

Value of Supply



IS(1) → TV = VOS → Related Parties X
 ₹ → sole considⁿ

IS(2) → Inclusions → 1] Taxes (GST)

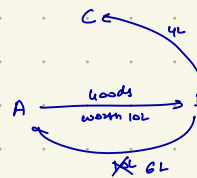
2] TCS X

3] Payt made by Rec. on behalf of supplier.

4] Int/Late fee/Penalty.

5] Any charges recovered from recipient.

6] Subsidy



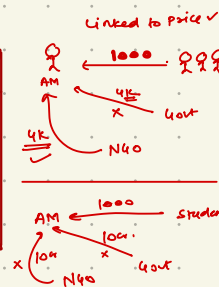
CA students

IF GST rate is mentioned in the Q then always assume that int/fees/penalties → inclusive of GST ✓.

CMA/CS students

No assumption consider value directly.

	Given by	
	Govt	Non-Govt
Linked to price.	X	✓
NOT linked to price.	X	X



IS(3) → Exclusions → Discount → 1] Given at the time of contract + Mentioned in the invoice.

2] Mentioned in the contract + Discount linked to invoice + Condition to be fulfilled. + Proportionate ITC to be reversed.

3] Discount given after supply is undertaken
 ↓
 X DONOT Exclude X



Important points for exam

IF in the Qs it is mentioned that subsidy received is:

- ↳ Already considered
- ↳ Taken into consideration
- ↳ Is given effect to

↓
 It is reduced already from VOS

#1 Subsidy of ₹10,000 received from Govt & value of ₹10 is derived after taking into considⁿ of ₹10,000.

VOS = 1,00,000.

#2 Subsidy of ₹10,000 received from N40 & value of ₹10 is derived after taking into considⁿ of ₹10,000.

VOS = 1,00,000 + 10,000 = 1,10,000

#3 Subsidy of ₹15,000 received from N40 & value of ₹22 is derived not considering the above subsidy.

VOS = 2,10,000.

#4 Subsidy of ₹15,000 received from Govt & value of ₹22 is derived not considering the above subsidy.

VOS = 2,00,000 - 15,000 = 1,85,000.

#5 Mr AM received ₹10,000 from Govt & ₹10,000 from N40. He supplied services & received ₹50,000 & such amt is derived by not considering the above subsidies.

VOS = 40,000 [50K - 10K]

#6 Mr AM received ₹10,000 from Govt & ₹15,000 from N40. He supplied services & received ₹50,000 & such amt is derived after considering the above subsidies.

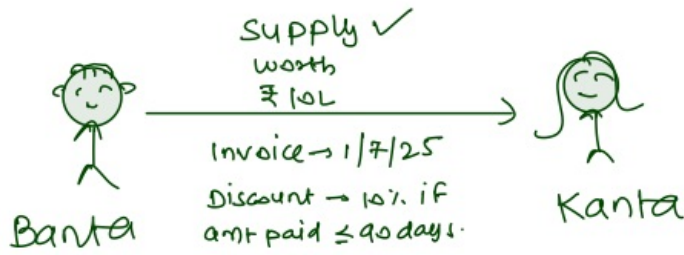
VOS = 50,000 + 15,000 = 65,000

Post Sale Discounts / Secondary Discounts

Issue 1

When a supplier gives a post-sale/secondary discount by issuing a financial or commercial credit note (not a GST credit note):

- The supplier cannot reduce GST liability, because the original taxable value remains unchanged.
- Since the GST charged on the original invoice does not change, the recipient is entitled to full Input Tax Credit (ITC).
- Therefore, the recipient is NOT required to reverse any ITC. even though he pays a reduced amount to the supplier after discount.



Credit Note under GST

- Banta to pay GST on full ₹10L i.e. ₹1L (10%)
- If payment is made ≤ 90 days, Kanta is eligible for discount. Kanta pays on 50th day.
- Kanta pays ₹9L & GST of ₹90K (10%)
- Banta has paid ₹1L & thus he will issue a credit note ✓
- In future tax payments, he will reduce tax liability proportionately.
- Kanta to Reverse ITC of ₹10K

Financial Credit Note.

- Condition for giving a discount is not agreed in the contract.
- This is not a GST credit note
- Qs → can Banta take a deduction of such credit note from taxes? **NO**.
- Is recipient reqd to reverse ITC? **NO**
Because full GST was charged & paid by the recipient i.e. Kanta.

