

CHAPTER: 4

Value of SUPPLY

Check-Point: 6

$$\text{GST LIABILITY} = \text{VALUE} \times \text{Rate of GST}$$

Determine u/s 15

15(i)

15(2)

15(3)

15(4)

15(5)

5%, 18%, 40%

Value determined

u/s 15(1) XXX

+ Inclusive Value

u/s 15(2) XXX

(-) Exclusive u/s 15(3) XXX

VALUE OF SUPPLY = XXX

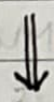
If value
Not determine
u/s 15(1).

Then Refer
15(4)

Value in
Specific
Cases.

⇒ **Section-15(1)** **The Value of Supply = Transaction Value**

Transaction Value : Price actually paid or payable for the said supply of goods
 (or) Services (or) Both.



Transaction Value deemed to be an **Assessable Value** if both Condition mention below are Satisfied :-

1. Buyer and Seller are not related Person
2. Price is the Sole Consideration for the Supply
 (100% Money form)

CRUX **VALUE of SUPPLY = TRANSACTION VALUE**

(if Two Conditions are Satisfied)

	<u>Condition ①</u>	<u>Condition ②</u>	<u>Section</u>
<u>Case - 1</u>	✓	✓	15(1)
- 2	✓	X	15(1) 15(4)
- 3	X	✓	15(1) 15(4)
- 4	X	X	15(1) 15(4)

Here, both are related person, here value determined u/s 15(4)

Illustration

1. Mr. Kohli residing in Noida, purchase 20000 Markers @ 20 Rs each from Ankita & Stationery wholesalers at Delhi. Mr. Kohli's sister is working as Manager in Ankita & Stationery. Open Market value of Marker is ₹ 23.

Solution :- Section 15(1) applicable Here

Mr. Kohli and Ankita & Stationery wholesalers are **Not Related Persons** as Kohli's sister and Ankita & Stationery are **Not to be Considered as Related Person**

Therefore, the Transaction Value is ₹ 20 x 20000 = ₹ 400000 taken as Value of Supply

2. Mr. Gullu sells goods to Mr. Chullu @ ₹ 50000 and Mr. Chullu pay Rs 50000 through A/c payee cheque and Mr. Gullu and Mr. Chullu are partners of ABC Co. [i.e. Partnership Firm]. FMV of such goods = Rs 52000. Compute value of supply?

Value of Supply = Section 15(1) Not Applicable Here

Since, Both are Related Persons, Here value determined u/s 15(4)

= OMV i.e. FMV is DEEMED to value of Supply

=> VOS = Rs. 52000/-

3. Mr. Y sells goods to Mr. V and Mr. P, Mr. V is a son of Mr. Y [who are settled in India and earn Salary] and Mr. P is a Brother of Mr. Y [who are dependent on Mr. V (i.e. son of Mr. Y)] and Mr. Y charge Rs. 40000 from Mr. V and ₹ 50000 from Mr. P.

Open Market value Both goods ₹ 80000 each.
Whether value determine u/s 15(1).

Solution :- Y to V = Related Person ✓
15(4) applicable, Value = 80000
~~15(1) Not apply~~

Y to P = Not a Related Person
15(1) Applicable, Value = 50000

Subsidy received from Govt = 100000
Subsidy received from Pvt. Trust = 200000
Above price is Not of Subsidy [Subsidy law]
List Price = 100000
+ Subsidy from Govt = 100000
+ Subsidy from Pvt. Trust = 200000
[Add Bank] 150000

Section 15(2) Value of supply shall include

(a) Any Taxes, Duties, Cess, Fees, Charges which are Not subsumed in GST.

