



NO GST ON FREEBIES

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No GST on freebies

It is a common practice among certain pharmaceutical companies to provide drug samples to their stockists, dealers, medical practitioners, etc. free of cost. So, a medicine strip with a free medical planner or 20% extra for the same price, would face a levy on the combined value and in case two products face different rates of GST, the product with the higher levy would determine tax rate of the product. The Ministry has now clarified with the Circular that since “supply” under section 7 of the Central Goods and Services Tax Act, 2017 includes all forms of supply of goods or services such as sale, transfer, barter, exchange, licence, rental, lease or disposal made for a consideration by a person in the course of furtherance of business and free samples and discounts are not for consideration, no GST shall be levied on them. However, this is inapplicable if the activity falls within the ambit of Schedule I of the said Act.

PSA view – Although Circular has come in 2 years after the GST regime was introduced, this clarification was much needed. However, had the clarification been given earlier, some businesses who have paid greater tax would have been saved; of course government will not be offering any refund on tax already paid.

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