

ADV.V.B.GAIKWAD

328, 'E'Ward, D/10, Royal Plaza, Dabholkar Corner, Kolhapur-416 001.

05.08.2024

To,
All (other than sugar factories)

Sir,
Sub.:- GST – Fresh product provided free of cost in place of the old product during warranty period – Payment of GST/Reversal of ITC – Clarification issued by the CBIC vide Circular dt.26.06.2024 - Reg.....

Vide our circulars dt.13.12.2018 and dt.21.07.2023 we had informed to all of you that, -

- i) the supplier is not required to pay any GST on the parts/product replaced free of cost during warranty period, as no consideration is received for the said parts/product by the supplier from the customer and as the price of the original product is decided considering the possibility of free replacement of part/product during warranty period, there is no need to reverse the ITC availed on the said parts/product replaced free of cost during warranty period
- ii) the supplier is also not required to pay any GST on the repair service provided free of cost during warranty period, as no consideration is received for the said repair service from the customer and as the price of original product is decided considering the possibility of free repairing of the said product during warranty period, there is no need to reverse the ITC availed on the said repair service provided free of cost during warranty period

[2] Subsequently, the CBIC vide its Circular No.195/07/2026-GST, dt.17.07.2023 also had clarified that, no GST is payable on the parts which are replaced free of cost within warranty period while repairing the product earlier supplied and that the supplier need not have to reverse the ITC claimed on such replaced parts.

However, similar clarification was not given about the transactions wherein during the warranty period, instead of repairing the old product by replacing the parts, the fresh product is provided free of cost and due to lack of said clarification, the department is treating such transactions as fresh supply and is demanding GST on such fresh product or is demanding reversal of ITC availed on the fresh product.

[3] However, now, after realizing the above said mistake, recently the Government vide its Circular No.216/10/2024-GST, dt.26.06.2024 has further clarified that, the above said clarification dt.17.07.2023 is also applicable in the transactions

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wherein during the warranty period, instead of repairing the old product (by replacing the part) a fresh product is provided to the customer free of cost.

- [4] In the light of above said circular dt.26.06.2024 read with earlier circular dt.17.07.2023 now it has become crystal clear that, -
- i) the supplier is not liable to pay any GST on the parts replaced free of cost during the warranty period
 - ii) the supplier also is not liable to pay any GST on the fresh product provided free of cost during the warranty period
 - iii) the supplier is also not required to reverse any ITC availed on the parts replaced free of cost while repairing product during warranty period.
 - iv) the supplier is also not required to reverse any ITC availed on the fresh product provided free of cost (instead of repairing the old product) during warranty period.
 - v) the supplier is also not liable to pay any GST on the repair service provided free of cost during warranty period and is also not required to reverse ITC on the said repair service provided within warranty period.
- [5] We request you to take note of the above said important legal development and to implement the same at your end.
- [6] We hope we have clarified the matter. However, still if you have any doubts then we request you to kindly come to our office for detailed personal discussion.

Thanking you,

Yours faithfully,
Sd/-
Adv.V.B.Gaikwad.