



Chapter 4 - Value of Supply

PART A - Illustrations & TYK

- 1) BW Ltd. manufactures tobacco products. It has provided the following particulars relating to goods sold by it to CF Ltd.

Particulars	(₹)
Price of the goods (exclusive of all taxes/duties and discounts)	60,000
Excise duty	6,000
Packing charges	2,000
Freight (arranged by BW Ltd.)	<u>1,600</u>
Total amount billed to CF Ltd. before any discount	69,600
Discount @ 2% of the price of goods recorded in the invoice	

The final amount charged from CF Ltd. is ₹ 69,600 less discount @ 2%. Determine the value of taxable supply made by BW Ltd.

Sol.

Computation of value of taxable supply

Particulars	₹
Price of the goods (exclusive of taxes and discounts)	60,000
Add: Excise duty [Note 1]	6,000
Packing charges [Note 2]	2,000
Freight [Note 3]	1,600
Less: Discount @ 2% on ₹ 60,000 [Note 4]	<u>(1,200)</u>
Value of taxable supply	68,400

Notes:

- (1) As per section 15(2)(a), any taxes, duties, cesses, fees and charges other than CGST, SGST, UTGST, IGST and GST Compensation Cess, if charged separately by the supplier should be included in the value of supply. Thus, excise duty charged separately has been added in the value.
- (2) As per section 15(2)(c), incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply should be included in the value. Thus, packing charges have been added in the value.

- (3) Since transport is arranged by the supplier, the contract of supply becomes a composite supply; the principal supply being the supply of goods. Therefore, freight becomes part of the value of the composite supply.
- (4) As per section 15(3)(a), the value of the supply does not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply. Therefore, since in this case, discount is known at the time of supply and recorded in the supply, it is deductible from the value.

2) SA Ltd. is a manufacturer of biscuits. The price of a 200 gm pack of biscuit sold by SA Ltd. is ₹ 30. It has received price linked subsidy of ₹ 5 per pack of biscuit sold from NM Ltd. as part of NM Ltd.'s CSR activity. SA Ltd. supplied 1000 packs of biscuits @ ₹ 25 per pack to one of its wholesalers namely, MA Pvt. Ltd. during a tax period. Loading charges of ₹ 1200 have also been charged separately from MA Pvt. Ltd. MA Pvt Ltd. delayed the payment of consideration and thus, paid ₹ 5,000 as interest (no separate amount of GST is paid on the interest by MA Ltd.) in the next tax period. Assume the rate of GST to be 18%.

Determine the value of taxable supply made by SA Ltd.

Sol. Computation of value of taxable supply

Particulars	₹
Price of 1,000 packs of biscuits @ ₹ 25	25,000
Add: Subsidy received from NM Ltd. @ ₹ 5 for 1000 packs of biscuits [Note 1]	5,000
Loading charges [Note 2]	1,200
Interest for delay in payment of consideration [Note 3] (rounded off)	4,237
Value of taxable supply	35,437

Notes:

- (1) As per section 15(2)(e), subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments should be included in the value.
- (2) As per section 15(2)(c), incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services should be included in the value.
- (3) As per section 15(2)(e), interest or late fee or penalty for delayed payment of any consideration for any supply should be included in the value. However, as per section 12(6), the time of supply to the extent it relates to an addition in the value of supply by way of interest is the date when such interest is received. In the given case, since GST has not

been paid separately on the interest, the same is inclusive of GST. Thus, the value has been computed by making back calculations $[(\text{Interest} / 100 + \text{tax rate}) \times 100]$. The time of supply in relation to the addition in value by way of such interest will fall in the next tax period on the date when the same is received.

- 3) X Pvt. Ltd., a money changer, has exchanged US \$ 10,000 to Indian rupees @ ₹ 74 per US \$. X Pvt. Ltd. wants to value the supply in accordance with rule 32(2)(b) of CGST Rules.

Determine the value of supply made by X Pvt. Ltd.

Sol. As per rule 32(2)(b) of CGST Rules, the value in relation to the supply of foreign currency, including money changing, is deemed to be-

- (i) 1% of the gross amount of currency exchanged for an amount up to ₹ 1,00,000, subject to a minimum amount of ₹ 250;
- (ii) ₹ 1,000 and 0.5% of the gross amount of currency exchanged for an amount exceeding ₹ 1,00,000 and up to ₹ 10,00,000.

Therefore, the value of supply, made by X Pvt. Ltd., under rule 32(2)(b) of CGST Rules is computed as under:

Particulars	₹	₹
Value of currency exchanged in Indian rupees [₹ 74 × US \$ 10,000]	7,40,000	
Upto ₹ 1,00,000		1,000
For ₹ 6,40,000 [0.50% × ₹ 6,40,000]		<u>3,200</u>
Value of supply		4,200

- 4) UB & Sons is an air travel agent. Compute the value of supply of service made by the firm during a month with the help of following particulars furnished by it:

Particulars	Basic fare (₹)	Other charges and fee (₹)	Taxes (₹)	Total value of tickets (₹)
Domestic Bookings	1,00,900	9,510	4,990	1,15,400
International Bookings	3,16,880	20,930	15,670	3,53,480

Sol. Computation of value of supply of services made by UB & Sons in a month

Particulars	(₹)	(₹)
Basic fare in case of domestic bookings	1,00,900	
Value of supply @ 5% [A] Refer Note below		5,045
Basic fare in case of international bookings	3,16,880	
Value of supply @ 10% [B] Refer Note below		<u>31,688</u>
Value of supply [A] + [B] (rounded off)		36,733

Note:

As per rule 32(3) of CGST Rules, the value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent is 5% of the basic fare in the case of domestic bookings, and 10% of the basic fare in the case of international bookings.

- 5) Arihant Life Insurance Company Ltd. (ALICL) has charged gross premium of ₹ 180 lakh from policy holders with respect to life insurance policies in the FY 2023-24; out of which ₹ 100 lakh have been allocated for investment on behalf of the policy holders.

Compute the value of supply of life insurance services provided by ALICL:

- (i) if the amount allocated for investment has been intimated by ALICL to policy holders at the time of supply of service.
- (ii) if the amount allocated for investment has not been intimated by ALICL to policy holders at the time of providing of service.
- (iii) if the gross premium charged by ALICL from policy holders is only towards risk cover.

Note: ALICL has started its operations in the FY 2023-24. Thus, the entire gross premium of ₹ 180 lakh is the premium for the first year of all the policies. ALICL has not issued any single premium annuity policy.

Sol. As per rule 32(4), of the CGST Rules, value of supply of services in relation to life insurance services is

- (a) the gross premium reduced by the amount allocated for investment on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service;
- (b) in all other cases, 25% of the premium in the 1st year and 12.5% of the premium in subsequent years

However, where the entire premium paid by the policy holder is only towards risk cover, such gross premium is the value of supply of life insurance services.

In the light of the aforesaid provisions, value of supply of life insurance services provided by ALICL in financial year 2023-24 will be computed as follows:

(i) Amount allocated for investment intimated to policy holder at the time of supply of service

Value of service = ₹ (180-100) lakh = ₹ 80,00,000

(ii) Amount allocated for investment not intimated to policyholders at the time of supply of service

Value of service = 25% of ₹ 180 lakh = ₹ 45,00,000

(iii) Gross premium received is only towards risk cover

Value of service = ₹ 180 lakh

6) Income tax collected at source should be included in value of the supply in terms of section 15(2)(a). Examine the correctness of the statement.

Sol. The statement is not correct. CBIC vide Circular No. 76/50/2018 GST dated 31.12.2018 (amended vide corrigendum dated 7.03.2019) has clarified that for the purpose of determination of value of supply under GST, tax collected at source (TCS) under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax.

7) How should the supply made by a component manufacturer be valued, when he uses moulds and dies owned by the original equipment manufacturer sent free of cost to him? Explain.

Sol. Circular No. 47/21/2018 GST dated 08.06.2018 has clarified that while calculating the value of the supply made by the component manufacturer using moulds and dies owned by Original Equipment Manufacturers (OEM) sent free of cost (FOC) to him, the value of such moulds and dies shall not be added to the value of supply made by him because the cost of moulds/dies was not to be incurred by the component manufacturer and thus, does not merit inclusion in the value of supply in terms of section 15(2)(b).

However, if the contract between OEM and component manufacturer was for supply of components made by using the moulds/dies belonging to the component manufacturer, but the same have been supplied by the OEM to the component manufacturer on FOC basis, the amortised cost of such moulds/dies shall be added to the value of the components.

8) Examine whether the following discounts ought to be excluded to determine the value of supply:

(i) Company offering 20% discount for single purchase above ₹ 10,000

- (ii) Company offering additional discount of 1% on purchase of 10,000 pieces in a year.
- (iii) After selling a product, the company re-valued the product at a lower value and issued credit note to the buyer for the differential amount.

Sol. (i) The given case is a case of staggered discounts where rate of discount increases with increase in purchase volume. Such discounts are shown on the invoice itself. Therefore, the same are excluded to determine the value of supply.

(ii) The given case is a case of volume discount which are offered by the suppliers to their stockists, etc. Such discounts are established in terms of an agreement entered into at or before the time of supply which can be specifically linked to the relevant invoices though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. Such type of volume discounts are excluded/deducted to determine the value of supply provided they satisfy the parameters laid down in section 15(3) including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

(iii) This is a case of secondary discounts. These are the discounts which are not known at the time of supply or are offered after the supply is already over as per the agreement made at or before the time of supply. Therefore, such discounts shall not be excluded while determining the value of supply.

9) Rajesh & Co., a partnership firm, provides financial and management consultancy to a group of companies for an annual retainership fee of ₹ 15 lakh. Further, the firm is provided with a car (along with a driver) for its exclusive use throughout the year. The fuel cost is also borne by the Group. Rajesh & Co. pays GST on the amount of ₹ 15 lakh.

Is the value for the service provided by Rajesh & Co. correct under GST law? If not, please elaborate.

Sol. Rajesh & Co. gets a car along with driver (including the fuel) for the whole year, which is an additional non-monetary consideration for its services. The equivalent monetary value of such additional consideration must be added to the retainership fee (₹ 15 lakh) in order to arrive at the value of the taxable service provided by Rajesh & Co, as per rule 27 relating to valuation.

