

## Debit note vs. credit note: What's the difference?

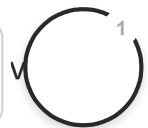


*Explore the difference between a debit and credit note by learning what each term means, plus when and how businesses should use them.*

Both debit notes and credit notes are official [accounting documents](#), both used by businesses but for different purposes. Separate from an [invoice](#), these notes let buyers know how much existing business credit they have or conversely, how much they still owe. They're also critical to shipment tracking, payments due or if any credit remains on the account.

Below, we'll be discussing debit n  
credit accounting.

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### What is a debit note?

A debit note, or a [debit memo](#), is a document issued by a seller to a buyer to notify them of current debt obligations. You'll commonly come across these notes in business-to-business transactions — for example, one business may supply another with goods or services before an official invoice is sent. The debit note 'makes note' of the transaction for documentation purposes.

Debit notes can be helpful tools to track any outstanding debt obligations you may have as a vendor, while also accounting for any sort of goods that buyers may have gotten on credit. While they may be less popular, as credit-based transactions are less frequent, many still use these to balance their accounts.

Debit notes are also used in business-to-customer transactions, such as when a customer returns goods to a business received on credit. In this case, the buyer issues the debit note to the seller.

## Is a debit note the same as an invoice?

While debit notes are similar to an invoice, they are not necessarily the same. Invoices can be used to show a sale or a transaction and may be sent preemptively to the purchaser for the transaction of any sort of goods or services. Debit notes or debit receipts cannot, and are generally used to show returns or an addendum that has already occurred. They are a form of documentation used for these specific purposes.

While an invoice cannot take the place of a debit note, a debit note can be used as an invoice if the provisions are clearly outlined. This can be a rare occurrence, however, and may only be used for specific circumstances that are beyond the realm of traditional business and accounting operations.

## What is a credit note?

*Credit vs. debit. Which is better?* To answer this question, we have to explore the differences between debit vs. credit accounting.

A credit note is a document issued when credit is being applied to their account. You might notice these are referred to as credit memos. As a seller, you may issue a credit note when there's a need to cancel all or part of an invoice for a variety of reasons, including:

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- Changes to an order after an invoice is issued
- Goods returned or services rejected
- Goods were damaged during shipping
- Pricing mistakes on the original invoice

No actual money is exchanged with a credit note; rather, it's used to offset a previous invoice that's already been paid.

The benefits of using a credit note in your accounting process include:

- Legal acknowledgment. Credit notes are generally considered legal documents and a form of record keeping, much like invoices are. With the provisions and documentation present in a credit note, you can properly track the accounting process for your financial records — accounting for any form of reversal, deletion or adjustment.
- They permit the use of credit. If your business or operation wants to offer stowaway or on-credit purchases, credit notes can be helpful tracking tools.

## Is a credit note the same as a refund?

Many wonder if a credit note is the same as a refund, essentially being used interchangeably in business.

Technically, since a credit note is given to the customer in place of a refund, it cannot be used in this way. The closest comparison for many professional business owners is a voucher — a special slip that enables later purchases on credit from a specific place of business. These can be used whether or not the business is a standalone, a sole proprietorship or a large-scale chain.

Some may consider a credit note to be “better” or more strategic than a refund. You can still boost brand presence and awareness as you trade goods, protecting your image and the customer service experience.

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