M/s. MRF Limited

Authority for Advance Ruling — Tamil Nadu

Order No. 5/AAR/2019 Dated **22.01.2019**

Q Questions Before the Authority

- Whether the Applicant can avail the Input Tax Credit of the full GST charged on the supply of invoice, or whether a proportionate reversal of the same is required, in case of post-purchase discount given by the supplier of the goods or services.

F Facts

MRF proposed to join the C2FO platform, through which suppliers can offer early-payment discounts (as an APR or a flat discount) on approved open invoices. The discount is offered after the goods or services are supplied and the invoice is raised, and it is not recorded in the invoice, the purchase order or the supply contract. MRF would pay the discounted amount, and the supplier would issue a credit note.

H Ruling

ITC on invoice value where a post-purchase discount is paid via the C2FO platform	**ITC allowed only to the extent of the invoice value less the discount paid to the supplier**	If full ITC has been availed, the difference equal to the discount must be reversed so that it is not added to output liability under the proviso to Section 16(2). The Authority based this on the proviso to Section 16(2) read with the 180-day payment rule.

The Authority ruled that **MRF can avail ITC only to the extent of the invoice value less the C2FO discounts actually paid to the supplier** . Section 15(3)(a) does not apply because the discount is not recorded in the invoice, and Section 15(3)(b) does not apply because no pre-existing agreement linked to the invoices provided for ITC reversal. The value of supply is therefore the full undiscounted invoice value, and any excess ITC availed must be reversed.

R Reasoning

Section 16(1) entitles a registered person to ITC on tax charged on supplies used in the business. Under Section 16(2), however, the proviso requires that where the recipient does not pay the value of supply and tax within 180 days of the invoice, the ITC availed must be added back to output tax, and the recipient may claim ITC only on amounts actually paid. The Authority held that the taxable value remains the full invoice value because Section 15(3)(a) is not satisfied (no discount recorded in the invoice) and Section 15(3)(b) is not satisfied (no agreement made at or before supply and no ITC reversal). Since MRF pays only the discounted amount, ITC must track the amount paid. Section 12(2) was used to fix the time of supply as the invoice date.

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

P Provisions Relied On

- Section 9(1) of the CGST Act, 2017
- Section 12(2) of the CGST Act, 2017
- Section 15(3)(a) and 15(3)(b) of the CGST Act, 2017
- Section 16(1) of the CGST Act, 2017
- Section 16(2)(a) to (d) of the CGST Act, 2017
- Proviso to Section 16(2) of the CGST Act, 2017 (180-day payment rule)
- Section 34(1) and (2) of the CGST Act, 2017 (cited by the Applicant regarding credit notes)
- Section 41 of the CGST Act, 2017 (referred to within Section 16(2)(c))

! For the Practitioner

This ruling is useful for buyers who use supplier-financing or early-payment platforms where discounts are offered after invoicing. It settles that ITC must be aligned with the amount actually paid to the supplier, and that a post-supply discount outside the invoice does not reduce the taxable value. It does not decide the treatment of pre-agreed discounts that are linked to invoices and reversed under Section 15(3)(b), nor does it address credit note mechanics under Section 34 in detail. Practitioners should check the full order's reasoning before relying on it for other platforms.

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 -> tn-05-aar-2019-mrf_india.pdf

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Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: +91 94594 56700 | sales@patronaccounting.com | patronaccounting.com