10) The supplies of commodity 'y' to the market are channelled through a State Marketing Corporation which conducts an auction each day to arrive at the price. Gupta and Co. supplies commodity 'y' through the State Marketing Corporation.

How will the supply of 'y' made by Gupta and Co. to State Marketing Corporation be valued for paying tax?

Sol. The State Marketing Corporation is an 'agent' in the meaning of the expression as defined in section

2(5), which includes an auctioneer. Therefore, the value of supply of 'y' will be determined in terms of rule 29 relating to valuation.

There is no open market for the first supply of commodity 'y', as it is compulsorily supplied to the State Marketing Corporation. However, Gupta & Co. has the option of valuing the supply of 'y' at 90% of price of goods of like kind and quality sold by the State Marketing Corporation to its unrelated customers.

If the value cannot be determined by this method, it needs to be determined on the basis of the cost plus 10% mark up as per rule 30 or on the basis of Best Judgement Method as per rule 31, in that order.

11) Easy Coupons Ltd. sells coupons that are redeemable against specified luxury food products at retail outlets. Each coupon is sold for value of ₹ 900 but is redeemable for supplies worth ₹ 1000.

What is the value of supply of such coupon under GST law?

Sol. In terms of rule 32(6) relating to valuation, the value of a coupon is equal to the money value of the goods redeemable against it. Therefore, though the coupon is sold for ₹ 900, its value is ₹ 1000.

12) A pharmaceutical company supplies a drug intermediate to its own unit in another State for conversion into formulations. The drug intermediate is exclusive to this company, and there is no market sale in India of this drug intermediate. Goods of like kind and quality are also not available. After conversion, the finished product is sold from the said unit itself by the company.

How will the value of the supply of this drug intermediate be determined under GST law?

Sol. Since the supply is made to a distinct person, the same will be valued in accordance with rule 28 relating to valuation.

There is no open market value of the drug intermediate as also there are no like goods. Therefore, value of supply of such drug intermediate will be determined in terms of clause (c) of rule 28 i.e., by using rule 30. Thus, the value of supply of such drug intermediate will be 110% of its cost of production or manufacture.

However, if the recipient unit is eligible for full ITC, the value declared in the invoice by the supplier will be deemed to be the open market value of the drug intermediate and thus, the invoice value will be the value of taxable supply.

13) Dushyant rents out a commercial building owned by him to Bharat for the month of December, for which he charges a rent of ₹ 19,50,000. Dushyant pays the maintenance charges of ₹ 1,00,000 (for the December month) as charged by the local society. These charges have been reimbursed to him

by Bharat. Also, Dushyant has paid municipal tax of ₹2,85,000 which he has not charged from Bharat.

You are required to determine the value of supply and the GST liability of Dushyant for the month of December assuming CGST and SGST rates to be 9% each. (Note: All the amounts given above are exclusive of GST)

Sol. Computation of the value of supply and the GST liability of Dushyant for the month of December

Particulars	Amount (₹)
Rent of the commercial building	19,50,000
Maintenance charges paid to local society, reimbursed by Bharat [Note 1]	1,00,000
Municipal tax paid by Dushyant [Note 2]	Nil
Value of supply	20,50,000
CGST @ 9%	1,84,500
SGST @ 9%	1,84,500

Notes:

- (1) Since such charges are reimbursed by the tenant (Bharat), such charges ultimately form part of the rent paid by Bharat to Dushyant and thus, form part of the value as per section 15(2)(c).
- (2) Since municipal tax is paid by the supplier (Dushyant) and not charged to the recipient, the same is not includible in the value.

14) Vayu Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes/duties and discounts)	76,000
Special packing at the request of customer to be charged to the customer	5,000
Duty levied by local authority on the sale of such goods	4,000
CGST and SGST charged separately in invoice	14,400
Price linked subsidy received from an NGO in relation to the goods sold (The price of ₹ 76,000 given above is after considering the subsidy)	5,000

Vayu Ltd. offers 3% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supplies made by Vayu Ltd.

Sol. Computation of value of taxable supplies by Vayu Ltd.

Particulars	(₹)
List price of the goods	76,000

Add: Special packing [Note 1]	5,000
Duty levied by local authority on sale of goods [Note 2]	4,000
CGST and SGST charged [Note 2]	-
Subsidy received from an NGO [Note 3]	5,000
Less: Discount offered = 3% of List price = ₹ 76,000 × 3% [Note-4]	<u>(2,280)</u>
Value of taxable supplies	87,720

Notes:

1. Being incidental expenses charged by the supplier to the recipient of supply, packing charges are includible in the value as per section 15(2)(c).
2. Taxes, duties, etc. levied under any law for the time being in force other than CGST, SGST/UTGST, IGST are includible in the value as per section 15(2)(a).
3. Subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2)(e).
4. Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a).

15) Binaca Electronics Ltd. (hereinafter referred to as BEL) is engaged in manufacturing televisions. It is registered in the State of Haryana. It has appointed distributors across the country who sell the televisions manufactured by it.

The maximum retail price (MRP) printed on the package of a television is ₹ 12,000. The applicable rate of GST on televisions is 18%. BEL dispatches the stock of televisions to its distributors ordered by them on a quarterly basis.

In order to promote its sales, the Sales Head of BEL has formulated a sales promotion scheme on 1st April. Under this scheme, BEL offers a discount of 10% (per television) on televisions supplied to the distributors if the distributors sell 500 televisions in a quarter.

The discount is offered on the price at which the televisions are sold to the distributors (excluding all charges and taxes).

It appoints Shah Electronics (an unrelated party as per GST Law) as its distributor in Haryana on 1st April and dispatches 750 televisions on 8th April as stock for the quarter April-June.

BEL has sold the televisions to distributor - Shah Electronics at ₹ 8,400 per television (exclusive of applicable taxes). Shah Electronics has requested BEL for a special packing of the televisions delivered to it for which BEL has charged ₹ 1,200 per television.

Shah Electronics places a purchase order of 1,000 televisions with BEL for the quarter July-September. The distributor reports sales of 700 televisions for the quarter April-June and 850

televisions for the quarter July-September. The discount policy offered by BEL as explained above is also available to Shah Electronics as per the distributorship agreement.

While Shah Electronics reverses the input tax credit availed for the quarter July-September, it has failed to reverse the input tax credit availed for the quarter April-June.

Examine the scenario with reference to section 15 and compute the taxable value of televisions supplied by BEL to Shah Electronics during the quarters April-June and July-September assuming the rate of tax applicable on the televisions as 18%.

Sol. Section 15(3)(a) allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction.

Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) if-

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

In the given case, Shah Electronics is entitled for 10% discount on televisions supplied by BEL for the quarters April-June as well as July-September as it has sold more than 500 televisions in each of these quarters. However, since the sales targets are achieved after the entire stock for the respective quarters of April-June and July-September has been dispatched, the discounts on the televisions supplied to Shah Electronics for the quarters of April-June and July-September is a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to televisions supplied to Shah Electronics for the quarters of April-June and July-September) provided Shah Electronics reverses the input tax credit attributable to the discount on the basis of document issued by BEL.

The value of supply for the quarters of April-June and July-September will thus, be computed as under:

Computation of value of supply for the quarter - April-June

Particulars	Amount (₹)
Price at which the televisions are supplied to Shah Electronics [Note 1]	8,400

Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	<u>Nil</u>
Value of taxable supply of one unit of television	9,600
Value of taxable supply of televisions for the quarter April-June [₹9,600 × 750]	72,00,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).
- (3) Since Shah Electronics has not reversed the input tax credit attributable to such discount on the basis of document issued by BEL, the conditions specified in section 15(3)(b) have not been fulfilled. Thus, the post supply discount will not be allowed as deduction from the value of supply.

Computation of value of supply for quarter - July-September

Particulars	Amount (₹)
Price at which the televisions are supplied to Shah Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	<u>(840)</u>
Value of taxable supply of one unit of television	8,760
Value of taxable supply of televisions for quarter July-September [₹ 8,760 × 1,000]	87,60,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).
- (3) Since all the conditions specified in section 15(3)(b) have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply. The input tax credit to be reversed will work out to be ₹ 1,51,200 [1,000 × (8,400 × 10%) × 18%].

16) Prada Forex Private Limited, registered in Delhi, is a money changer. It has undertaken the following purchase and sale of foreign currency:

- (i) 1,000 US \$ are purchased from Nandi Enterprises at the rate of ₹ 74 per US \$. RBI reference rate for US \$ on that day is ₹ 74.60.
- (ii) 2,000 US \$ are sold to Menavati at the rate of ₹74.50 per US\$. RBI reference rate for US \$ for that day is not available.

Determine the value of supply in each of the above cases in terms of rule 32(2)(a) and rule 32(2)(b).

Sol. Rule 32(2) prescribes the provisions for determining the value of supply of services in relation to the purchase or sale of foreign currency, including money changing.

Determination of value under rule 32(2)(a)

- (i) Value of supply of services for a currency, when exchanged from, or to, Indian Rupees, shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency. Thus, value of supply is:

$$= (\text{RBI reference for US \$} - \text{Buying rate of US \$}) \times \text{Total number of units of US \$ bought}$$

$$= (74.6 - 74) \times 1,000$$

$$= ₹600/-$$

- (ii) When the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received by the person changing the money. Thus, value of supply is:

$$= 1\% \text{ of the gross amount of Indian Rupees received}$$

$$= 1\% \text{ of } (74.50 \times 2,000)$$

$$= ₹ 1,490/-$$

Determination of value under rule 32(2)(b)

Rule 32(2)(b) provides that value in relation to the supply of foreign currency, including money changing shall be deemed to be -

S.No.	Currency exchanged	Value of supply
1.	Up to ₹ 1,00,000	1% of the gross amount of currency exchanged OR ₹ 250 whichever is higher
2.	Exceeding ₹ 1,00,000 & up to ₹ 10,00,000	₹ 1,000 + 0.50% of the (gross amount of currency exchanged - 1,00,000)

3.	Exceeding ₹ 10,00,000	₹ 5,500 + 0.1% of (gross amt. of currency exchanged - 10,00,000) OR ₹ 60,000 whichever is lower
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Thus, the value of supply in the given cases would be computed as under:

(i) Gross amount of currency exchanged = ₹ 74 × 1,000 = ₹ 74,000.

