

Section 15 - Value of Supply



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Sec 15(1)

Value of Taxable Supply = Transaction value
Price actually paid or payable for Supply

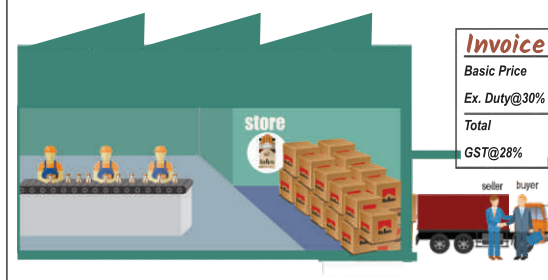
Conditions:

- 1) Not related party
- 2) Price is sole consideration

Duties & Taxes

All taxes levied under any law for time being in force other than GST Acts if charged separately

Tobacco & Tobacco Products



Example : Isha Time Gallery has been appointed as an authorized center of Sony electronics, On sales of worth ₹ 20,00,000 electronic items. Sony electronics is liable to pay commission @ 10 % on such sale i.e. ₹ 2,00,000 but such selling commission to be paid by Sony electronics has been paid by Isha Time Gallery for the month of August. In this case such expense shall be included in transaction value.

Examples of additional recoveries by supplier

- Packing, labeling, designing etc
- Royalty, warranty charges, etc.
- Insurance charges
- Dharmada
- Weightment charges.
- Loading, weighing, coolie
- Freight shown separately in invoice
- Erection installation charges
- Pre Delivery Inspection Charges

Sec 15(2)

Inclusion to Transaction Value

a

3rd party payment

Any payment incurred by the recipient for which supplier is liable to pay

b

Incidental expenses: (packing, commission etc)

Any incidental expenses charged by supplier & any amount charged for anything done by the supplier at the time of supply or before delivery

c

Interest, late fee penalty for delay payment of consideration

- loan/advances = **Exempt**
- Delayed Payment of consideration = **Taxable**

d

Subsidy

Subsidy directly linked to price by person other than govt.

Sec 15(3)

Deduction of discount

Any discount given before or at the Time of Supply

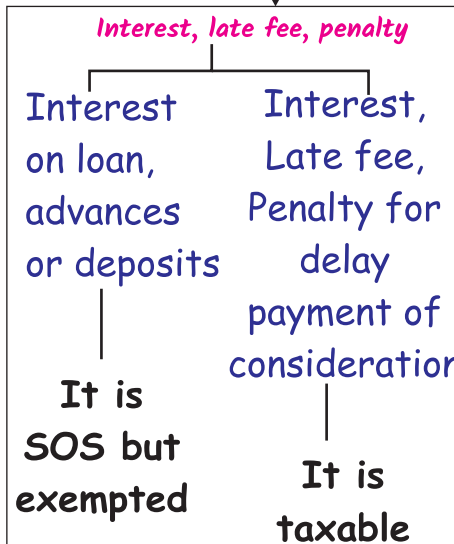
Any discount given after supply

- Agreed at the Time or before supply
- Not Agreed

Deductible from value

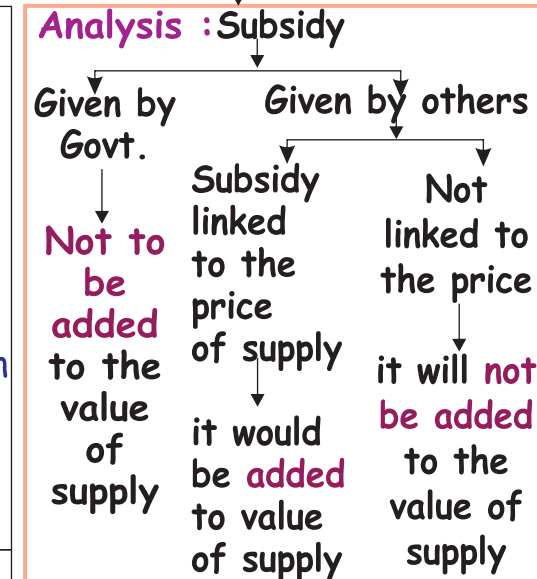
Deduction allowed, if

- i) linked to the Invoice
- ii) ITC reversed by recipient



Important Notes:-

- 1) **Value:-** Normally interest is assumed to be inclusive of GST whereas late fee & penalty, is assumed to be exclusive of GST.
- 2) **TOS:-** As per 12(6)/13(6) i.e. in a month when a such amount is actually received.
- 3) **Rate:-** Based of original supply