[NOTE: 1]

(b) Any Amount that Supplier is liable to pay But incurred by the recipient

[NOTE: 2]

(c) Incidental / Ancillary Expenses related to Supply

[NOTE: 3]

(d) Interest / Late Fees / Penalty for Delayed Payment

[NOTE: 4]

(e) Subsidy Directly linked to the Price

EXCEPT: Subsidy Received by CGI / SGI

[NOTE: 5]

Example: ->

1. List Price = 1000000

Subsidy received from CGI = 100000

Subsidary received from Pvt. Trust = 200000

Above Price is Not of Subsidy [Subsidy less]

List Price = 1000000

+ Subsidy from Pvt. Trust = 200000 [Add Back]

1200000

2. List Price = 800000

Subsidy Received from CG = 100000

Subsidy received from Pvt. Trust = 200000 (No effect)

- Above price is without giving effect of following Subsidy

List Price = 800000

(-) Subsidy from CG = $\frac{100000}{700000}$

3. List Price = 1000000

Above price after giving effect of following item

- Subsidy received from CG 150000 X
- Subsidy received from Pvt. Trust 200000 +
- Subsidy from ABC Ltd 100000 +

Items Not Adjusted in Above Price -

- Subsidy received from SG 80000 -
- Subsidy from Mr. A 100000 X

List Price	1000000
+ Subsidy from Pvt Trust	200000
+ Subsidy from A	100000
- Subsidy from SG	80000
	1220000

→ Price Actually Paid or Payable = 1100000

Items Adjusted in above Price

Items Not Adjusted in Above Price

- x Cost of Packing 50000
- x Cost of Transport 40000
- x Subsidy from CG 100000
- + Subsidy from ABC Ltd 50000

- Municipal Tax 40000 +
- Selling Comm. 50000 +
- Interest on (-)
- Delayed Payment 30000 +
- Subsidy from SG 50000 -
- Subsidy from NCo 100000 x

	List Price	1100000
+	+ Subsidy ABC Ltd	50000
+	+ Municipal Tax	40000
+	+ Selling Commission	50000
+	+ Interest on Del. Pay.	30000
-	(-) Subsidy from SG	(50000)
		<u>1220000</u>

NOTE: (1) Taxes Not Subsumed under GST

- Import Duty
- Anti-Dumping Duty
- Safeguarded Duty
- Other Custom Duty
- Professional Tax
- Toll Tax

- Property Tax
- Municipal Tax
- Stamp Duty
- Electricity Duty
- Excise Duty on Tobacco etc.

Example - Price Actually Paid or Payable 800000

CGST SGST	Paid 150000	x
Municipal Tax	50000	+
Import Duty	100000	+

Value = 800000 + 50000 + 100000
 = 950000

NOTE: (2)

- Selling Commission
- Cost of Transportation
- Cost of Insurance

NOTE - (3)

- Packing Expenditure
- Re-packing Expenditure
- Labelling Expenses
- Inspection Charges
- Selling Commission
- Cost of Transport Insurance etc.

NOTE: (4)

- Interest
 - Penalty
 - Late Fee
- } For Delayed Payment

Example - Price Actually Paid = 50000
 Credit Month - 3 Month
 Interest on Delayed Payment 10% p.a
 Delayed Period - 2 Months

$$50000 \times 10\% \times \frac{2}{12} = 833.33$$

Value = 50000
 + 833.33

50833.33

NOTE : (5)

	<u>Adjusted in Price</u>	<u>Not-Adjusted in Price</u>
Subsidy from SG / CG	No Treatment	(-) LESS
Subsidy from Non-Govt.	(+) ADD	No Treatment

Section: 15(3)

Value of supply shall Not include any Discount which is given -

- ⇒ (a) Before or at the time of supply if such discount recorded in the invoice.
- ⇒ (b) After the supply has been effected if -
 - ① Such discount is established in terms of an agreement entered into at (or) before the time of such supply.
 - ② Specifically linked to relevant invoice
 - ③ Input Tax Credit attributable to the discount has been Reversed by the recipient of Supply.

NOTE

SOME IMPORTANT CLARIFICATION

1. TCS would not be includible as it is a Interim Levy, Not having the Nature of Tax,
Therefore TCS is Not Includible in the taxable value for the purpose of GST.

