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# A round up of GST amendment in Credit & Debit Notes viz-a-viz post supply discounts



**Bimal Jain**  
on 13 March 2019

## Background:

The Interim Budget 2019 did not propose any changes with respect to Indirect Tax. In as much as GST is concerned, the GST Council in its 28th meeting held on July 21, 2018, recommended certain amendments in the CGST Act, IGST Act, UTGST Act and the GST (Compensation to States) Act, 2017. These amendments were passed by the Parliament and got published in the official Gazette of India on August 30, 2018, after receiving the assent of the Hon'ble President of India on August 29, 2018, as the CGST Amendment Act, 2018, IGST Amendment Act, 2018, UTGST Amendment Act, 2018 and the GST (Compensation to States) Amendment Act, 2018, respectively. Most of the amendments to the GST law passed by the Parliament in August 2018 took effect from February 1, 2019.

A pressing issue faced by the businesses and other stakeholders was that, earlier, the law as well as the GSTN portal accepted a single credit note and/or debit note against one invoice.

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However, assesseees faced practical difficulties in issuing individual credit/ debit notes against individual invoices, more specifically in those industries, where a significant/ multiple levels of credit/debit notes are involved like pharmaceutical, auto component, etc.

Now, Section 34 of the CGST Act, 2017 ('the CGST Act' ) has been amended to allow registered persons to issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year. This will obviate the procedural difficulties faced by assesseees at large, effective from February 1, 2019.

With this background, the present article discusses some insights in respect of the above amendment, its implications on business transactions and certain open issues still hanging unresolved, while also considering the latest circular of the CBIC in respect of tax treatment of various sales promotion schemes & discounts issued on March 7, 2019.

### **Concept of Credit and Debit Notes:**

A supplier of goods or services or both is mandatorily required to issue a tax invoice. However, during the course of trade or commerce, after the invoice has been issued there could be situations like the supplier has erroneously declared a value which is more/less than the actual value of the goods or services provided; the supplier has erroneously declared a higher/lower tax rate than what is applicable for the kind of the goods or services supplied; the quantity received by the recipient is more/less than what has been declared in the tax invoice, etc.

In order to regularize these kinds of situations, the supplier is allowed to issue credit or debit note for adjusting the taxable value and/or tax charged thereon in case of incorrect taxable amount mentioned and/or incorrect tax charged in tax invoice and to deal with other specified scenarios, instead of issuing another tax invoice. Based on credit or debit notes issued, necessary adjustments are made in the tax liability.

### **When can a Credit Note be issued?**

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A Credit Note can be issued by supplier of goods or services or both, to the recipient in following situations:

- (i) Excess price or tax charged from the recipient: Taxable value or tax charged in tax invoice exceeds the actual taxable value or tax payable in respect of such supply;
- (ii) Sales return: Goods supplied are returned by the recipient;
- (iii) Deficient quality: Goods or services or both supplied are found to be deficient.

### When can a Debit Note be issued?

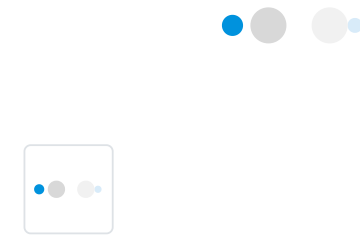
Debit Note can be issued by the supplier of the goods or services or both, to the recipient, when subsequent to the issue of tax invoice, he comes to know that taxable value or tax charged in that tax invoice is less than the taxable value or tax payable with respect to such supply.

### Flexibility of issuing single Credit/ Debit Notes against multiple invoices - Praiseworthy amendment:

Pre-amendment, Section 34 of the CGST Act mandates a registered person to issue one credit/ debit note for each single invoice. Considering the woes of industries and to facilitate ease of doing business, amendment has been carried out in Section 34 of the CGST Act (effective from February1, 2019), which permits a registered person to issue consolidated credit/ debit note in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

### Comparative analyses of Section 34 of the CGST Act: Pre-Amendment v. Post-Amendment

Particulars	Before February 1, 2019	After February1, 2019
Section	'Where a tax invoice has	'Where one or more tax invoices have



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34(1)of the CGST Act, relating to issue of 'credit note'	been issued ..... may issue to the recipient a credit note containing such particulars as may be prescribed.'	been issued ..... may issue to the recipient one or more credit notes for the supplies made in a financial year containing such particulars as may be prescribed.'
Section 34(3)of the CGST Act, relating to issue of 'debit note'	'Where a tax invoice has been issued ..... shall issue to the recipient a debit note containing such particulars as may be prescribed.'	'Where one or more tax invoices have been issued ..... shall issue to the recipient one or more debit notes for the supplies made in a financial year containing such particulars as may be prescribed.'