Staggered discount (Buy more, save more offers):- Generally shown in the invoice, to be excluded

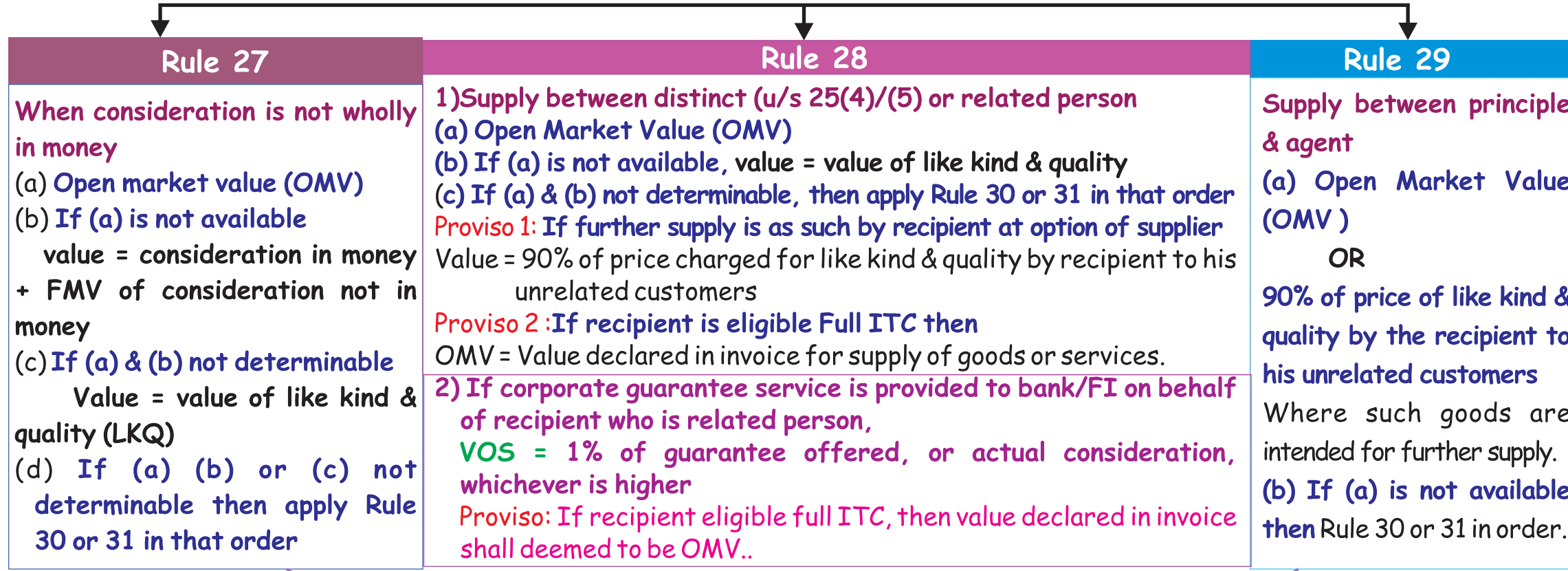
Periodic/ year end discount/ volume discounts :- Generally not shown on invoice since given at year end such discount are excluded from value of supply subject to fulfillment of conditions u/s 15(3)(b).

Secondary discounts (not known at TOS):- Such discount shall not be excluded from value of supply since not known at TOS & 15(3)(b) condition not satisfied.

