

# GST to be levied on underlying goods, services in gift vouchers, rules AAAR

AGENCIES

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Clearing the air over taxability of gift cards or vouchers, the Tamil Nadu bench of the AAAR has ruled that GST would be levied on the underlying goods/ services at the time of redemption such pre-paid instruments.

Kalyan Jewellers India Ltd has approached the Appellate Authority for Advance Ruling (AAAR) against the ruling by the Tamil Nadu state Authority for Advance Ruling (AAR), which had said that GST at 12 per cent or 18 per cent would be levied depending on whether on such pre-paid instruments was paper based or magnetic strip based respectively.

Modifying the AAR verdict, the AAAR has clarified that GST will be levied not on the supply of vouchers but on the underlying supply of goods/ services at the



▶▶ **Vouchers are neither goods nor services and the GST law recognises it as an instrument of consideration (non-monetary form) for future supply, the AAAR said**

time of redemption and the time for payment of GST will be dependent on the provisions detailed

in the GST law.

In its order, the AAAR said that vouchers are neither goods nor services and the GST law recognises it as an instrument of consideration (non-monetary form) for future supply.

"... since voucher is only an instrument of consideration and not goods or services, the same is not classifiable separately but only the supply associated with the voucher is classifiable according to the nature of the goods or services supplied in exchange of the voucher earlier issued to the customer," the AAAR said.

EY Tax Partner Abhishek Jain said the taxability of vouchers has always been a grey area, both under the pre- GST and post GST regime.

"This AAAR ruling is welcome and has provided appropriate clarity to the industry on the taxability of vouchers," Jain added.