

M/s Loyalty Solutions and Research Pvt. Ltd. (LSRPL)

Appellate Authority for Advance Ruling — Haryana

Not legible

Q Questions Before the Authority

- Whether the value of points forfeited, on which money has been paid by the issuer of points on account of failure of the end customers to redeem the Payback Points within their validity period would amount to consideration for 'actionable claim' other than lottery, gambling or betting and therefore would not qualify as 'supply' of either 'goods' or 'services' in terms of Section 7 read with Schedule III of the CGST Act, 2017, Haryana Goods and Services Tax Act, 2017 or Integrated Goods and Services Tax Act, 2017 and therefore would be outside the scope and levy of GST?
- Whether the value of points forfeited of the applicant on which the money has been paid by the issuer of points on account of failure of the end customers to redeem the payback points within their validity period can be treated as 'supply' of any other 'goods' or 'services' and consequently be chargeable to GST under the CGST, HGST or IGST Act?

F Facts

The applicant operates a loyalty program where they issue 'Payback Points' to end-customers on behalf of partner clients. Partners pay the applicant an upfront fee for these points, which the applicant records as revenue. If points remain unredeemed after a 36-month validity period, the applicant retains the underlying value of those points as income.

H Ruling

Whether forfeited points are 'actionable claims' outside the scope of GST

No

The authority ruled that post-expiry, these points are no longer actionable claims and the retained amount is consideration for services.

Whether forfeited points are taxable as a supply of services

Yes

The amount is treated as a variable component of the service fee charged to partners for managing the loyalty program.

The authority held that the amount retained by the applicant upon the expiry of unredeemed points constitutes **consideration for services** provided to the partners. Consequently, this amount is subject to GST as a supply of services. The authority rejected the applicant's contention that these forfeited points qualify as 'actionable claims' outside the scope of GST.

R Reasoning

The authority reasoned that the entire consideration, including the portion retained from unredeemed points, flows from the partners under a contract for loyalty program management services. It determined that the retention of

point expiry income is a **variable component of the service fee** and not an actionable claim. The decision relied on the definition of 'goods' and 'services' under the CGST Act, 2017, and the interpretation of the service agreement between the applicant and its partners.

P Provisions Relied On

Section 7 of the Central Goods and Services Tax Act, 2017

Section 15 of the Central Goods and Services Tax Act, 2017

Section 98 of the Central Goods and Services Tax Act, 2017

Section 100 of the Central Goods and Services Tax Act, 2017

Schedule III of the Central Goods and Services Tax Act, 2017

Section 3 of the Transfer of Property Act, 1882

! For the Practitioner

This ruling clarifies that income derived from the forfeiture of loyalty points in a B2B loyalty program model is **taxable as a supply of services** rather than being exempt as an actionable claim. It settles that such revenue is considered part of the overall management fee charged to partners. Practitioners should note that this decision emphasizes the contractual nature of the service over the technical classification of the points themselves.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [loyalty solutions and research private limited-23-10-18.pdf](#)

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