Sec 15(4)

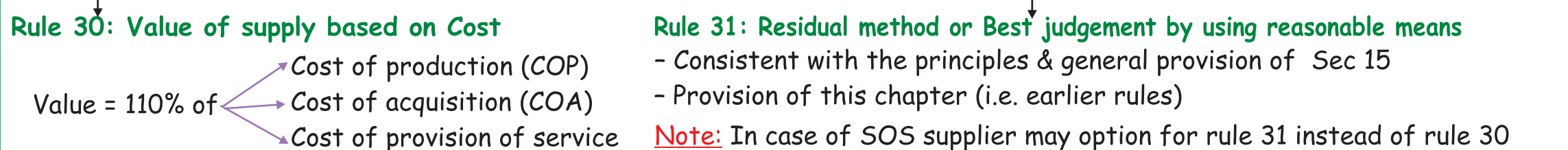
If value of supply cannot be determine u/s 15(1) i.e
 ↳ Supply without price ↳ Related party transaction
 ↳ Supply without consideration or any other considerations then apply

CGST Rules 2017



Rule 30 & 31 are applicable in order in following cases

1) If situation covered in rule 27,28,29 but Valuation can not be done by applying the principles Stated in rules
 2) If situation not covered in aforesaid rules. ↓



COP/COA = As per cost accounting standard-4
COP = Exclude - Advt. expenses/ insurance expenses/ non-recurring cost/ abnormal cost/ selling and distribution cost/ interest and financial charges

Rule 33 : Deduction of expenses incurred as a pure agent

This rule is applicable for all supply of services
 Value shall exclude the expenditure & cost incurred by the supplier as a pure agent subject to following conditions.

- 1) Supplier act as pure agent of the recipient while making payment to 3rd party
- 2) Amount separately shown in invoice
- 3) Supplies of goods / services procured by the supplier as a pure agent are in addition to services he supplies on his own A/c.

Definition of pure agent: Means a person -

- (a) entering into contractual agreement with the recipient to incurred the expenditure as pure agent
- (b) Neither holding any title on supplies procured as a pure agent
- (c) Doesn't use such supplies for his own interest
- (d) Received only the actual amount incurred to procure supplies under pure agent.

Rule 34- Rate of exchange of currency (other than Indian Rupees) for value-

1) **SOG** = Rate of exchange as notified by board u/s 14 of Customs Act for date of TOS u/s 12
 2) **SOS** = Rate of exchange as determined by GAAP, for date of TOS u/s 13

Relevant date for exchange rate shall be determine as per Sec 12 & 13

Rule 35- Value of Supply (if inclusive)

$$\text{Tax} = \frac{\text{value including GST} \times \text{Tax Rate}}{100 + \text{Tax Rate}}$$

Important Clarification

Issues pertaining to taxability of personal guarantee and corporate guarantee in GST-reg.[Circular No. 204/16/2023]

S. No.	Situations	Liability of GST
1	Director providing personal guarantee to the bank for company's borrowing credit limits.	No Tax
2	If director providing guarantee is no longer connected with management of Co. but his guarantee is continue	Taxable
3	Corporate guarantee provided by a company to the bank/financial institutions for another related company.	Taxable
4	Corporate guarantee provided by a holding company for its subsidiary company.	Taxable

Circular no.186/18/2022

Issue:- Whether No Claim Bonus(NCB) allowed by insurance Co. is a consideration for supply, for agreeing to obligation to refrain from lodging insurance claim during the previous year(s)?

Clarification: ↳ There is **no supply provided by the insured** to insurance company in form of agreeing to the obligation to refrain from the act of lodging insurance claim during the PY
 ↳ Hence NCB **cannot be considered as a consideration** for any supply.

Issue:- Whether No Claim Bonus provided by insurance company to the insured can be considered as an admissible discount for the purpose of determination of value of supply of insurance service provided by insurance company to insured?

Clarification: ↳ **NCB is a permissible deduction u/s 15(3)(a)** of CGST Act to calculate the VOS of insurance services.
 ↳ Accordingly, if the deduction on account of NCB is provided in the invoice, GST shall be **leviable on actual insurance premium amount**, payable by policy holders to insurer, **after deduction of NCB** mentioned on the invoice.

Circular No. 206/18/2023:- Reimbursement of electricity charges received by real estate Co., malls, etc. from lessees/ occupants:-

- ↳ If electricity is bundled with renting of immovable property &/or maintenance of premises, it is a composite supply & taxed at rate of principal supply (i.e. renting...)
- ↳ If electricity is supplied by Real Estate Owners/Developers, Resident Welfare Associations (RWAs), etc., as a pure agent, it will not form part of value of their supply.
- ↳ Further, if they charge for electricity on actual basis, they are acting as pure agent.

