

M/s Loyalty Solutions and Research Private Limited

Authority for Advance Ruling — Haryana

HAR/HAAR/R/2017-18/4

Dated 11.04.2018

Q Questions Before the Authority

- Whether the value of points forfeited of the applicant on which money had 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 Central Goods and Services Act, 2017, Haryana Goods and Services 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 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 reward point-based loyalty program for partner merchants, charging partners an issuance fee of 0.25 INR per point issued to end-customers. Customers can redeem points against future purchases from partners within a validity period of 36 months. If points expire without redemption, the points are forfeited and the applicant retains the issuance fees collected from partners.

H Ruling

Exemption of forfeited points as actionable claim	No, outside scope of actionable claim and taxable under GST	Points lose character as actionable claims upon expiry
Treatment of retained fee on forfeited points as supply	Yes, treated as supply of services chargeable to GST	Amounts to consideration for loyalty management services under Section 15

The Authority held that upon expiration of validity, reward points lose their character as actionable claims because end-customers can no longer enforce any rights over them. The retention of issuance fees by the applicant upon point forfeiture constitutes **consideration for supply of services** provided to partner merchants. Consequently, the value of forfeited points is taxable under GST.

R Reasoning

The Authority analyzed Section 2(1) and Section 2(52) read with Schedule III of the CGST Act, 2017, alongside Section 3 of the Transfer of Property Act, 1882 regarding actionable claims. It held that while active points may

represent actionable claims, expired points carry no legal right of enforcement, taking them outside Schedule III. The retention of issuance fees upon forfeiture constitutes earned remuneration and consideration for loyalty management services supplied to partner merchants, rendering it a **taxable supply of services** under Section 7 and Section 15 of the CGST/HGST Act, 2017.

P Provisions Relied On

Section 2(1) of the CGST/HGST Act, 2017	Section 2(52) of the CGST/HGST Act, 2017
Section 7 of the CGST/HGST Act, 2017	Section 15 of the CGST/HGST Act, 2017
Schedule III of the CGST/HGST Act, 2017	Section 3 of the Transfer of Property Act, 1882

! For the Practitioner

This ruling establishes that retained issuance fees or breakage income from expired loyalty points cannot be sheltered under the **Schedule III actionable claim exemption**. Tax practitioners representing loyalty program operators should note that unredeemed fee retentions upon point expiry attract GST as consideration for management services.

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 -> haryana-ar_04_2017-18_dt.11.04.18_lsrpl.pdf

Prepared 17-10-2026.

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