Since the gross amount of currency exchanged is less than ₹ 1,00,000, value of supply is 1% of the gross amount of currency exchanged i.e. 1% of ₹ 74,000 or ₹ 250, whichever is higher, i.e. = ₹ 740/-

(ii) Gross amount of currency exchanged = ₹ 74.50 × 2,000 = ₹ 1,49,000.

Since the gross amount of currency exchanged exceeds ₹ 1,00,000 but is less than ₹ 10,00,000, value of supply is ₹ 1,000 + 0.50% of (₹ 1,49,000 - ₹ 1,00,000), i.e. = ₹ 1,245/-

17) Rolly Polly Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. Rolly Polly Manufacturers Ltd. enters into a contract with Rudra Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.

Apart from this, Rolly Polly Manufacturers Ltd. authorises Rudra Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd. which shall be reimbursed by Rolly Polly Manufacturers Ltd. to Rudra Logistics on the actual basis in addition to agency charges.

Rudra Logistics provided following details in the invoice issued by it to Rolly Manufacturers Ltd.:

S.No.	Particulars	Amount (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transportation of machine from Kandla port, Gujarat to its Rudra Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transportation of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	28,000
(v)	Prepared and submitted Bill of Entry and paid customs duty	5,00,000
(vi)	Dock dues paid	50,000
(vii)	Port charges paid	50,000

(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

Compute the value of supply made by Rudra Logistics with the help of given information.

Would your answer be different if Rudra Logistics has charged ₹ 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd.?

Sol. As per explanation to rule 33, a "pure agent" means a person who-

- (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
- (b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
- (c) does not use for his own interest such goods or services so procured; and
- (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The supplier needs to fulfil **all** the above conditions in order to qualify as a pure agent.

In the given case, Rudra Logistics has entered into a contractual agreement with recipient of supply, Rolly Polly Manufacturers Ltd., to incur, on behalf of such recipient, the **expenses mentioned in S. No. (ii) to (vii)** incurred in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of the recipient. Further, Rudra Logistics does not hold any title to said services and does not use them for his own interest.

Lastly, Rudra Logistics receives only the actual amount incurred to procure such services in addition to agency charges. Thus, Rudra Logistics qualifies as a pure agent.

Further, rule 33 stipulates that notwithstanding anything contained in the provisions of Chapter IV - Determination of Value of supply, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

- (I) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;
- (II) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and

(III) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Since conditions (I) to (III) mentioned above are satisfied in the given case, expenses (ii) to (vii) incurred by Rudra Logistics as a pure agent of Rolly Polly Manufacturers Ltd. shall be excluded from the value of supply.

Accordingly, value of supply made by Rudra Logistics is as follows:

Particulars	Amount (₹)
Agency charges	5,00,000
Add: Unloading of machine at Kandla port, Gujarat	Nil
Charges for transportation of machine from Kandla port, Gujarat to its godown in Ahmedabad, Gujarat	Nil
Charges for transportation of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	Nil
Customs duty	Nil
Dock charges	Nil
Port charges	Nil
Hotel expenses	45,000
Travelling expenses	50,000
Telephone expenses	2,000
Value of supply	5,97,000

Yes, the answer would be different. If lump sum amount of ₹ 13,00,000 is paid then the value of supply shall be ₹ 13,00,000 and tax shall be charged on value of supply since individual cost are not given.

18) Rustagi & Co. manufactures customized products at its unit situated and registered in Madhya Pradesh. Cost of production of 1,000 products for Rustagi & Co. is ₹ 20,00,000.

These products require further processing before sale, and for this purpose products are transferred from its Madhya Pradesh unit to its another unit situated and registered in Himachal Pradesh. The value declared on the invoice for such transfer is the cost of production of such products.

The Himachal Pradesh unit, apart from processing its own products, engages in processing of similar products of other persons who supply the products of the same kind and quality. Thereafter, the Himachal Pradesh unit sells these processed products to wholesalers. There are no other factories in the neighbouring area which are engaged in the same business as that of Himachal Pradesh unit.

1,000 units of the products of same kind and quality are supplied to Himachal Pradesh unit, at the time when goods are sent by Madhya Pradesh unit, by another manufacturer located in Himachal Pradesh.

The ex-factory price of such goods is ₹ 19,00,000. The Himachal Pradesh unit of Rustagi & Co. is eligible for full ITC.

Determine the value of 1000 products supplied by Rustagi & Co. to its Himachal Pradesh unit.

Sol. As per section 25(4), a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act. Therefore, units of Rustagi & Co. in Madhya Pradesh and Himachal Pradesh are distinct persons under GST.

As per rule 28, the value of the supply of goods between distinct persons, other than where the supply is made through an agent, shall -

- (a) be the open market value of such supply;
- (b) if open market value is not available, be the value of supply of goods of like kind and quality.
- (c) if value cannot be determined under the above methods, be cost of the supply plus 10% mark-up or be determined by other reasonable means, in that sequence.

Rule 28 also provides that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.

Further, rule 28 provides that where the recipient is eligible for full input tax credit, the value declared in the invoice by the supplier shall be deemed to be the open market value of the goods or services.

In the given case, the option of valuing the goods @ 90% of the price charged by the recipient to his unrelated customer is not available as the goods are not further supplied 'as such' but only after processing at Himachal Pradesh unit. However, since the Himachal Pradesh unit is eligible for full ITC, the value declared by the Madhya Pradesh unit in the invoice for transfer of such products, i.e. ₹ 20,00,000 shall be deemed to be the open market value of the products.

Thus, the value of 1000 products supplied by Rustagi & Co. to its Himachal Pradesh unit in terms of rule 28 is the open market value of such products which is ₹ 20,00,000.

19) Dev Enterprises is the supplier of water coolers. Dev Enterprises supplied water coolers to an unrelated party, Vimal Traders for consideration of ₹ 2,95,000 (inclusive of GST @ 18%). Vimal Traders also gave some materials to Dev Enterprises [valuing ₹ 10,000 (exclusive of GST)] as an additional consideration for such supply.

At the same time, Dev Enterprises has supplied the same goods to another unrelated person at price of ₹ 2,97,360 (inclusive of GST@18%).

You are required to:

- (1) Determine the value of goods supplied by Dev Enterprises to Vimal Traders.
- (2) What would your answer be if price of ₹ 2,97,360 is not available at the time of supply of goods to Vimal Traders? Explain briefly.

Sol. (1) In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply. Hence, the value of the supply cannot be determined on the basis of the transaction value in terms of section 15(1).

Here, the value will be determined with the help of rule 27 which specifies that where the consideration for a supply is not wholly in money, the value will be the open market value.

Open market value of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Therefore, in the given case, the open market value of the goods supplied is ₹ 2,52,000 ($₹ 2,97,360 \times 100/118$) and is therefore, the value of such goods.

- (2) Rule 27 further provides that if open market value of the supply is not known, the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration, if such amount is known at the time of supply.

Therefore, the value in the given case will be ($₹ 2,95,000 \times 100/118$) + ₹ 10,000, which is ₹ 2,60,000.

20) Chirayu Life Insurance Company Limited (CLICL) has collected premium from policy subscribers. It does not intimate the amount allocated for investment to subscribers of the policy at the time of supply of insurance services. The company has provided the following details in relation to its receipts:

S.No.	Particulars	Amount (₹)
1.	Premium for only risk cover	25,00,000
2.	Premium from new policy subscribers	40,00,000
3.	Renewal premium	80,00,000
4.	Single premium on annuity policy	1,00,00,000

All amounts are exclusive of tax. You are required to compute the value of supply by CLICL in terms of rule 32(4).

Sol. As per rule 32(4), the value of supply of services in relation to life insurance business, when the amount allocated for investment/ savings on behalf of the policy holder is not intimated to the policy holder at the time of supply of service, is-

- (i) in case of single premium annuity policies, 10% of single premium charged from the policy holder;
- (ii) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years;
- (iii) in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

Therefore, in the given case, the value of the services provided by CLICL will be computed as under:

Computation of value of supply for CLICL

Particulars	Amount (₹)
Premium for only risk cover	25,00,000
Premium from new policy subscribers [25% of ₹ 40,00,000]	10,00,000
Renewal premium [12.5% of ₹ 80,00,000]	10,00,000
Single premium on annuity policy [10% of ₹ 1,00,00,000]	<u>10,00,000</u>
Total value of supply	<u>55,00,000</u>

21) Aviant Ltd., registered in Noida (Uttar Pradesh), is a supplier of machinery used for making bottle caps. The supply of machinery is affected as under:

- The wholesale price of the machinery (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is ₹ 42,00,000.

However, the actual price at which the machinery is supplied to an individual customer varies within a range of $\pm 10\%$ depending upon the terms of contract of supply with the particular customer.

- Apart from the price of the machinery, Aviant Ltd. charges from the customer the following incidental expenses:
 - ◆ associated handling and loading charges of ₹ 10,000
 - ◆ installation and commissioning charges of ₹ 1,00,000
- The machinery can be dismantled and erected at another site, if required. The above charges are compulsorily levied in case of each supply of machinery.

- Transportation of machinery to the customer's premises is arranged by Aviant Ltd. through a third-party service provider [Goods Transport Agency (GTA)].

The customer enters into a separate service contract with the GTA and pays the freight directly to it.

- A cash discount of 2% on the price of the machinery is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the machinery at his premises.

In the event of failure to make the payment within the stipulated time, the company-

- ◆ recovers the discount given at the time of receiving payment from the customer (no separate amount of GST is recovered); and
 - ◆ charges simple interest @ 1% per month or part of the month (no separate amount of GST is recovered) on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.
- For every machinery supplied, Aviant Ltd. receives a price linked subsidy of ₹ 2,00,000 from its holding company Diligent Ltd.

Aviant Ltd. has supplied a machinery to an unrelated party, Daffodil Pvt. Ltd. on 29th August at a price of ₹ 40,00,000 (excluding all taxes). Invoice was issued on 29th August by Aviant Ltd.

The corporate office of Daffodil Ltd., which is at New Delhi, has entered into contract with Aviant Ltd. for supply of machinery. However, the machinery has been installed at Daffodil Pvt. Ltd's registered manufacturing unit located in Gurugram (Haryana). Daffodil Pvt. Ltd. has paid the freight directly to the GTA.