2. Staggered Discount [Buy More, Save More]

In case of a Staggered Discount, The Rate of Discount increases with Increase in the purchase value.

It shall Not be Included in Taxable Value. Such Discount are shown on the Invoice itself.

3. Periodic | Year Ending | Volume | Turnover Discount

Such Discount Rate excluded to determine the value of supply to condition mentioned under Post-Supply Discount.

4. Secondary Discount

Such Discount shall Not be excluded while determining the value of supply As such Discount are Not known at the

time of Supply and Conditions of 15(3) is Not Satisfied.

5. NO Claim Bonus (Discount)

NCB Shall Not be included in the Taxable value for the Computation of GST.

Example

List Price 1000000
Discount 10% Mentioned in invoice
Value $\rightarrow 1000000 - 10\%$
900000 for GST

Post Supply Discount

Purchase 1000 piece @ 500 each GST Rate 5%
Condition = 10% Discount on Complete value if sale more than or equal to 10000 pieces

Assesee sold total = 10000 pieces
Compute / Determine / explain the Treatment.

Solution: Initially Invoice

$10 \times 1000 \times 500 = 5000000$
Times Piece = Rate

GST Paid @ 5% 250000
" " " " " " 5250000

ITC Claimed by Recipient = 250000

After Discount

Invoice should be

$$10 \times 1000 (500 - 10\%) = 4500000$$

GST @ 5% 225000

4725000

As per Sec 15 (3) post Supply Discount i.e (10%) has been deducted from Value

If following Condition are Satisfied

(a) established on or before the Time of Supply

(b) Linked with Relevant invoice

(c) ITC has been Reversed by the Recipient

$$(500000 \times 5\%) = 25000$$

ITC has to Reverse

⇒ If all Conditions are satisfied, the value for GST 4500000

⇒ If any one Condition Break,
The value = 500000

For Value and GST Reduction, Supplier will issue only "GST Credit Note"

⇒ **RULE - 27**

Value of Goods or Services where Consideration is Not Wholly in Money

APPLICABILITY

- Partly Money, Partly Non-Money
- Wholly Non-Money
- No Consideration

Value of Supply Shall be →

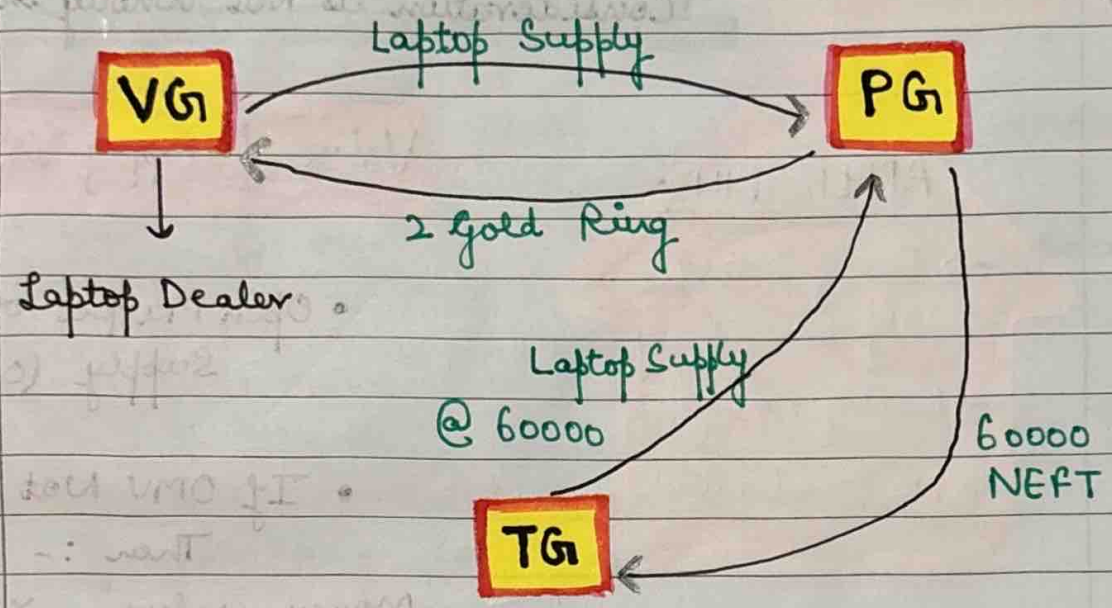
- Open Market of Such Supply (OMV)
- If OMV Not Available
Then :-

