



**The Institute of Cost Accountants of India**  
**(Statutory body under an Act of Parliament)**  
**Tax Research Department**

**Advanced Certificate Course on GST - (ACCGST-10)**

Date: 30<sup>th</sup> Sep 2023

**Valuation under GST**

**Introduction:**

- ✚ Goods and Service tax is single tax which subsumed all indirect taxes of old regime.
- ✚ It brought the concept of “One nation, One Tax & One Market” in India.





**Meaning of Value of Supply:**

- ✚ Value of Supply in common terms is nothing but the amount paid by the recipient of supply to the supplier as consideration for supply
- ✚ It is also known as **transaction value**
- ✚ It means Value of supply is the figure upon which tax is levied and collected
- ✚ Hence, every Taxation Structure makes provision for determination of value

## **Why Valuation is Important?**

### **Relevant Case Laws w.r.t Valuation: In the case of**

-  **Govind Saran Ganga Saran Vs. Commissioner of Sales Tax and others on 26.4.1985 (SC)**
- &**
-  **Mathuram Agarwal Vs. State of Madhya Pradesh, 1999 (SC)**

it was held that there must be **4 essential conditions** for any taxing statute which should be established without ambiguity and they are

- ❖ Subject matter of levy
- ❖ Person to be taxed
- ❖ Rate
- ❖ Value on which tax to be calculated.

Supreme Court of India, it was observed that **the intention of the legislature in a taxation statute is to be gathered from the language of the provisions particularly where the language is plain and unambiguous.**

**Apex court in the case of Suresh Kumar Bhansal Vs Union of India & ORS (2016),** it was held that levy would fail if it does not provide for a mechanism to ascertain the value.

**“Levy of Taxation fails when valuation mechanism is not provided in the Law”**

## Importance of Time, Place and Value of Supply in GST:

### **Time of Supply:**

- **Time of supply** means the point in time when goods/services are considered supplied.
- When the seller knows the 'time', it helps him identify due date for payment of taxes.


### **Place of Supply:**

- **Place of supply** is required for determining the right tax to be charged on the invoice
- Whether CGST & SGST or IGST will apply for a particular Transaction

### **Value of Supply:**

- **Value of supply** is important because GST is calculated on the value of the sale
- If the value is calculated incorrectly, then the amount of GST charged is also incorrect
- If the value is calculated correctly, then the amount of GST would be charged correct

## **Value of Supply:**


-  Value of Supply refers, to determine the correct value of supply of goods or service in order to levy correct GST

### **Section 15** of the CGST Act, 2017:

Value = Transaction Value (Between un-related persons + Price is the sole consideration)

### **Rule 27 to Rule 35** of CGST Rules, 2017 (Chapter IV)

- In case transaction value can't be determined: Then Valuation rules provides determination of Value of Supply.

-  Valuation rules determine value of goods or services or both on which tax under GST has to be charged in different circumstances and to different persons.

In the case of **CIT, Bangalore Vs. B.C.Srinivasa Shetty (1981) 128 ITR 294 (SC)**, where there is a case to which the computation provisions cannot apply at all, it is evident that such a case was not intended to fall within the charging section.

In the case of **Commissioner of Customs, Tiruchirapalli Vs. Hindustan Lever Ltd. 2015 SC** has observed that the provisions of valuation rules are subject to main provisions and valuation under the rules could be resorted only when the transaction value was not available.

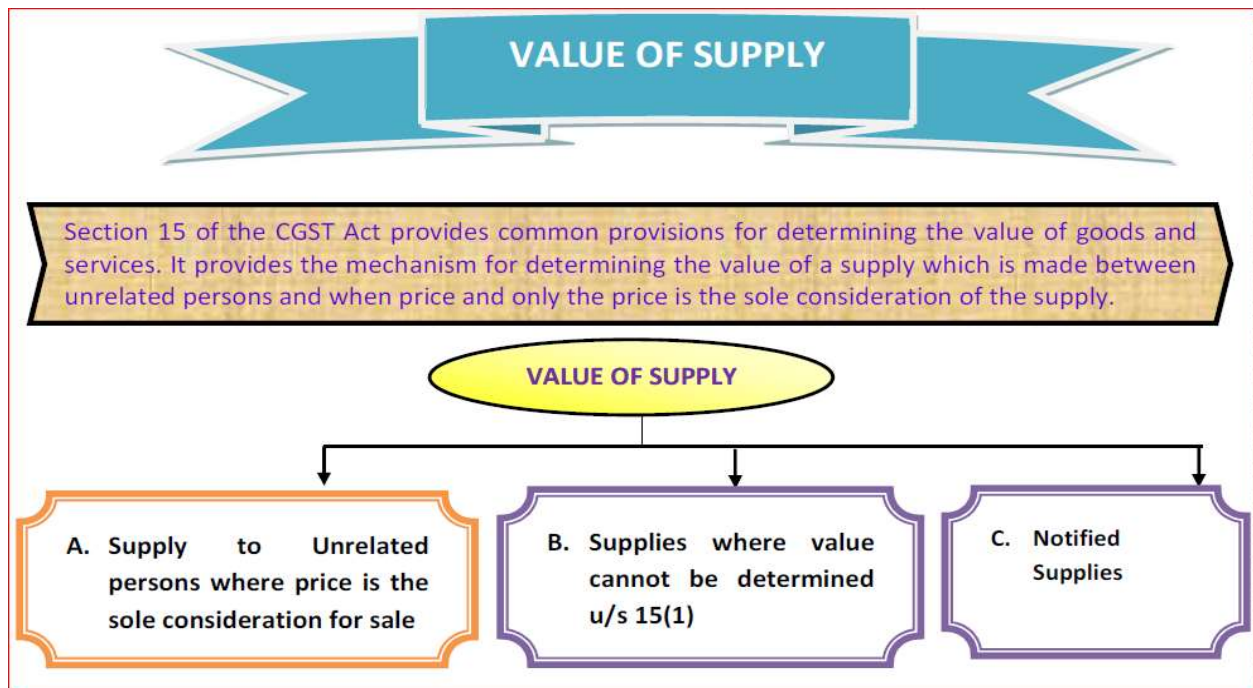
**Example : 1**

Mr. A goes to shop of Mr. B and purchases television. He pays amount of ₹ 50,000 as consideration for 52 inches LED TV Purchased plus GST. Where MRP of the product ₹ 65,000. Discount offered to all buyers ₹ 15,000. As per section 15(1) of the CGST Act, 2017 the valuation will be as per transaction value basis. Assume applicable rate of CGST 14% and SGST 14%. Invoice will be prepared as follows:

Invoice	
Particulars	Value in ₹
Transaction value	50,000
Add: CGST 14%	7,000
Add: SGST 14%	7,000
Invoice price	64,000

**Note:** Invoice price should not increase the Maximum Retail Price (MRP)

If Mr. A not maintained sole consideration for such sale or they are related persons then valuation will based on determination of value of supply rules (i.e. CGST Rules, 2017).



## Transaction Value = Assessable Value

### A. Supply to Unrelated persons where price is the sole consideration for

#### (i) Transaction value [S.15 (1)]



### Consolidated Value of Supply

Transaction value

xxxxx

#### Add:

- ✓ Price actually paid or payable
- ✓ All Taxes except GST
- ✓ Any payment made to third party
- ✓ Incidental Expenses
- ✓ Consideration for delayed payment
- ✓ Non-Govt Subsidies linked to supply

xxxxx

xxxxx

xxxxx

xxxxx

xxxxx

xxxxx

#### Less:

- ✓ Discounts
- ✓ Credit Notes
- ✓ Govt-subsidies

(xxxx)

(xxxx)

(xxxx)

**Value of Supply as per S.15 of CGST Act, 2017**

xxxxx

(ii) Inclusions in transaction value [S.15(2)]

1. Price actually paid or payable for the supply

2. Taxes other than GST, if charged separately by the supplier

3. Payments made to third parties by the recipient on behalf of the supplier in relation to the supply

4. Incidental expenses in relation to supply

5. Interest, late fee and penalty for delayed payment **charged** if any

6. Non-Government Subsidies

**Eg:-** Few examples of such incidental expenses are-

- Freight
- Packing
- Inspection or certification charges
- Installation and testing charges

These items have to be included only if they are charged from Customers

**Eg:-** The selling price of a notebook is ₹ 50. For notebooks sold to students in Government schools, a company uses its CSR funds to pay the seller ₹ 30, so that the students pay only ₹ 20 per notebook. The taxable value of the notebook will be ₹ 50, as this is a non-government subsidy.



**Illustration: Price actually paid or payable for the supply**



Wholesale price for 1 MT of cement sold by X Ltd. in the ordinary course of business : ₹ 7,000

Price of 1 MT of cement sold by X Ltd. to Y : ₹ 6,700.

Value of supply made by X Ltd. to Y is ₹ 6,700 which is the price actually paid or payable and not the wholesale price.

**Illustration: Payments made to third party**



Grand Biz contracts with ABC Co. to conduct a dealers' meet. In furtherance of this, Grand Biz contracts with vendors to deliver goods / services, like water, soft drinks, audio system, projector, catering, flowers etc. at the venue on the stipulated dates at the stipulated prices. Grand Biz is liable to make these payments as contracted.

The soft drinks supplier wants payment upon delivery; ABC Co. agrees to pay the bill raised by the soft drinks vendor on Grand Biz on receiving the crates of soft drinks. This amount is not billed by Grand Biz to ABC Co. However, it would be added to the value of service provided by Grand Biz to ABC Co. for payment of GST.

