

Valuation in GST

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Basics of Valuation

Consideration -

“Consideration” in relation to the supply of goods or services or both includes—

(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person **but shall not include any subsidy given by the Central Government or a State Government;**

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person **but shall not include any subsidy given by the Central Government or a State Government:**

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply **[Section 2(31) of Model GST Law]**

Supplies without consideration -

Certain transactions made for no consideration will be deemed to be supplies for GST purposes; These need to be valued for charging tax

Examples:

- the permanent transfer/disposal of business assets, where input tax credit has been availed on such assets.
- Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business

Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both non- business use

- Supply of goods—
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Indicators of Consideration -

- “All payments may not be ‘consideration’
- ‘Consideration’ is different from profit

There should be -

- a direct link between the supply and the ‘consideration’
- a ‘reciprocal performance’ to the supply
- a transaction between the parties

It should be capable of being expressed in monetary terms

Value and Valuation -

value

'valju:/'

noun

the regard that something is held to deserve; the importance, worth, or usefulness of something.

valuation

valjʊ'eɪʃ(ə)n/

noun

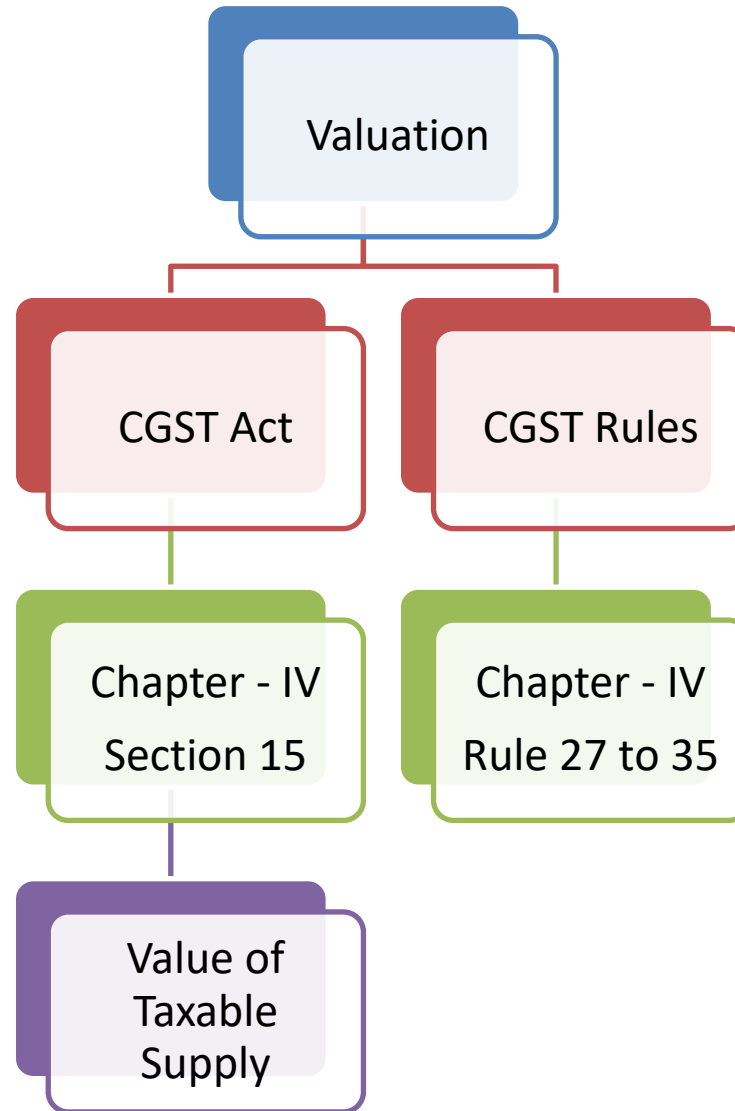
an estimation of the worth of something, especially one carried out by a professional valuer.