Discount @ 2% on the price of machinery excluding taxes was given to Daffodil Pvt. Ltd. as it agreed to make the payment within 15 days. However, Daffodil Pvt. Ltd. paid the consideration on 30th September.

Assume the rates of taxes to be as under:

Bottle cap making machine		
CGST - 6%	SGST - 6%	IGST - 12%
Service of transportation of goods		
CGST - 2.5%	SGST - 2.5%	IGST - 5%
Other services involved in the above supply		
CGST - 9%	SGST - 9%	IGST - 18%

Calculate the GST liability [CGST, SGST or IGST, as the case may be] with respect to the supply of machinery and support your conclusions with legal provisions in the form of explanatory notes.

Make suitable assumptions, wherever needed.

Sol. Computation of GST liability of Aviant Ltd.

Particulars	(₹)
Price of machine [Note 1]	40,00,000
Add: Handling and loading charges [Note 2]	10,000
Installation and commissioning charges [Note 3]	1,00,000
Transportation cost [Note 4]	Nil
Price linked subsidy from Diligent Ltd. [Note 5]	<u>2,00,000</u>
Total price of the machine	43,10,000
Less: 2% cash discount on price of machinery (₹ 40,00,000 × 2%) [Note 6]	<u>(80,000)</u>
Total value of supply	42,30,000
Tax liability for the month of August [Note 10]	
IGST @ 12% [Note 7 and Note 8] - [A]	5,07,600
Tax liability for the month of September [Note 10]	
Interest collected @ 2% on ₹ 41,10,000 [Note 9]	82,200
Add: Cash discount recovered [Note 9]	<u>80,000</u>
Value of interest and cash discount inclusive of tax	1,62,200
IGST = (₹ 1,62,200/112) × 12 - [B]	17,379
Total IGST payable on the machinery [A] + [B]	5,24,979

Notes:

- (1) As per section 15(1), the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.
- (2) All incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c).
- (3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c).
- (4) Transportation cost has not been included in the value of supply of the machinery as it is a separate service contract between the customer and the third-party service provider. The customer pays the freight directly to the service provider.

The supplier (Aviant Ltd), in this case, merely arranges for the transport and does not provide the transport service on its own account. Therefore, there will be no impact from valuation point of view on transport expenses incurred for supply of machinery as the supplier is not the party to such supply of services.

- (5) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply in terms of section 15(2)(e).
- (6) Cash discount was deducted by Aviant Ltd. upfront at the time of supply on 1st August, and hence, the same is excluded from the value of supply as it did not form part of the transaction value.
- (7) In the given case-
 - ◆ the location of the supplier is in Noida (UP); and
 - ◆ the place of supply of machinery is the place of installation of the machinery i.e., Gurugram (Haryana) in terms of section 10(1)(d) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

- (8) The given supply is a composite supply involving supply of goods (machinery) **and** services (handling and loading and installation and commissioning) where the principal supply is the supply of goods.

As per Section 8(a), a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly. Thus, tax rate applicable to the goods (machinery) has been considered.

- (9) Interest for the delayed payment (which excludes subsidy related amount of Rs 2,00,000 as the same was not recoverable from the recipient) of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d). Further, cash discount recovered will also be includible in the value of supply as now the transaction value i.e., the price actually paid for the machinery is devoid of any discount. The cash discount recovered and interest respectively are inclusive of tax. Thus, tax payable thereon has to be computed by making back calculations in terms of rule 35.
- (10) Invoice for the supply has been issued on 29th August. Thus, the time of supply of goods is 29th August in terms of section 12(1)(a).

As per section 12(6), the time of supply in case of addition in value by way of interest, late fee, penalty etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest received and cash discount recovered on account of delayed payment of consideration is 30th September, the date when the full payment was made. The supplier may issue a debit note for such interest and cash discount recovered.

PART B - Additional Questions

22) Mr. Sanjeev Kapoor not registered under GST purchased a Car on 15/09/2018 for Rs. 35,00,000. 80% of the purchase price of car was financed by Punjab National Bank. The loan was payable in 70 monthly instalments beginning from 01/10/2018. Mr. Sanjeev Kapoor paid 3 instalments and then defaulted in repayment of loan.

Therefore, Punjab National Bank repossessed the car on 01/04/2019. The car was disposed on 01/10/2019 for Rs. 27,00,000. Determine the value of taxable supply as per Rule 32(5) of CGST Rules, 2017. What would be your answer, if disposal value of car is Rs. 21,50,000? [PYQ]

Sol: As per Rule 32(5) of CGST Rules, 2017, the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by 5% points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

Computation of Purchase Value of Repossessed Car

Particulars	Amount (Rs.)
Purchase price of car	35,00,000
Date of purchase of car	15-09-2018
Date when repossessed car is sold	01-10-2019
No. of quarters or part thereof [Note]	6
Percentage of reduction computed for the no. of quarters for which goods held prior to sale (6 x 5%)	30%
Purchase value of repossessed Car [Rs. 35,00,000 - 30%]	24,50,000

Note: As per Section 2(92) of the CGST Act, 2017, "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

Computation of Value of Taxable Supply of Second-hand Car

Particulars	Amount (Rs.)
Sale price of Car	27,00,000
Purchase value of repossessed Car (as computed above)	24,50,000
Value of Taxable Supply (as per Rule 32(5) of the CGST Rules, 2017)	2,50,000

The value of Taxable Supply of Second-hand Car, when disposal value of repossessed Car is Rs. 21,50,000, will be NIL as the difference between purchase value of repossessed car and sale price is Negative Rs. 3,00,000 [i.e. Rs. 21,50,000 - Rs. 24,50,000].

23) M/S Jonty India Ltd. a manufacturer of heavy machines registered at Jaipur (Rajasthan) supplied one machine to M/S. Dhanuka Ltd. of Udaipur (Rajasthan) on 05-02-2018 under an invoice of the same date. Using the information given below, compute the value of the machine and the GST payable (CGST & SGST or IGST, as the case may be) in cash for the month of February, 2018 by M/S Jonty India Ltd. With appropriate working notes. Assume rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

Note:

(i) M/s Jonty India Ltd. has no input tax credit balance at the beginning of February, 2018. All the other conditions necessary for availing the eligible input tax credit have been fulfilled.

(ii) There are no other transactions of supplies during the month of February, 2018.

(iii) M/s Jonty India Ltd. and M/s. Dhanuka Ltd. are not related persons. [PYQ Nov'18]

Sl. No.	Particulars	Amount (Rs.)
(i)	The Basic price of the machine (exclusive of taxes and discount).	28,50,000
(ii)	Trade discount is allowed at 3% on the basic price and is shown in the invoice.	85,500
(iii)	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	30,000
(iv)	Design and engineering charges of the machine	90,000
(v)	Tax levied by Municipal Authority on the sale of the machine.	25,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacture of the machine.	80,000
vii)	Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/S. Dhanuka Ltd.	22,000
(viii)	Interest amount paid by M/S. Dhanuka Ltd. for delay in payment for the machine.	12,000
	Inward Supplies	
(i)	IGST paid on food items for consumption by employees working in the factory.	8,000
(ii)	SGST and CGST (Rs 15,000 each) paid on Electrical transformer used in the manufacturing process.	30,000

Sol. Computation of value of machine sold by M/s. Jonty India Ltd.

Particulars	Amount (₹)
Basic price of machine	28,50,000
Add:	
Secondary packing [Note 1(i)]	30,000
Design and engineering charges [Note 1(ii)]	90,000
Tax levied by Municipal Authority [Note 1(iii)]	25,000
Pre-delivery inspection charges paid by M/s. Dhanuka Ltd. [Note 1(iv)]	22,000

Interest for delay in payment [Rs 12,000 × 100/118] [Note 1(v)] (rounded off)	10,169
Less:	
3% Trade discount on basic price of machinery = ₹28,50,000 × 3% [Note 2]	(85,500)
Taxable Value of Supply	29,41,669

Computation of net GST payable (in cash) by M/s. Jonty India Ltd. for month of February, 2018

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
Tax on value of ₹29,41,669 (rounded off)	2,64,750	2,64,750
Less: Input Tax Credit (ITC) of tax paid on electrical transformer used in the manufacturing process [Note 3]	(15,000)	(15,000)
Net GST Payable	2,49,750	2,49,750

Notes:

1. As per Section 15(2) of the CGST Act, 2017-

- (i) All incidental expenses, including packing, charged by the supplier to the recipient of a supply are includible in the value of supply.
- (ii) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply.
- (iii) Any taxes levied under any law for the time being in force other than CGST/SGST/UTGST/IGST, if charged separately by the supplier are includible in the value of supply.
- (iv) Any amount that the supplier is liable to pay in relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services is 0 includible in the value of supply.
- (v) Interest for the delayed payment of any consideration for any supply is includible in the value of supply. 0 Further, it is assumed that such interest is inclusive of tax and that the same has been received by M/S. Jonty India Ltd. in the month of February itself. Therefore, the time of supply of such interest will be in February, 2018 and the same will be considered while paying the tax liability of that month.
- (vi) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State 0 Governments are includible in the value of supply. Since in the given case, subsidy is received from State Government, the same has not been included in the value of supply presuming it to be directly linked to the price. *

2. Trade discount has been shown in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3) of the CGST Act, 2017.

3. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply

[Section 17(5)1. [It has been assumed that the food items are provided free of cost to the employees in the course of employment.]

4. Further, since transformers are used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

*Note In the above answer, it has been assumed that the basic price of the machine has been arrived at after adjusting the subsidy and that the basic price is the price charged from the customer.

Consequently, subsidy received from State Government has not been reduced from the basic price of the machine while arriving at the taxable value of supply.

However, it is also possible to assume that the subsidy has yet not been adjusted in the basic price and that the price which will be charged from the customer is Rs. 27,70,000 (Rs. 28,50,000 - Rs. 80,000) i.e., after excluding subsidy. In that case, the value of supply will be Rs. 28,61,669.

- 24)** Laxmi Ltd. of Bhopal (Madhya Pradesh) is a supplier of machinery. Laxmi Ltd. has supplied machinery to PQR Enterprises in Indore (Madhya Pradesh) on 1st October, 2017. The invoice for supply has been issued on 1st October, 2017. Thus, the time of supply of machinery is 1st October, 2017. Laxmi Ltd. and PQR Enterprises are not related. Following information is provided.