Money value xxx (if Any)
 (+) Money value in kind xxx

Consideration = xxx

- If Value Not Determined under point ① or ②, Then Value of Supply of like, kind or Quality.
- If Value Not Determined under Point ①, ②, ③, Then - Refer Rule 30 or 31 in that Order.

⇒ EXAMPLE

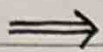


Market Value of 2 gold Ring = 65000/-

= Value of Supply in Hands of VG = 60000 (Since OMU is Available)

What will be your Answer if OMU of Laptop is Not Available

Value = 65000 (i.e. Money value of In kind Consideration)



RULE-28

Value of supply of Goods (or) Services between Related Person (or) Distinct Person

APPLICABILITY

Supply B/w Related Person | Distinct Person

Value of Supply Shall be →

I

OR

II

1. OMV / FMV

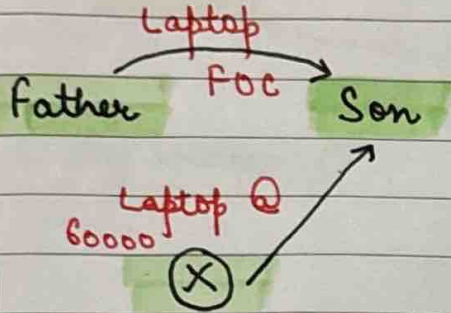
2. If OMV Not Available, then value of Similar supply, Same kind, Like & Quality.

3. If value Not Determined under Point ①, ② Then Refer Rule 30 (or) 31 in that Order

90% of Price Change by Recipient for Further Supply

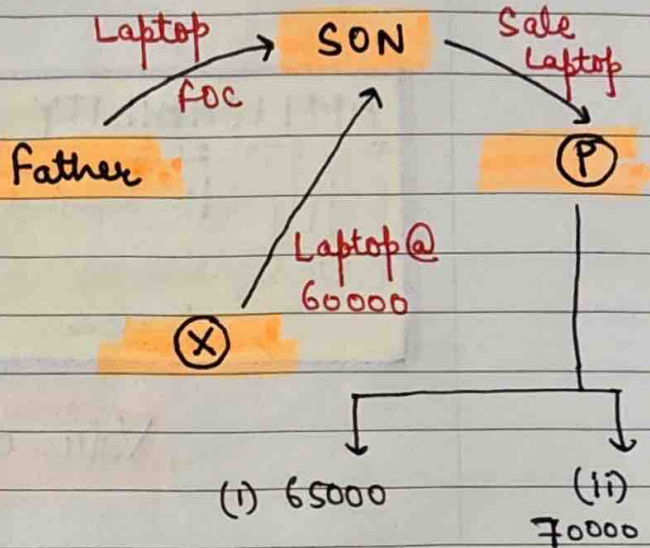
LESS

CASE-1



OMV = 60000
VOS = 60000

CASE-2



(i) Only 60000 (or) 90% of 65000 (i.e. 58500)