Valuation in GST

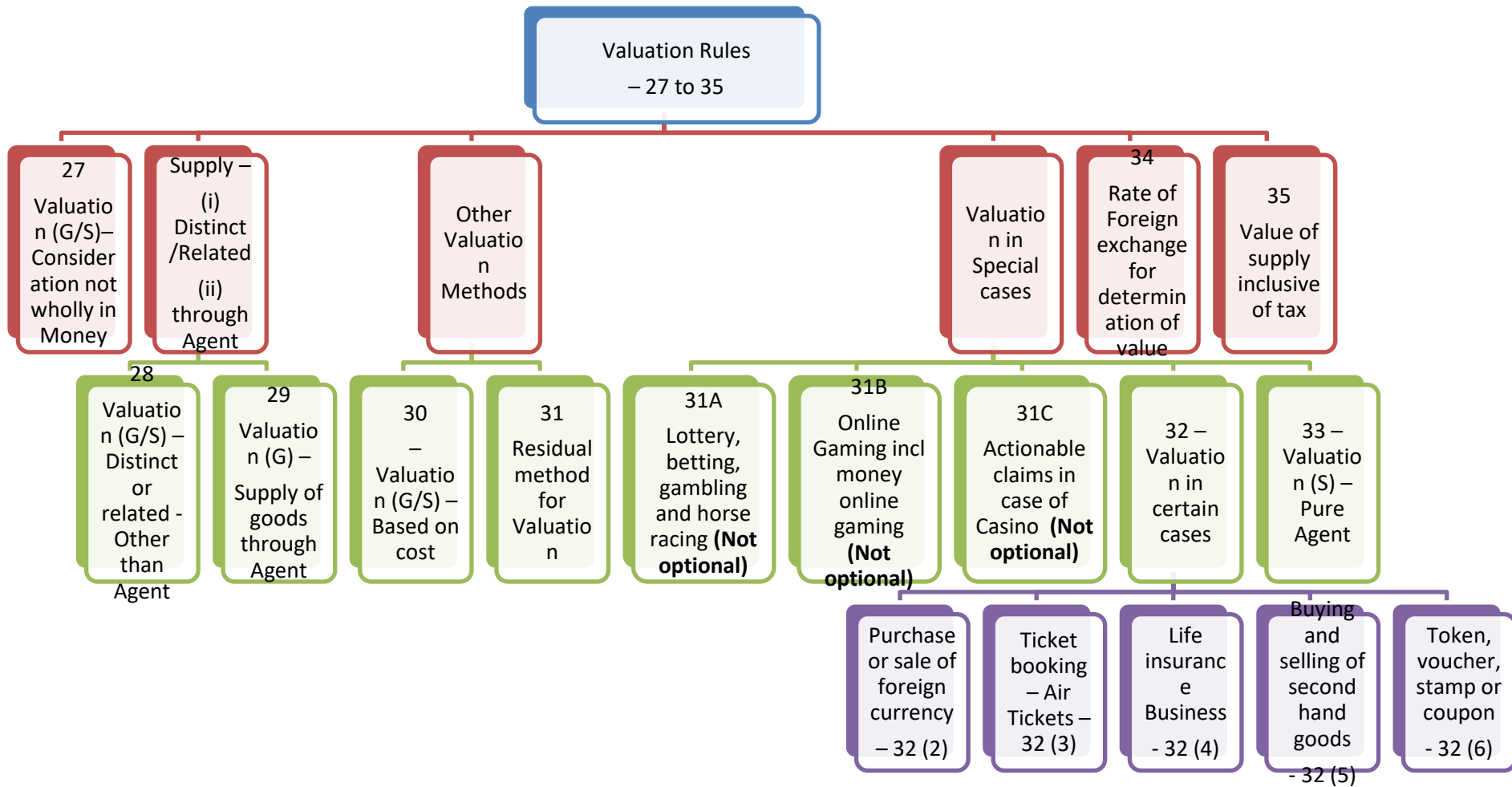


Legal Provisions of Valuation

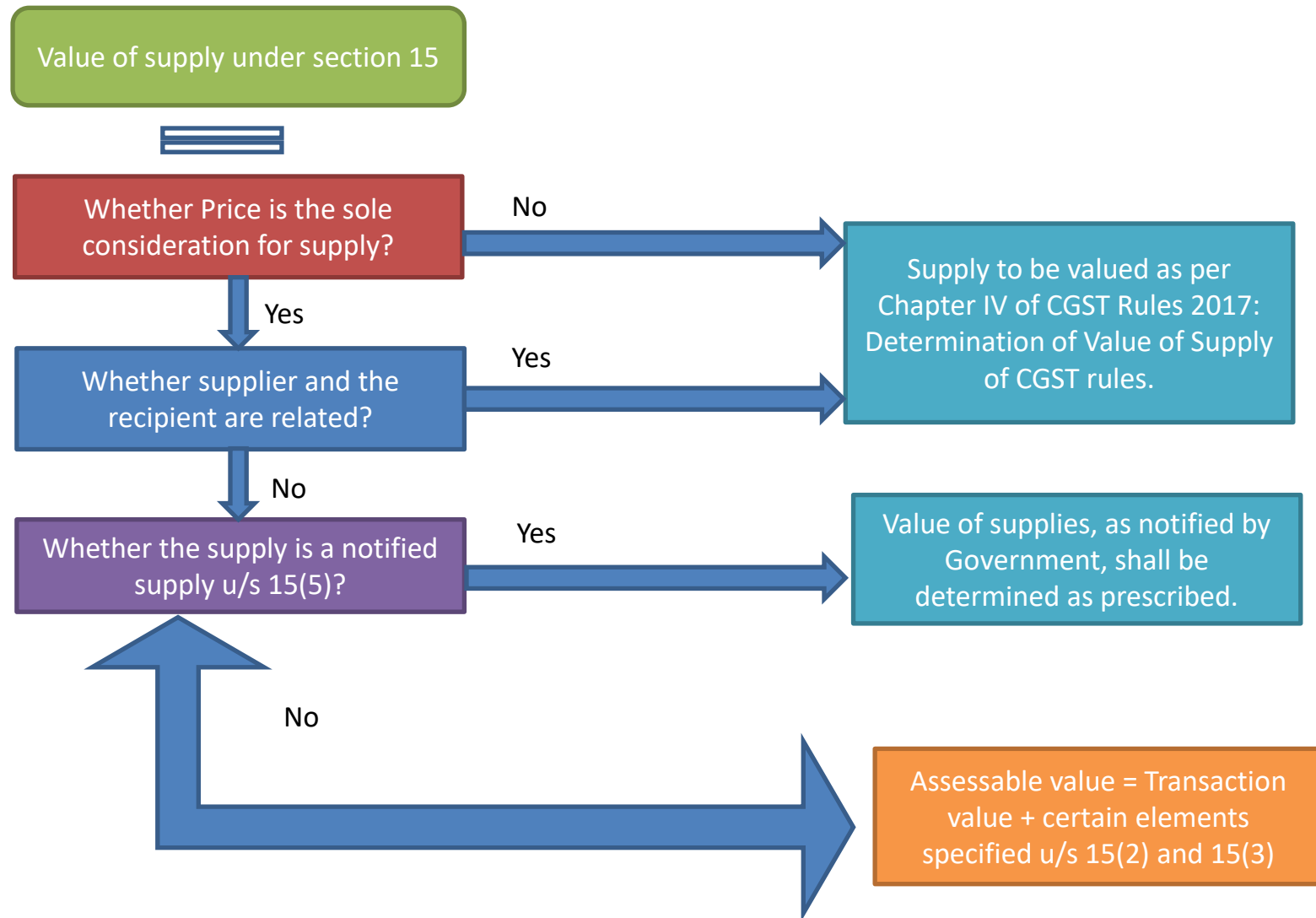
Valuation Provisions – Act & Rules



Valuation Rules – A Snapshot



Flow Chart for Determining Value of Supply



Test your Knowledge!

Question 1 –

The Valuation is covered in which Chapter of CGST Act, 2017?

(a) V

(b) IX

(c) IV

(d) II

Answer – option (c) IV

Valuation – Section 15



Value of Goods or Services – Sec 15

Value of goods or services or both



Transaction value

Ingredients for Transaction value -



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Value of taxable supply

Section 15 (1) of CGST Act, 2017

$$\text{Value of Supply*} = \text{Transaction value} + \text{Inclusions} - \text{Exclusions}$$

*If the following two conditions are satisfied:

- Price is the sole consideration for the supply
- Supply is between unrelated persons



Value of Goods or Services – Sec 15

**Value of
Goods or
Services or
Both**

Key points to ponder!!