Basic price of machinery [excluding all taxes but including design and engineering charges of Rs. 10,000 and loading charges of Rs. 20,000] = Rs.20,00,000

Laxmi Ltd. provides 2 years free warranty for the machinery. Laxmi Ltd. also provides an extended one-year warranty on payment of additional charges of Rs.1,00,000. PQR Enterprises opted for one-year extended warranty.

Laxmi Ltd. has collected consultancy charges in relation to pre-installation planning of Rs. 10,000 and freight and insurance charges from place of removal to buyer's premises of Rs. 20,000.

Laxmi Ltd. received subsidy of Rs. 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received Rs. 50,000 from the joint venture partner of PQR Enterprises for making timely supply of machinery to the recipient.

A cash discount of 1 % on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount @ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.

The machinery attracts CGST and SGST @ 18% (9%+9%) and IGST @ 18%. Compute the CGST and SGST or IGST payable, as the case may be, on the machinery. [PYQ May'18]

Sol.

Computation of GST Liability of ABC Ltd.

Particulars	Amount (₹)
Price of machine (value u/ s 15 is transaction value i.e., price actually paid or payable, as parties are not related and assuming that the price is the sole consideration for the sale)	20,00,000
Loading charges (includible in value, as incidental expenses and activities done before delivery u/ s 15 (2) (c) and 15(2)(d). but no adjustment required as already included in value)	NIL
Design and engineering charges (includible in value, as incidental expenses and activities done before delivery u/ s 15(2) (c) and 15(2)(d). but no adjustment required as already included in value)	NIL
Additional warranty cost (warranty cost is includible in value since transaction value includes all element of the price excluding those that can be specifically excluded u/ s 15 of CGST Act. Further, warranty service is a composite supply with machine and therefore, principal supply being of goods, it will form part of the value of the machinery)	1,00,000
Consultancy charges in relation to pre-installation planning (includible in value of supply of machinery u/ s 15(2)(c) and 15(2)(d), as anything done before supply. Further, it is composite supply with machine and thus, principal supply being of goods, it will form part of the value of the machinery)	10,000
Transportation cost (includible in value of supply of machinery u/ s 15(2)(d), as anything done before delivery of goods to the buyer)	20,000
Grant from PQR Enterprises (subsidies directly linked to price are includible in value of supply in terms of section 15(2)(e) of CGST Act, 2017. Further, it is a consideration from buyer and hence, includible as transaction value and/or as additional consideration)	50,000
Grant from Central Government (subsidies received from Government are not includible in value of supply in terms of section 15(2)(e) of CGST Act, 2017.)	NIL
Total price of the machine	21,80,000
Less: Cash discount on price of machinery = Rs. × 1% (cash discount was deducted by ABC Ltd. upfront at the time of supply on October 1, 2018 i.e. in invoice and hence, the same is excluded from the value of supply as it did not form part of the transaction value.)	(20,000)
Taxable value of supply	21,60,000
CGST @9%	1,94,400
SGST @ 9%	1,94,400
Total GST	3,88,800

Note:

- (i) Month for which tax payable (it has been assumed that the invoice for the supply has been issued on October 1, 2018, the date on which the supply is made. Thus, the time of supply of goods is October 1, 2018 in terms of section 12(1)(a) of the CGST Act, 2017.)

(ii) Nature of tax : Here (a) location of supplier is in Bhopal (MP) and place of supply of machinery is Indore (MP), whether as place of installation or as destination where movement of goods terminates for delivery. Thus, the supply will be intra-state supply leviable to CGST & SGST.

25) Determine the value of supply and the GST liability, to be collected and paid by the owner, with the following particulars:

Rent on the commercial building	18,00,000
Maintenance charges collected by local society from the owner and reimbursed by tenant	2,50,000
Owner intends to charge GST on refundable advance, as GST is applicable on advance	6,00,000
Municipal taxes paid by the owner	3,00,000

GST rate applicable on renting of business premises is as follows:

CGST 9% SGST 9%

Provide suitable explanations where required.

[PYQ May'18] [RTP - May'20]

Sol.

Particulars	Amt. (₹)
Rent on the commercial building	18,00,000
Maintenance charges collected by local society from owner & reimbursed by tenant	2,50,000
Owner intends to charge GST on refundable advance (GST applicable on advance)	NIL
Municipal taxes paid by the owner (not includible in taxable value)	NIL
Value of Taxable Supply	20,50,000
CGST @ 9% of ₹20,50,000	1,84,500
SGST @ 9% of ₹20,50,000	1,84,500
Invoice Value	24,19,000

26) M/s Global Travels is providing money changer and air travel agent services to various clients. From the information provided below, you are required to calculate the value of taxable supply for the month of March 2020:

(i) It had converted US \$ 6,000 into Singapore dollar 9,000. RBI reference rate at that time was Rs. 72 per US \$ and for Singapore dollar, it was Rs.52.

(ii) It had booked domestic ticket value of Rs. 7,00,000 and international ticket value of Rs. 15,00,000.

Additional information:

The concern has not opted to value the money change under rule 32(2)(b) of the CGST Rules, 2017. Basic air fare component under both domestic and international ticket value is 70% and 60% respectively.

[PYQ Nov'20]

Sol: (i) Since in the given case, neither of the currencies exchanged is Indian Rupees, value of taxable supply, in terms of rule 32(2)(a) of the CGST Rules, 2017, is 1% of lower of the following:

(A) US dollar converted into Indian rupees at RBI reference rate = US \$ 6,000 × Rs. 72 = Rs. 4,32,000

(B) Singapore dollar converted into Indian rupees at RBI reference rate 4,68,000 = Singapore dollar 9,000 × Rs. 52 Rs.

Value of taxable service for the month of March 2020 = 1% of Rs. 4,32,000 = Rs. 4,320

(ii) Computation of value of taxable supply

Particulars	Rs.	Rs.
Basic fare in case of domestic bookings (₹7,00,000 × 70%)	4,90,000	
Value of taxable supply @ 5% [A] (Rule 32(3) of the CGST Rules, 2017)		24,500
Basic fare in case of international bookings (₹15,00,000 × 60%)	9,00,000	
Value of taxable supply @ 10% [B] (Rule 32(3) of the CGST Rules, 2017)		90,000
Total Value of Taxable Supply [A] + [B]		1,14,500

27) Surya Agencies has agreed to supply goods to customer's premises. Goods valued Rs. 80,000 are taxable @ 5% IGST as it is an inter-State supply. It also pays freight and transit insurance of Rs. 12,000. GTA is a registered entity and has charged GST (6% CGST and 6% SGST) under forward charge.

(i) Compute the invoice value of supply including IGST.

(ii) What will be the invoice value of supply including IGST, if the supply was under ex-factory basis instead of door-delivery basis? [PYQ Nov'19]

Sol. Computation of Invoice Value of Supply

(i) When supplier agrees to supply the goods at customer's premises, i.e. freight and transit insurance are paid by the Supplier, invoice value of supply will be computed as follows:

Particulars	Amount (₹)
Value of Goods Supplied	80,000
Freight and transit insurance - Since the supplier has agreed to deliver the goods to the customer's premises and bear the freight and insurance costs , this contract qualifies as a composite supply , where the principal supply is the supply of goods . The freight and transit insurance charge of ₹12,000 is assumed exclusive of 12% GST .	12,000
Total	92,000
Add: IGST @ 5% - Since it is a composite supply , GST will be charged at the rate applicable to the principal supply .	4,600
Invoice value of supply	96,600

- (ii) When supplier agrees to supply the goods on ex-factory basis, i.e. the buyer pays the freight and transit insurance, invoice value of supply will be computed as follows:

Particulars	Amount (₹)
Value of goods supplied	80,000
Add: IGST @ 5% of ₹80,000	4,000
Total Invoice Value of Supply	84,000

Note: The above answer is based on the interpretation that part (ii) of the question is an independent scenario. Therefore, the information in the first paragraph regarding Surya Agencies bearing the freight and transit insurance costs does not apply to it. Furthermore, an ex-factory contract implies that the buyer is responsible for freight and insurance, and the seller has no obligation to deliver the goods to the customer's premises.

- 28)** Jupiter Chemicals Ltd. (JC) is a manufacturer of industrial chemicals. It has its factory at Haridwar, Uttarakhand and is registered under GST. It has its subsidiary company, Angel Traders Pvt. Ltd. (AT), with holding of 75% of its share capital. AT is engaged in trading of chemicals manufactured by JC in North India and is registered under GST in Delhi at warehouse address. JC has also appointed a consignment agent - Popular Distributors (PD) in Chennai which is catering the Southern India market. JC has also setup a state of art research and development centre along with laboratory near the Haridwar factory and undertakes testing and development services for chemicals from outside customers across the country. Following information is available for the month of April 2021 of JC Haridwar:

S.No.	Particulars	Amt (Rs.)
(i)	JC supplies the chemicals to PD Chennai during the month. (PD sold the above said goods to the unrelated wholesalers in the States of Tamil Nadu and Andhra Pradesh for Rs. 60,00,000 during the same month). Open market value is Rs. 55,00,000	45,00,000
(ii)	JC supplied chemicals to AT during the month. (AT further sold the said chemicals to unrelated retailers in Delhi for Rs. 42,00,000 and AT is not eligible for full input tax credit). Open Market value is Rs. 38,00,000	30,00,000
(iii)	JC exports chemicals to South Africa with payment of IGST and consideration for the same was received in convertible foreign exchange.	28,00,000
(iv)	JC provided inter-State supply of testing services to various customers during the month	8,50,000
(v)	Supply of chemical to one of its customers in Mumbai who required the chemical to be tested before dispatch and subject to test report coming according to his parameters. Testing was successful and testing charges of Rs. 50,000 were charged extra.	6,50,000 (excluding testing charges)
(vi)	Supply of chemical at subsidized rate for research and development activity not related to the business of JC to an unrelated charitable	5,00,000

association in Haridwar, Uttarakhand. Open market value of the chemical is Rs. 6,50,000.