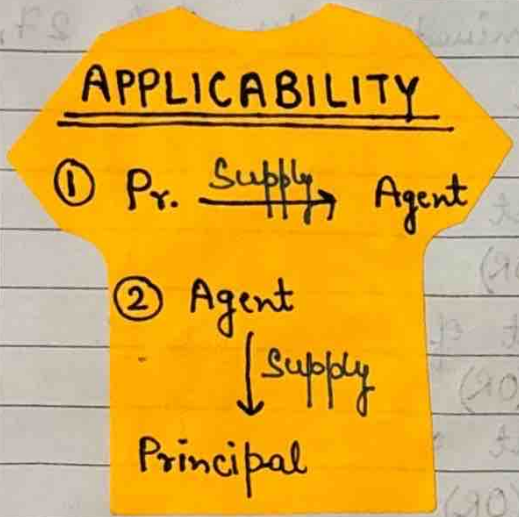
Less: 58500

(ii) Only 60000 (or) 90% of 70000 (i.e. 63000)

Less: 60000

RULE-29

Value of Supply of Goods Made $\text{\textcircled{or}}$ Received through an Agent

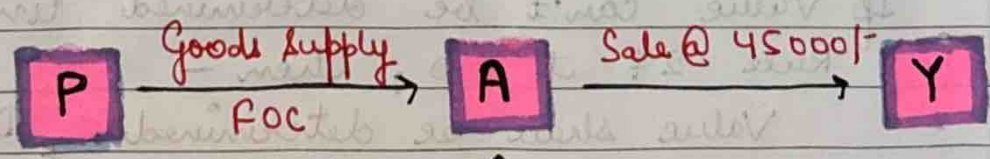


Value of Supply Shall be:-

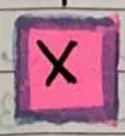
(i) OMV $\text{\textcircled{or}}$ 90% of Price charged by the Recipient -
Whichever is LESS

(ii) If Value Not Determined in above Point, Then -
Refer Rule $\text{\textcircled{30}}$ $\text{\textcircled{or}}$ $\text{\textcircled{31}}$ in that Order.

Example:-



X \uparrow Same goods sold @ 40000/-



40000 $\text{\textcircled{or}}$ 90% of PC (whichever is less)
(40500)

40000

VOS = 40000

⇒

RULE-30

Value of supply of goods
(OR) Services on Cost Basis

If value Not Determined under Rule 27, 28, 29,
Then, Value should be -

110%

- Cost of Production
(OR)
- Cost of Manufacturing
(OR)
- Cost of Acquisition
(OR)
- Cost of Provision of Service

⇒

RULE-31

Best - Judgement Assessment

If Value can't be determined under
Rule 27 to 30, Then -

Value shall be determined by Department,
using Reasonable Means.

NOTE -

Service Provider may ignore the
Rule 30, while determining
the value.

They can go directly to Rule - 31, [After
27, 28, 29]

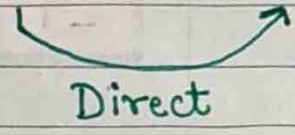
CRUX →

SOG

27 → 28 → 29 → 30 → 31

SOS

27 → 28 → 29 → 30 → 31



RULE-35

How to Determine value if value given is Inclusive of GST

Value = $\frac{\text{Total Value (inclusive GST)}}{100 + \text{GST Rate}} \times 100$

Example :- Value = 1180000 (inclusive GST)

$\frac{1180000 \times 100}{118} = 1000000$

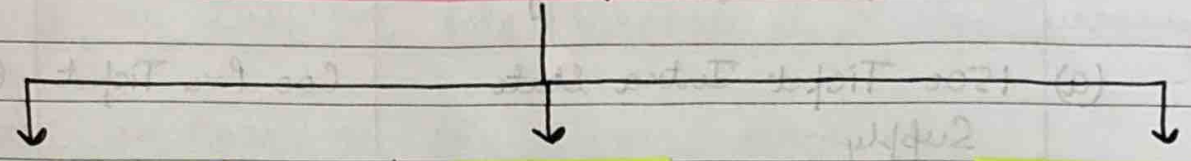
Therefore, Value → 1000000

⇒ **CRUX of Rule 27 to 31**

	27	28	29	30	31
<u>Applicability</u>	Not wholly in Money	RP DP	Prin. → Agent Ag. → Prin.	Cost Basis	Best Judgement
<u>Value of Supply</u>	(a) OMV ↓ (b) MV ⊕ In kind Money Value ↓ (c) Similar Supply ↓ (d) Rule 30 31	(a) OMV ↓ (b) Similar Supply ↓ (c) Rule 30 31 OR 90% Price charged by Recipient LESS	(a) OMV OR 90% Price charged by Recipient LESS (b) Rule 30 31	110% of Cost	Department will compute value - As per Rule 27 to 30

