

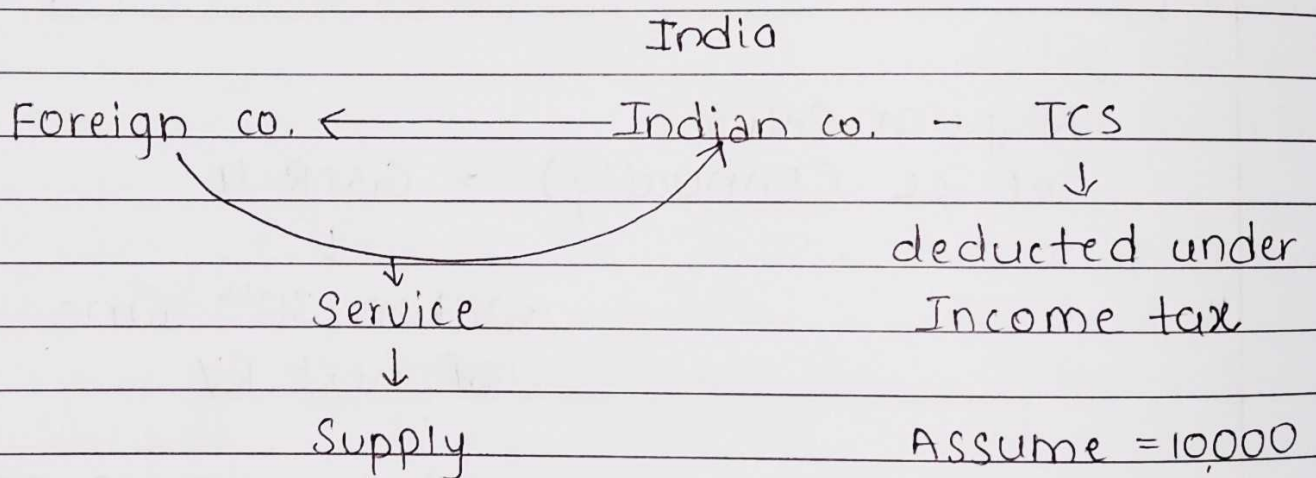
CHAPTER 5 : VALUE OF SUPPLY

15(1) : value = Transaction value [i.e. Invoice Price]

15(2) : Addition in Transaction value
clause (a) / (b) / (c) / (d) / (e)

15(3) : Deduction of discount from transaction value.

