



Value of Supply

Supplier: Person providing goods/services/both & includes agent acting on behalf of such supplier. **Also, a person who organizes/arranges supply of specified actionable claims incl. a person who owns/operates/manages digital/electronic platform for such supply—is deemed a supplier. This applies regardless of whether actionable claims are supplied directly by/through him, & whether consideration in money/money's worth (including VDA) is paid to him, through him, or at his disposal. All GST provisions apply to such supplier as if he is liable for tax on supply of these actionable claims.**

Overview:

Category	Valuation Provision
A. Supplies made solely for monetary consideration to unrelated persons	Governed by Sec. 15(1) with Sec. 15(2) & 15(3)
B. Supplies involving: - Solely non-monetary consideration, - Part monetary and part non-monetary consideration, - Additional consideration, - Transactions with related persons	Governed by Sec. 15(4) read with relevant valuation rules [Rule 27 to 31]
C. Supplies of specified categories of goods or services	Governed by Sec. 15(5) read with relevant val. rules [Rule 31A to 35]

A. Supplies to Unrelated Persons where Price is Sole Consideration: In such case VOS is:

- a) Transaction value [Sec. 15(1)] i.e. price actually paid/payable for supply of goods/services/both
- b) Inclusions in value [Sec. 15(2)]
 1. Taxes, duties, cess, fees and charges under other laws (Excluding GST & GST Compensation Cess): **Included** in VOS if charged separately [E.g.: municipal tax]. However, **TCS** under Income Tax is **excluded** as it's an interim levy & only a modality for collection of tax.
 2. Payments to 3rd Parties: Included if made by recipient on behalf of supplier where supplier is contractually liable for such payments. E.g.: G contracts with A to organize a dealers' meet and engages vendors for flowers, catering, etc. Although G is contractually liable for payments, if A directly pays the flower supplier, such payment must still be included in VOS.

 Note: For supplies made by a component manufacturer (CoM) using Original Equipment Manufacturer (OEM)-owned moulds/dies sent FOC, their value isn't included in VOS, since cost was not to be incurred by CoM. However, if CoM is contractually responsible for moulds/dies & then also OEM provides them FOC, their amortized cost must be included in VOS.
 3. Incidental Expenses: Charges like commission, packing, inspection/certification, testing, installation, weighment, loading, designing incurred at or before supply are included. Outward freight and transit insurance **form part of VOS in a composite supply** where supplier delivers goods to buyer's premises but are **excluded if supply is on an ex-factory basis**.
 4. Interest, Late Fee, or Penalty: Any charges for delayed payment are added to VOS & taxed at the same rate as the primary supply. TOS for such charges is date of receipt by supplier. These are considered as inclusive of GST, so their VOS is determined by formula [Int.*100/(100+Rate)]
 5. Subsidies Linked to Price: Included in VOS (**except CG/ SG** subsidies). E.g.: Non-government subsidies on notebooks. **Blanket** subsidy/donation received are **not** includible in VOS.
 6. Discounts Deducted from Value
 - Pre/ On-Supply Discounts: Deductible if shown on tax invoice (e.g.: trade discount)
 - Post-Supply Discounts: Deductible if:
 - agreed upon at the time of supply;

- o can be worked out invoice-wise; and
- o proportionate ITC is reversed by recipient (e.g., cash or volume discounts). [Sec.15(3)]

Allowability of certain specific types of discounts offered by Suppliers:

- Staggered Discounts ("Buy More, Save More"): Such discounts increase with purchase volume (e.g., 10% for ₹5,000+, 20% for ₹10,000+). These are shown on invoice at the time of supply. So, **deductible** from VOS.
- Periodic/Year-Ending/Volume Discounts: Discounts offered for achieving specific purchase targets (e.g., 1% for 10,000 units in a year). These are established through pre-supply agreements & passed via credit notes with GST adjustment. So, **deductible** from VOS provided Sec. 15(3) conditions satisfied.
- Secondary Discounts: These are unknown at time of supply i.e. discounts offered post-supply, without prior agreement (e.g., price reduction from ₹10 to ₹9 p.u. after supply). Passed via commercial credit notes (no GST component). So, **not deductible** from VOS. [E.g: T/O Discount]

7. Any amount charged for anything done by supplier for supply of goods/ services at the time of, or before delivery of goods/supply of services is included.