Assume that the rates of GST on chemicals are IGST-12%, CGST-6% and SGST-6%, and on testing and development services are IGST-18% and SGST-9%. You are required to determine the taxable value (most beneficial) and GST liability (IGST, CGST and SGST separately) of Jupiter Chemicals (JC) Haridwar for the month of April 2021. [PYQ Nov'21]

Sol: Determination of taxable value and GST liability of Jupiter Chemicals (JC) Haridwar for the month of April 2021

Particulars	Taxable Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Inter-State supply of chemicals to consignment agent PD, Chennai [Value, at the option of supplier, is: (i) Open market value (OMV) [55,00,000] or (ii) 90% of price charged for goods of like kind and quality to unrelated customers who further supply such goods (90% of Rs. 60,00,000).] [It has been assumed that the expression "above said goods" in the question means goods of like kind and quality.]	54,00,000	-	-	6,48,000 (54,00,000*12%)
Inter-State supply of chemicals to related person AT [Value of supply of goods to a related person who further supplies such goods as such, at the option of supplier, is: (i) OMV, if OMV is available [Rs.38,00,000] or (ii) 90% of price charged for goods of like kind and quality to unrelated customers (90% of Rs. 42,00,000)] [It has been assumed that the expression "said chemicals" in the question means goods of like kind and quality.] [Since, the question requires to compute the most beneficial taxable value of supply, lower of the two values has been taken as value of supply.]	37,80,000	-	-	4,53,600 (37,80,000*12%)

Export of chemicals to South Africa	28,00,000	-	-	3,36,000 (28,00,000*12%)
Inter-State supply of testing services	8,50,000	-	-	1,53,000 (8,50,000*18%)
Inter-State supply of chemical to customer in Mumbai [Any amount charged for anything done by supplier in respect of supply of goods at the time of/before delivery of goods is includible in the value of supply.]	7,00,000	-	-	84,000 (7,00,000*12%)
Intra-State supply of chemical to an unrelated charitable association in Haridwar [In case of supply made to unrelated recipient where price is the sole consideration for supply, value of the supply is the transaction value which is price actually paid for the supply.]	5,00,000	30,000 (5,00,000*6%)	30,000 (5,00,000*6%)	-
Total GST Liability		30,000	30,000	16,74,600

29) Kaya Trade Links Pvt. Ltd. is a registered manufacturer of premium ceiling fans. It sells its fans exclusively through distributors appointed across the country. The maximum retail price (MRP) printed on the package of a fan is Rs. 10,000. The company sells the ceiling fans to distributors at Rs. 7,000 per fan (exclusive of applicable taxes). The applicable rate of GST on ceiling fans is 18%.

The stock is dispatched to the distributors on quarterly basis - stock for a quarter being dispatched in the second week of the month preceding the relevant quarter. However, additional stock is dispatched at any point of the year if the company receives a requisition to that effect from any of its distributors. The company charges Rs. 1,000 per fan from distributors towards packing expenses.

The company has a policy to offer a discount of 10% (per fan) on fans supplied to the distributors for a quarter, if the distributors sell 500 fans in the preceding quarter. The discount is offered on the price at which the fans are sold to the distributors (excluding all charges and taxes).

The company appoints Prakash Sales as a distributor on 1st April and dispatches 750 fans on 8th April as stock for the quarter April-June. Prakash Sales places a purchase order of 1,000 fans with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor on 18th June. The distributor makes the payment for the fans on 26th June and avails applicable input tax credit. The distributor reports

sales of 700 fans for the quarter April-June and 850 fans for the quarter July-September. Examinee distributor with reference to section 15 of the CGST Act, 2017 and compute the taxable value of fans supplied by Kaya Trade Links Pvt. Ltd. to Prakash Sales during the quarter July-September.

Note: Make suitable assumptions, wherever necessary.

[RTP Nov'20] [MTP May'18]

Sol: Section 15(3)(a) of the CGST Act allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction.

Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) of the CGST Act if

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

In the given case, Prakash Sales is entitled for 10% discount on fans supplied by Kaya Trade Links Pvt. Ltd. for the quarter July-September as it has sold more than 500 fans in the preceding quarter April-June. However, since the entire stock for the quarter July-September has already been dispatched by Kaya Trade Links Pvt. Ltd. in the month of June, the discounts on the fans supplied to Prakash Sales for the quarter July-September will be a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to fans supplied to Prakash Sales for the quarter July-September) provided Prakash Sales reverses the input tax credit attributable to the discount on the basis of document issued by Kaya Trade Links Pvt. Ltd.

The value of supply will thus, be computed as under:

Particulars	Amount (Rs.)
Price at which the fans are supplied to Prakash Sales [Note 1]	7,000
Add: Packing expenses [Note 2]	1,000
Less: Discount [Note 3]	(700)
Value of taxable supply of one unit of fan	7,300
Value of taxable supply of fans for the quarter July-September [Rs. 7,300 x 1,000]	73,00,000

Notes:

(1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) of the CGST Act presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply.

(2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c) of the CGST Act.

(3) Since all the conditions specified in section 15(3)(b) of the CGST Act have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply presuming that Prakash Sales has reversed the input tax credit attributable to such discount on the basis of document issued by Kaya Trade Links Pvt. Ltd. The input tax credit to be reversed will work out to be Rs. 1.26 lakh [$1,000 \times (7,000 \times 10\%) \times 18\%$].

30) Fortune 365 is an online money gaming platform operating from UAE. It provides its users a platform to play and win money in different games that are available on its portal.

In the month of December, Player A, an unregistered person located in India, deposited an amount of ₹ 10,000 (inclusive of GST) in the master wallet available on the portal of Fortune 365. Subsequently, following transactions were undertaken by Player A in said month:

(i) Player A utilized the amount of ₹ 2,000 from the master wallet towards playing a virtual racing game on the portal. As a winning amount, ₹ 10,000 was credited to master wallet of Player A.

(ii) On another portal operated by Fortune 365 in the name of Bet 180, Player A placed a bet of face value of ₹ 11,000 on an international wrestling match. The amount of such bet was paid by the master wallet of Player A. However, he lost the bet and hence the bet amount of ₹ 11,000 with applicable taxes was transferred from the master wallet to the bank account of Bet 180.

(iii) Player A transferred the balance amount from the master wallet to his bank account after the aforesaid transactions. Assume all the above transactions to be exclusive of GST unless otherwise specified.

(iv) Rate of GST applicable is 28% (Please ignore the bifurcation of GST amount into CGST, SGST and IGST.)

Based on the information provided above, answer the following questions, providing brief reasons:

(1) Compute the total GST payable on the aforesaid given transactions.

(2) Determine the net amount transferred by Player A to his bank account after the aforesaid transactions.

(3) Ascertain whether Fortune 365 is required to obtain registration under GST in India. Will your answer be different if Player A is registered under GST in India? [Past RTP]

Sol: The value of online money gaming related supply shall be determined as per rule 31B. As per said rule, the value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the total amount paid or payable to or deposited with the supplier by way of money or money's worth, including virtual digital assets, by or on behalf of the player.

Further, rule 31A provides the manner of determining the value of supply of actionable claim in the form of chance to win in betting. The value for such supply shall be 100% of the face value of the bet. In accordance with the above provisions:

(1) Total GST payable on given transactions is as follows:

(i) Value of supply of online money gaming = Total amount deposited with the supplier by the player in terms of rule 31B

= Initial deposit of ₹ 10,000 (inclusive of GST) by Player A with Fortune 365 after excluding GST= ₹ 7,812.50 (₹ 10,000 × 100/128)

GST payable = ₹ 7,812.50 × 28% = ₹ 2,188 - [A]

(ii) Value of supply of online bet = 100% of the face value of the bet in terms of rule 31A = 11,000

GST payable = ₹ 11,000 × 28% = ₹ 3,080 - [B]

Total amount of GST that would be collected by the Government on the given transactions = [A] + [B] = ₹ 5,268 (rounded off)

(2) Total amount transferred by Player A to his bank account from the master wallet is as follows:

Particulars	Amount (₹)
Initial Deposit	10,000
Less - GST on deposit	2,188
Less - Payment for virtual racing game	2,000
Add - Winning from virtual racing game	10,000
Less - Payment for bet placed on Bet 180	11,000
Less - GST on the bet place on Bet 180	3,080
Net balance available for transfer	1,732

(3) As per section 24(xia), every person supplying online money gaming from a place outside India to a person in India shall be required to obtain registration on a mandatory basis in India. Accordingly, Fortune 365 being a supplier of online money gaming operating from UAE and supplying services in India shall be liable to obtain registration compulsorily in India. The answer will not change irrespective of the fact that Player A is registered under GST in India or not.

31) Honeycure Laboratories Ltd. is a registered supplier of bulk drugs in Delhi. It manufactures bulk drugs and supplies the he same in the domestic and overseas market. The bulk drugs are supplied within Delhi and in the overseas market directly from the company's warehouse located in South

Delhi. For supplies in other States of India, the company has appointed consignment agents in each such State. However, supplies in Gurgaon (Haryana) and Noida (U.P.) are effected directly from South Delhi warehouse. The drugs are supplied to the consignment agents from the South Delhi Warehouse. Honeycure Laboratories Ltd. also provides drug development services to drug manufacturers located in India, including testing of their new drugs in its laboratory located in Delhi.

The company has furnished the following information for the month of January, 2018:

Particulars	Amount (Rs.)
Advance received towards drug development services to be provided to Orochem Ltd., a drug manufacturer, located in Delhi [Drug development services have been provided in February, 2018 invoice is issued on 28.02.2018]	5,00,000
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the drugs in March, 2018]	6,00,000
Supply of bulk drugs to wholesale dealers of drugs in Delhi	60,00,000
Bulk drugs supplied to Anchor Pharmaceuticals Inc., USA under bond [Consideration received in convertible foreign exchange]	90,00,000
Drug development services provided to Unipharma Ltd., a drug manufacturer, located in Delhi	6,00,000

You are required to determine the GST liability [CGST & SGST or IGST, as the case may be] of Honeycure Laboratories Ltd. for the month of January, 20XX with the help of the following additional information furnished by it for the said period:

1. Consignments of bulk drugs were sent to Cardinal Pharma Pvt. Ltd. and Rochester Medicos—agents of Honeycure Laboratories Ltd. in Punjab and Haryana respectively. Cardinal Pharma Pvt. Ltd. and Rochester Medicos supplied these drugs to the Medical Stores located in their respective States for Rs.60,00,000 and Rs.50,00,000 respectively.
2. Bulk drugs have been supplied to Ronn Medicos Pvt. Ltd. - a wholesale dealer of bulk drugs in Gurgaon, Haryana for consideration of Rs. 15,00,000. Honeycure Laboratories Ltd. owns 60% shares of Ronn Medicos Pvt. Ltd. Open market value of the bulk drugs supplied to Ronn Medicos Pvt. Ltd. is Rs. 30,00,000. Further, Ronn Medicos Pvt. Ltd. is not eligible for full input tax credit.
3. The turnover of Honeycure Laboratories Ltd. in the preceding financial year was Rs. 70 lakh with regard to supply of bulk drugs and Rs. 45 lakh with regard to supply of drug development services.