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The above amendment is a boon for the taxpayers as the registered person can now issue a consolidated credit note or debit note against multiple tax invoices. Businesses can avail this facility to overcome the administrative challenges faced during linking the individual credit/ debit notes with their respective invoices earlier.

### **Corresponding amendment in the CGST Rules:**

Corresponding to the above, amendments have also been incorporated in the CGST Rules, 2017 ('the CGST Rules' )vide Notification No. 03/2019- Central Tax dated January 29, 2019, effective from February 1, 2019.

Vide the said amended rules, issuance of credit or debit notes has been de-linked from Rule 53(1) of the CGST Rules and a new sub-rule (1A) has been inserted, dealing with the particulars which need to be provided in the credit note or debit note. As per the said newly inserted Rule 53(1A), following are the particulars which are required to be contained in the credit note or debit note –

- Name, address and GSTIN of the supplier;
- Nature of the document;
- A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolized as '-' and '/' respectively, and any combination thereof, unique for a financial year;
- Date of issue of the document;
- Name, address and GSTIN / UIN, in case the recipient is registered;
- Name and address of recipient and the address of the delivery, along with the name of the state and its code, in case the recipient is unregistered;
- Serial number and the date of the corresponding tax invoice(s) or bill(s) of supply, as the case may be;
- Value of the taxable supply of goods or services, the rate of the tax and amount of the tax credited or debited to the recipient; and
- Signature/ digital signature of the supplier or his authorized representative.

## Open Issues:

- Capturing consolidated credit/debit note in GST Return: As discussed supra, that the above amendment is effective from February 1, 2019, it remains to be seen as to how the GST Return (GSTR-1) for the month of February 2019 onwards will accommodate such consolidated credit/ debit notes issued against multiple invoices. Till the time, new GST return framework is in place, existing format needs to be amended suitably.
- Section 34 v. Section 15: One of the key open substantive issue which merits appreciation is the requirement to link post-supply discounts with corresponding invoice as provided in Section 15(3) of the CGST Act.

As per Section 15(3) of the CGST Act, the value of the supply shall not include any discount which is given–

(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) after the supply has been effected, if -

(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply

Therefore, a rider has been attached in Section 15(3) for post supply discount that such discount is established in terms of a pre-supply agreement between the supplier & the recipient and is specifically linked to relevant invoices.

Even when the amendment in Section 34 of the CGST Act provides for issuance of consolidated credit/debit notes against multiple invoices, this provision under Section 15(3) still stands un-altered. Further, in attempt to provide clarity, the CBIC in its latest clarification vide Circular No. 92/11/2019-GST dated March 7, 2019, issued in respect of various sales promotion schemes & discounts in GST, has explicitly mentioned that only financial/

commercial credit note(s) can be issued by the supplier, if the conditions mentioned in clause (b) of Section 15(3) of the CGST Act are not satisfied. The Circular further moves on to clarify that value of supply shall not include any discount by way of issuance of credit note(s) or by any other means, except in cases where the provisions contained in clause (b) of Section 15(3) are satisfied. Hence, it is being made clear that satisfaction of conditions of Section 15(3)(b) of the CGST Act is required for exclusion of post-supply discounts.

It may not be out of place here to mention that provisions of Section 15(3) of the CGST Act, has created ambiguity for businesses where year-end discounts like trade discount, quantity discount, etc., are part of normal trade and commerce. Moreover, post-supply discounts are provided based on the value of transactions undertaken during the year and one to one nexus with invoices is not possible.

Hence, it is required that any amendment made in the law should have wholistic approach of corrections wherever required in the Act so as the benefit of ease of business comes in true sense. Therefore, appropriate amendment is required for issuance of consolidated credit note for multiple invoices without any linkage of one-o-one invoices in terms of Section 15(3) of the CGST Act for post-supply discounts.

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Sir please provide your best opinion in one case As purchaser give us credit/debit note and we take it on that note(net basis) in gstr 3b so our input will increase in that time and now we file credit/ debit note for that month in gstr 1 so ultimately input rise for that month and if we reverse itc for that month then we liable for interest @24%.

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any notification regarding multiple invoice gains one credit note

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It's very much clear and detailed article. Thanks sir for sharing. However still there is an ambiguity that how GSTN portal is accepting, in which format? Seems still portal is not ready with changes.

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