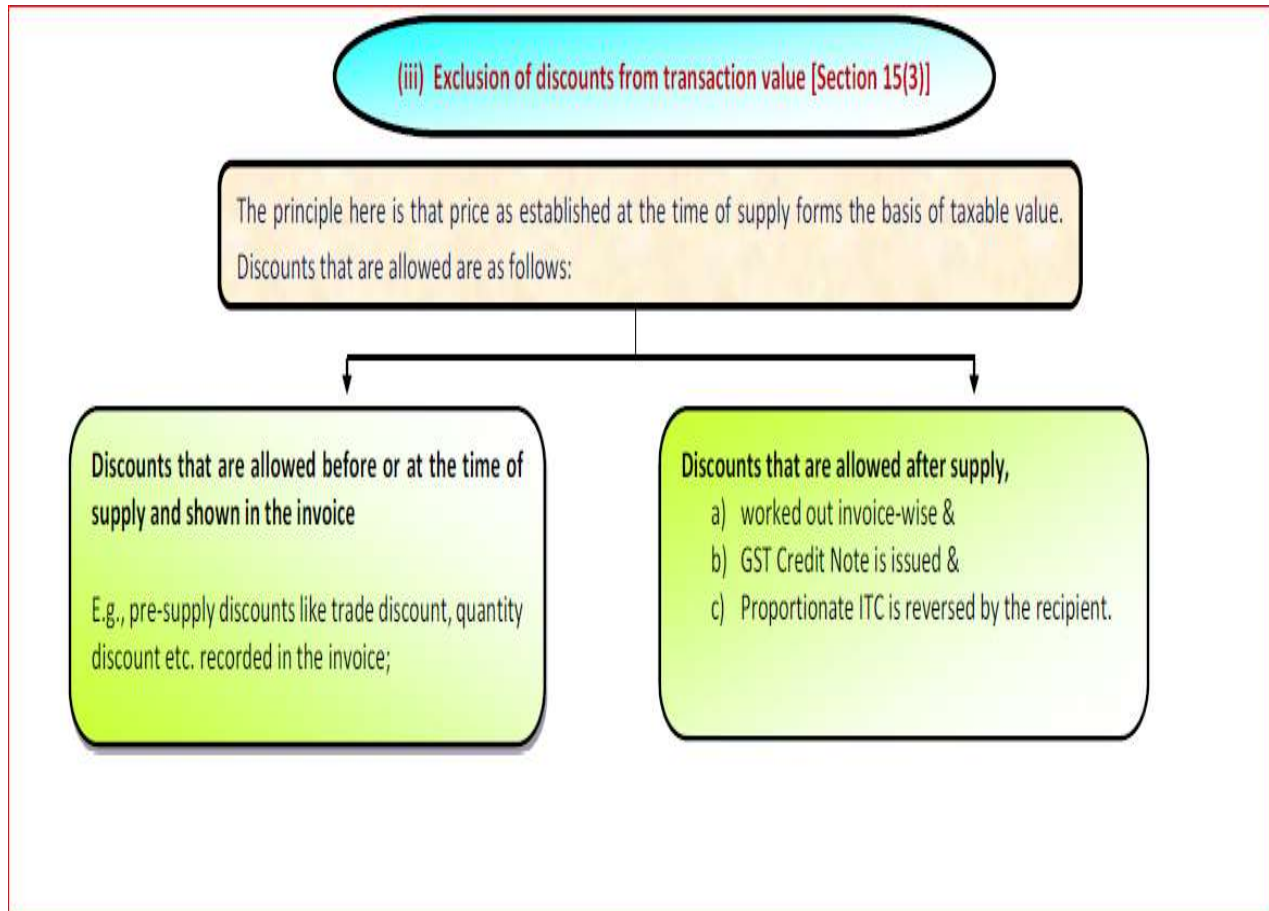
**Illustration: Interest, late fees and penalty charged for the delayed payment**



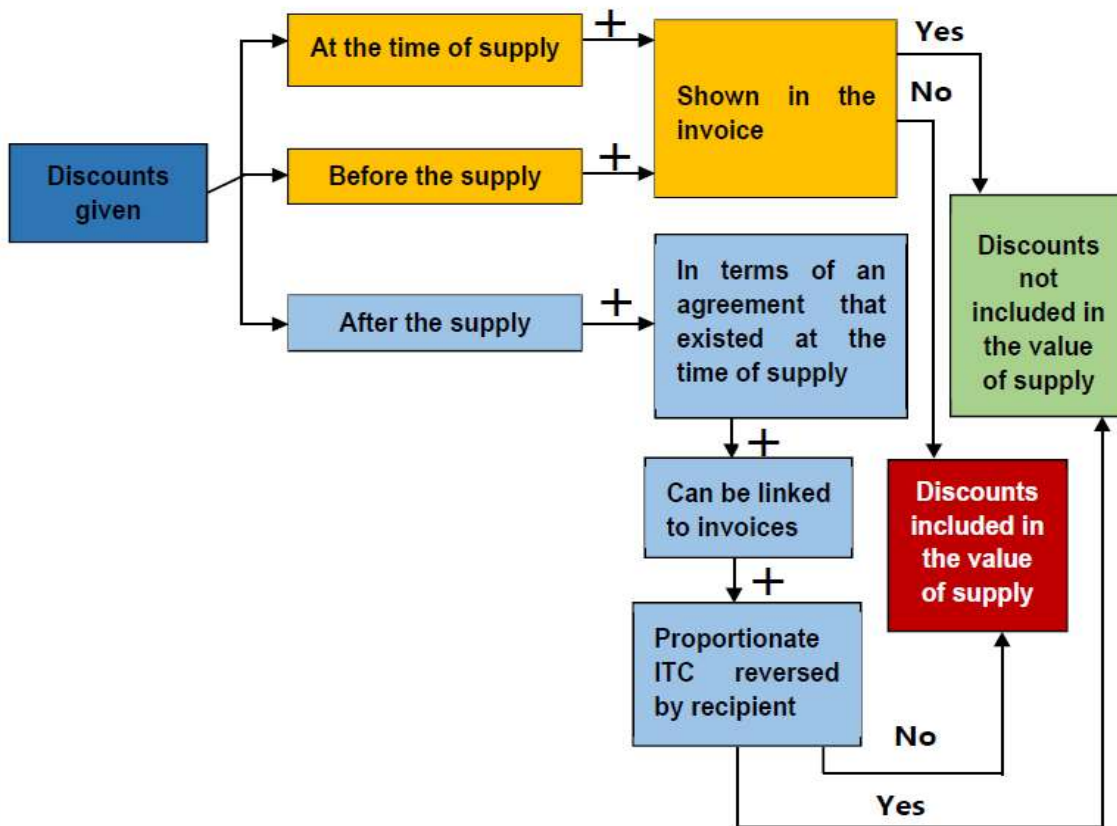
A supply priced at ₹ 2,000 is made, with a credit period of 1 month for payment. Thereafter interest of 12% is charged. The payment is received after the lapse of two months from the date of supply. The amount of 12% p.a. (i.e. 1% per month) on ₹ 2,000 for one month after the free credit period is ₹ 20. Such interest will be added to the value and thus, the value of supply will work out to be ₹ 2,020, assuming the interest to be exclusive of GST.

### **Exclusions from Transaction Value:**

- Discounts
- Credit Notes
- Govt Subsidies







### Examples of discount deductible from value of supply

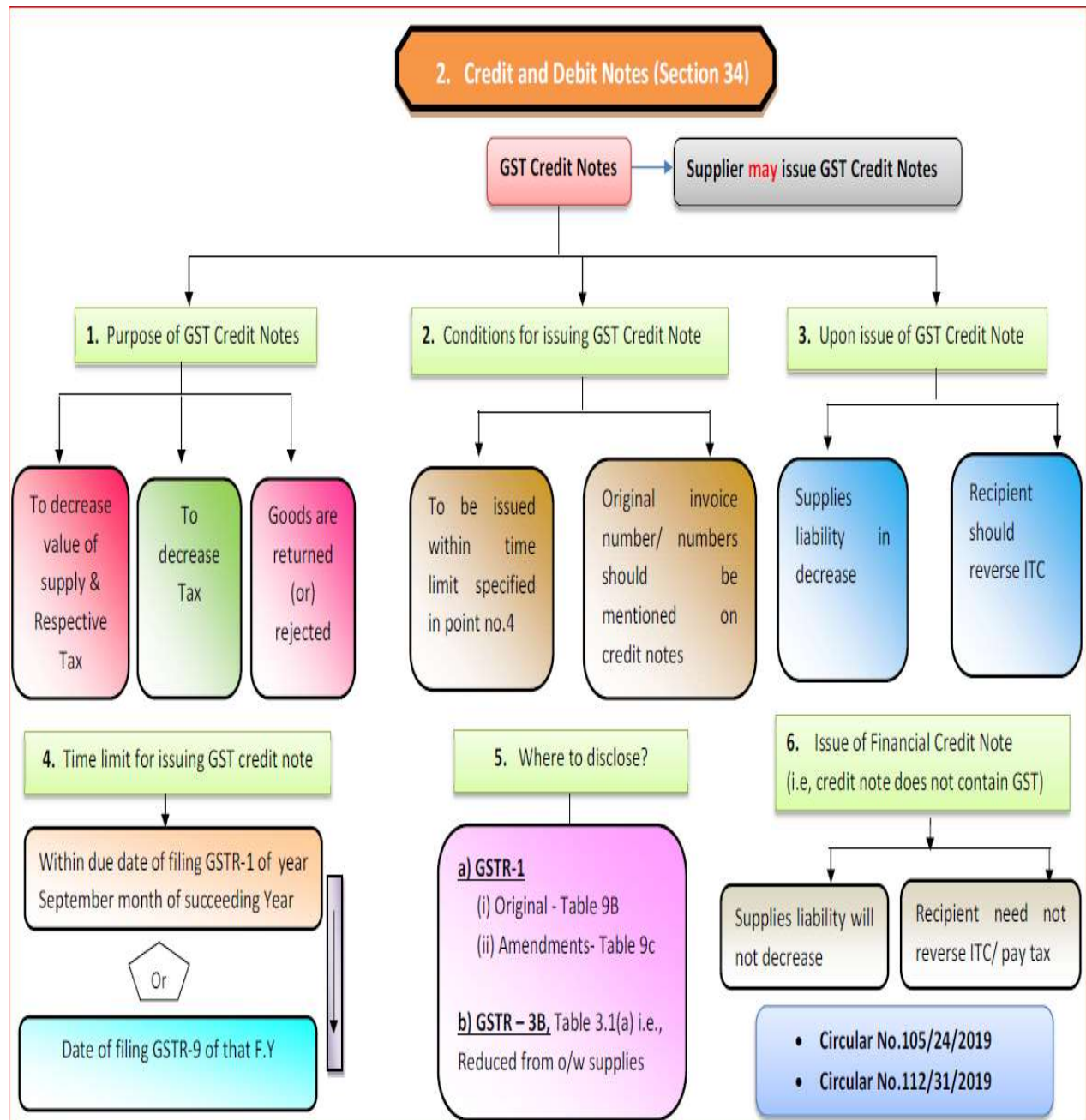
(i) Royal Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Spicebisk, in the invoice the list price is mentioned as ₹ 200, on which a discount of 30% is given to arrive at the final price of ₹ 140. The value is ₹ 140, as the discount is allowed at the time of supply and shown in the invoice.