Notes:

- (i) All the given amounts are exclusive of GST, wherever applicable.
- (ii) Assume the rates of GST to be as under:

Goods/Services Supplied	CGST	SGST	IGST
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Bulk drugs	2.50%	2.50%	5.00%
Drug development & testing services	9%	9%	18%

You are required to make suitable assumptions, wherever necessary.

[MTP- May'18]

Sol: Computation of GST Liability of Honeycure Laboratories Ltd. for the month of January, 2018

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Advance received for drug development services supplied to Orochem Ltd., a drug manufacturer, located in Delhi [Note - 1]	45,000 [5,00,000*9%]	45,000 [5,00,000*9%]	-
Advance received for bulk drugs to be supplied to Novick Pharmaceuticals, a wholesale dealer of drugs in Gurgaon, Haryana [Note - 2]	-	-	Nil
Supply of bulk drugs to wholesale dealers of drugs in Delhi [Note - 3]	1,50,000 [60,00,000*2.5%]	1,50,000 [60,00,000*2.5%]	-
Bulk drugs supplied to Anchor Pharmaceuticals Inc., USA [Note - 4]	-	-	Nil
Supply of drug development services to Unipharma Ltd., a drug manufacturer, located in Delhi [Note - 5]	54,000 [6,00,000*9%]	54,000 [6,00,000*9%]	-
Supply of bulk drugs to consignment agents Cardinal Pharma Pvt. Ltd. and Rochester Medicos of Punjab and Haryana [Note 6]	-	-	4,95,000 [99,00,000*5%]
Supply of bulk drugs to Ronn Medicos of Gurgaon, Haryana [Note - 7]	-	-	1,50,000 [30,00,000*5%]
Total GST Liability	2,49,000	2,49,000	6,45,000

Notes:

1. Being an intra-State supply of services, supply of drug development services to Orochem Ltd. of Delhi is subject to CGST and SGST @9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January, 2018.
2. Being an inter-State supply of goods, supply of bulk drugs to Novick Pharmaceuticals of Gurgaon, Haryana is subject to IGST 5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT dated 15.11.2017 has postponed the time of supply of advance received for suppliers of goods

(excluding composition suppliers) till the time of issue of invoice. Thus, GST is not payable at the time of receipt of advance against supply of goods.

Therefore, the time of supply of the advance received for bulk drugs to be supplied to Novick Pharmaceuticals is the time of issue of invoice, which is in March, 2018. Thus, said advance will be taxed in March, 2018 and not in January, 2018.

3. Being an intra-State supply of goods, supply of bulk drugs to wholesale dealers of drugs in Delhi is subject to CGST and SGST @ 2.5% each.
4. Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the bulk drugs to Anchor Pharmaceuticals Inc. of USA under bond is export of goods. Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated supply under bond is made without payment of integrated tax [Section 16(3)(a) of IGST Act].
5. Being an intra-State supply of services, supply of drug development services to Unipharma Ltd. of Delhi is subject to CGST and SGST @ 9% each.
6. Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of bulk drugs supplied to consignment agents -Cardinal Pharma Ltd. and Rochester Medicos will be Rs. 99,00,000 [90% of (Rs. 60,00,000+ Rs. 50,00,000)]. Further, being an inter-State supply of goods, supply of bulk drugs to the consignment agents is subject to IGST @ 5%.

7. If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Honeycure Laboratories Ltd. owns 60% shares of Ronn Medicos, both are related persons.

Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Medicos is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Thus, open market value of the bulk drugs supplied to Ronn Medicos i.e., Rs. 30,00,000 is the value of supply of such goods.

- 32)** Singhal Brothers, registered in Uttrakhand has supplied 30 tons of a chemical @ Rs. 50,000 per ton (excluding taxes) to P of Uttrakhand on 8th September, 2018. The invoice for the supply has also been issued on same date. Further, following additional amounts were also charged from P:

Particulars	Amount (Rs.)
Freight	1,80,000
Packing charges	1,10,000
Weighing charges	20,000
Cost of instrument specially purchased by Singhal Brothers to manufacture the chemical	3,10,000

As per the terms of the contract of supply, Singhal Brothers is required to get the chemical inspected by an independent testing agency before the delivery of the same to P. P has paid such inspection charges amounting to Rs. 12,000 directly to the testing agency. Singhal Brothers has also received Rs. 50,00,000 as a subsidy from State Government for setting up chemical manufacturing plant in Utrakhand.

P is required to make payment within 15 days of supply in terms of the contract. However, P delayed the payment of consideration and made payment in November, 2018 thus paid Rs. 15,000 as interest. You are required to calculate the GST liability in this case and due date of deposit. Assume the rate of GST to be 18%. Note: Singhal Brothers and P are not related and price is the sole consideration for the supply. [PYQ]

Sol: Computation of GST Liability of Singhal Brothers

Particulars	Amount (Rs.)
Price of chemicals (Rs. 50,000 x 30 tons) [Note-1]	15,00,000
Freight [Note-2]	1,80,000
Packing charges [Note-3]	1,10,000
Weighing charges [Note-3]	20,000
Cost of special instrument [Note-4]	3,10,000
Inspection charges [Note-5]	12,000
Government subsidy [Note-6]	Nil
Interest for Delayed Payment [Rs. 15,000 x 100 ÷ 118] [Note-7]	12,712
Value of Taxable Supply	21,44,712
Tax Liability for the Month of September 2018	
Value of Taxable Supply (Rs. 21,44,712 - Rs. 12,712) [Note-8]	21,32,000
CGST @ 9%	1,91,880
SGST @ 9%	1,91,880
Tax Liability for the Month of November 2018	
Interest for Late Consideration [Note-9]	12,712
CGST Payable @ 9%	1,144
SGST Payable @ 9%	1,144

Due Date of Deposit of GST

Particulars	Time of Supply	Due Date of Deposit [Note-11]
GST liability of Rs. 3,83,760 for the taxable supply made by Singhal Brothers [Note-10]	September 8, 2018	October 20, 2018

Notes:

(1) As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The given supply is a composite supply involving supply of goods (chemical) and services (freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly. Thus, tax rate applicable to the goods (chemical) has been considered.

(3) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2) (c) of CGST Act, 2017.

(4) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2) (c) of CGST Act, 2017.

(5) Any amount that the supplier is liable to pay in relation to supply but incurred by the recipient of supply and not included in the price actually paid for the goods is includible in the value of supply in terms of section 15(2)(b) of CGST Act, 2017.

(6) Subsidies not directly linked to the price and subsidies provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017.

(7) Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d) of the CGST Act, 2017.

The interest has to be considered as cum tax value and tax payable thereon has to be computed by making back calculations in terms of rule 35 of CGST Rules, 2017.

(8) The tax liability for the month of September, 2018 will not include the tax payable on the amount of interest, as the tax liability for the delayed payment of interest arises on the date of receipt of interest in terms of section 12(6) of CGST Act, 2017.

(9) As per section 12(6) of the CGST Act, 2017, the time of supply in case of addition in value by way of interest for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest received on account of delayed payment of consideration is the date of receipt of interest.

(10) The time of supply for suppliers of goods will be the time of issue of invoice vide NN. 66/2017 CT dated 15.11.2017. Thus, in the present case, the time of supply would be date of issue of invoice i.e. September 8, 2018.

(11) As per section 39(1) of CGST Act, 2017 every person registered under regular scheme of payment of tax has to furnish the prescribed return on or before 20th of the succeeding month. Further, section 39(7) provides that every regular registered person is liable to pay tax due to

the Government by the last date on which he is required to furnish such return. Thus, GST is liable to be paid on or before 20th of the succeeding month.

33) Kaushal Manufacturers Ltd., registered in Delhi, is a manufacturer and supplier of electronic home appliances. It is paying tax under regular scheme. It supplies the electronic home appliances in the domestic as well as overseas market. For supplies in other States of India, the company has appointed consignment agents in each such State, except Gurgaon, Haryana and Noida, Uttar Pradesh, where the goods are supplied directly from its Delhi warehouse.

In the month of January, consignments of electronic home appliances were sent to Cardinal Electricals Pvt. Ltd. and Rochester Technos agents of Kaushal Manufacturers Ltd. in Punjab and Madhya Pradesh respectively. Cardinal Electricals Pvt. Ltd. and Rochester Technos supplied these electronic home appliances under their invoices to the stores located in their respective States for Rs. 40,00,000 and Rs. 70,00,000 respectively. Open market value of such appliances is not available.

Further, in January, electronic home appliances have been supplied to Ronn Technomart - a wholesale dealer of electronic home appliances in Noida, Uttar Pradesh for consideration of Rs. 23,00,000, from its Delhi warehouse. Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart. Open market value of the electronic home appliances supplied to Ronn Technomart is Rs. 30,00,000. Further, Ronn Technomart is not eligible for full input tax credit.

Kaushal Manufacturers Ltd. also provides repair and maintenance services to electronic appliance manufacturers located in India.

Kaushal Manufacturers Ltd. also provides repair and maintenance services to electronic appliance manufacturers located in India.

The company has also furnished the following information for the month of January:

Particulars	Amount (Rs.)
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi	84,00,000
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Consideration received in convertible foreign exchange]	1,26,00,000
Repair and maintenance services provided to Unitech Ltd., an electronic appliance manufacturer, located in Delhi	8,40,000
Advance received towards repair and maintenance services to be provided to Orelec Ltd., an electronic appliance manufacturer, located in Delhi [Repair and maintenance services have been provided in February and invoice is issued on 28 th Feb.]	7,00,000
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of such appliances in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the electronic appliances in March]	8,40,000

You are required to determine the gross GST liability [CGST & SGST and/or IGST] of Kaushal Manufacturers Ltd. for the month of January.

Note:

(i) All the given amounts are exclusive of GST, wherever applicable.