15(2)(a) : Payment of TCS \rightarrow Income Tax

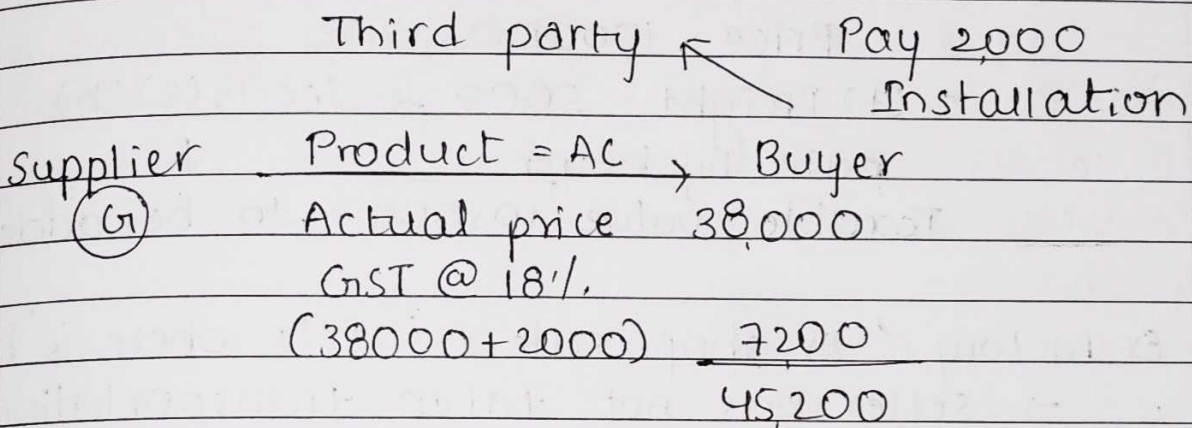


Value = 1,00,000

TCS \rightarrow not included in value
of supply as it is
interim levy

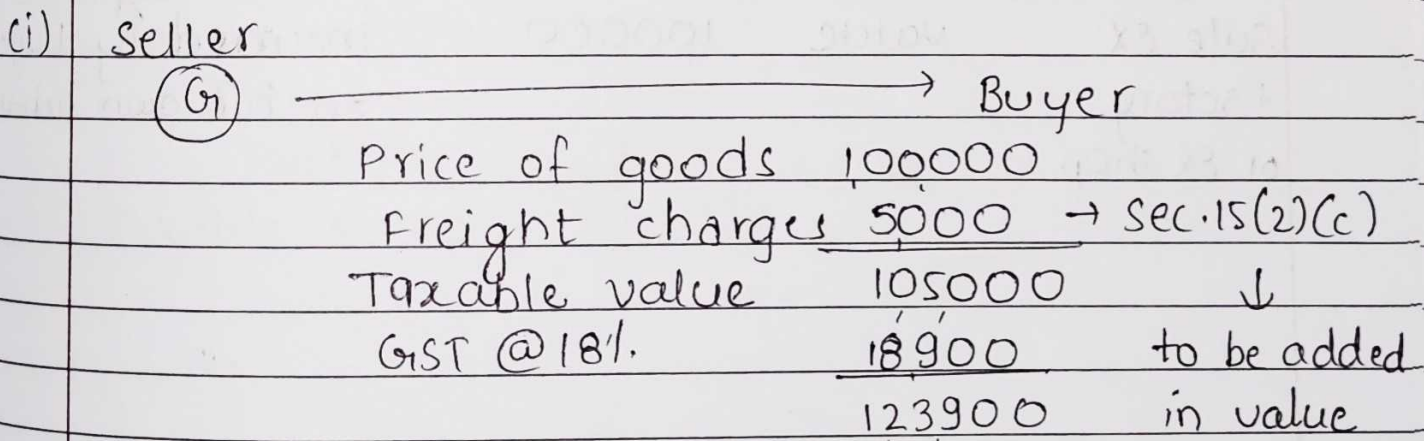
15(2)(b) Third party payment by recipient

1) Installation of AC = liability of supplier =
Normal price of AC = 40,000

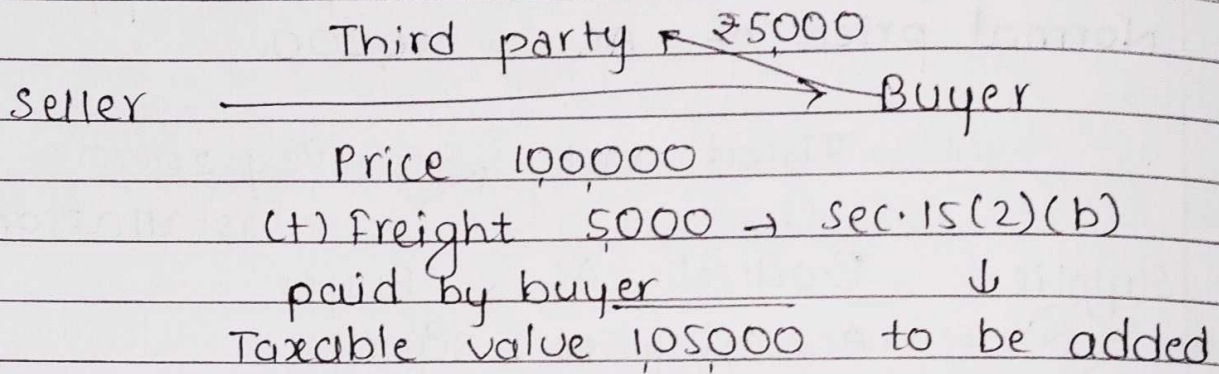


value of supply includes installation charges paid by buyer on behalf of seller
Taxable value = 40,000