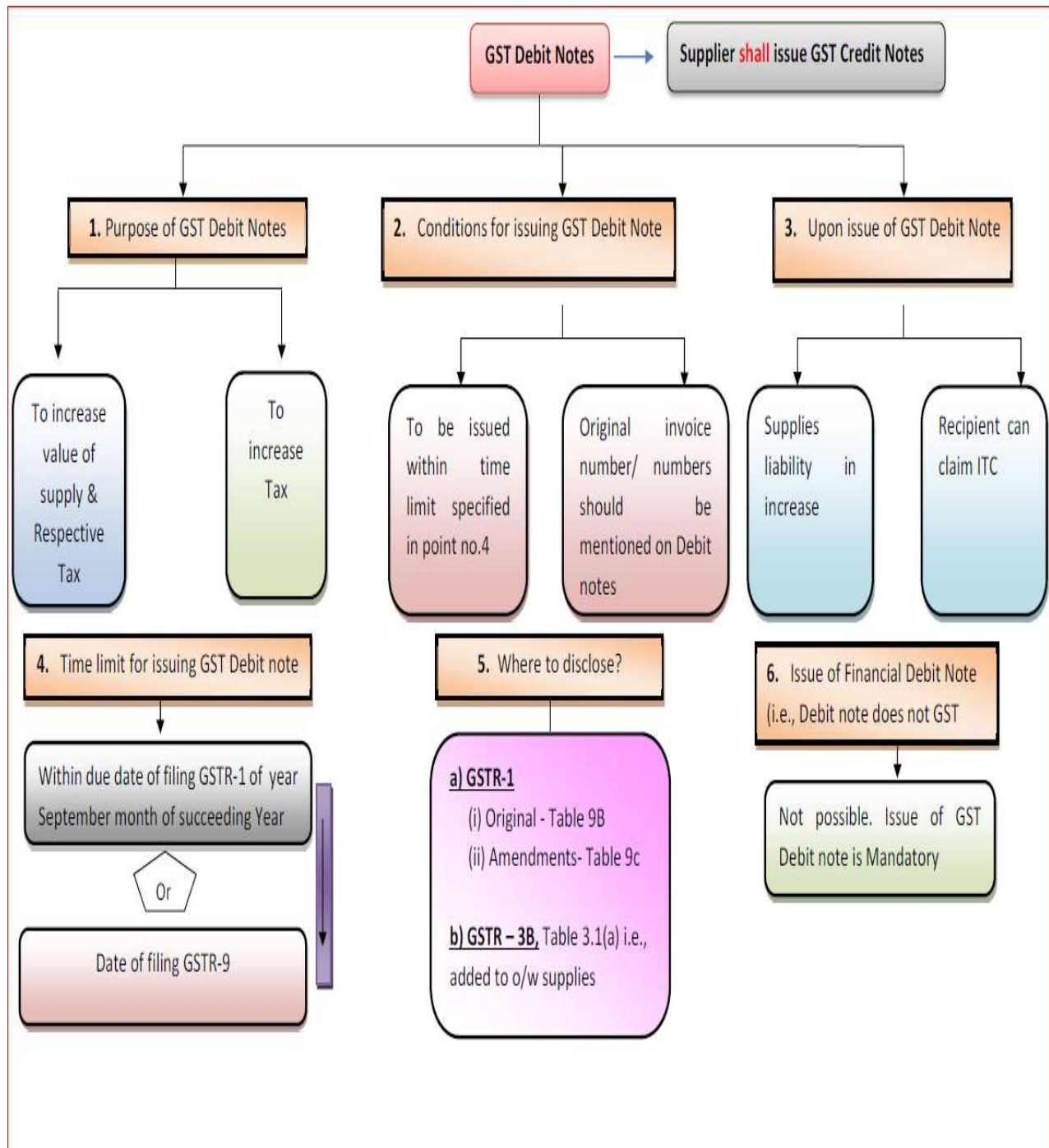
### Example of non-deductible discount

A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods.

## Concept of GST Credit Notes:



## Concept of GST Debit Notes:



### Latest Amendments:

- ITC availment
- Reporting of credit notes
- Amendment in GSTR-1
- Amendment in GSTR-3B

**Due Date: 30 November of Next Financial Year**

#### **S.16(4): Extended Time Limit till 30<sup>th</sup> Nov of NFY >>>>>> LA**

S. N	Particulars	Section	Old Time Limit	New Time Limit
1	ITC availment	Section 16(4)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
2	Reporting of credit notes	Section 34(2)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
3	Amendment in GSTR 1	First proviso of Section 37(3)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
4	Amendment in GSTR 3B	Proviso of Section 39(9)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year

2-Oct-21

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### **S.34: Debit Note Vs. Credit Note:**

Particulars	Debit note	Credit note
Who issues it?	The buyer of goods issues it.	The seller of goods issues it.
Meaning	The buyer of goods issues a debit note to the seller to return the goods received due to quality issues or other reasons. A debit note contains the reason for the return of goods.	The seller of goods issues a credit note to confirm that the purchase return is accepted.
Can be issued	It can be issued only in the event of credit purchases from the buyer's perspective.	It can be issued only in the event of credit sales.
Impact	It reduces account receivables in the books of sellers.	It reduces account payables in the books of the buyer.
Reflects	A debit note reflects a positive amount.	A credit note reflects a negative amount.
Form	It is another form of purchase return.	It is another form of sales return.
Accounting	It leads to updating purchase return books.	It leads to updating of sales return books.
Entry	Supplier Account Dr. Purchase return Cr.	Sales return account Dr. Customer Account Cr.
Issued in exchange of	A debit note is issued in exchange for a credit note.	A credit note is issued in exchange for a debit note.
Issued by a seller to the buyer	The seller issues debit notes to the buyer if the buyer is undercharged or the seller has sent additional goods.	The buyer issues a credit note as an acknowledgement of a debit note received.
Ink	It is issued in blue ink.	It is issued in red ink.

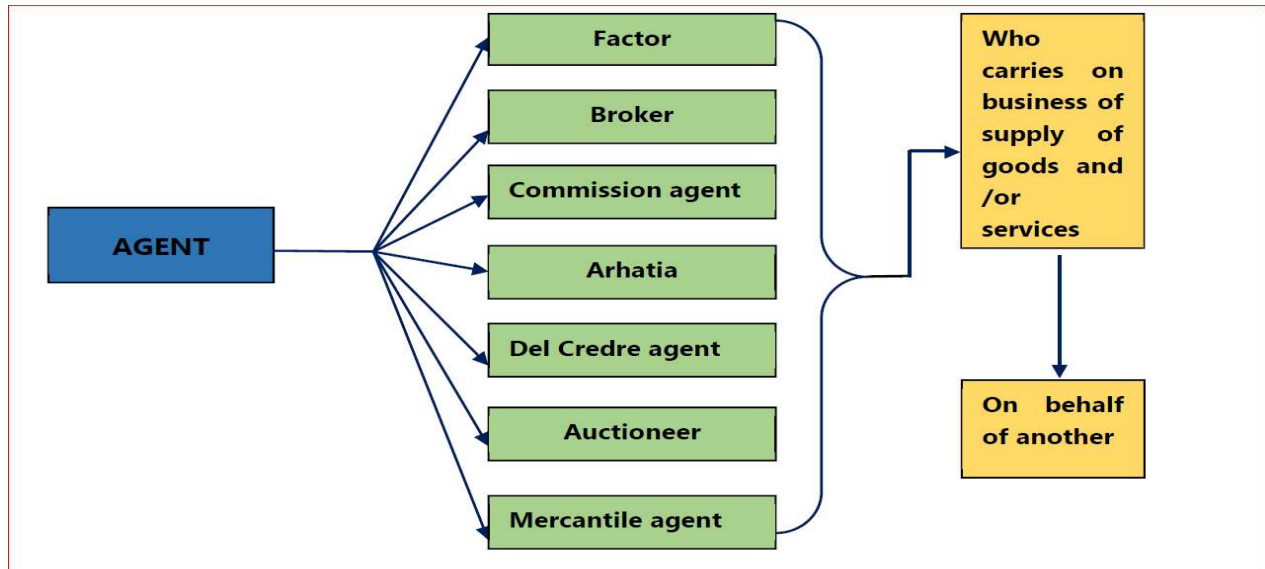
### **Value of supply NOT determined u/s 15(1) of CGST Act, 2017:**

**Then Value shall be determined in accordance with the valuation rules specified under Rule 27 to 31 of CGST Rules, 2017**