⇒

Value of supply in case of Lottery | Betting | Gambling | Horse Race | Online Service | Casino Activities



Rule: 31A

Rule: 31B

Rule: 31C

Applicability

Lottery, Betting, Gambling | Horse-Racing

Online Money Gambling

Casino - Activities

Value of Supply

Lottery
 $\frac{100}{140} \times \left\{ \begin{array}{l} \text{FV or price} \\ \text{Notified} \end{array} \right\}$

Total Value / Amt Deposited by Player

Total Amount paid for chips | Tokens

Which ever is **HIGHER**

Horse-Race | Betting | Gambling

100% of face value

Example

	Supply of Lottery	Face Value	Price Notified
(a)	1500 Ticket Intra state Supply	600 Per Ticket	660 P.T
(b)	1000 Ticket Inter state Supply	500 Per Ticket	420 P.T

Calculate Value and GST ?

(a) $\text{VOS} = \frac{1500 \times 660}{140} \times 100 = 707143$

$\text{GST} = \frac{1500 \times 660}{140} \times 140 = \frac{282857}{2}$

CGST = 141428
SGST = 141429

(b) $\text{VOS} = \frac{1000 \times 500}{140} \times 100 = 357143$

$\text{GST} = \frac{1000 \times 500}{140} \times 40 = \frac{142857}{1}$
"1GST"

⇒ **Rule : 39** **Value of Supply in following Cases**

- (a) VOS in Case of Sale / purchase of Foreign Currency
- (b) VOS in Case of Air Travel Agent
- (c) VOS in Case of life Insurance Premium
- (d) VOS in Case of Buying and selling of 2nd Hand goods
- (e) VOS in Case of Coupon / Voucher

VOS in Case of Coupon / Vouchers

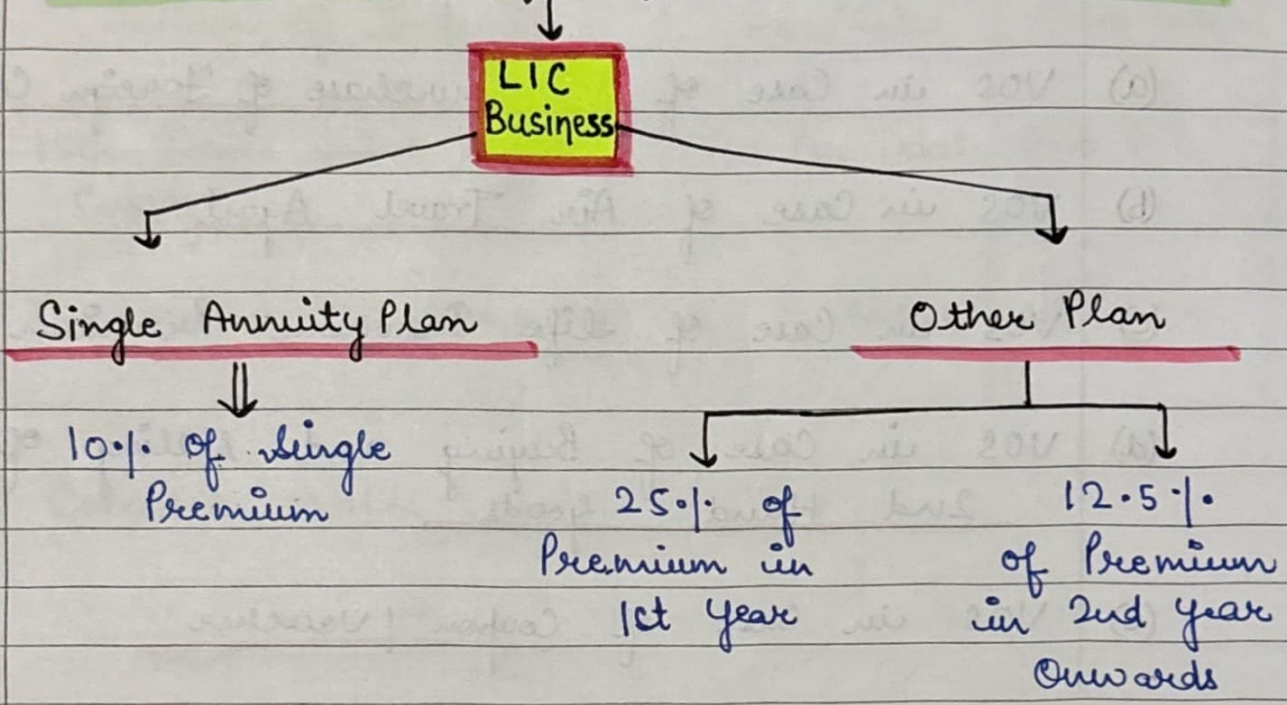
$$\text{VOS} = \text{Money value of supplies} \mid \text{Redeemable against such Voucher} \mid \text{Coupon}$$

