

**GOODS
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**GST
UPDATES**

CBIC Clarifies GST on Post-Sale Discounts
Dated 12th September, 2025

The **Central Board of Indirect Taxes and Customs (CBIC)** has issued a new circular (No. 251/08/2025-GST dated 12.09.2025) to provide clarity on the treatment of secondary or post-sale discounts under GST. These clarifications were recommended by the GST Council in its 56th meeting held on 3rd September, 2025.

1. Input Tax Credit (ITC) on Discounts

Dealers/recipients do not need to reverse ITC if suppliers issue financial/commercial credit notes. It has been clarified vide circular No. 92/11/2019-GST dated 7th March 2019.

Reason: Such credit notes don't reduce original transaction value or tax liability.

2. Post-Sale Discounts – Consideration or Not?

Normal trade discounts given by manufacturers to dealers are not “consideration” for further sales.

They are treated as reduction in sale price, not a payment for services.

3. Discounts Linked to End Customer Agreements

If a manufacturer has an agreement with an end customer for a discounted price:

- Dealer supplies at discounted rate.
- Such discounts are treated as part of “consideration” (inducement for supply).

4. Promotional Activities by Dealers

If dealers perform specific activities like:

- Advertising campaigns
- Co-branding
- Special sales drives
- Exhibitions or customer support services

Then GST applies, since these are separate taxable supplies.

This clarification removes ambiguity and aims to prevent legal disputes related to post-sale discounts.

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