**Transaction
Value**

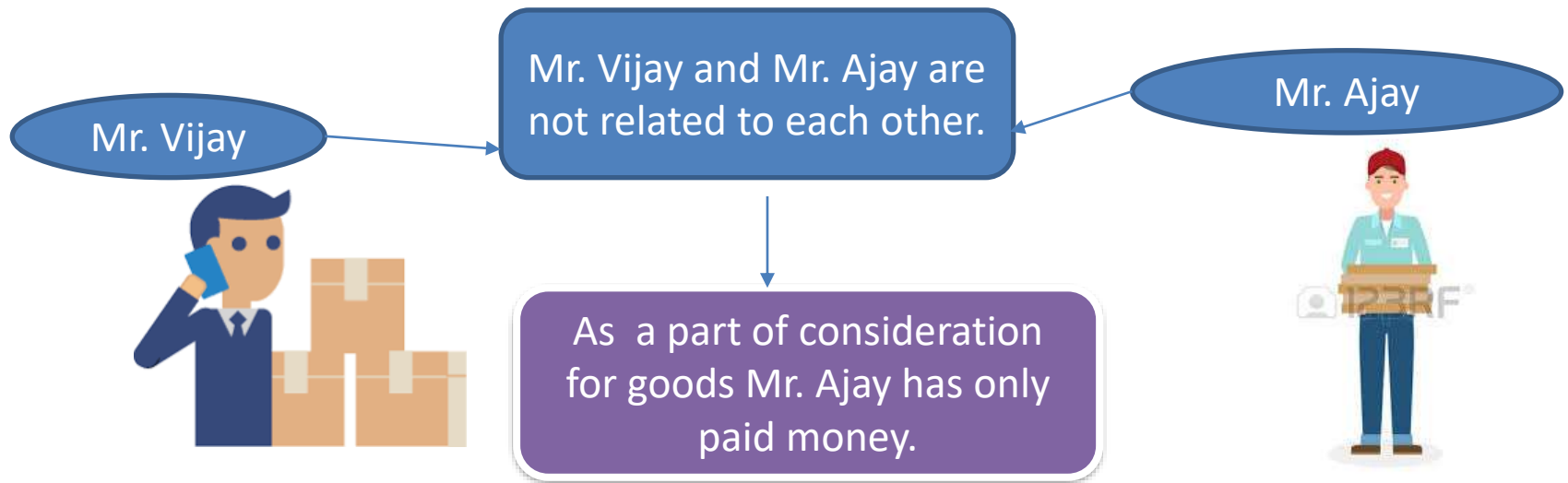
Related party valuation until now was not applicable to goods and services under VAT and Service tax laws, now introduced under GST

In case, covered for related party, value to be governed by Valuation Rules (Arm's length pricing)

Concept of MRP valuation has been done away with - GST payable at each supply chain level (FIAT Ruling – re-entry??)

ILLUSTRATION:

Mr. Vijay supplies goods worth Rs 20 lacs to Mr. Ajay.



Price of goods i.e. Rs 20 lacs is the transaction value. GST is applicable on Rs 20 lacs



Person deemed to be related

Officers or directors of one another's business.

Legally recognised partners in business.

Employer and employee

Directly or indirectly owns, controls or holds 25% or more of outstanding voting stock or shares or both

One of them directly or indirectly controls the other.

Both of them are directly or indirectly controlled by a third person.

Together they directly or indirectly control a third person

Members of same family

Sole agent or sole distributor or sole concessionaire shall be deemed to be related



Inclusions and exclusions in value of supply

Inclusions – Sec 15 (2)

- Any taxes duties, fees and charges if charged separately [other than CGST, SGST, UTGST, IGST or Cess if shown separately] – 15 (2) (a)
- Any amount that supplier is liable to pay but incurred by the recipient – 15 (2) (b)
- Incidental expenses (inc. Commission and packing), incurred at the time of or before delivery of goods or supply or services – 15 (2) (c)
- Interest / late fee / penalty for delayed payment of consideration – 15 (2) (d)
- Subsidies directly linked to the price (excluding subsidies provided by CG & SG) – 15 (2) (e)

Exclusions – Sec 15 (3)

- Discount if shown separately in the invoice
- Post sales discount -
- (i) only if known earlier or recorded in agreement and **specifically linked to relevant invoices.**
- Input tax credit reversed by the recipient to the extent of discount **(through GST returns)**

If valuation cannot be
determined as per Sec
15 – Sec 15 (4)

- 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

Sec 15 (5)

- Central Government may determine the value of such supplies as may be notified on the recommendations of the Council – Special cases

Test your Knowledge!

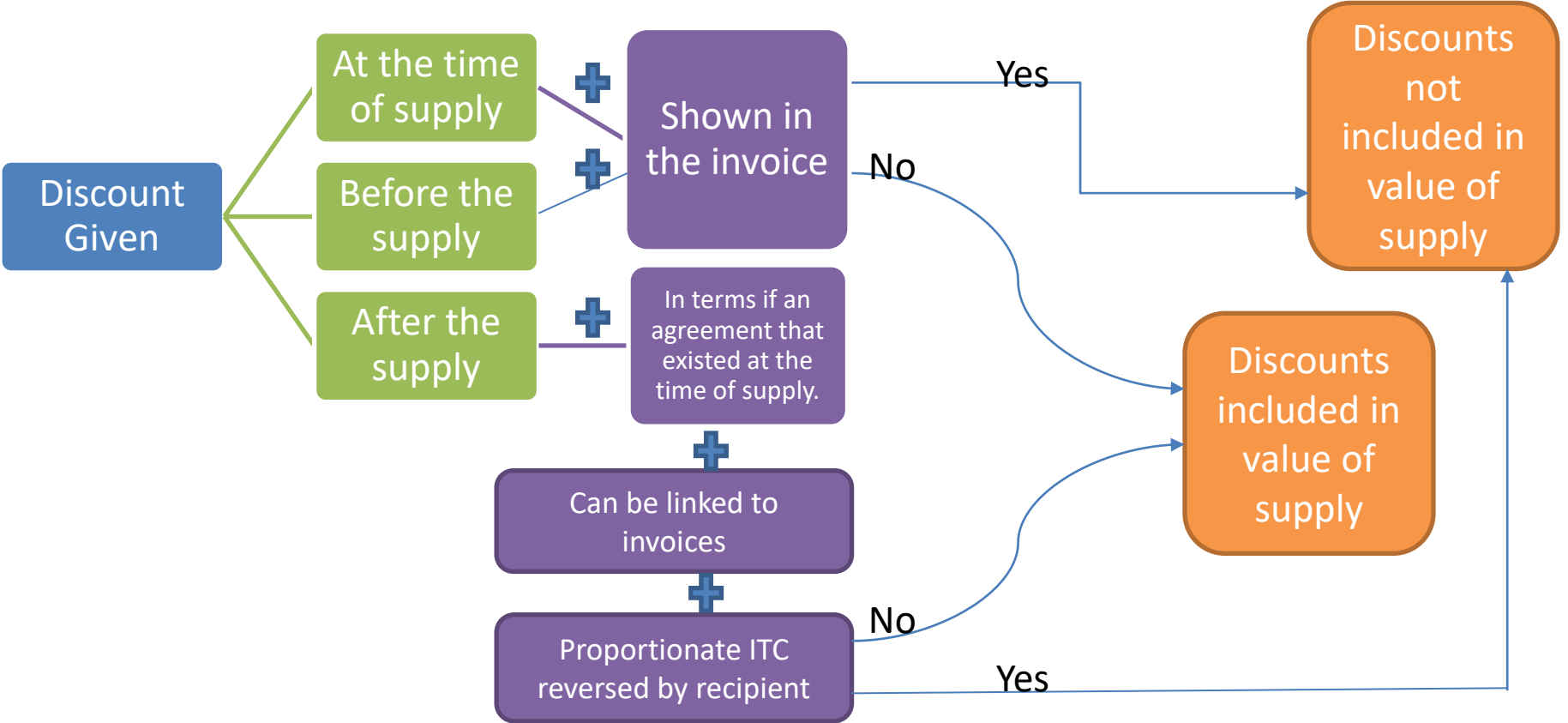
Question 2 –

Certain entities/persons are termed as Related Persons. Which of the below is not related persons as per CGST Act, 2017?

