** Premier Sales Promotion Pvt. Ltd. (“the Applicant”) was engaged in trading of vouchers (Gift vouchers, Cash-back vouchers and Multiple options e-vouchers) for a consideration in the course or furtherance of business.

The Applicant filed the AAR regarding the taxability of vouchers.

The AAR, Karnataka observed that the Applicant is supplying the vouchers to various clients and they are not settling any obligation treating this as consideration. It is only at a later stage, some other person, viz. the client of the client (end user)) is using them to settle their obligation of payment of consideration, using the said vouchers instead of cash. Hence, the vouchers supplied by the Applicant to their clients, cannot be covered under the definition of “money” at the time of supplying them. But they would take the colour of money only when it is used for payment of a consideration for the supply of goods or services procured by the end user.

Further, noted that actionable claims are unsecured debts or it is a beneficial interest in a movable property which can be enforced by the civil courts and Insolvency and Bankruptcy Code, 2016 (“IBC”) defines Debt as a liability or obligation in respect of a claim which is due from any person and includes a financial debt and operational debt. The vouchers are not covered under “actionable claim” as they are not debt. They have an expiry period - the entitlement of redemption is transferred or delivered unto the possession of the purchaser at the time of supply of vouchers by the Applicant to its clients and therefore supply of vouchers by the Applicant is not an actionable claim.

Furthermore, vouchers printed on paper are undoubtedly goods, as they are tangible.

Held that the said transaction amounts to supply under Section 7(1)(a) of Central Goods and Services Tax Act, 2017 (“CGST Act”) and is taxable, as goods, at 18% in terms of residual entry no. 453 of third schedule of *Notification No. 1/2017-Central Tax dated June 28, 2017 (“Goods Rate Notification”)*. Furthermore, opines that the vouchers are not actionable claims as they are not debt as bear an expiry period.

### **Our comments:**

The AAAR, Tamil Nadu in ***Re: Kalyan Jewellers India Ltd. [Order-in-Appeal No. AAAR/1/2021(AR) decided on March 30, 2021]*** held that prepaid payment instruments fall under the definition of vouchers neither goods nor services but instrument of consideration.

Observed that, voucher, being an instrument used as consideration to settle payment, is a type of money, and as long as such instrument is recognized by the Reserve Bank of India and even if it is not recognized by Reserve Bank of India, it would still form a means of payment of consideration, though it does not constitute money under the definition in the CGST Act

Noted that, the vouchers issued by the Appellant are of the nature of actionable claims that is included within the definition of goods under Section 2(52) of the CGST Act and have been included in entry 6 of the Schedule III of the CGST Act and therefore, cannot be treated either as supply of goods or supply of services. Hence, vouchers are not subject to levy of tax under the CGST Act.

Further, held that, GST will be levied at the time of issue of the voucher and not at the time of actual availing of service or time of redeeming the voucher as the supply is deemed to have been made at the time of issue of voucher itself.

Furthermore, the Hon'ble Delhi High Court in ***Union of India vs. Delhi Chit Fund Association (W.P. (C) 4512/2012, dated April 23, 2013)*** has held that, a mere transaction in money represents the gross value of the transaction. But what is chargeable to service tax is not the transaction in money itself since it can by no means be considered as a service.

Therefore, as per our view, there might not be any GST implications on the issuance of vouchers unless underlying goods or services are actually supplied as consideration, which is received towards issuance of voucher is in the form of deposit only.

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