Note: No Claim Bonus (NCB) as deduction under GST: NCB qualifies as a **permissible deduction** u/s 15(3) for determining VOS of insurance services, as it is **pre-disclosed in policy document** & recorded in invoice. Hence, GST is levied only on actual premium amount payable after deducting NCB i.e. net premium.

B. Supplies where value cannot be determined u/s 15(1) [Sec. 15(4)]: Sec. 15(1) does not apply if a transaction involves related parties or price is not sole consideration, then in such case Sec. 15(4) says that VOS shall be determined as prescribed [under Rules 27 to 31 of CGST Rules]

RULE 27: Consideration not wholly in money [E.g.: Barter/Exchange]
Value shall be either of following in given order:

- **OMV***
- total of consideration in **money** + amount equal to consideration **not in money**
- value of supplies of **like kind & quality**
- consideration in **money** + money value of non-monetary consideration computed as per **rule 30/31 in order.**

RULE 28: Supply between distinct/ related persons, other than agent
Value shall be either of following in given order:

- **OMV***
- value of supplies of **like kind & quality**
- value as per **rule 30/31 in order.**
- ♦ Option to supplier to value goods sold as such by recipient ⇒ Value= **90%** of price charged by recipient to its unrelated customer
- ♦ Recipient eligible for full ITC ⇒ **Invoice value = OMV** (taxable value)

RULE 29: Supply made/received through an agent
Value shall be either of following in given order:

- **OMV*** or **90%** of price charged by recipient to his unrelated customer for supplies of **like kind and quality**;
- value as per **rule 30/31** in order.

RULE 30: Value Based on Cost

Value shall be **110%** of cost of production/ acquisition/ provision of goods/services

RULE 31: Residual Method (Best Judgement Method)

Value shall be determined using reasonable means consistent with principles and general provisions of Sec.15 & valuation rules [For services, Rule 31 can be adopted **before Rule 30**]

*OMV= Open Market Value: Full amt. which recipient is req. to pay to obtain goods/services/both of **like kind & quality** at or about **same time** & at **same commercial level** where **recipient & supplier are not related.**

Supply of like kind & quality: Any other supply made under similar circumstances, which is same or closely/ substantially resembles w.r.t. characteristics, quality, qty., functionality, reputation to supply being valued.

VOS of service of providing Corporate Guarantees to Banks/FI by a supplier to related person in India:

VOS= Actual consideration or **1% of guarantee amt. per annum, whichever is HIGHER.**

[Exception: **If recipient is eligible for full ITC, value declared in invoice shall be deemed to be VOS.**]

- **If loan is partly availed/not availed, VOS is calculated based on amt. guaranteed, not actual loan disbursed. Recipient is eligible to avail full ITC, regardless of when/how much of loan is disbursed.**

- **Takeover** of existing loans by another FI is considered assignment of an already issued corporate guarantee. This does not qualify as providing a new corporate guarantee service, so no GST will be payable unless a fresh guarantee is issued or existing guarantee is renewed.
- In **intra-group corporate guarantee** situations:
 - (i) If **domestic** corporate issues intra-group guarantee, GST paid under **FCM** & invoice issued by supplier.
 - (ii) If **foreign** entity provides a corporate guarantee to a related entity in India, GST is payable under **RCM** by recipient, i.e., the related entity in India.
- Corporate guarantee provisions do **not apply for export** of such services b/w related persons, i.e., when recipient of corporate guarantee services is located outside India.
- When **multiple related entities** provide a corporate guarantee,
 - (i) If actual consideration is higher, VOS will be sum of actual payments made to co-guarantors.
 - (ii) If 1% of total guaranteed amt is higher, GST will be paid by each co-guarantor proportionately on 1% of amt. guaranteed by them.
- Calculation:

For Corporate Guarantee of Multiple Yrs.	VOS= 1% × Guarantee Amt × No. of Yrs or Actual Consideration (whichever is HIGHER)
For Corporate Guarantee of <1 Year (e.g., 6 months)	VOS= 1% × Guarantee Amt × Months/12 or Actual Consideration (whichever is HIGHER)
Note: For above both cases, GST is payable at time of issuance of guarantee	

E.g: If corporate guarantee is issued for a pd. of say 5 yrs, GST would be payable on such amt. at issuance of corporate guarantee, i.e., on 5% of amt. guaranteed or actual consideration (**HIGHER**). But, if a corporate guarantee is issued, say for a pd. of 1 yr & is renewed 5 times, for 1 yr each, then tax would be payable on 1% of guarantee amt. or actual consideration (**HIGHER**), each yr.

Valuation of personal bank guarantee by Directors to bank for the company: It is considered a supply of service under GST, even if no payment is made. But, as per RBI guidelines, **no consideration** can be paid in such case, so **VOS is treated as zero**, & **no GST** is payable. However, if company pays Director any remuneration or consideration for guarantee, then that amount becomes taxable value for GST.

Valuation of Internally Generated Services: Where Head Office (HO) is providing certain services to Branch Offices (BO) or where foreign affiliate is providing certain services to related domestic entity:

Issue	Clarification
When <u>full ITC</u> is available to BO & HO provides services to BO without incl. employee costs or without invoice	When HO provides services to BO, VOS is determined by OMV u/R 28. Even if tax invoice does not include HO employees' salary costs, <u>Value declared in invoice</u> = OMV = VOS. And where no tax invoice is issued, VOS = OMV = <u>Nil</u> .
When <u>full ITC</u> is not <u>available</u> , is inclusion of HO employees' salary costs in taxable value mandatory?	For internally generated services, salary cost of employees involved in providing the services is <u>not mandatorily</u> required to be included in taxable value, even when full ITC is not available to BO.
Import of services from a related foreign entity and RCM	In case of import of services from a foreign affiliate, related domestic entity is required to issue a self-invoice u/s 31(3)(f) and pay tax on RCM. <u>Value declared in invoice</u> = OMV = VOS And if full ITC is available & no invoice is issued by domestic related entity, VOS = OMV = <u>Nil</u>

C. Supplies of specified categories of goods or services [Sec. 15(5)]:

RULE 31A: VOS of lottery/ betting/ gambling/ horse racing

Supply	Value
Betting, Gambling, Horse Racing	100% of Face Value of Bet/Amt. paid into totalisator*

Lottery organized by SG	Higher of:
	1. 100/128 of Face Value of ticket
	2. 100/128 of Price notified in Official Gazette by organizing State.

*Totalisator = Computerized device that pools wagers/bets (after deducting charges & taxes) & distributes pooled amt. among winners.

RULE 31B: VOS in case of Online Gaming including Online Money Gaming (OG+OMG)

VOS= Total Amt. paid/payable to/deposited with supplier in any form of payment, including VDA

[OMG = Online gaming where players pay/deposit money/VDA with expectation of winning money/ similar assets, regardless of whether outcome depends on skill/chance/both, & irrespective of its legal status.

OG = Offering of a game on internet or an electronic network, and includes OMG]

RULE 31C: VOS of Actionable Claims in case of Casino

VOS = Total Amt. paid/payable by/on behalf of player for:

(i) purchase of tokens, chips, etc., for use in casino; or

(ii) participating in event, incl. game, scheme, etc., in casino, where token, chips, etc., are not req.

Note: For Rule 31B & 31C,

a. Reused winnings within platform do not count as additional deposits.

b. No deductions for refunds: Any amt. returned/refunded to player including player not using the amount paid/deposited with supplier for participating in any event, are also includible in VOS

RULE 32: Value in respect of certain specific supplies

1. VOS for Purchase/Sale of foreign currency: Either of below 2 methods:

1st method [Rule 32(2)(a)]:

Scenario	VOS
RBI reference rate available	(Buying/Selling rate-RBI reference rate at that time)×Total units of currency
No RBI reference rate available	1% of INR received/provided.
None of the currencies exchanged involve INR	1% of Lesser of 2 amounts that would be received by converting either currency into INR at RBI reference rate