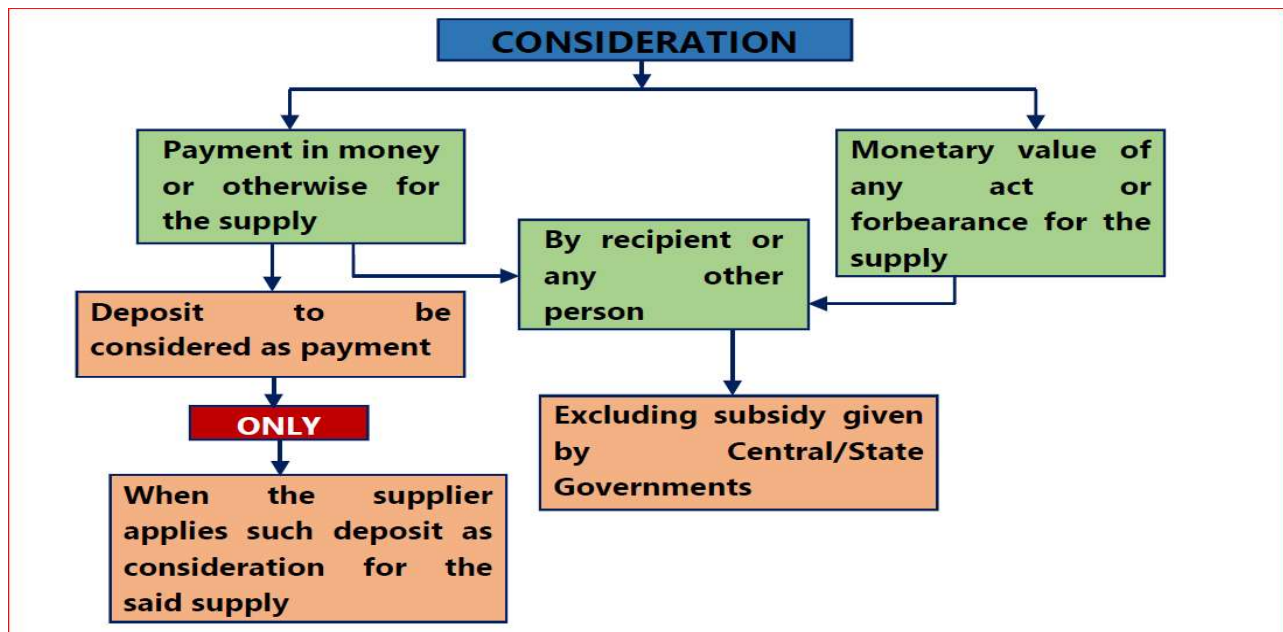
### **Definitions:**



**Agent:** Sec.2(5) of CGST Act, 2017 defines “Agent” means



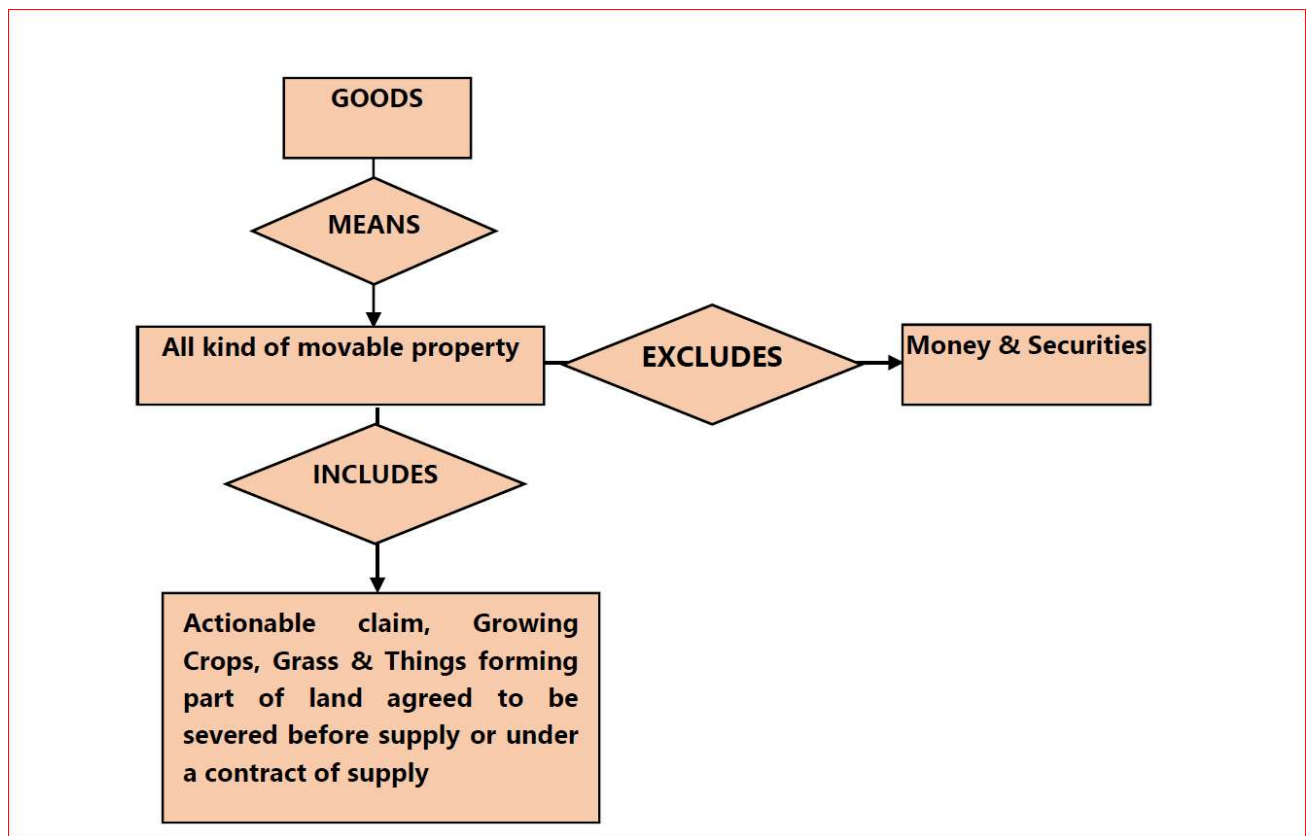
**Consideration:** Sec.2(31) of CGST Act, 2017 defines “Consideration” includes



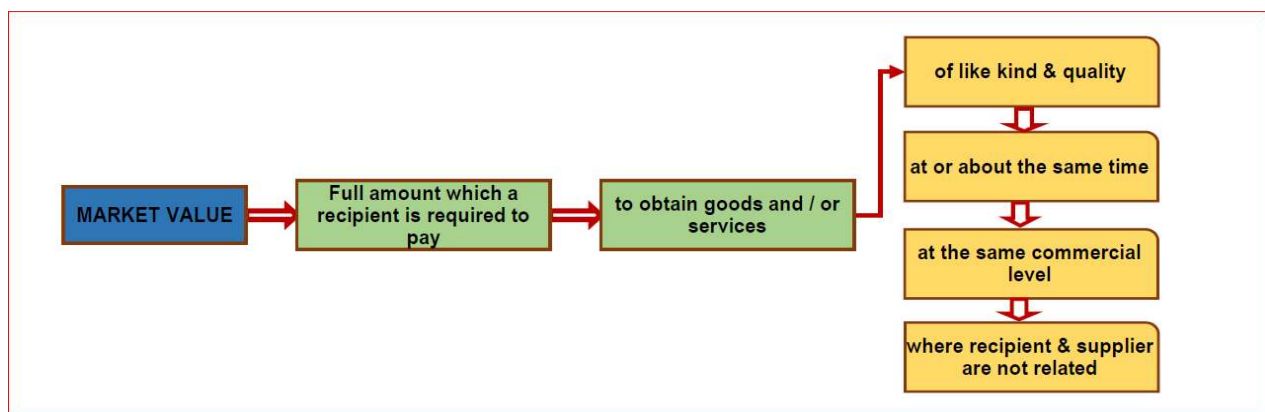
**Family:** Sec.2(49) of CGST Act, 2017 defines “Family” means

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person;

**Goods:** Sec.2(52) of CGST Act, 2017 defines “Goods” means



**Market Value:** Sec.2(73) of CGST Act, 2017 defines “Market Value” means

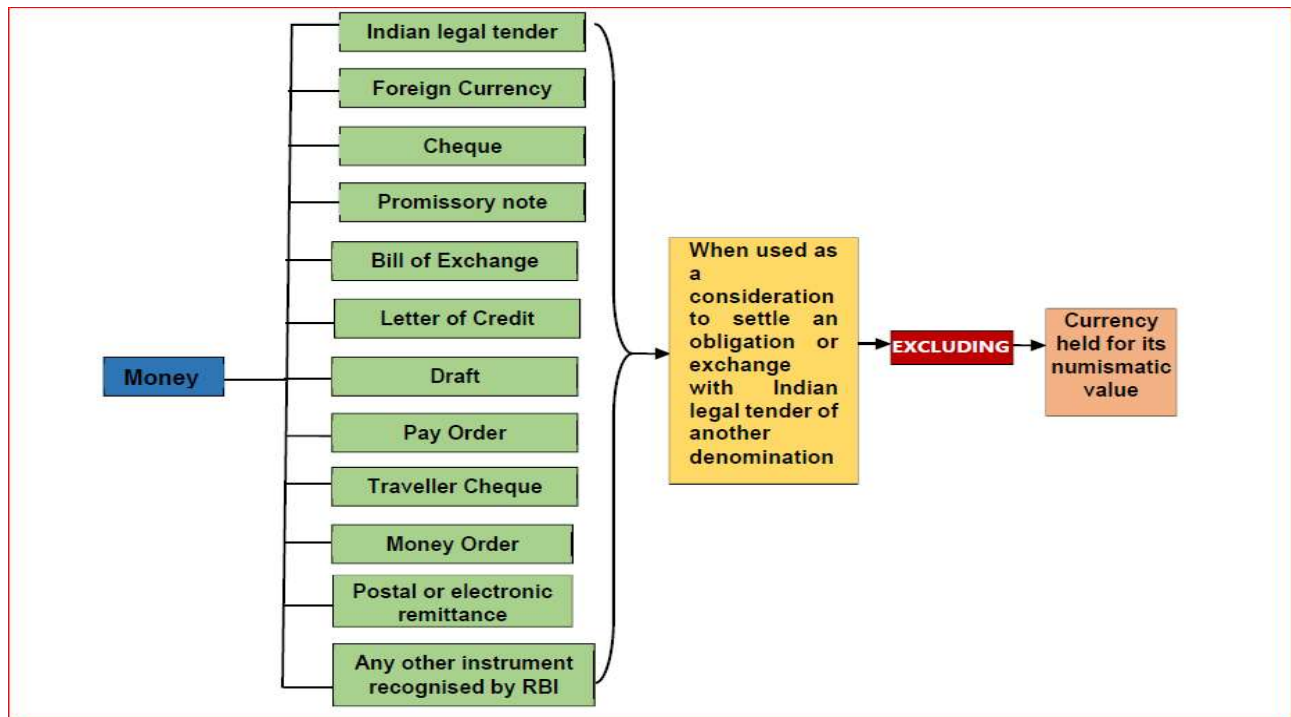


**Person:** Sec.2(84) of CGST Act, 2017 defines “Person” includes

- (a) an Individual
- (b) a HUF
- (c) a Company
- (d) a Firm;

- (e) an LLP
- (f) an AOP or BOI,
- (g) any Corporation or a Government company
- (h) Any Body corporate incorporated by or under the laws of a country outside India
- (i) a Co-operative society
- (j) a Local Authority
- (k) Central Government or a State Government
- (l) Society as defined under the Societies Registration Act, 1860
- (m) Trust; and
- (n) every AJP

**Money:** Sec.2(75) of CGST Act, 2017 defines “Money” Means



In the case of **COMMISSIONER OF CUSTOMS, VISHAKHAPATNAM Vs M/s. Aggarwal Industries**, the apex court held that it is well settled that the onus to prove under-valuation is on the revenue.

