

**THE AUTHORITY FOR ADVANCE RULING
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU - 560 009**

F. No. KAR. AAR 23/2026

Order No. KAR.ADRG 23/2026

Date:16.03.2026

Present:

1. **Shri. Kalyanam Rajesh Rama Rao**
Additional Commissioner of Customs & Indirect Taxes . . . Member (**Central**)
2. **Shri. Sivakumar S Itagi**
Additional Commissioner of Commercial Taxes . . . Member (**State**)

1.	Name and address of the applicant	M/s. John Distilleries Pvt. Ltd., Mysore Road, Pantharapalya, Bengaluru Urban, Karnataka-560039.
2.	GSTIN or User ID	29AAACJ4322P1Z9
3.	Date of filing of Form GST ARA-01	29.08.2024
4.	Represented by	C.A. Akbar Basha, Authorised Representative vide letter dated 29.08.2024
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, Bangalore West Commissionerate, Bengaluru. (Range-BWD-7)
	Jurisdictional Authority - State	ACCT, LGSTO-062, Bengaluru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2908240350417 dated 29.08.2024

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 & UNDER
SECTION 98(4) OF THE KGST ACT, 2017**

M/s. John Distilleries Pvt. Ltd., (herein after referred to as 'Applicant') Mysore Road, Pantharapalya, Bengaluru Urban, Karnataka-560039, having GSTIN 29AAACJ4322P1Z9, have filed an application for Advance Ruling under Section 97 of the CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. The applicant is engaged in liquor manufacturing under brand name "Original Choice" and other known brands. Since, the applicant is engaged in the business of liquor manufacturing which is covered under the Karnataka



M/s John Distilleries Pvt. Ltd.

Excise Act, 1965. However, the applicant is into the following transactions for which GST registration is mandatory: -

- a) Royalty Income- earned from granting vendors the right to sell the product.
- b) Scrap sales
- c) Availing Goods Transport Agency (GTA) services, which are subjected to reverse charge mechanism (RCM) under GST law.

3. The applicant submits that they obtained a corporate card from HSBC Bank for the payment of excise duty. The card entitles the applicant to avail rebate of 0.515% based on the total excise payments made during the that month.

4. In view of the above, the applicant has sought advance ruling in respect of the following questions:

a) Whether rebates received from HSBC for payment of Excise duty through Corporate Card, is liable for GST?

5. **Admissibility of the Application:** - The applicant, under column 13 of the application ARA-01, selected the following issue "whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term", which is covered under Section 97(2) (g) and hence the instant application is admissible.

6. **BRIEF FACTS OF THE CASE:** The applicant furnishes the following facts relevant to the issue:

6.1 The applicant submits that they have obtained a corporate card from HSBC Bank for the payment of Excise duty. The applicant uses rebate points received from HSBC Bank to set off the total outstanding amount.

6.2 Further, the applicant states that they are engaged in the manufacture of liquor under the Karnataka Excise Act, 1965, which is not subject to GST. However, in view of the transactions referred to in paragraph 2 above, the applicant has obtained registration under the CGST Act, 2017. Further, the applicant states that the rebates received from HSBC are adjusted against the outstanding balance and do not attract GST as these are in the nature of transactions in money.

7. **Applicant's Interpretation of Law:** - The Applicant submits the following facts relevant to the issue:

7.1 The applicant claims that the money is out of the scope of the supply and refers section 2(75) of the CGST Act, 2017 as follows: -

"money" means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other



instrument recognised by the RBI when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value;

7.2 Further, the applicant submits that the rebate, being a financial discount or refund granted post-purchase without any immediate reciprocal consideration, does not satisfy the principle of *quid pro quo*. Accordingly, the levy of GST is not attracted.

7.3 Further, the applicant submits reliance on the judgment of the Hon'ble Supreme Court in *Union of India and Anr. v. M/s Intercontinental Consultants and Technocrats Pvt. Ltd.*, 2018 (3) TMI 357, wherein it was held that the valuation of a taxable service must be confined strictly to the consideration paid as *quid pro quo* for rendering services. Thus, in the present case, since there is no identifiable consideration flowing as *quid pro quo* for any taxable supply, the essential requirement of consideration is not met, and consequently the transaction falls outside the scope of levy of GST.

