M/s Kwality Mobikes (P) Ltd., No.162, 80 feet Main Road, Koramangala 4th Block, Bengaluru 560034 (GSTIN 29AAGCK4555K2Z0)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 76/2018, dated 24th September 2019 Dated **24.09.2019**

Q Questions Before the Authority

- Whether the volume discount received on purchases is liable for GST? If yes, under which HSN/SAC?
- Whether the volume discount received on retail (on sales) is liable for GST? If yes, under which HSN/SAC?
- Whether the Company has to issue taxable invoice to this effect?

F Facts

The applicant is an authorised dealer of Harley-Davidson India, buying motorcycles from the authorised supplier at 28% GST plus cess, with 30 days' credit and fixed sales targets. Volume discount on purchases above the regular limit, and volume discount or sales commission on retail sales above target, are paid by the supplier through credit notes. The credit notes do not alter the purchase price or sale price, and no GST adjustment is made in them.

H Ruling

Volume discount received on purchases (credit note)	**Not liable for GST; no HSN/SAC applicable**	Applies where the credit note is issued without any adjustment of GST.
Volume discount received on retail sales (credit note)	**Not liable for GST; no HSN/SAC applicable**	Applies where the credit note is issued without any adjustment of GST.
Whether a taxable invoice must be issued for the credit-note amount	**No; the applicant need not issue a tax invoice**	Because the amount is a discount and not a supply by the applicant to the authorised supplier.

The authority held that the volume discount on purchases, given as a credit note without any GST adjustment, is **not liable to GST** . The volume discount on retail sales, given in the same form, is likewise **not liable to GST** . Because the credit-note amount is a discount and not a supply by the applicant, the applicant need not issue a tax invoice for it.

R Reasoning

The authority held that the credit note was issued after the supply was effected, so it fell outside clause (a) of section 15(3) of the CGST Act, which covers discounts recorded in the invoice at or before supply. Clause (b) was also not met, because the applicant had not reversed the input tax credit attributable to the discount. The credit note therefore did not change the value of supply and was merely a financial document for adjusting the incentive.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

The authority also noted that the applicant provides no service to the supplier, so the incentive is not consideration for any taxable service.

P Provisions Relied On

Section 97 of the CGST Act, 2017 and of the KGST Act, 2017 (application for advance ruling)

Section 98(4) of the CGST Act, 2017 and of the KGST Act, 2017 (order)

Section 15(3) of the CGST Act, 2017 (value of supply; discounts), clauses (a) and (b)

Corresponding provisions of the KGST Act, 2017, which the order states are the same as the CGST Act save where noted

! For the Practitioner

This ruling helps Harley-Davidson-type dealers and other buyers or sellers receiving supplier incentives by way of credit notes that do not adjust GST, because it treats such incentives as outside the value of supply. It settles that no tax invoice is needed for such credit notes. It does not decide cases where the credit note reverses input tax credit, is linked to an agreement and invoices under section 15(3)(b), or carries a GST adjustment. Practitioners should also check the order's file reference, which differs from the listing reference KAR/AAR/76/2019-20.

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 -> kar_aar_76_2019_kmpl_24.09.19.pdf

Prepared 10-11-2026.

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