VOS in Case of Buying and Selling of 2nd Hand goods -

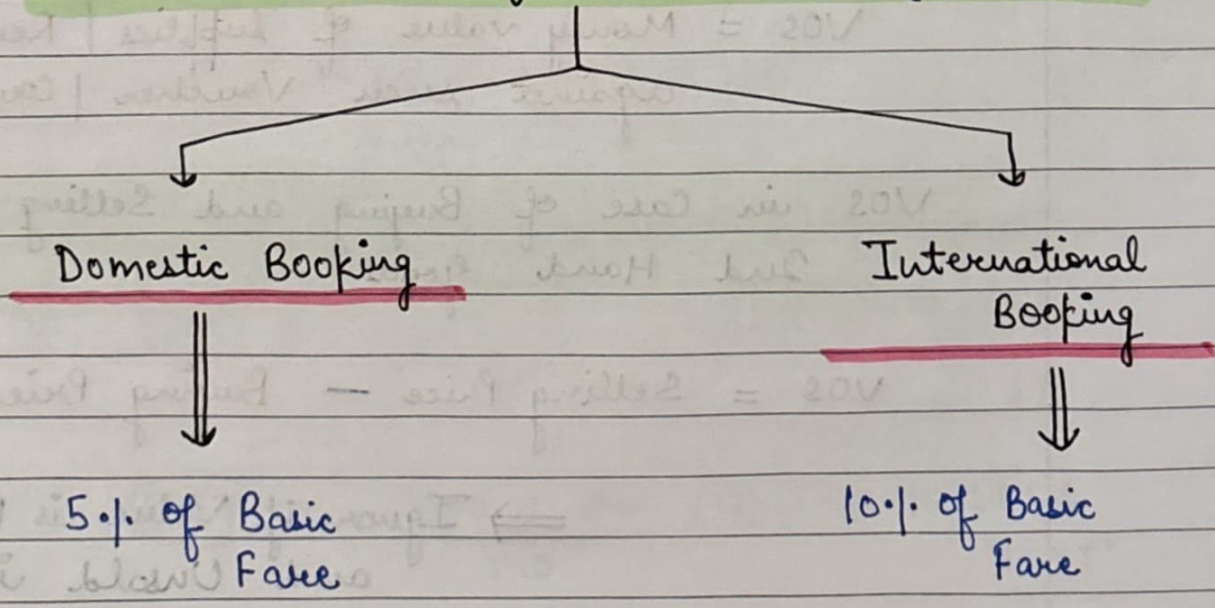
$$\text{VOS} = \text{Selling Price} - \text{Buying Price}$$