- (a) Officers or directors of one another's business
- (b) Directly or indirectly owns, controls or holds less than 24% of outstanding shares
- (c) Husband and Wife
- (d) Legally recognised partners in business

Answer – option (b)

Analysis of Discount -



Test your Knowledge!

Question 3 –

A Ltd made sales to B Ltd. They have an agreement and have issued documents for post sales discount to B Ltd. What should the parties do to qualify as discount as per Sec 15 of CGST Act?

- (a) Enter into an agreement after the supply of goods
- (b) Issue document specifically linked to relevant invoices
- (c) No need to reverse the ITC by B Ltd
- (d) A Ltd should have shown discount on invoice itself.

Answer – option (b)

Valuation Rules – Rule 27 to 35

The valuation of goods can be done from Rules 27 to 30 of CGST Rules 2017.

Valuation of Services can be done under Rule 31 ignoring Rule 30 (110% of cost of provision of Service)



Open Market Value (OMV)

Open Market Value' defined as full value in money excluding GST where supplier and recipient are not related and price is sole consideration at the same time when supply being valued is made.

Where a new phone is supplied for Rs 20,000 along with the exchange of old phone and if the price of the new phone without exchange is Rs 24,000, the open market value of new phone is Rs 24,000.



Old
phone

New
phone



MRP – 24,000
Exchange Price – 20,000

Goods or services of like kind and quantity

Defined as supply goods or services or both under similar circumstances, in respect of the characteristics, quality, quantity, functional components, materials, and reputation is the same as, or closely or substantially resembles, that supply of goods or services or both.



A Company Manufactures Coca Cola but the Open market Value (OMV) is not ascertainable since the product is not launched in market. In this case the value of PEPSI being like kind and quality shall be the value of Coca Cola.





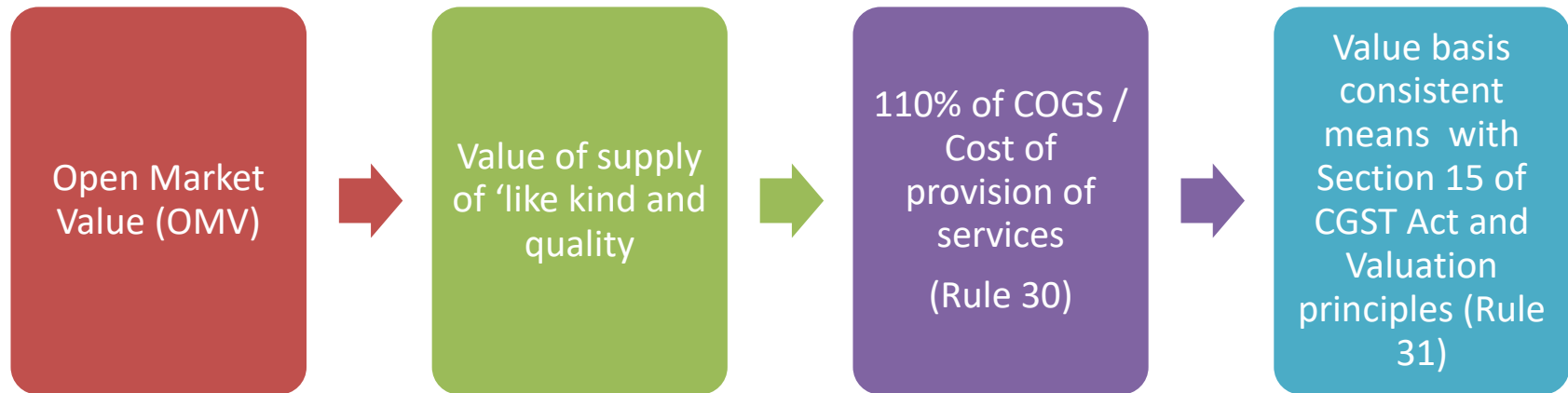
Chapter IV- Rules to Determine Value of Supply

Rule 27 : Consideration not wholly in money.



Above methods should be followed in sequential manner

Transactions with related parties or distinct person other than through agent – Rule 28



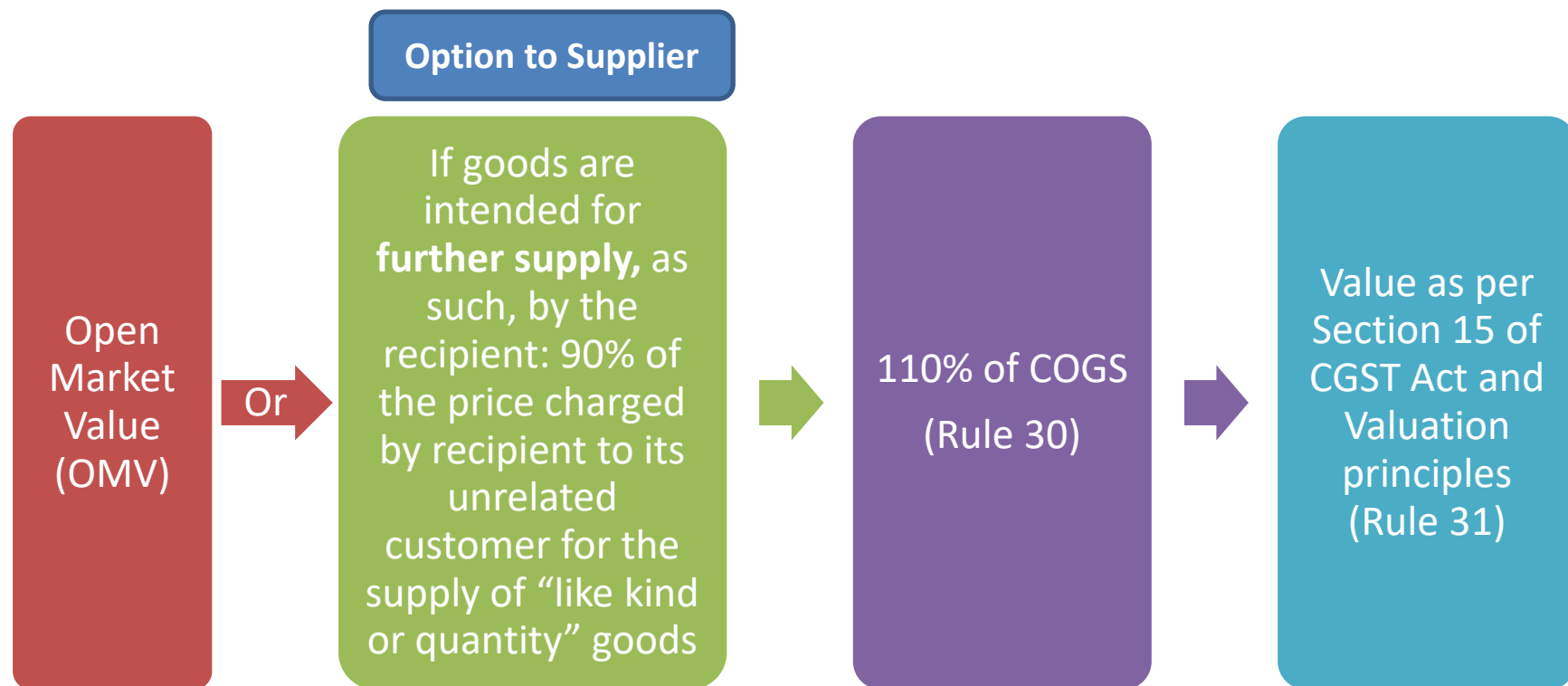
Above methods should be followed in sequential manner