(ii) Assume the rates of GST to be as under:

Goods/Services Supplied	CGST	SGST	IGST
Electronic home appliances	2.50%	2.50%	5%
Repair and maintenance services	9%	9%	18%

[RTP- Nov. 2021]

Sol: Computation of gross GST Liability of Kaushal Manufacturers Ltd. for the month of January

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Supply of electronic home appliances to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos of Punjab and Madhya Pradesh [Note - 1]	-	-	4,95,000 [99,00,000 × 5%]
Supply of electronic home appliances to Ronn Technomart of Noida, Uttar Pradesh [Note - 2]	-	-	1,50,000 [30,00,000 × 5%]
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi [Note - 3]	2,10,000 [84,00,000 × 2.5%]	2,10,000 [84,00,000 × 2.5%]	-
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Note - 4]	-	-	Nil
Supply of repair and maintenance services to Unitech Ltd., an electronic appliance manufacturer, located in Delhi [Note - 5]	75,600 [8,40,000 × 9%]	75,600 [8,40,000 × 9%]	-
Advance received for repair and maintenance services supplied to Orelec Ltd., an electronic appliances manufacturer, located in Delhi [Note - 6]	63,000 [7,00,000 × 9%]	63,000 [7,00,000 × 9%]	-
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of electronic appliances in Gurgaon, Haryana [Note - 7]	-	-	Nil
Total GST liability	3,48,600	3,48,600	6,45,000

Notes:

1. Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules, 2017. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of electronic home appliances supplied to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos - will be Rs. 99,00,000 [90% of (40,00,000+ 70,00,000)]. Further, being an inter-State supply of goods, supply of electronic home appliances to the consignment agents is subject to IGST @ 5%.

2. If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart, both are related persons.

Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Technomart is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods.

Thus, open market value of the electronic home appliances supplied to Ronn Technomart, i.e. Rs. 30,00,000 is the value of supply of such goods. Further, being an inter-State supply of goods, supply of electronic home appliances to Ronn Technomart is subject to IGST @ 5%.

3. Being an intra-State supply of goods, supply of electronic home appliances to wholesale dealers of said appliances in Delhi is subject to CGST and SGST @ 2.5% each.

4. Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the electronic home appliances to Anchor Electricals Inc. of USA under LUT is export of goods.

Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero-rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of IGST Act].

5. Being an intra-State supply of services, supply of repair and maintenance services to Unitech Ltd. of Delhi is subject to CGST and SGST @ 9% each.

6. Being an intra-State supply of services, supply of repair and maintenance services to Orelec Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January.

7. Being an inter-State supply of goods, supply of electronic home appliances to Novick Electricals of Gurgaon, Haryana is subject to IGST @5%. Further, in terms of section 12(2) of the CGST Act, the time of supply of goods is the earlier of the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment.

However, Notification No. 66/2017 CT dated 15.11.2017 specifies that time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date when the invoice ought to have been issued under section 31.

Thus, GST is not payable at the time of receipt of advance against supply of goods. The time of supply of the advance received for electronic home appliances to be supplied to Novick Electricals

is the time of issue of invoice, which is in March. Thus, said advance will be taxed in March and not in January.

34) LIC of India provides you the following information for the month of September 20XX. You are required to compute value of taxable Supply of services under Rule 32(4) of CGST Rules, 2017.

(i) General policies (insurance cum investment policy): Total premium collected Rs. 52,000 lakhs (Out of which Subsequent years premium is Rs. 32,000 lakhs) [Investment amount is not intimated separately to policy holder].

(ii) Single premium annuity policies (insurance cum investment policy): Premium collected Rs. 5000 lakhs [Investment amount is not intimated separately to policy holder].

(iii) Only Risk Cover Policies: Premium collected Rs. 100 lakhs.

(iv) Life micro-insurance policies where insured amount does not exceed Rs. 2,00,000: Premium collected 40 lakhs.

(v) Variable Insurance Policies: Premium collected Rs. 32,000 lakhs. (80% of the amount is allocated for investments on behalf of policy holder for which policy holder is given separate break up in premium receipts.)

Sol: As per Rule 32(4) of the CGST Rules, 2017, the value of supply of services in relation to life insurance business shall be

(a) The gross premium charged from a policy holder reduced by the amount allocated for investment, or saving on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service;

(b) in case of single premium annuity policy other than (a), 10% of single premium charged from the policy holder; or

(c) in all other cases, 25% of the premium charged from the policy holder in the 1st year and 12.5% of the premium charged from the policy holder in subsequent years

Provided that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards risk cover in life insurance, therefore such gross premium is the value of supply of life insurance services.

Computation of Value of Taxable Supply of Services

Particulars	Amount (Rs. in lakhs)	Rate	Taxable Value (Rs. in lakhs)
First year premium (Rs. 52,000 - Rs. 32,000)	20,000	25%	5,000
Subsequent years (Policies issued in earlier years)	32,000	12.50%	4,000
Single premium annuity policies	5,000	10%	500
Only Risk Cover Policies	100	100%	100
Life micro-insurance policies [Note 1]	40	Exempt	-
Variable Insurance Policies (Gross premium - Amount allocated towards investment) (i.e. 32,000 - 80%)	32,000	20%	6,400
Total Taxable Value	-	-	16,000

Note: Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of Rs. 2,00,000 is exempted from GST as per entry no. 36 of NN. 12/2017 CT (R).

35) M/s PQR Ltd. is an authorised money changer. It expects to enter into the following transactions of money changing:

- (i) Sold 6,00,000 US \$ and 2,00,000 GBP;
- (ii) Purchased 6,10,000 US \$ and 1,90,000 GBP;
- (iii) Sold 19,125 units of currency "MN" and purchased 25,000 units of that currency;
- (iv) Sold 19,500 US \$ for 10,000 GBP and sold 29,250 GBP for 60,000 US \$
- (v) Selling rates of foreign currencies by M/s PQR Ltd.:
1 US \$ = Rs. 40 and 1 GBP = Rs. 80 and 1 unit of currency "MN" = Rs. 20.
- (v) Buying rates of foreign currencies by M/s PQR Ltd.:
1 US \$ = Rs 39 and 1 GBP = Rs 78 and 1 unit of currency "MN" = Rs. 19.50.
- (vi) RBI Reference rate for the various currencies at the relevant time:
1 US \$ = Rs 39.45 and 1 GBP = Rs. 78.90. There is no RBI reference rate for currency "MN".

You are required to compute the "value" of the taxable service and GST thereon and advise, whether M/s PQR Ltd. should opt for optional scheme for discharge of GST liability? Assume all the transactions of purchase and sale of foreign currencies to be uniformly for a sum of Rs. 1,00,000/- per transaction. Assume Rate of GST @ 18%.

Sol: Value as per Rule 32(2)(a) of CGST Rules, 2017 (i.e. Normal Scheme)

Particulars	Amount (Rs.)
(i) Sale of US \$ and GBP	5,50,000
Value = 6,00,000 US \$ × (Rs. 40 - Rs. 39.45) + 2,00,000 GBP × (Rs. 80 - Rs. 78.90)	
(ii) Purchases of US \$ and GBP	4,45,500
Value = 6,10,000 US \$ × (Rs. 39.45 - Rs. 39) + 1,90,000 GBP × (Rs. 78.90 - Rs. 78)	
(iii) Sale and Purchase of Currency "MN"	8,700
Since RBI Reference rate is not available, value = 1% of gross amount of INR provided or received	
(iv) Direct Conversion of GBP into US \$	7,693
Value = 1% of lower of "Amount 1" or "Amount 2"	
Amount 1 = 19,500 US \$ × RBI Rate = (19,500 × Rs. 39.45) = 7,69,275	
Amount 2 = 10,000 GBP × RBI Ref. Rate = (10,000 × Rs. 78.90) = 7,89,000	
(v) Direct Conversion of US \$ into GBP	23,078
Value = 1% of lower of "Amount 1" or "Amount 2"	
Amount 1 = 60,000 US \$ × RBI Ref. Rate = (60,000 × Rs. 39.45) = 23,67,000	
Amount 2 = 29,250 GBP × RBI Ref. Rate = (29,250 × Rs. 78.90) = 23,07,825	
Total Value of Taxable Service U/R 32(2)(a)	10,34,971
GST @ 18%	1,86,295

Optional Scheme - Option Under Rule 32(2)(b) of CGST Rules, 2017

The computation given below is based on "Gross amount of currency exchanged" i.e. Indian Rupees paid/ received as follows:

Particulars	Amount (Rs.)
(i) Sale of US \$ and GBP	4,00,00,000
Gross Amount received in INR = (6,00,000 US \$ × Rs. 40) + (2,00,000 GBP × Rs. 80)	
(ii) Purchases of US \$ and GBP	3,86,10,000
Gross Amount paid in INR = (6,10,000 US \$ × Rs. 39) + (1,90,000 GBP × Rs. 78)	
(iii) Purchase and Sale of Currency "MN"	8,70,000
Gross Amount received and paid in INR = (19,125 MN × Rs. 20) + (25,000 MN × Rs. 19.50)	
(iv) Direct Conversion of GBP into US \$	7,80,000
Gross Amount involved in INR = 19,500 US \$ × PQR's selling rate for US \$ (Rs. 40) = Rs. 7,80,000	
Alternatively, Gross INR = 10,000 GBP × PQR's buying rate for GBP (Rs. 78) = Rs. 7,80,000	
(v) Direct Conversion of US \$ into GBP	23,40,000
Gross Amount involved in INR = 60,000 US \$ × PQR's buying rate for US \$ (Rs. 39) = Rs. 23,40,000	
Alternatively, Gross INR = 29,250 GBP × PQR's selling rate for GBP (Rs. 80) = Rs. 23,40,000	
Gross Amount of Currency Exchanged	8,26,00,000
Total Value of Taxable Service U/R 32(2)(b)	8,26,000
(As all transactions are for a sum of Rs. 1,00,000 per transaction, per clause (i) of Rule 32(2)(b), value of service = 1% of the gross amount of currency exchanged)	
GST @ 18% of Value of Taxable Service	1,48,680

Advice: As GST liability U/R 32(2)(b) of the GSTR, 2017, is lesser, therefore, it is better that M/s PQR Ltd. opt for option U/R32(2)(b) of the GSTR, 2017.

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