7.4 The applicant submits that Entry No. 27 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 exempts consideration by way of interest or discount on extended loans from GST. Further, the liability to repay the loan arises from payment of excise duty via corporate card, constituting a pure money transaction outside the scope of Section 7 of the CGST Act, 2017. Hence, the rebates received are not liable to GST.

PERSONAL HEARING PROCEEDINGS HELD ON 16.01.2026

8. C.A. Akbar Basha, Authorised Representative of the applicant, appeared for personal hearing proceedings and reiterated the facts narrated in their application. Further, the authorised representative have explained the applicant's position with reference to the issues raised in the AAR application.

FINDINGS & DISCUSSION

9. *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.*

10. *We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.*

11. The issue before this Authority is to determine whether the rebates received by the applicant from HSBC Bank for payment of excise duty through a corporate card are liable to GST or not?



12. It is an admitted fact that the applicant is engaged in the manufacture of liquor under the Karnataka Excise Act, 1965, an activity which is outside the purview of GST. The applicant has obtained GST registration only in respect of certain ancillary transactions such as royalty income, scrap sales, and availing of GTA services under reverse charge, as detailed in para 2 above.

13. It is further undisputed that the applicant has obtained a corporate card from HSBC Bank for the limited purpose of making payments towards excise duty. Based on the total excise duty payments made during a month, HSBC Bank grants a rebate at a specified percentage, which is adjusted against the outstanding card balance.

14. Further, as per Section 7 of the CGST Act, 2017 "supply" includes—

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

A supply necessarily requires the existence of consideration and a corresponding quid pro quo between the supplier and the recipient. In the present case, the rebate is granted by the bank as a post-transaction financial adjustment linked to the usage of the corporate card and is not attributable to any independent or identifiable supply of goods or services by the applicant to HSBC Bank.

15. The rebate received by the applicant merely results in a reduction of the outstanding monetary liability payable to the bank. Such adjustment is in the nature of a transaction in money involving money, falling within the definition of "money" under Section 2(75) of the CGST Act, 2017 as mentioned in para 7.1 above, and does not constitute consideration for any supply.

16. Applicant's reliance on the judgment of the Hon'ble Supreme Court in *Union of India and Anr. v. M/s Intercontinental Consultants and Technocrats Pvt. Ltd.*, 2018 (3) TMI 357, is found to be apposite. The Hon'ble Court categorically held that the taxable value must be confined strictly to the consideration received as quid pro quo for the service rendered and that amounts which do not form part of such consideration cannot be subjected to tax. Applying the same principle, the rebate in the present case does not represent consideration for any taxable service and hence cannot be brought to tax under GST.

17. Further, Entry No. 27 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 exempts services by way of extending deposits, loans, or advances where the consideration is represented by way of interest or discount. The corporate card arrangement essentially facilitates a short-term credit for payment of excise duty, and the rebate granted operates as a discount in respect



of such financial accommodation. Such transactions are squarely covered within the scope of the said exemption.

18. In view of the foregoing discussion, it is evident that the rebate received by the applicant is merely a transaction in money, devoid of any element of supply or quid pro quo for a taxable service. Accordingly, the transaction does not fall within the ambit of Section 7 of the CGST Act, 2017 and is not liable to GST.

19. In view of the foregoing, we pass the following.

RULING

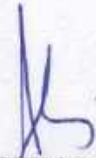
*The rebates arise from the corporate card arrangement with the bank by the Applicant are merely **transactions in money**. Such rebates represent a monetary adjustment by the bank based on corporate card usage and do not involve any supply of goods or services. Therefore, such rebates do not form any supply of good or services and are **not liable to GST** under the CGST/KGST Act, 2017.*



(Kalyanam Rajesh Rama Rao)

Member

Karnataka Advance Ruling Authority
Bengaluru - 560 009



(Sivakumar S Itagi)

Member

Karnataka Advance Ruling Authority
Bengaluru - 560 009

Place: Bengaluru,

Date: 16.03.2026

To,
The Applicant,

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bangalore West Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-062, Bengaluru.
5. Office Folder.