Issue 2

- A post-sale discount given by a manufacturer to a dealer is normally just a price reduction, not a payment for any service or supply by the dealer.
- Where the manufacturer and dealer transact independently on a principal-to-principal basis, the dealer buys goods, becomes their owner, and then sells them to the end customer.
- In such cases, the discount is not consideration for any supply by the dealer to the manufacturer and does not form part of taxable value.
- However, if the manufacturer has a separate agreement with the end customer to sell goods at a reduced price and uses the dealer merely as a channel, the discount given to the dealer acts as an inducement for the dealer's supply to the end customer.
- In that situation, the discount forms part of the consideration for the dealer's supply to the end customer and is taxable.

Issue #2 Discounts given by Mnfg to dealers.

Case I

- Mnfg $\xrightarrow{\text{₹9L}}$ Dealer $\xrightarrow{\text{₹10L}}$ customer.
- Both transactions are treated separately ✓
- Dealer & Mnfg relation is P2P → here, Dealer can sell these goods at any cost or it is possible that dealer does not sell the goods at all.
- Will it be considered as Mnfg has given any incentive to the Dealer in the form of Discount?
No since it is P2P supply.
- ∴ Reduce discount from value of supply.

Summary

- 1] Mnfg supplied independently to Dealer 9L
↳ No GST on discount
- 2] IF there is an Agt of Mnfg & End cust
↳ Discount given by Mnfg is like a compensation for selling @ reduced price.
↳ GSTV on discount. 10L

Case II

- Mnfg $\xrightarrow[\text{Goods @ ₹9L}]{\text{Agreement}}$ End customer
Apple.
- Mnfg $\xrightarrow[\text{₹1L}]{\text{Pays}}$ Dealer $\xrightarrow{\text{₹9L}}$ End cust
↓
Compensating for the discount
↓
in the form of discount
↓
Will GST be applicable on this discount?
Yes
∴ It will form part of the consideration ✓

Issue 3

Dealers may use post-sale discounts to carry out general promotional efforts to increase sales.

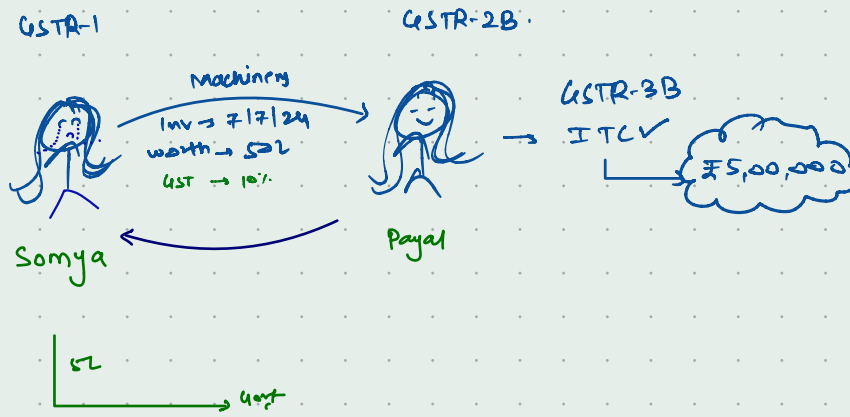
Such activities benefit the dealer's own sales of goods that the dealer already owns.

The discount is only a price reduction, not a payment for any service provided by the dealer to the manufacturer.

Therefore, such post-sale discounts are not consideration for services and do not attract GST.

GST applies only if the dealer is contractually required to perform specific promotional or marketing services for the manufacturer for a separately identifiable consideration.

- 1) TOS
- 2) Return
- 3) ITC
- 4) VOS
- 5) Tax Inv/Dt/cr Note.



Payal actually made a part on 62nd day
 ↓
 Payal deserves a discount of 10% → she will pay 52L - 10% discount = 45L.

But she has already claimed the ITC of ₹5,00,000 i.e. extra 50,000

she deserves to take the ITC of ₹4,50,000

VOS = 45L
 ↓
 But how much amt paid?
 value ₹45L
 + GST ₹4.5L
₹49.5L

Actions to take:

- 1] Payal → Reverse ITC of 50,000
 - 2] Somya → Issue a credit Note.
- Payal needs to Reverse the extra ITC of ₹50,000.

Story of Discounts given on condition