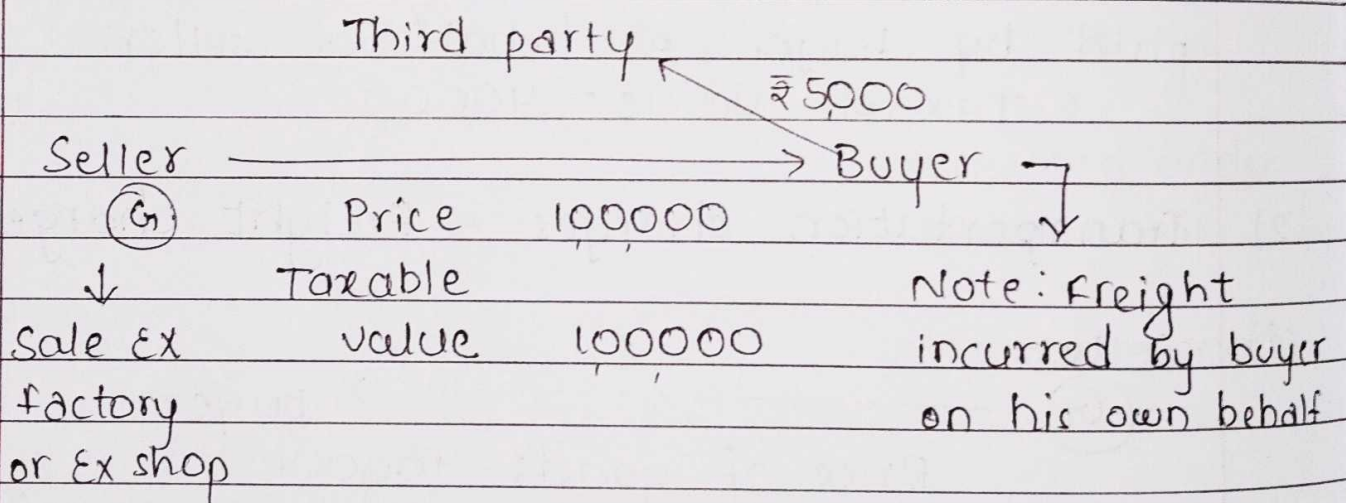
2) Transportation charges = Freight charges



(ii) Liability of transportation is of seller
= Free on Road (FOR)



(iii) Ex factory / Ex shop sale = 'as is where is' basis
→ seller has not taken transportation liability



Sec. 15(2)(c) : Incidental Expenses

↓
Incidental expenses,
including commission
& packing charged by
supplier to recipient

↓

↓
Any amount charged
for anything done
by the supplier in
respect of SOG/SOS
at the time or
before delivery of
goods or supply
of services

Incidental expenses charged extra at the
time of delivery

Seller — Delivery = Removal → Buyer
Tax Invoice

Price	100000
Insurance	5000
Packing	2000
Taxable value	107000

Incidental expenses charged extra in relation to supply after delivery

Seller	April ↓		May	Recipient
	Tax Invoice	→	Extended warranty	
Price	100000		↓	
(Default) warranty	5000		Debit Note = Supplementary Invoice	
(Taxable Value)	105000		warranty charges 5000	
→ It is charged at the time of supply & included in value of u/s 15(2)(c)			GST @ original supply	

Note: Refer CBIC circular at the end specially for extended warranty

15(2)(d) Interest, late fee or penalty for delay payment of consideration of SOG / SOS.

→ Added in value of supply

Seller	April, May, June	Recipient
	↓	
	Tax Invoice	←
Price	100,000	Payment after 2 months
GST @ 18%	18,000	on 25 th June

