Clarification on the Non-Reversal of Input Tax Credit (ITC) in Cases of Post-Sale Discounts or Incentives Received Through Commercial Credit Notes

To,

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Subject: Clarification on the Non-Reversal of Input Tax Credit (ITC) of Post-Sale Discounts or Incentives Received Through Commercial Credit Notes

Dear Sir/Madam,

We are writing to you in reference to the recent communication received from your office regarding the demand for reversal of Input Tax Credit (ITC) claimed by us earlier, on the basis of a commercial credit note issued by our supplier for post-sale discounts/incentives.

At the outset, we would like to bring to your kind attention that the supplier issued a commercial credit note for the post-sale discount. It is important to note that this discount does not impact the GST value of the original transaction as the credit note was not issued as a GST credit note under **Section 34** of the CGST Act, 2017.

In this regard, we would like to draw your attention to the clarification issued by the CBIC in **Circular No.92/11/2019-GST Dated 07-03-2019** and **Circular No. 105/24/2019-GST Dated 28-06-2019**. The circular clearly states that:

"In cases where the supplier issues a commercial credit note (i.e., credit note issued without adjusting GST), there will be no requirement to reverse the Input Tax Credit availed by the recipient."

As the credit note issued by our supplier is a commercial credit note, which does not involve any reduction in the tax liability of the supplier, the reversal of ITC is not applicable in our case.

We, therefore, request you to kindly reconsider the demand for ITC reversal and provide relief from the unnecessary reversal of the ITC claimed by us, which is in full compliance with the applicable GST laws and the aforementioned CBIC circular.

We trust that this explanation clarifies the situation, and we are available for any further discussion or documentation that you may require in this matter.

Thank you for your understanding and cooperation.

Yours sincerely,

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e-mail id : ....

Mobile: ....

Dated: ....