If goods are intended for further supply, as such, (at the option of the supplier) - @ 90% of the price charged for like kind and quality goods by the recipient to its unrelated customer

Where recipient is eligible for full ITC: Invoice value = OMV (Taxable value)

Who are related persons – Explained earlier
Who is a distinct person? – Same PAN – Registration in more than one State

Supply of goods made / received through an agent – Rule 29



Above methods should be followed in sequential manner

Illustration – Supply thru Agent

- P (principal) supplies groundnuts to A (agent). A in turn sells groundnuts at INR 5,000 per quintal.
- Another independent supplier sells groundnuts at INR 4,550 per quintal.
- Thus, the open market value of groundnuts is INR 4,550 per quintal. 90% of A's selling price in the normal course of trade is INR 4500 per quintal.
- P has option to adopt the open market price (INR 4,550) or 90% of A's onward selling price (INR 4,500) as the taxable value of the groundnuts supplied by him to A.

Valuation for Lottery, Betting, Gambling and Horse Racing – Rule 31A – CGST Rules

It excludes all other provisions of valuation rules (Chapter IV)

Lottery Authorised by State Governments –

- Value **deemed** to be 100/128 of the -
- Higher of – (1) face Value of ticket; or (2) the price as notified by organising State in Official Gazette

Value of Actionable claim to win in betting, gambling or horse racing -

Value **shall** be 100% of the face value of the bet or amount paid into the totalisator

Valuation for Value of supply in case of online gaming including online money gaming— Rule 31B – CGST Rules

It excludes all other provisions of valuation rules (Chapter IV)

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***

any amount returned or refunded by the supplier to the player, including player not using the amount paid or deposited with the supplier for participating in any event, shall not be deductible from the value of supply of online money gaming.

Valuation for Value of supply of actionable claims in case of casino – Rule 31C – CGST Rules

It excludes all other provisions of valuation rules (Chapter IV)

The value of supply of actionable claims in casino shall be the total amount paid or payable by or on behalf of the player for –

- i. purchase of the tokens, chips, coins or tickets, by whatever name called, for use in casino; or
- ii. participating in any event, including game, scheme, competition or any other activity or process, in the casino, in cases where the token, chips, coins or tickets, by whatever name called, are not required

Provided that any amount returned or refunded by the casino to the player on return of token, coins, chips, or tickets, as the case may be, or otherwise, **shall not be deductible** from the value of the supply of actionable claims in casino.

Explanation for Rule 32B and 32C

Explanation.– For the purpose of rule 31B and rule 31C, any amount received by the player by winning any event, including game, scheme, competition or any other activity or process, which is used for playing by the said player in a further event without withdrawing, shall not be considered as the amount paid to or deposited with the supplier by or on behalf of the said player.]

Rule 32 : Value of certain supplies (Overrides the entire chapter)

Purchase / Sale of
foreign currency

Booking of tickets
by air travel agent

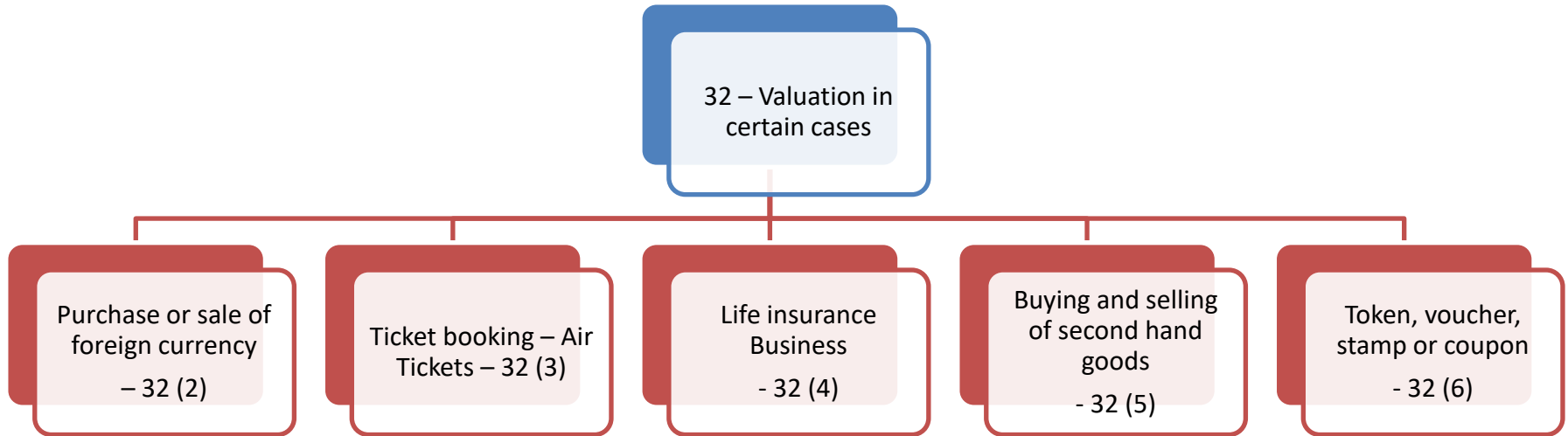
Life insurance
business

Buying & Selling of
second hand
goods

Coupon/ Voucher/
Stamp (other than
postage stamp)