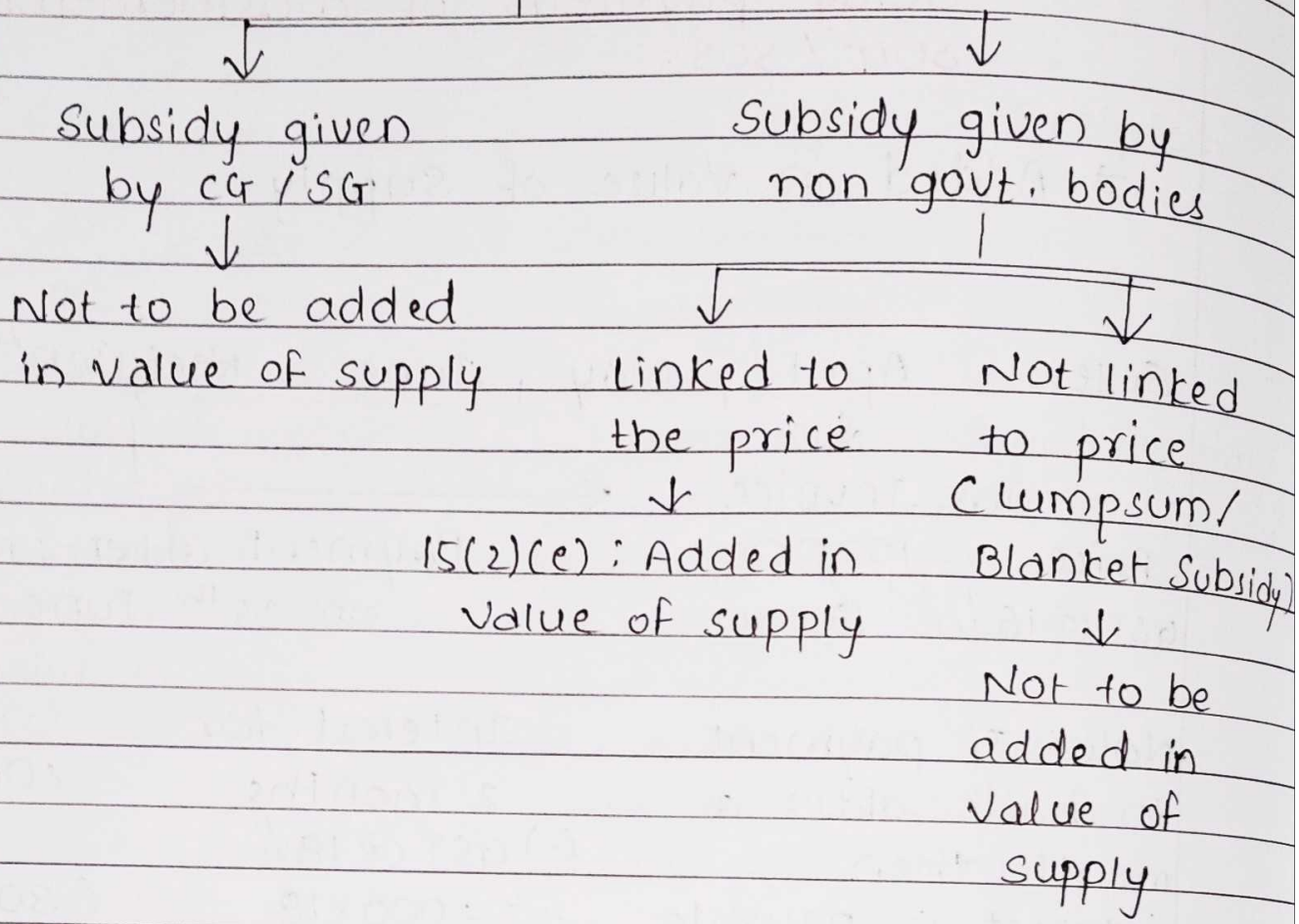
Note: If payment is made after a month then interest is payable @ 1% p.m.

Interest for	2000
(-) GST @ 18%	
$\frac{2000 \times 18}{118}$	(305)
Taxable value	1695

→ Note:

- 1) On interest, late fee or penalty, GST is payable in a month when it is actually received.
- 2) Normal assumption is that interest, late fee or penalty is inclusive of GST.

Sec. 15(2)(e) : Subsidy



Analysis → Example

Net list Price	1,00,000
Subsidy	10,000
Total list price	1,10,000

Particulars	List price net of subsidy or with considering subsidy	List price gross amount or without considering subsidy
List Price	1,00,000	1,10,000
Govt. subsidy [No Adjustment]	[Already deducted]	less: 10,000
Non-Govt subsidy linked to price	Add: 10,000	[No Adjustment] [Already included]