**VALUATION RULES, 2017:**

## Rule 27 - Value of supply of goods or services where the consideration is NOT wholly in money



### Open Market Value:

- Open Market Value means the Full value of Money
- excluding the taxes under GST laws,
- payable by a person to obtain such supply at the time when supply being valued is made,
- provided such supply is between unrelated persons and
- price is the sole consideration for such supply.

### Supply of Like Kind and Quality:

- Supply of like kind and quality means any other supply made under similar circumstances,
- which is same or closely or substantially resembles
- in respect of characteristics, quality, quantity, functionality, reputation to the supply being made.

\*Identical = Same Kind of Goods

\*Like Kind = Similar Goods

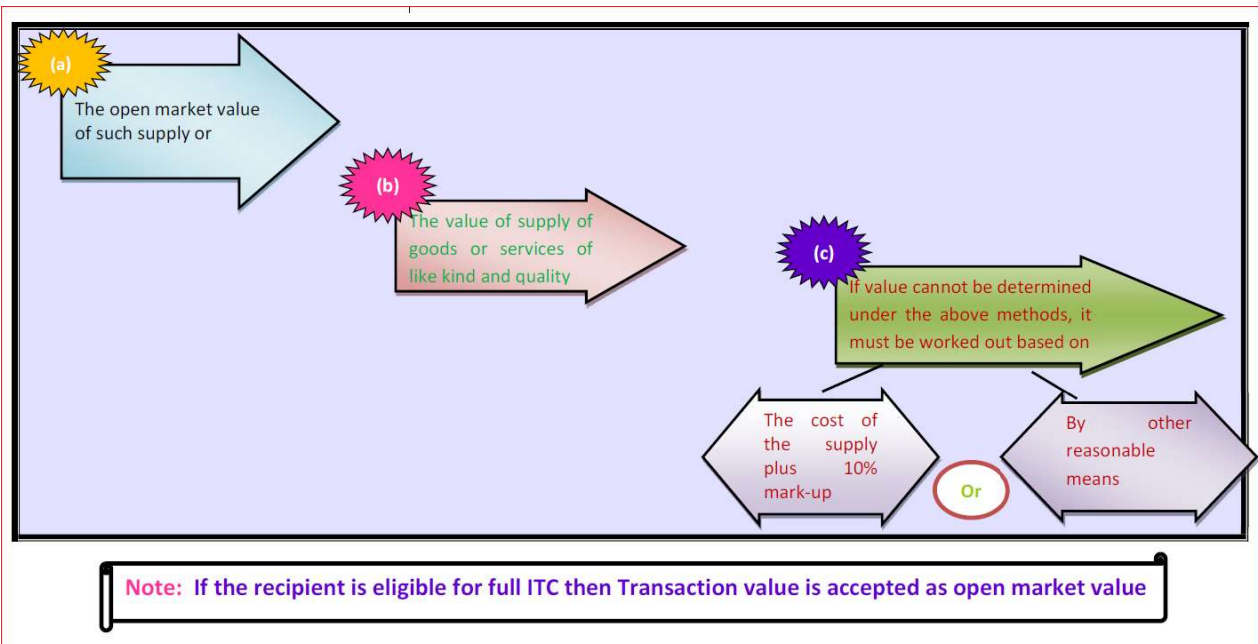
### Examples:



(i) Exchange value of old phone lowers the price of a new phone. The known market value of the new phone (without exchange of old phone) is its taxable value.

(ii) Laptop is manufactured and supplied for ₹ 40,000. Part value is received in barter in the form of a printer valued at ₹ 4000. Market value of the laptop is not known. Its taxable value will be ₹ 44,000.

### Rule 28 - Value of supply of goods or services or both between distinct or related persons, other than through an agent

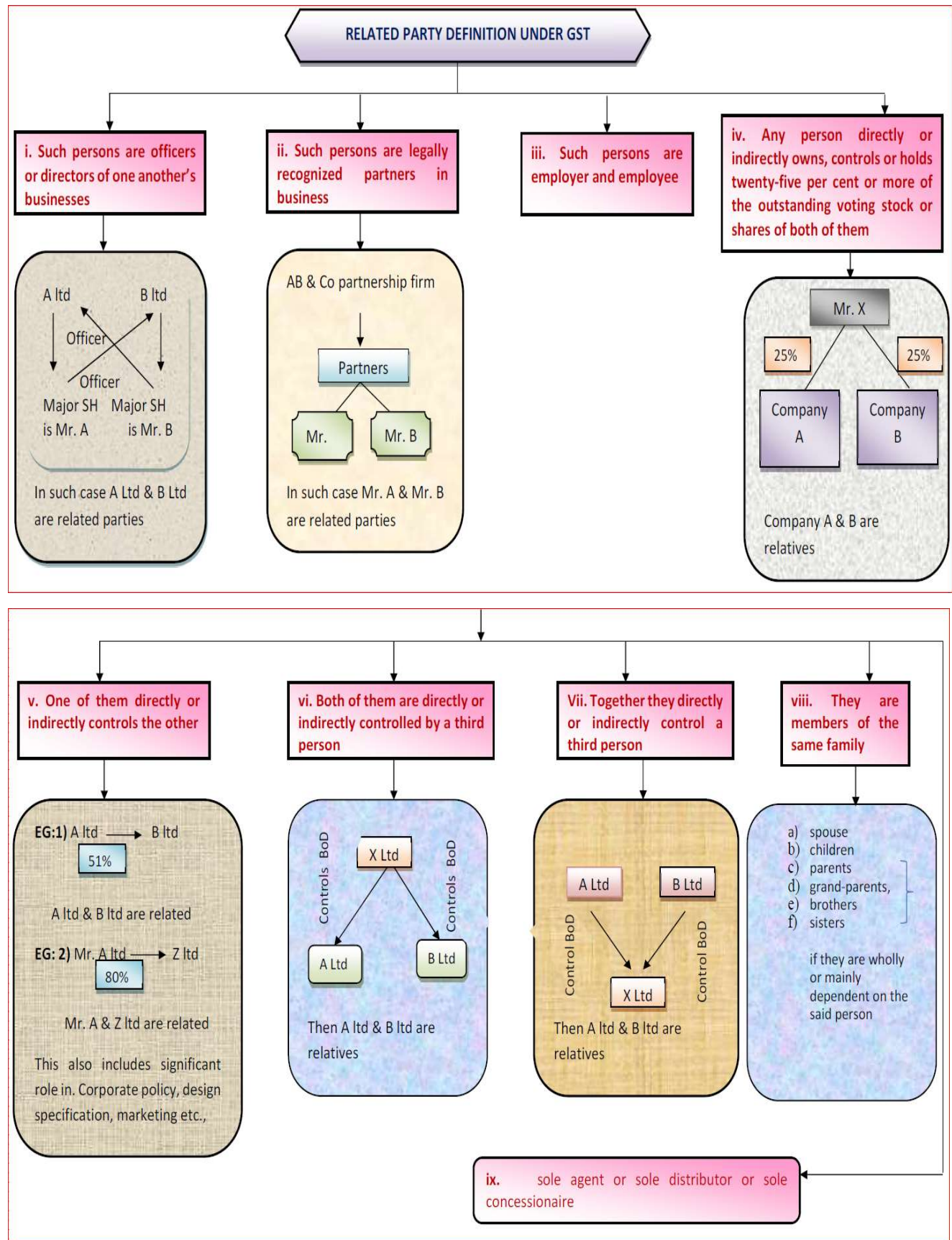


(i) Mr. A and Mr. B are partners in the partnership firm A&B Co. Mr. A & Mr. B are related persons. Thus, a transaction of supply between Mr. A & Mr. B in the course or furtherance of business is treated as supply even if made without consideration.

(ii) Ms. Priya holds 30% shares of ABC Ltd. and 35% shares of XYZ Ltd. ABC Ltd. and XYZ Ltd. are related.

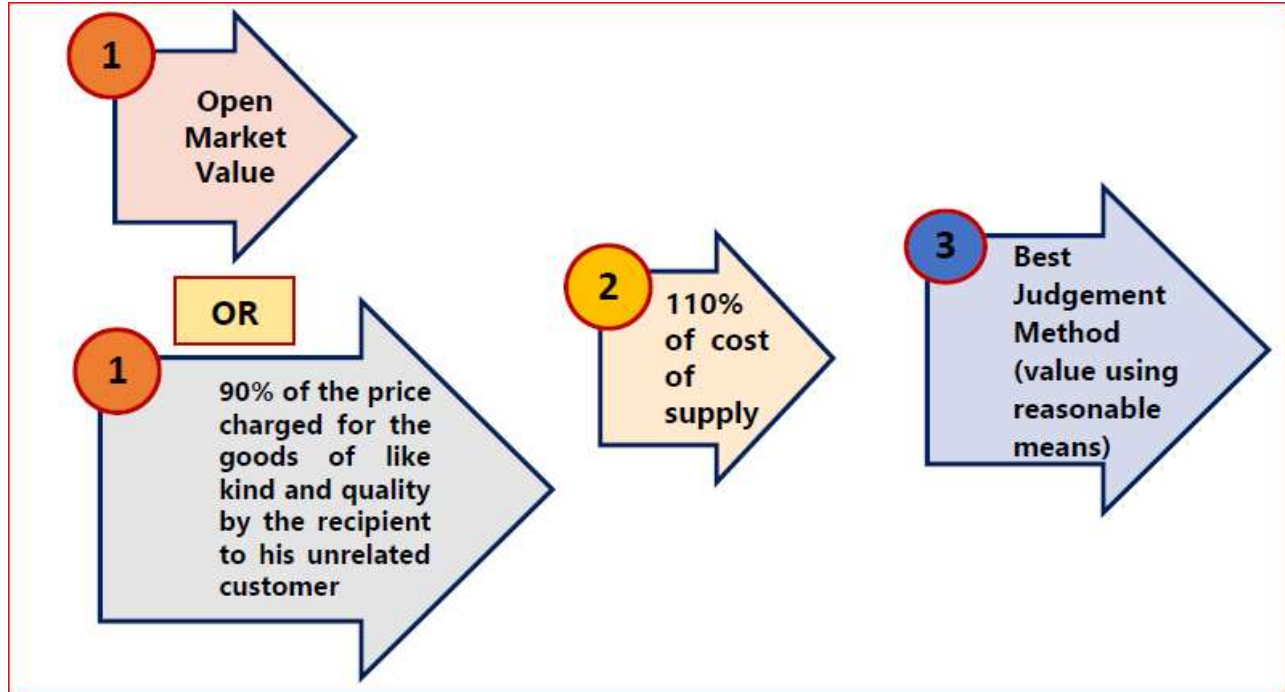


## Concept of Related Party:



## Rule 29 - Value of supply of goods or received through an “Agent”

(This rule is applicable only for supply of goods)



### Example of clause (a)

Mr. A supplies goods to his agent and the agent is supplying goods of like kind and quality in subsequent supplies at a price of ₹ 1,000 per unit on the day of the supply.