Notified services
between distinct
persons without
consideration

Valuation in Special cases

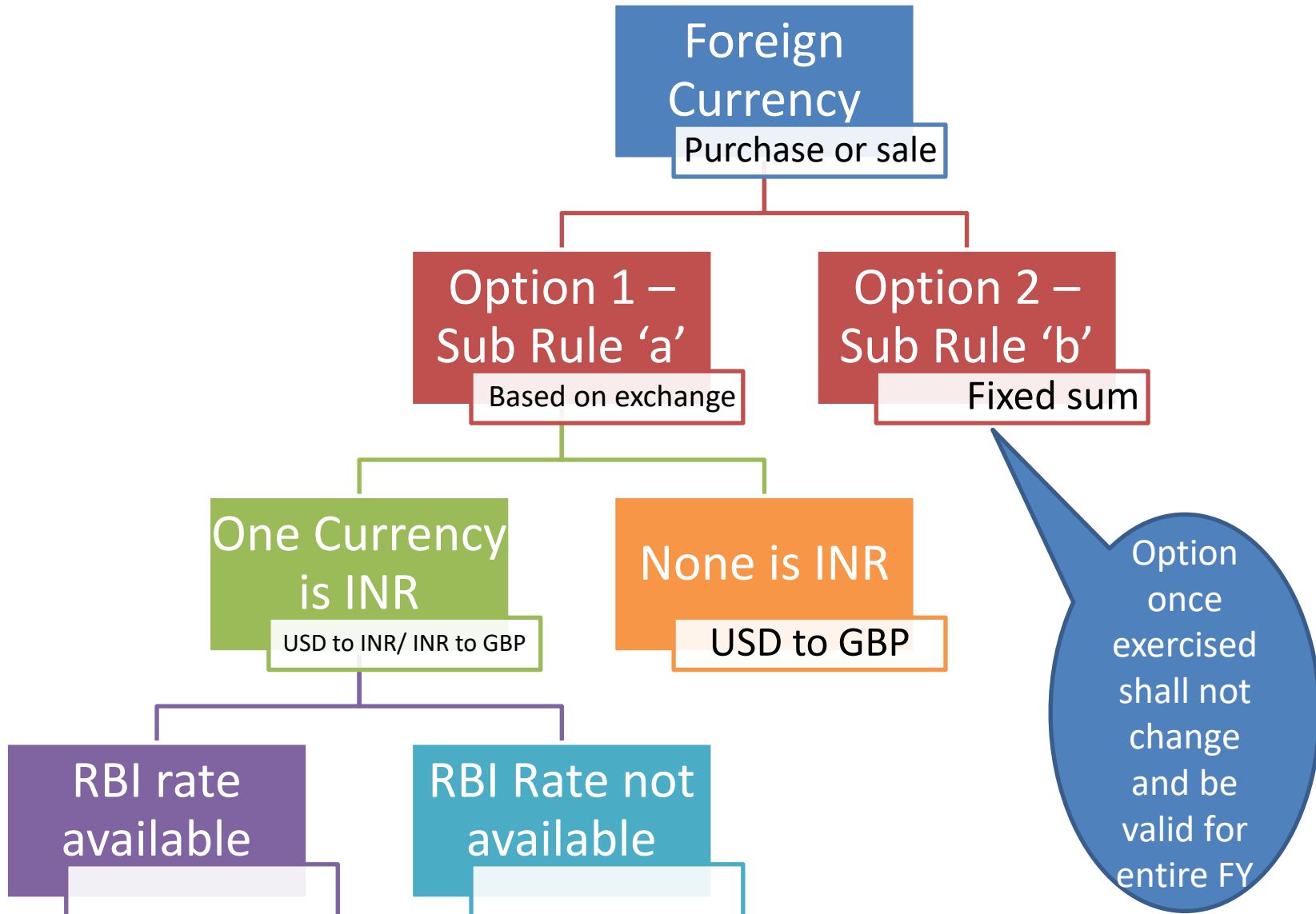


Points to remember for adopting the valuation under Rule 32

Rule 32 is optional mechanism for the supplier. He may adopt normal valuation methods if he wishes to – Rule 32 (1)

Time of supply – vouchers, token, coupon or a stamp

Purchase or sale of foreign currency – Rule 32 (2) – CGST Rules



Purchase or sale of foreign currency – 32

(2) a – One currency is INR

Situation

If USD is bought by giving INR and RBI reference rate is available

If USD is bought by giving INR and RBI reference rate is not available

Where neither of the currencies exchanged are in INR

Method of valuation

$$\frac{(\text{Buying Rate} - \text{RBI Ref Rate}) \times \text{Total units of USD converted}}{1}$$

1% of INR Amount

1% of the lesser of the two amounts received by converting in INR

Purchase or sale of foreign currency – 32

(2) a – One currency is INR

Example of how to calculate value of supply

Currency to be converted	Amount to be Converted in	Rate as per USD	RBI Reference Rate	Value of Supply	GST Payable @ 18%
USD to INR	Rs 1,30,000 (2000 USD)	Rs 65 per USD	Rs 63 per USD	$2000 \times (65 - 63) = 4000$	$4000 \times 18\% = \text{Rs } 360$
USD to INR	Rs 1,30,000	Rs 65 per USD	Not Available	$1\% \text{ of } 1,30,000 = 1,300$	$1300 \times 18\% = \text{Rs } 234$
USD to EURO	EURO 6500	Not Available	Not Available	1% of EURO or USD which ever is lower	18% on that 1% value

Purchase or sale of foreign currency – 32

(2) b – Fixed rate method - Optional

Value of Foreign Currency Exchange(In INR/Per Transaction)

GST Rate applicable Under rule 32(2) b

Upto Rs 1,00,000

1% of the Gross amount
subject to minimum Rs. 250/-

From Rs. 1,00,001 to 10,00,000

Rs. 1,000 Plus 0.5% of the
Gross amount exceeding Rs.
1,00,000 and upto 10,00,000

Above Rs. 10,00,000

Rs. 5,500 Plus 0.10% of the
Gross amount exceeding Rs.
10,00,000 subject to Maximum
amount of Rs. 60,000/-

Purchase or sale of foreign currency – 32

(2) b – Fixed Rate method

Example of how to calculate value of supply

Gross Amount received	Rate prescribed	Value of Supply	GST Payable @ 18%
Rs 10,000	1% with min of Rs 250	Rs 250 (1% being Rs 100)	$250 * 18\% = \text{Rs } 45$
Rs 50,000	1% with min of Rs 250	Rs 500	$500 * 18\% = \text{Rs } 90$
Rs 3,00,000	Rs 1000 Plus 0.5%	$\text{Rs } 1000 + [0.5\% \text{ of } (3,00,000 - 1,00,000)] = 2000$	$2000 * 18\% = \text{Rs } 360$
Rs 15,00,000	Rs 5500 plus 0.10%	$\text{Rs } 5500 + [0.10\% \text{ of } (15,00,000 - 10,00,000)] = 6,000$	$6000 * 18\% = \text{Rs } 1080$
Rs 10,00,00,000	Rs 5500 plus 0.10%	$\text{Rs } 5500 + [0.10\% \text{ of } (10,00,00,000 - 10,00,000)] = 5,05,000 \text{ (locked to Rs } 60,000)$	$60000 * 18\% = \text{Rs } 10800$

booking of tickets for travel by air provided by an air travel agent– 32 (3)