VOS of import of services by a related person where recipient is eligible to full ITC (Cir.No. 210/4/2024)

If services are provided between distinct or related persons including import of service. the value declared in invoice deemed to be OMV when recipient eligible for full ITC.

Rule 31A: VOS of lottery, betting Gambling & Horse racing

VOS of lottery = 100/128 → face value (FV) of ticket or of higher of - → price as notified by organising State

VOS of actionable claim in betting, gambling or horse racing in a race club - 100% of FV of bet or amount paid in to totalisator.

Rule 31B: VOS of online gaming including actionable claims involved in online money gaming

Value = total amount paid/payable to/deposited with supplier in money/money's worth, including virtual digital assets, by or on behalf of player.

Proviso: - Any refund by supplier to player shall not be deductible from VOS of online money gaming.

Rule 31C: VOS of actionable claims in case of casino

Value = total amount paid/payable by/on behalf of player for -
(i) purchase of tokens, chips, coins or tickets, etc. for use in casino; or

(ii) participating in any event, including game, scheme, competition, etc. in casino (where token, chips, coins or tickets are not required)

Proviso: - Refund by casino to player on return of token, coins, chips, or tickets or otherwise shall not be deductible from value.

Explanation to rule 31B & 31C: - If winnings received by player is used for playing further event without withdrawing, it shall not be considered as amount paid to or deposited with supplier.

1. **Components Made Using OEM-owned Moulds/Dies:**
 ⇒ If a component manufacturer uses moulds and dies owned by the Original Equipment Manufacturers (OEM) which are provided free of cost (FOC), the value of these moulds and dies will not be included in the value of the supply.
 ⇒ Reason: The component manufacturer doesn't incur the cost of these moulds/dies, and hence, as per section 15(2)(b), it will not added to the supply value.

2. **Components Made Using Manufacturer-owned Moulds/Dies provided FOC by OEM:** If the contract specifies that the components are made using moulds/dies owned by the component manufacturer, but these are supplied by the OEM to the component manufacturer on a FOC basis, the value of such moulds/dies (amortised) should be added to the value of the components.

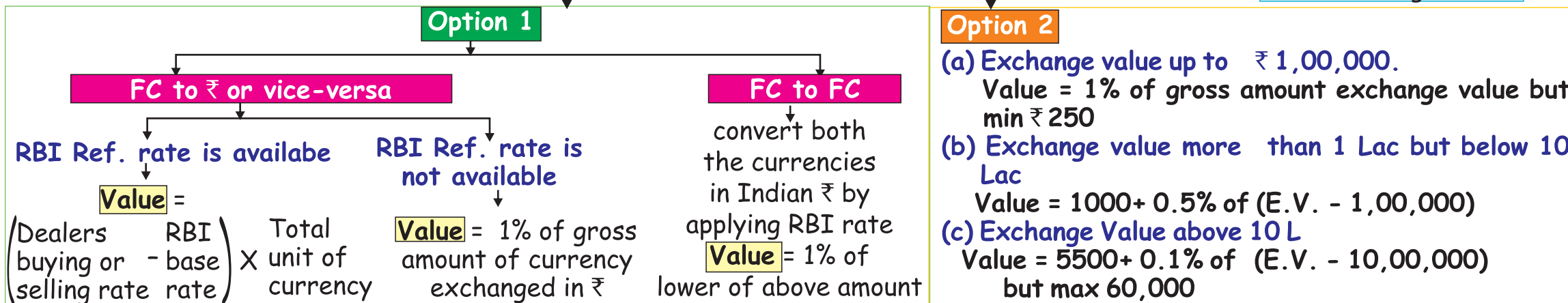
Mechanism for providing evidence of compliance of conditions of Sec 15(3)(b)(ii) by suppliers (Circular No.-212/6/2024):-

Temporary Solution to verify	Suppliers should obtain a certificate from the recipient's CA or CMA confirming the proportionate ITC reversal for a credit note.
Details in Certificate	Credit note & corresponding invoice details, ITC reversal amount for each credit note & Details of FORM DRC-03/return/other documents used for ITC reversal.
Verification of Certificate	CA/CMA certificates should include the Unique Document Identification Number (UDIN), which can be verified online from ICAI or ICMAI website.
Simplified Procedure for Small Amount	CA/CMA certificates includes UDIN, verifiable from ICAI or ICMAI website.
Acceptable Evidence	⇒ CA/CMA certificates or recipient undertakings are admissible evidence for Sec 15(3)(b)(ii) compliance. ⇒ They must be provided if tax officers request them during audits, scrutiny, or investigations for any period.