Mr. A also supplies goods to an unrelated customer at the price of ₹ 950 per unit on the day of the supply. The value of the supply made by Mr. A to agent shall be ₹ 950 per unit or where he exercises the option, the value shall be 90% of ₹ 1,000 i.e., ₹ 900 per unit.

## Rule 30 - Value of supply of goods or services or both based on Cost

- Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter,
- the value shall be **110% of the cost of production** or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

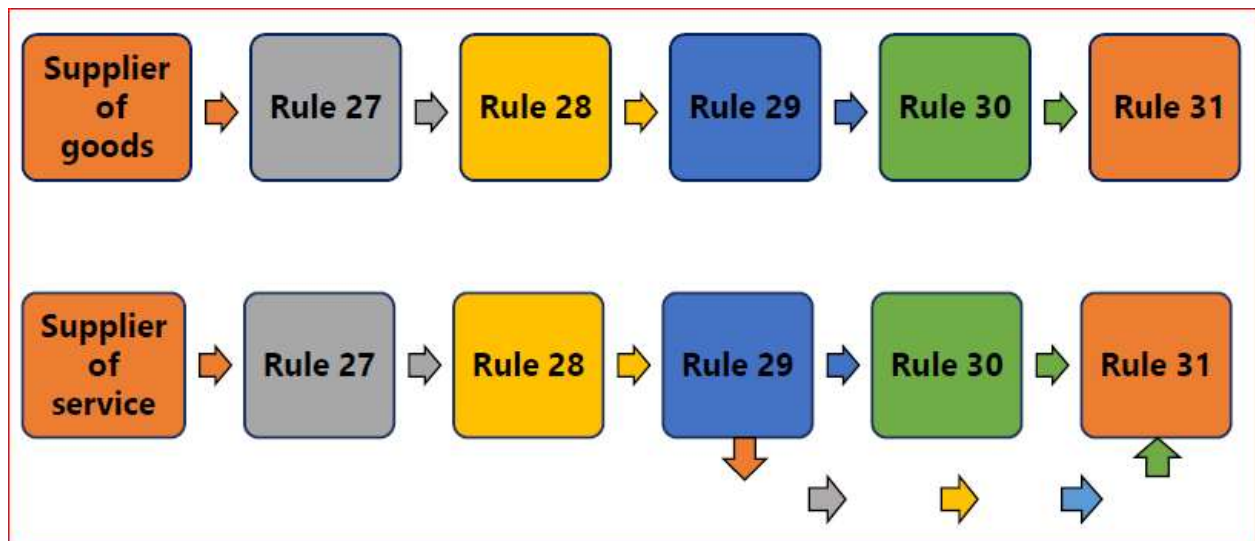
### Rule 31 - Residual method for determination of value of supply of goods or services or both

- Where the value of supply of goods or services or both can't be determined u/r 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 this Chapter.
- Provided that in the case of supply of **services**, the supplier may opt this rule directly, ignoring rule 30.

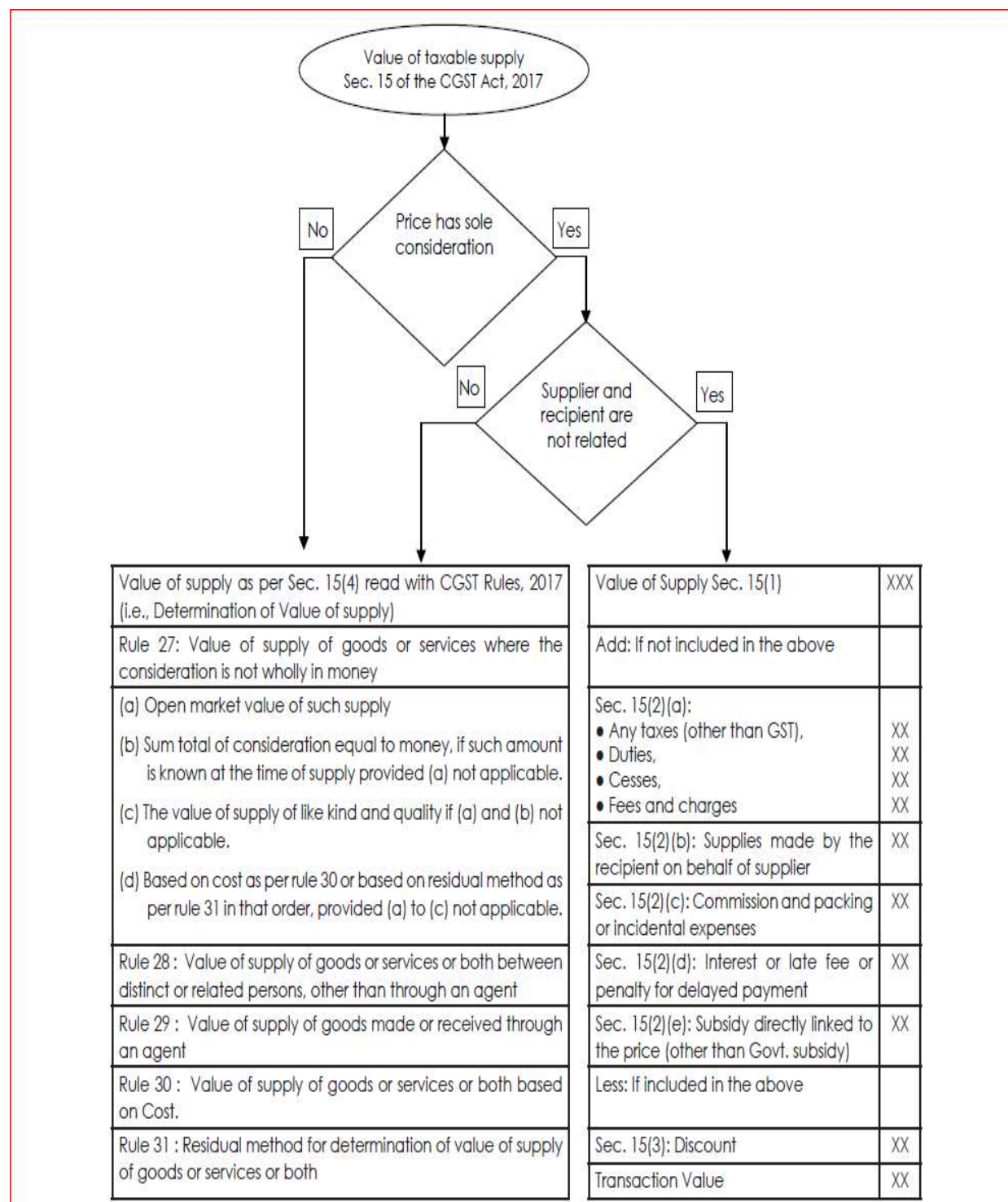
### Conclusion:

- Valuation rules are helpful to determine the value of supply where value not determined under Sec. 15(1) as mentioned under Sec. 15(4) of CGST Act, 2017.

### The order of applicability of Rules:



## Final Note on S.15 & Valuation Rules 27 to 31





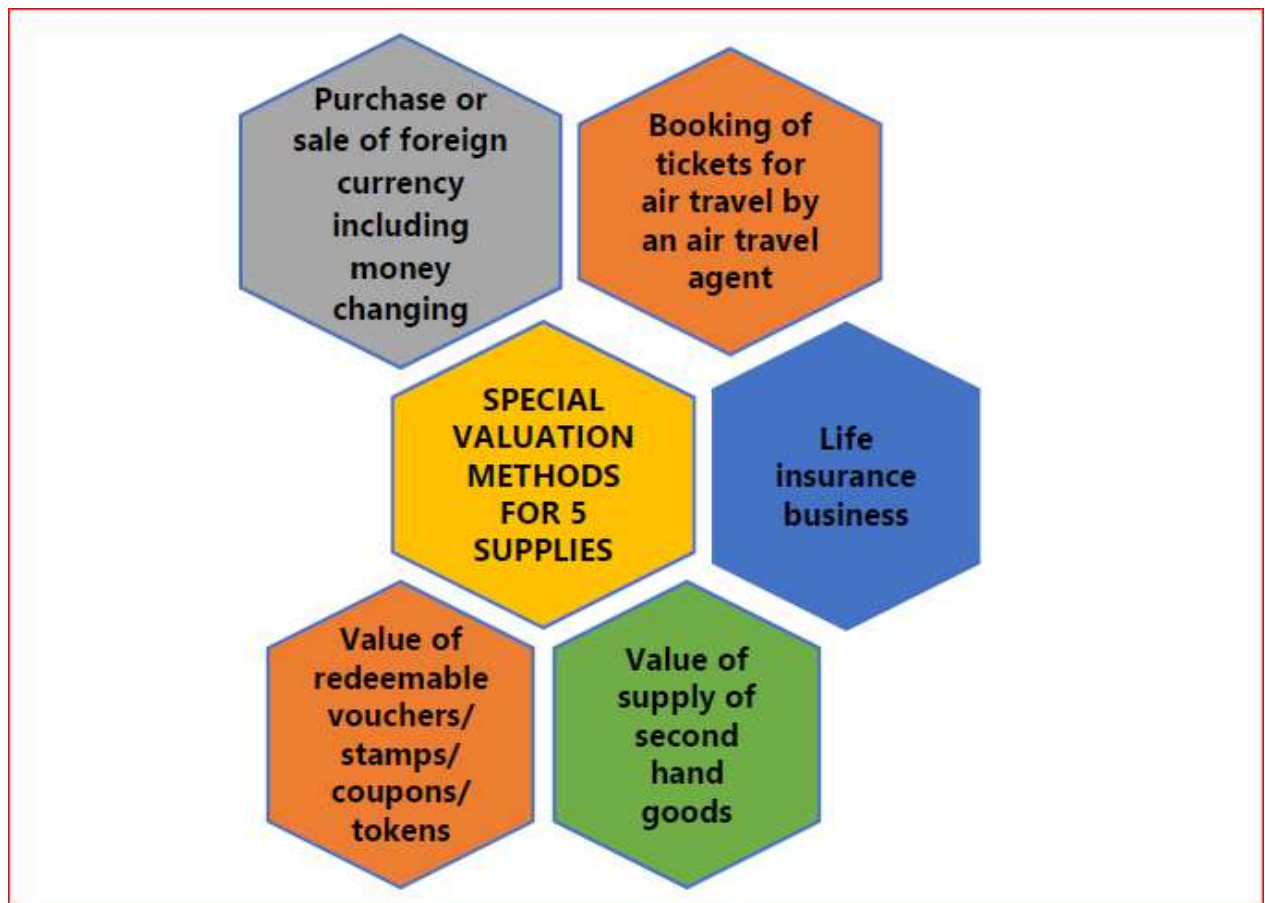
### Rule 31A – Introduced in CGST Rules to provide for Valuation of Supply of “Lottery”