2nd method [Rule 32(2)(b)]:

Currency Value	Value Calculation
Upto ₹1,00,000	1% or ₹250, whichever is higher
From ₹1,00,001 to ₹10,00,000	₹1,000 + 0.5% of the amount exceeding ₹1,00,000
From ₹10,00,001 onwards	₹5,500 + 0.1% of amt exceeding ₹10,00,000 (subject to max. ₹60,000)

2. VOS for Life Insurance Business:

Scenario			VOS	
Policy with dual benefits of risk coverage and investment	Amt. allocated for investment is intimated to customer		Gross prem. - Amt allocated for investment	
	Amt. allocated for investment is not intimated	Single prem. annuity policies	10% of single prem.	
		Other cases	1st yr	25% of prem.
			Subsequent yrs	12.5% of prem.
Policy only towards risk cover			Entire prem.	

3. VOS for Booking of Tickets by Air Travel Agent:

VOS= 5% of basic fare for domestic bookings and 10% of the basic fare for international bookings.

[Basic fare= Air fare on which is normally paid to air travel agents by airlines]

4. VOS for Coupon/Voucher/Stamp/Token:

VOS= **Money Value** of Goods/ Services redeemable against such coupon/voucher/stamp/token

5. VOS for Buying & Selling of Second-Hand Goods:

When ITC is not availed [Margin Scheme]	When ITC is availed
<ul style="list-style-type: none"> • For a Regd. person claiming depreciation: Value = Consideration recd - Depreciated Value u/s 32 of ITA on supply date • In any other case: Value = Selling price - Purchase price - If above values come negative, then ignore such negative value. - CGST on second hand goods received from unregistered supplier exempt 	Normal Valuation i.e. GST on total transaction value

Purchase Value of Goods Repossessed from Defaulting Borrowers:

Unregistered Borrower	Registered Borrower
Purchase Value = Purchase Price in hands of borrower reduced by 5% per quarter (or part thereof) from purchase date to disposal date.	Repossessing lender discharges GST at the supply value without any reduction from the actual or notional purchase value.

6. VOS for Notified services b/w distinct persons without consideration: **Nil, if ITC is available**
[No such services have been notified so far]

RULE 33: VOS of services in case of Pure Agent

Costs incurred by supplier as pure agent shall be **excluded** from VOS if **ALL** below conditions meet:

- Payment arises out of a **contract** b/w recipient & a 3rd party, & supplier acts as pure agent of recipient when he makes payment;
- **Recipient authorizes** supplier to make payment on his behalf;
- Supplier **shows the payment separately** in invoice issued by him to recipient;
- **Supplies** procured by supplier from 3rd party as pure agent of recipient are **in addition to** supplies that he provides on **his own account**.

'Pure agent' here means a person supplier who -

- enters into **contractual agreement** with recipient to act as his pure agent to incur expenditure/costs in course of supply of goods and /or services;
- does **not** hold/intend to hold any **title to goods/services** so procured/supplied as pure agent;
- does **not use for his own interest** such goods/services so procured; and
- **receives only actual amt. incurred** for goods/services (except amt. for services provided on his own)

Special Cases:

1. **PSF & UDF** are collected by airlines as pure agent & thus amount so recovered will be excluded from VOS by airline to its passengers. Airport operators are liable to pay GST on them. (Refer Chp 2 for details)
2. **Electricity supplied by real estate companies/malls/airport operators to their lessees, when bundled with renting/maintenance services, is part of composite supply & taxed at same rate as principal supply even if billed separately. But, if electricity is supplied as pure agent & charged at actuals (same as amt charged by State Electricity Boards/DISCOMs), it is excluded from VOS**

RULE 34: Rate of exchange of currency, other than INR for determination of value

Goods = Rate notified by **CBIC** under Customs Act on date of time of supply of such goods;

Services = Rate as per **GAAP** on the date of time of supply of such services.

Rule 35: Value inclusive of CGST, SGST/UTGST or IGST

Tax amount = (Value inclusive of GST x GST rate in %)/(100 + GST rate in %)