⇒ Ignore if Value is Negative and Unsold items

VOS in Case of Life Insurance Business



VOS in Case of Air Travel Agent



VOS in Case of Sale / Purchase of Money Change / Foreign Currency

Method - A
32 (a)

Method - B
32 (b)

One Currency is an INR
₹ - \$ / ₹ - €

None of Currency is an INR
\$ = €

upto 1 L = 1.00 (or) 250
Higher

> 1 L - 10 L = 1000 (+)
0.5 in excess of ₹ 1 L

LOWER OF > 10 L = 5500 (+)

- ① INR value of 1 Foreign Currency
- OR
- ② INR value of other Foreign Currency

0.1% in excess of ₹ 10 L

BUT, Subject to 60000

Which ever is **Less**

RBI Reference Rate Available

NOT Available

(BR - RR) x Units (or)
(SR - RR) x Units

1.0% of INR Received / Provided.

→ **Rule: 33**

VOS in Case of Pure Agent

→ If any person are just **Paying on Behalf of Client** and **Client must** - **authorise** you.

→ Person **Must show it separately in Invoice**
like Consultancy fees 1000
Tax paid on behalf of client 10000

→ **Person are Doing Two Things**

- 1. His Own Service i.e Consultancy GST ✓
- 2. Paying on behalf of Client GST ✗

Amount Paying on behalf of Client **shall Not** included in Value of Supply

→ **Some important Circular | Clarification | Case Law**

1. **Is free Sample gift covered under Supply?**

NO, Not a supply since No Consideration.

Exception :- **Schedule I**

(if covered under SCH-I, Then it is a Supply)

2. ITC on free Sample / Gift ?

NO, ITC Not allowed as per Section 17(5)
ITC is Blocked on Free Sample (or) Gift

If ITC Aailed then, It will become Supply
u/s 7(1)(c), Schedule I Para 1, 2, 3 - - -

3. Buy One, Get One - What is Treatment ?

Actually, it is Not a Free Supply
It Covered 2 goods for 1 Single Price

Tax Treatment -> Composition / Mixed Supply

ITC Allowed -> Yes, ITC Allowed

4. If Discount given after Supply for a Brand
promotion, Marketing Advertisement to Dealer
What is the Treatment ?

(Discount Not as per Agreement)

Such Discount Not Covered under Section 15(3)
Hence, it shall Not be Deducted from value
of Supply.

It Means GST would be Applicable on Full Value
(inclusive Discount). Such Discount is to be
deemed as Consideration of Advertisement, Hence
GST Applicable.

5. Interest | Penalty for Delayed Payment =
Includible in VOS

Interest Penalty on Loan | Advance = Exempt
from GST.

→ Processing Fee | Foreclosure Charge |
Documentation Charges are liable to pay
GST.

→ Buyer Delay in EMI Payment to Seller
and Seller Charge interest on Delay
Payment Includible in Value and
Charge GST.

→ Borrower Delay in the EMI Payment and
Bank Charges on Interest on Delay
Payment of loan exempt from GST.

6. Whether Property Tax | Municipal Tax includible
in the Value of Supply?

Yes, includable in VOS as per 15(2)

Deduction Not Allowed, All Taxes other than
GST included in Value. It Means GST
Charge on Full Rental Value inclusive
Municipal Tax.

→

What About Security Deposit?

- Refundable Deposit Not Consideration
No GST
- If Deposit Adjusted / Forfeited
Then, Deemed Consideration
GST ✓

→

What about Notional Interest on Deposit?

Taxable only if it affects Rent.

If Not affected rent, then Not Taxable

- High Deposit (> FMV) → Low Rent
- Low Deposit (< FMV) → High Rent

If this Relation exist, then Notional Interest indirectly part of Rent and Taxable under GST.