Supply	Value
Supply of lottery run by State Governments	Higher of the two amounts to be deemed as the value a) 100/112 of the face value of ticket (OR) b) 100/112 of the price as notified in the Official Gazette by the organising State
Supply of lottery authorised by State Governments	Higher of the two amounts to be deemed as the value a) 100/128 of the face value of ticket (OR) b) 100/128 of the price as notified in the Official Gazette by the organising State
Supply of actionable claim in the form of chance to win in betting, gambling or horse racing in a race club	100% of the face value of the bet or the amount paid into the totalisator

### Rule 32 – Determination of Value in respect of certain supplies:

- ✚ This rule provides the valuation methods for Five specific supplies.
- ✚ This rule overrides other rules of valuation.
- ✚ Thus, the supplies prescribed in this rule need not be valued by sequentially following rule 27 to 31.
- ✚ The valuation methods prescribed under this rule are optional;
- ✚ The supplier can use them if he so **desires**.
- ✚ He can also opt to value his supplies in accordance with **other** valuation rules.





I. The Value of Supply of Services in Relation to the Purchase or Sale of Foreign Currency, including Money Changing:

### 1. Service of purchase or sale of foreign currency including money changing

The value of service in relation to purchase or sale of foreign currency, including money changing, is determined by either of the two methods:

Method - I

**Case 1:** Transaction where one of the currencies exchanged is Indian Rupees  
value of supply = difference between buying rate or selling rate of currency and RBI reference rate

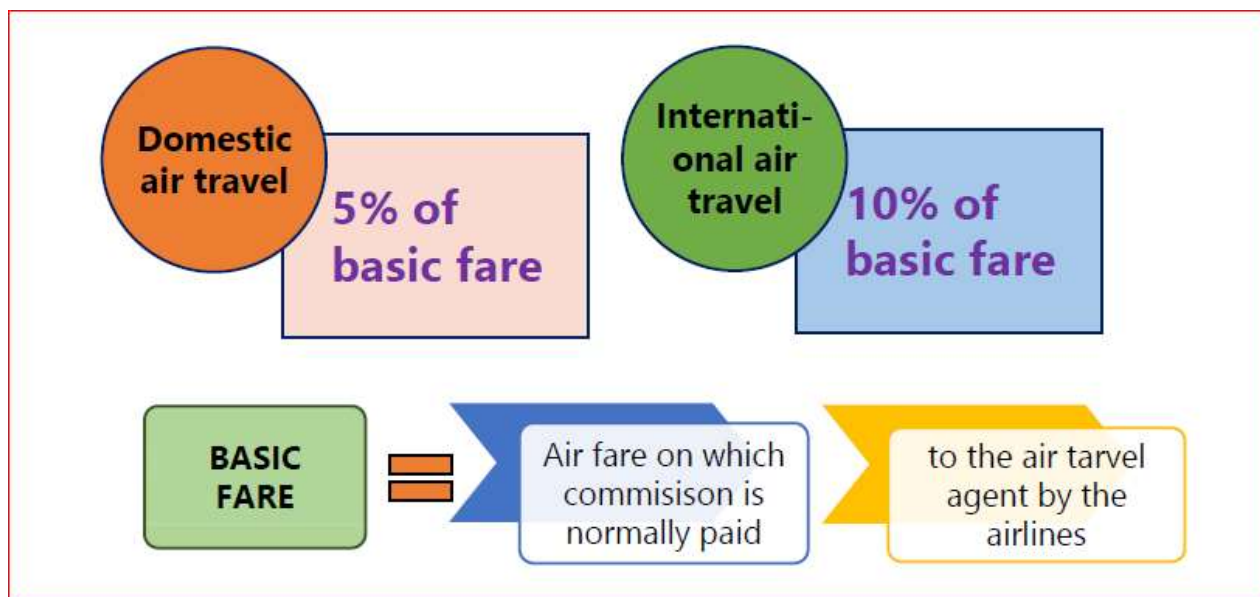
**Case 2:** If RBI reference rate for a currency is not available then  
value of supply = 1% of the gross amount of Indian Rupees

**Case 3:** Transaction where neither of the currencies exchanged is Indian Rupees  
First convert both the currencies into Indian Rupees using RBI Reference rate, then Value of supply = 1% of the lesser of the two amounts

Method - II

S.N	Currency exchanged	Value of supply
1.	Upto ₹ 1,00,000	1% of the gross amount of currency exchanged OR ₹ 250 <b>whichever is higher</b>
2.	Exceeding ₹ 1,00,000 and upto ₹ 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 the (gross amount of currency exchanged - ₹ 10,00,000) OR ₹ 60,000 <b>whichever is lower</b>

### II. Service of booking of Tickets for Air travel by an Air Travel Agent:



**Note:**

Passenger Service Fee (PSF) & User Development Fee (UDF) levied under rule 89 of the Aircraft rules 1937 to be included in the value of Supply for purpose of levying GST

**Example:**

Mr. U is an air travel agent. Compute the value of supply of service made by him during a month with the help of following particulars furnished by him:

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

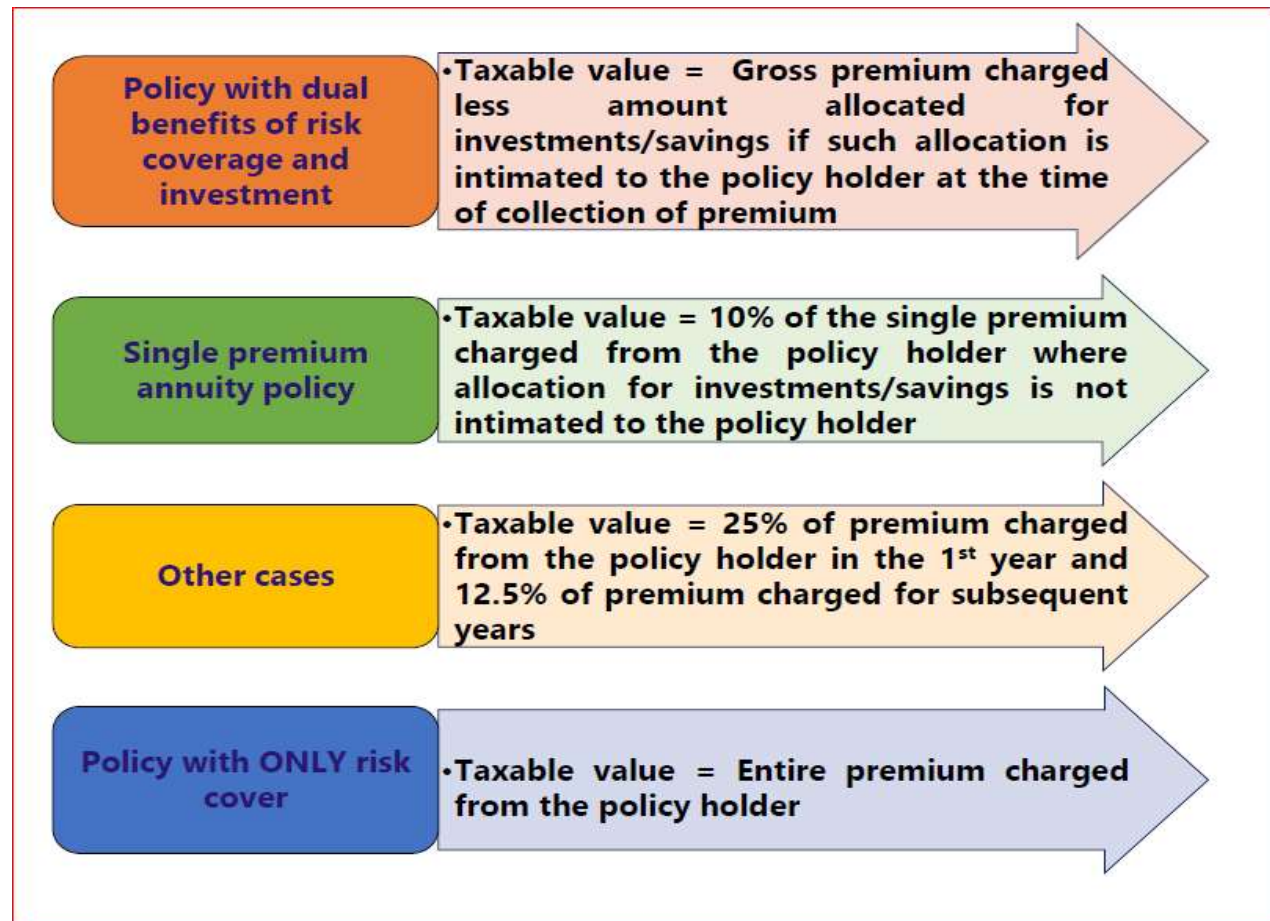
**Solution:**

### Computation of value of supply of services made by Mr. U in a month

Particulars	₹	₹
Basic fare in case of domestic bookings	1,00,900	
Value of supply @ 5% <b>[A]</b> Refer Note below		5,045
Basic fare in case of international bookings	3,16,880	

Value of supply @ 10% <b>[B]</b> Refer Note below		31,688
<b>Value of supply [A] + [B] (rounded off)</b>		<b>36,733</b>