Type of Booking – Through Air

Value of Supply

Domestic Bookings

5% of Base fare

International Bookings

10% of Base fare

Base fare - that part of the air fare on which commission is normally paid to the air travel agent by the airlines

booking of tickets for travel by air provided by an air travel agent– 32 (3) - Example

Type of Booking – Through Air


Value of Supply

	HYD 13:10 Hyderabad, India	5h 45m (1 Stop) BBI	CCU 18:55 Kolkata, India	₹8,429	BOOK
Flight Details					
Flight Information <u>Fare Details</u> Baggage Information Cancellation Rules					
Base Fare				₹6,194	
Taxes and Fees				₹2,235	
Total Fare				₹8,429	

Base Fare – 6,194

Value of Supply – 5%
of 6,194 = 309.70

GST payable – 18% x
309.70 = Rs 55.75

	BOM 02:30 Mumbai, India	19h 45m (1 Stop) PEK	CDG 17:45 Paris, France	₹176,487	BOOK
Flight Details					
Flight Information <u>Fare Details</u> Baggage Information Cancellation Rules					
Base Fare				₹155,000	
Taxes and Fees				₹21,487	
Total Fare				₹176,487	

Base Fare – 1,55,000

Value of Supply – 10%
of 1,55,000 = 15,500

GST payable – 18% x
15,500 = Rs 2,790

Life Insurance Business – 32 (4)

Gross Premium – Amount allocated for Investment or savings (if intimated at the time of policy)

Value for single premium policy

10% of Single premium charged

In all other cases

1st Year – 25% of the premium

2nd Year onwards – 12.5% of the premium

This sub-rule shall not apply where the entire premium paid is only towards **the risk cover in life insurance**.
(Normal rules shall apply – 18% on premium paid)

Life Insurance Business – 32 (4)

A has taken 3 LIC policies - (1) Single premium (2) Single premium (3) 10 year premium term.

A. Policy 1 (premium Rs 1,00,000) is pure life cover without any investment.

B. Policy 2 (Premium Rs 1,00,000) with 40% premium is invested.

C. Policy 3 (Rs 1,00,000 per annum premium for 10 years).

Compute value of taxable supply and GST payable

Calculation of value of supply for Insurance Policy

Policy Type	Insurance Premium	Value of Supply	GST Payable @ 18%	Remarks
Policy 1	1,00,000 – Single	1,00,000	18,000	Not Governed by 32 (4) – refer proviso
Policy 2	1,00,000 – Single	$(1,00,000 - 40,000) * 10\% = 6000$	1,080	32 (4) (c)
Policy 3	1,00,000 annually	1 st Year – 25,000 2 nd Yr onw – 12,500	1 st – 4,500 2 nd Yr – 2,250	32 (4) (c)

Below is computation for medi-claim policy not governed by 32(4)

Payment Details

Base Premium Amount	9,036.00	Service Tax Amount	1,627.00
Net Payable Amount	10,663.00		

Life Insurance Business – 32 (4)

A has taken Jeevan Unmang LIC policy for cover of Rs 10 lacs with annual premium of Rs 51709/-
Compute value of taxable supply and GST payable

Calculation of value of supply for Insurance Policy

Policy Type	Insurance Premium	Value of Supply	GST Payable @ 18%	Remarks
Jeewan Umang – 1 st Year	51,709/-	$51,709 \times 25\% = 12,927/-$	$12,927 \times 18\% = 2,327/-$	32 (4) (c)
Jeewan Umang – 2 nd Year onwards	51,709/-	$51,709 \times 12.5\% = 6,464/-$	$6,564 \times 18\% = 1,164/-$	32 (4) (c)

Below is computation from LIC Portal -

Jeevan Umang

Name

Rohit

Age

37

Policy Term

63

Premium Payment Term

20

Plan

Jeevan Umang

No. of Lives

Single

Sum Assured

₹ 10,00,000

Annual Premium (₹ 54,559)

Base Premium

WholeLife (₹ 51,709)

*Tax on Base Premium

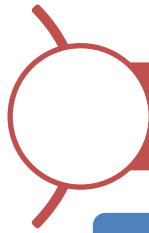
₹ 2,327

Which includes

☒ Accident Benefit(₹ 500)

*Tax on Accident Benefit

₹ 23



Buying and Selling second hand goods – Rule 32 (5)

Buying & Selling of second hand goods

As such or with minor processing:

Selling price – Buying Price (ignore if value is negative)

Conditions –

1. The person must be dealing in buying and selling of second hand goods
2. Goods are sold as such or with minor processing
3. Nature of goods must not change
4. No ITC is availed on purchase of such goods

Purchase value of goods repossessed from a defaulting borrower

Purchase price by defaulting buyer (–) 5% for every quarter or part thereof, between the date of purchase till the date of disposal by the person making such repossession

Illustration – Second Hand goods – Repossessed

Situation – A Ltd deals in purchase and sale of second hand goods. A Ltd has repossessed the Honda Activa from Mr. B on 3rd February due to default of loan taken from A Ltd.

Mr. B paid Rs 75,000 for the Activa in July 2017. The value at the time of repossession is Rs 47,000 in February 2018.

After minor repairs it is sold to Mr. C at Rs 52,000 in March 2018.

Solution – The value for the purpose of this situation shall be derived as per proviso to Clause 5 of Rule 32.

The price shall be computed as under –

Rs 75,000 – 15% of 75,000 = Rs 63,750 (value less 5% reduction for each quarter. (From the date of Purchase to date of sale)



Value of Token/Coupon/Voucher/ Stamp – Rule 32 (6)

Token/ Coupon/ Voucher/ Stamp (other than postage stamp)

Money value of
supply redeemable
against such voucher
/ coupon

Example – A Lifestyle gift voucher is used for redemption against garments and furniture. Against a voucher which is available at Rs 7,500, holder of voucher is entitled to buy garments and/or furniture valuing Rs 10,000. The Value of such voucher shall be Rs 10,000.



Who is a Pure Agent?