Sec. 15(3)Cb): Post Supply Discount

Deduction from value of supply = Allowed

↓
Subject to following conditions

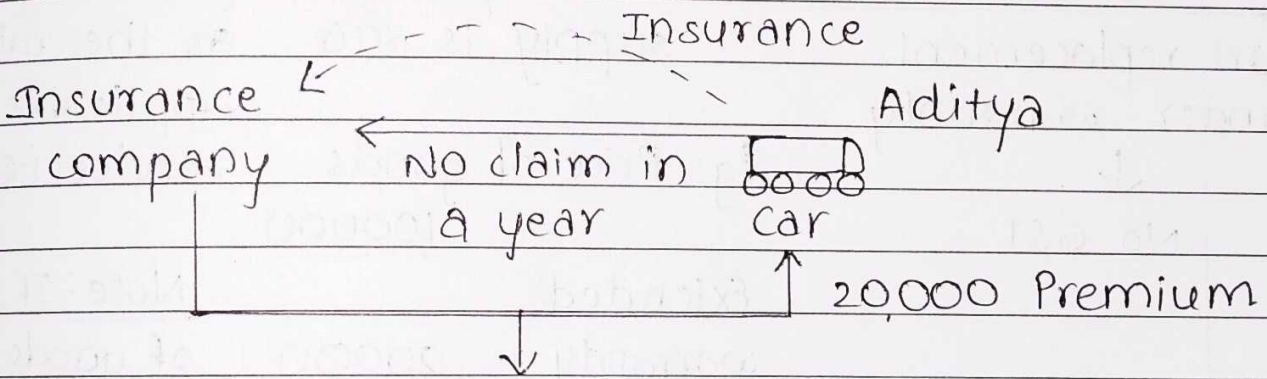
↓
Discount is in the term of an agreement that existed at the time of supply

↓
Can be worked out invoice wise

↓
Proportionate ITC is reversed by recipient

IMP CBIC Circulars.

No claim bonus by an insurance company



↓
Renewal of insurance

for next year	20,000
(-) No claim bonus	(2,000)
Net Premium	<u>18,000</u>

** It is treated as discount given. Hence, deductible from value of supply
GST @ 18%. (18,000 x 18%) 3,240

GST implication of warranty

Basic warranty

Its cost is already included in the price of original goods hence no GST is payable separately

SOG + Basic warranty

(S) ————— (R)

Price	100,000
GST	18,000

Part replacement under warranty

↓
No GST

Extended warranty

customer opt for extended warranty at the time of supply

- 1) It is treated as a part of composite supply
- 2) Principle supply is SOG

Eg: Price of goods 100,000

Extended warranty	20,000
Total	120,000

GST rate for goods 12%
 GST rate for warranty 18%
 GST = 120,000 × 12%
 = 14,400

customer opt for extended warranty after supply

Then extended warranty is treated as separate supply of services (SOS) & GST is payable as the rate applicable for service i.e. 18%

Note: If supplier of goods (assume manufacturer) & supplier of extended warranty (dealer) are different → then GST is payable on extended warranty as SOS

Section 15 : Value of Supply

15(1): Transaction value

value of supply =
Transaction value i.e.
price actually paid or
payable for supply

conditions:

- 1) Price is sole consideration for supply
- 2) seller & Buyer are not related person.

15(2): Addition in Transaction Value

15(3): Deduction of discount in Transaction Value

(a) Pre-discount Supply

Any discount given before or at the time of supply & shown in the Invoice.

(b) Post supply Discount

If any discount is given after supply is deductible from value of supply if all following conditions are satisfied:

- It is given as per terms agreement existed at the time of supply
- can be work out invoice wise
- Proportionate ITC is reversed by recipient

(ca) All taxes other than GST

- Any taxes, duties, cesses, fees levied under GST
- If charged separately

Analysis:

- 1) If VOS is incl. of GST

$$\text{Taxable Value} = \frac{\text{Total Value} \times 100}{100 + \text{GST Rate}}$$

eg. Total value 1L (incl. of 18% GST)

$$\text{Taxable Value} = \frac{1L}{118} \times 100 = 84746$$

2) Clarification of TCS:

- (i) TCS is an interim levy & merely a method of tax collection
- (ii) For determination of VOS, TCS is not included

(cb) Third party payment

- 1) Any amt. paid by recipient in relation to supply
- 2) Supplier is liable to pay such amount
- 3) Such amt is not included in price actually paid or payable

(cc) Incidental Expense

- Any incidental exp. including packing or commission charged by the supplier to recipient &
- Any amt. charged for anything done by the supplier in respect of supply at the time or before delivery of goods or services.

(cd) Interest/late fee or Penalty

Interest, late fee or penalty for delay payment of consideration for SOG/SOS

Analysis:

- 1) TOS = GST is payable in a month when such payment is received
- 2) Value = Normally it is treated inclusive of GST
- 3) Rate = GST rate of original supply
- 4) If interest waived off = It shall not be added on notional basis.

(ce) Subsidy

Subsidy linked to the price other than subsidiary provided by CG/SG