### III. Determination of value of service in relation to “Life Insurance Business”:



### IV. Determination of value of “Second hand Goods”:



## VALUE OF SECOND HAND GOODS

### When ITC is not availed [Margin Scheme]

- Value = Selling price - Purchase price
- Selling price < Purchase price  
⇒ Ignore negative value
- CGST on second hand goods received from unregistered supplier exempt

### When ITC is availed

- Normal valuation as per other applicable provisions

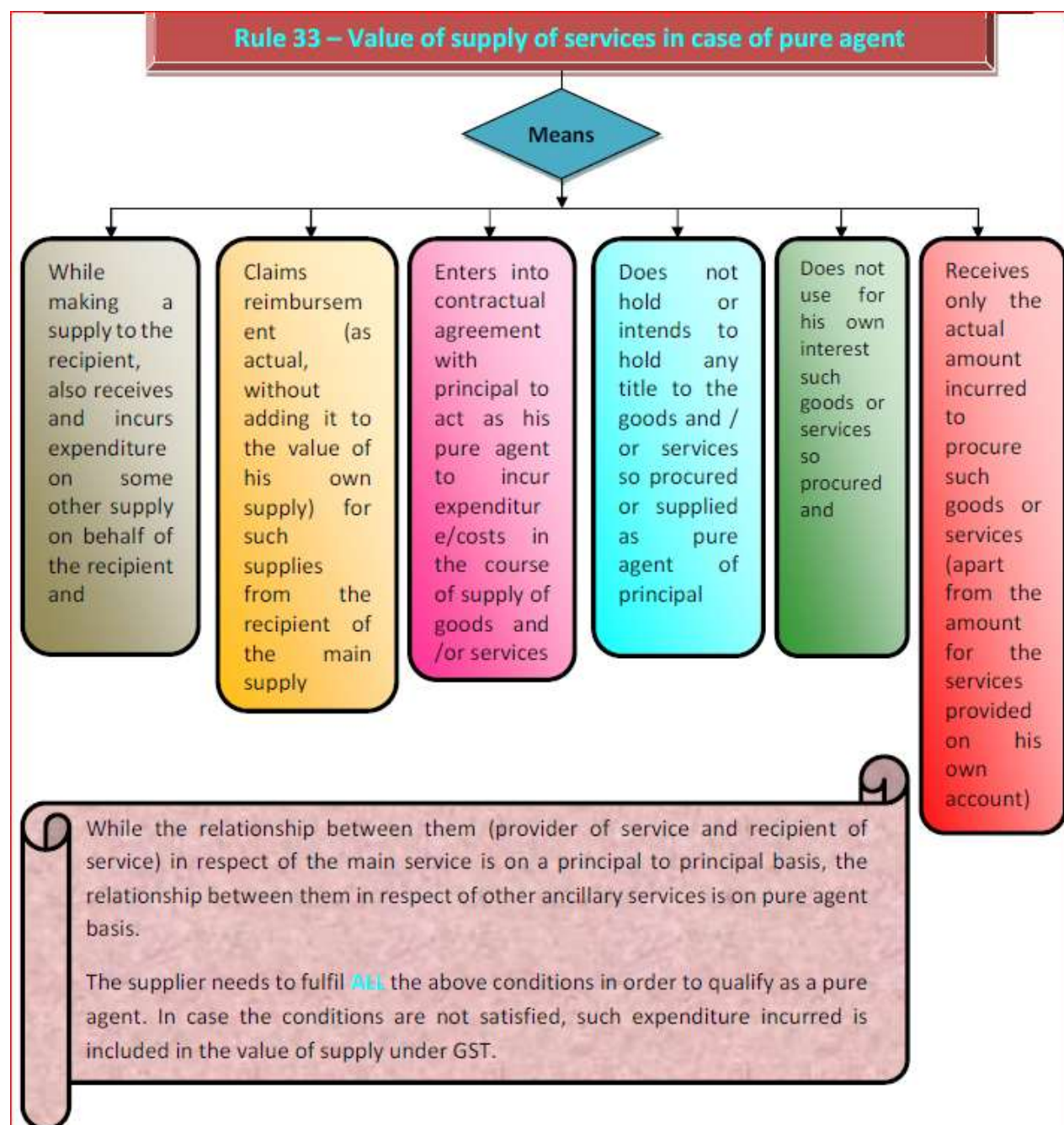
### V. Determination of value of redeemable vouchers / stamps / coupons / tokens:

The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services or both shall be **equal to the money value** of the goods or services or both redeemable against such token, voucher, coupon, or stamp.

**Example:** If ₹ 1,500 worth of Sodexo Food coupon is supplied by the taxable person, the value of supply under GST law will also be ₹ 1,500.



### Rule 33 - Value of supply of services in case of "Pure Agent":



### Example-I:

- Corporate services firm ABC Ltd is engaged to handle the legal work pertaining to the incorporation of Company XYZ Ltd.
- Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies.
- The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B.
- A is merely acting as a pure agent in the payment of those fees.
- Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

### **Some examples of expenditure/costs incurred as pure agent are:**

1. Port fees, port charges, custom duty, dock dues, transport charges etc. paid by customs broker on behalf of the owner of goods.
2. Expenses incurred by C&F agent and reimbursed by principal such as freight, Godown charges.
3. ROC Fees, Income Tax or GST payment made on behalf of client by a CA

### Example-II:

Suppose a customs broker issues an invoice for his services and for reimbursement of a few expenses and towards agency service rendered to an importer. the amounts charged by the customs broker are as below:

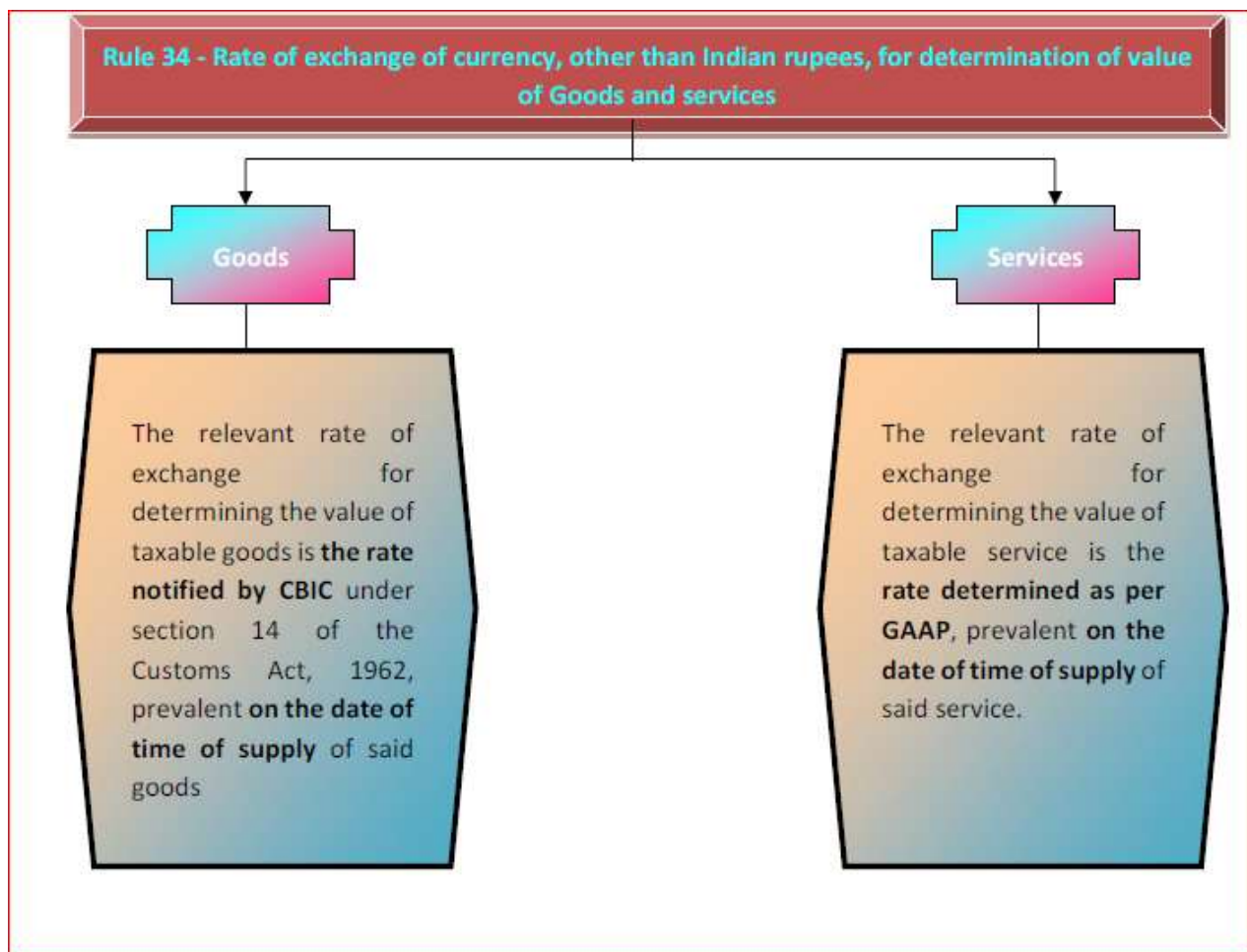
SI. No	Component Charged in the Invoice	Amount (in 'Rs)
1	Agency Commission	35,000
2	Travelling and Hotel Expenses	15,000
3	Customs Duty	10,000
4	Docks Dues	3,000

**Solution:** In the above situation,

Agency commission and travelling/ hotel expenses shall be **added** for determining the value of supply by the customs broker (being \*988Hotel & Travel Bills in the name of Supplier of Service) Whereas docks dues and the customs duty shall **not** be added to the value, provided the conditions of pure agent are satisfied.

**Value of Taxable supply:** Rs 35,000 (+) Rs 15,000 = Rs 50,000/-

**Rule-34: Rate of exchange of currency, other than Indian rupees, for determination of value**



**Rule-35: Value of supply inclusive of integrated tax, central tax, State tax, UT Tax**

Where the value of supply is inclusive of GST, the Tax amount is determined in the following manner:

**Tax amount** = (Value inclusive of taxes X tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) ÷ (100+ sum of tax rates, as applicable, in %)

**Example:** If the value inclusive of tax is ₹ 100/- and applicable IGST rate is 18%

Then, Tax amount =  $(100 \times 18) / (100 + 18) = 1800 / 118 = ₹ 15.25$

*-Thank You-*

By

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