Valuation of Supply

Sec 15 of CGST + CGST Rules

Rule 27 – Rule 35

Value of supply → * Transaction value [Actually price Paid or Payable for such supply]

* Conditions
  1. Person should be unrelated
  2. Price is the sole Consideration

Inclusions
1. Taxes other than GST and TCS under Income tax act
2. Interest or Penalty on late Payment of Consideration
3. Subsidy linked to price Other than CG/SG subsidy (if Subsidy is Considered in price)
4. Any Amt Paid or Payable by Receiver to third Person on behalf of supplier
5. Any Other Charges in whatsoever Name as Condition of sale.

Exclusions
1. Refundable Deposits
2. Discount** (known on date of agreement)

Discount under GST [Sec. 15(3) of the CGST Act, 2017]:

S. No.	Nature of Discount	Treatment in GST	
1	If the discount is given before or at the time of supply, and is recorded in the invoice	Value of goods	XXX
		Less: Discount	(XX)
		Transaction value	XXX
2	If the discount is given after supply, but agreed upon before or at the time of supply, and can be specifically linked to relevant invoices.	Can be claimed as deduction from transaction value	
3	If the discount is given after supply, and not known at the time of supply	Cannot be claimed as deduction from transaction value	

Question 2:

Motor vehicle worth ₹20 lakh is sold by M/s Sundar Pvt. Ltd. to a customer in retail market and for which ₹5 lakh l been paid in cash and balance amount by way of cheque.

Find the following:

(a) TCS under section 206C of the Income Tax Act, 1961 is applicable in the given case?

(b) who is required to collect TCS?

(c) value TCS if any?

(d) value of taxable supply under section 15 of CGST Act, 2017?

(e) Invoice Price of M/s Sunder Pvt. Ltd.?

***Note*:** Assume applicable TCS is @1% and GST 28%.

Answer:

(a) Yes, TCS is applicable in the given case.

(b) Under section 206C the seller has to collect Tax at Source (TCS) at the rate of 1% from purchaser while selling the specified items or services beyond specified limits. In the given case M/s Sundar Pvt. Ltd. must collect the TCS.

(c) TCS = ₹20,000 (i.e. @1% on ₹20 lakh)

(d) Value of taxable supply under Section 15 of CGST Act, 2017 is ₹20 lakh only.

(e) *Invoice price*

Particulars	Value in (₹)
Cost of Motor Vehicle	20,20,000
Add: TCS under Sec 206C of IT Act, 1961	20,000
Sub-total	20,20,000
Add: GST 28% on ₹20 lakh	5,60,000
Invoice price	25,80,000

TWIN Condition

1. Buyer and Seller should be Unrelated
2. Price is sole Consideration

] Conditions Not fulfilled

Valuation → ~~TV~~

Valuation Rules

Rule 27
Non Monetary Consideration

Rule 28
Supply to Relatives

Rule 29
Supply to Agent

* Open market value or Fair Market Value based Valuation.

But if Valuation is not possible according to above Rules then

RULE 30: Value based on cost
Value shall be 110% of cost of production/acquisition/ provision of goods or services

RULE 31: Residual method (Best Judgement Method)
Value shall be determined using reasonable means consistent with the principles and general provisions of section 15 & valuation rules. For services, rule 31 can be adopted before rule 30.

Q. 18

Q. 19

Q. 20

Q. 21

Q. 22

Q. 32

Q. 123 to 128