Valuation in special cases [Rule 32]

32(2) :Purchase or sale of foreign currency

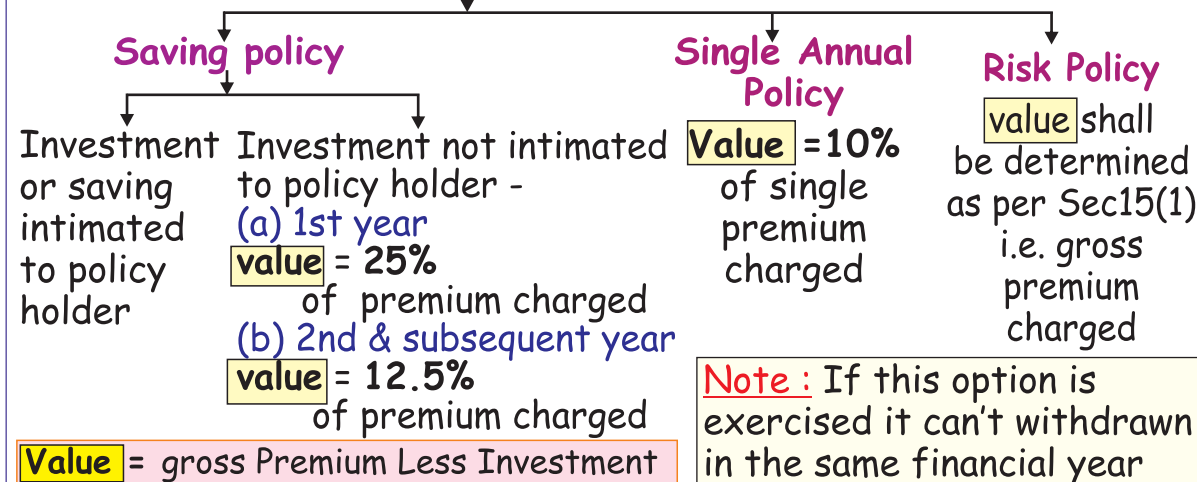
Note:
 FC= Foreign currency
 EV = Exchange Value



32 (3) : Value of the supply of Services in relation to booking of tickets for travel by air

(a) **Domestic Booking** - Value = 5% of basic fare
 (b) **International Booking** - Value = 10% of basic fare
 Note: Basic fare means airfare on which commission is payable to air travel agent. i.e. It doesn't includes other charges & taxes.

32 (4) : Life insurance business



32 (5) : Buying & Selling of 2nd hand goods.(used as such/ after minor processing)

If ITC is not taken on purchase of such goods: Value = selling price - purchase price (if negative = ignore)

If ITC is taken on purchase of such goods: Value = Transaction value u/s 15(1) or outward supply of such goods

In case of repossessed goods from defaulting borrowers.
 Purchase price - Purchase price of defaulting borrower = 5% of each qtr or part thereof between date of purchase of defaulting borrower & date of disposal by person

32 (6) : Value of token, voucher, coupon, Stamp

Value = money value of goods / services / both redeemable against such coupon, token, voucher, stamp

32 (7) : Value of supply of service to distinct person

In case of notified supply of services by govt. the VOS made to distinct person where ITC is available shall be Nil

Requirement of ITC reversal for the portion of life insurance premium policies which is not included in taxable value (Circular no: 214/8/2024)

⇒ Premiums for taxable life insurance policies not included in taxable value per rule 32(4) are not considered non-taxable or exempt supplies.
 ⇒ Thus, no ITC reversal is required u/s 17(1) & (2) with rule 42/43.

Is GST is applicable on incentive amount shared by acquiring banks with other stakeholders in the digital payment ecosystem (Circular No. 228/22/2024)

Incentive amounts shared by acquiring bank with stakeholders, as decided by NPCI & participating banks under a notified Incentive Scheme, are considered as subsidy & are not taxable.