

## SCENARIO 2

	As per industry practice		As per Latest circular		Remarks
<b>Invoicing at Company's End</b>					
Selling Price to Stockiest (PTS)		100.00		100.00	
GST	0.18	18.00	0.18	18.00	
Landed Price to Stockiests		118.00		118.00	No Impact at company's end

	As per industry practice		As per Latest circular		Remarks
Stockiest Normal Selling Price		110.00		110.00	'As per Circular, Discount to be treated as subsidy and tax to be paid on standard selling price instead of actual selling price. In such a case, additional GST on discount becomes a cost to Stockiests which is against the very principle of GST that for business, it should be pass-through and should be borne by consumer only.
Less : Distress Sale Discount given via Credit Note		20.00		20.00	
Price to Retailer (PTR)		90.00		90.00	
GST @ 18%	18% on Rs. 90	16.20	18% on Rs. 110	19.80	
<b>Landed Price to Retailer</b>		<b>106.20</b>		<b>109.80</b>	
Effective Tax rate for Stockiests		0.18		0.22	
<b>As per Para (3), Such discount can also be considered as Service provided by Stockiest to Company for augmentation of sale</b>					
Service Bill to be raised by Stockiest to Company	-	-		20.00	
GST @ 18%			18%	3.60	Company eligible to take credit, hence, reve
<b>Invoice to Company</b>				<b>23.60</b>	

However, fully cenvatable for the company and therefore, the whole issue is revenue neutral but creating lots of complexity in the business.

### Other Points to Ponder

- 1 Secondary scheme if given with invoice reference, then it will be treated as Discount and no re-characterization required. In other words, same transaction can be characterized in 3 ways i.e. Discount if given with invoice reference, Service fee as per Para 3 of the Circular or Subsidy as per Para 4 of the Circular if given without invoice reference. It may be very well appreciated that what kind of litigation such multiple interpretations may lead to at field officer level.
- 2 To characterize any activity as Service, there has to be 2 ingredients i.e. performance of activity and then consideration for such activity. As part of Stockiest agreement, stockiest is given discount to further pass it on to the retailer and therefore, he is not keeping a single penny in his pocket. Therefore, consideration is completely missing in this case. Therefore, even if it's a service, it is without any consideration and not liable for GST.