

1.2.1. **As per section 15(1) of the CGST Act**, where the supplier and the recipient of the supply are not related and price is the sole consideration for the supply, the value of supply of goods or services or both shall be the transaction value. Section 15(4) provides that where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed. These have been prescribed under Chapter IV of the CGST Rules, 2017.

1.2.2. **Rules 27, 28, & 29** of the CGST Rules provide for methodologies for determination of value of supply under certain situations.

As per Rule 27, where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall be the open market value of such supply; or the sum total of consideration in money and equivalent; or the value of supply of goods or services or both of like kind and quality.

As per Rule 28, value of the supply of goods or services or both between distinct or related persons other than where the supply is made through an agent, shall be the open market value of such supply; or the value of supply of goods or services of like kind and quality.

Proviso to Rule 28 provides that where goods are intended for further supply as such by the recipient, the value shall 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.

Where a recipient is eligible for input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

As per Rule 29, value of supply of goods between the principal and his agent shall be the open market value of the goods being supplied, or at the option of the supplier, be 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, where the goods are intended for further supply by the said recipient.

1.2.3. **Rules 27, 28, & 29**, however, further provide that if the value of supply is not determinable under the said Rules, the same shall be determined by the application of Rule 30 or Rule 31 in that order.

As per Rule 30, the value shall be one hundred and ten percent of the cost of production or the cost of acquisition of such goods or the cost of provision of such services.

Rule 31 specifies residual method for determination of value of supply of goods or services or both. Where the value of supply of goods or services or both cannot be determined under Rule 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of Chapter-IV of CGST Rules.

In the case of supply of services, the supplier may opt directly for Rule 31, ignoring Rule 30.