- A. Enters into an agreement to act as a pure agent to incur expenditure or costs
- B. Does not hold title to goods or services
- C. Does not use for his own interest such goods or services so procured
- D. Receives only actual amount incurred to procure such goods or services in addition to his own expenses



Value of supply – Pure agent – Rule 33

Expenditure or costs incurred by supplier as a pure agent of the recipient shall be excluded from value of supply if -


- Supplier act as pure agent when he makes payment to third party
- Payment made by pure agent has been separately indicated in the invoice
- Supplies procured from third party are in addition to services supplied by him on his own account

Illustration – Pure Agent

Situation - X is an importer and Y is a custom broker. X approaches Y for customs clearance work in respect of an import consignment. The clearance of import consignment and delivery of the consignment to X would also require taking service of a transporter. So X, also authorises Y, to incur expenditure on his behalf for procuring the services of a transporter and agrees to reimburse Y for the transportation cost at actuals.

Solution –

Here, Y is providing customs brokers service to X, which would be on a principal to principal basis. The ancillary service of transportation is procured by Y on behalf of X as a pure agent and expenses incurred by Y on transportation should not form part of value of customs broker service provided by Y to X. This, in sum and substance is the relevance of the pure agent concept in GST.



Rate of exchange of currency (other than Indian rupees) for determination of value of supply - Rule 34

The rate of exchange for determination of value of taxable **goods**:

Rate as notified by Board
U/s 14 of Customs Act for
the date of time of
supply of such goods as
per Sec 12 of the Act

The rate of exchange for determination of value of taxable **services**:

The applicable rate of
exchange determined as
per the Generally
Accepted Accounting
Principles on the date of
time of supply of such
services of the Act



Value of supply **inclusive** of GST – Rule 35

Where the value of supply is inclusive of CGST, SGST/UTGST, IGST, the tax amount shall be determined in the following manner:



Tax amount = (Value inclusive of taxes 'x' tax rate in % of IGST or CGST, SGST/ UTGST) ÷ (100+ sum of tax rates, as applicable, in %)

A Private Limited sold 10 television sets to Mr. X at Rs 2,36,000 inclusive of taxes. Rate applicable TV sets was 18%. Please calculate the taxable value and Tax.

Solution -

Tax Amount = $2,36,000 \times 18/118 = \text{Rs } 36,000$

Taxable Value = Rs 2,00,000

Test your Knowledge!

Question 4 –

What will be the value of supply if Bajaj Electronics supply Sony television set for Rs 85000 along with the exchange of an old TV and if the price of the Sony television set without exchange is Rs 1,00,000, the open market value of the Sony television set is:

- A. Rs 85,000
- B. Rs 1,00,000
- C. Rs 15,000
- D. Rs 1,15,000

Answer – option (B)

Test your Knowledge!

Question 5 –

Mr. Santa located in Nashik purchases 10,000 Hero ink pens worth Rs 4,00,000 from Lekhana Wholesalers located in Mumbai. Mr. Mohan's wife is an employee in Lekhana Wholesalers. The price of each Hero pen in the open market is Rs 52. The supplier additionally charges Rs 5,000 for delivering the goods to the recipient's place of business. The value of such supply will be:

- A. Rs 5,20,000
- B. Rs 5,25,000
- C. Rs 4,00,000
- D. Rs 4,05,000

Answer – option (D)

Test your Knowledge!

Question 6 –

As per Rule 31 of the CGST Rules, residual method for determination of value of supply of goods or services or both will apply when:

- A. Value of supply cannot be determined under Rules 27 to 30
- B. Value of supply determined is more than the open market value of goods
- C. Value of supply determined is more than the Value of supply of like kind and quality
- D. All of the above

Answer – option (A)

Test your Knowledge!

Question 6 –

Rule 30 of the CGST Rules inter alia provides value of supply of goods or services or both based on cost shall be _____% of cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services:

- A. 100%
- B. 90%
- C. 10%
- D. 110%

Answer – option (D)

Test your Knowledge!

Question 7 –

If the goods are supplied to related persons then how should the taxable person ascertain the value of supplies?

- A. Seek the help of the GST officer
- B. Use the arm's length price as required under the Income Tax law
- C. Identify the prices at which goods are sold by the unrelated person to his customer
- D. As per Rule 28 of the CGST Rules

Answer – option (D)

Test your Knowledge!

Question 8 –

The value of supply of goods and services shall be the _____

- A. Transaction Value
- B. MRP
- C. Market Value
- D. None of the above

Answer – option (A)

Test your Knowledge!

Question 9 –

The value of supply should include

- A. Any non-GST taxes, duties, cesses, fees charged by supplier separately
- B. Interest, late fee or penalty for delayed payment of any consideration for any supply of goods or services
- C. Subsidies directly linked to the price except subsidies provided by the Central and State Government
- D. All of the above

Answer – option (D)

Test your Knowledge!

Question 10 –

When can the transaction value be rejected for computation of value of supply

- A. When the buyer and seller are related and price is not the sole consideration
- B. When the buyer and seller are related or price is not the sole consideration
- C. It can never be rejected
- D. When the goods are sold at very low margins

Answer – option (A)

Let's recap

10 Minutes recap????? – Are we ready?????

Section 15 of CGST Act 2017

Legally recognised partners in business???

Pure Agent???

Rule 31???

Rule 27 of CGST Rules, 2017

Second Hand Goods?

Value for Related party or Distinct Person – Provision?

Rule 31A of CGST Rules, 2017

Value for Lottery, betting, Gambling – Provision??

Rate of exchange – Goods or Services??

Employer and Employee??

Value Inclusive of tax??

Rule 30???

Foreign Currency???

Repossessed Second hand Goods?

Life Insurance??

Case Studies

Case Study 1

1. AK Pvt Ltd has provided the following particulars relating to goods sold by it to AA Pvt Ltd.

Particulars	INR
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing Charges (not included in price above)	1,000

- AK Pvt Ltd received INR 2,000 as a subsidy from NGO on sale of such goods. The price of INR 50,000 of the goods is after considering such subsidy.
- AK Pvt Ltd offers 2% discount on the list price of the goods which is recorded in the invoice of goods .
- ***Determine the value of taxable supply made by AK Pvt Ltd.***

Solution to case Study:

- **Answer:**

Computation of value of taxable supply

Particulars	INR
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(e)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(e)]	
Packing Charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @2% on INR 50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

Case Study 2

ABC, a money changer, has exchanged US \$ 10,000 to Indian rupees @ ₹ 64 per US \$. Mr. A wants to value the supply in accordance with rule 32(2)(b) of CGST Rules.

Determine the value of supply made by Mr. A.

Solution to case Study:

Answer:

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

Particulars	₹	₹
Value of currency exchanged in Indian rupees [₹64 * US \$ 10,000]	6,40,000	
Up to ₹ 1,00,000	1,000	
For ₹ 5,40,000 [0.50% * ₹ 5,40,000]	2700	
Value of supply		3700

Case Study 3 -

- Make My Trip is an air travel agent. Compute the value of supply of service made by him during June 2018 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 to case Study:

- Answer: Computation of value of supply of services made by Make My Trip for the month of June 18.

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

Questions Please

THANK YOU