



Goods & Services Tax

Educational Series

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Return of time expired drugs or medicine – Part I

The common trade practice in the pharmaceutical sector is that the drugs or medicines (hereinafter referred to as “goods”) are sold by the manufacturer to the wholesaler and by the wholesaler to the retailer on the basis of an invoice/bill of supply as case may be. It is significant to mention here that such goods have a defined life term which is normally referred to as the date of expiry. Such goods which have crossed their date of expiry are colloquially referred to as time expired goods and are returned back to the manufacturer, on account of expiry, through the supply chain.

Time expired drugs or medicines returned by

Registered Person	Composition Taxpayer	Unregistered Person
• A registered person may return the said goods by treating it as a fresh supply and thereby issuing an invoice for the same • The value of the said goods as shown in the invoice on the basis of which the goods were supplied earlier may be taken as the value of such return supply. • The wholesaler or manufacturer, as the case may be, who is the recipient of such return supply, shall be eligible to avail Input Tax Credit of the tax levied on the said return supply.	• In case the person returning the time expired goods is a composition taxpayer, he may return the said goods by issuing a bill of supply and pay tax at the rate applicable to a composition taxpayer. In this scenario there will not be any availability of ITC to the recipient of return supply.	• In case the person returning the time expired goods is an unregistered person, he may return the said goods by issuing any commercial document without charging any tax on the same.

- ❖ Where the time expired goods which have been returned by the retailer/wholesaler are destroyed by the manufacturer, he/she is required to reverse the ITC availed on the return supply in terms of the provisions of section 17(5)(h) of the CGST Act
- ❖ It is pertinent to mention here that the ITC which is required to be reversed in such scenario is the ITC availed on the return supply and not the ITC that is attributable to the manufacture of such time expired goods.

Source: NACIN Weekly update

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