

[Webinar – GST Valuation Rules]

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Value of taxable Supply

Section -15 of CGST Act

- Section 15 (1)

“The value of a supply of goods or services or both shall be the **transaction value**, which is the price actually paid or payable for the said supply of goods or services or both **where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.**”

- Transaction value is the price actually paid or payable for the supply of goods or services.
- Section is applicable to both goods or services with following conditions :
 1. The supplier and the recipient are not related party.
 2. Price is the sole consideration for the supply.

Related Party

- As per Section 15(5)
 - (a) persons shall be deemed to be “related persons” if—
 - (i) such persons are officers or directors of one another’s businesses;
 - (ii) such persons are legally recognised partners in business;
 - (iii) such persons are employer and employee;
 - (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;

Related Party

- (v) one of them directly or indirectly controls the other;
 - (vi) both of them are directly or indirectly controlled by a third person;
 - (vii) together they directly or indirectly control a third person; or
 - (viii) they are members of the same family;
- (b) the term “person” also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

Price is the sole consideration for the supply.

- If any additional consideration whether monetary or non-monetary is received, such consideration shall also be consider in price and also include in transaction value.
- Any direct or indirect payment made by recipient to the supplier will be part of transaction value.

Inclusion to value of Supply – Transaction Value

Section – 15 (2)

- *(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;*
 - Example - if the product is cover under GST and Excise, then transaction value is calculate including Excise duty.

Detail	Tax Rate	Value
Product Value		1000
Excise Duty	10%	100
Transaction Value		1100

Inclusion to value of Supply – Transaction Value Section – 15 (2)

- (b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;
 - Example - if as per the purchase order supplier has to incurred transportation cost, but instead of supplier recipient of the goods paid the transportation cost then the same should be included in transaction value.

Inclusion to value of Supply – Transaction Value

Section – 15 (2)

(c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;

- Example - if the recipient of goods ask for special type of packing other then normal terms purchase order then the same should be included in transaction value.
- Example – if the supplier appoints any agent for the specific transaction or order then the commission payable to that agent is part of transaction value.

Inclusion to value of Supply – Transaction Value

Section – 15 (2)

- (d) interest or late fee or penalty for delayed payment of any consideration for any supply;
 - Example - if as per the payment term of purchase order payment should be made within 45 days and above that 18% interest is payable. If the recipient made delay payment and had paid any interest then the same is part of transaction value
- (e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.

Explanation.—For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

Exclusion to value of Supply – Transaction Value Section – 15 (3)

- The value of the supply shall not include any **discount** which is given
 - — (a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
Mainly trade discount or Quantity discount
 - (b) after the supply has been effected, if—
 - (i) such discount is established in *terms of an agreement* entered into at or before the time of such supply and specifically linked to relevant invoices; and
 - (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been *reversed by the recipient* of the supply.

Valuation in Certain Cases

Section 15(4) & 15 (5)

- Section 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.

- Section 15 (5)

Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.

Valuation Rules

Rule No. 27 to 35

Rule No	Details
27	Where the consideration is not wholly in money
28	Supply is between distinct/related persons, other than through an agent
29	Supply made or received through an agent
30	Supply based on cost
31	Residual method
32	Determination of value in respect of certain supplies
33	Value of supply of services in case of pure agent
34	Rate of exchange of currency, other than Indian rupees, for determination of value
35	Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax

Rule 27. Value of supply of goods or services where the consideration is not wholly in money

- Application of Rule :
 - ❖ Consideration partly in money and partly in kind
 - ❖ Consideration wholly in kind
 - ❖ Exchange offers/ Barter System
- Determination of Transaction Value :
 - (a) be the *open market value* of such supply;
 - (b) if the open market value is not available under clause (a), *be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money*, if such amount is known at the time of supply;

Rule 27. Value of supply of goods or services where the consideration is not wholly in money

(c) if the value of supply is not determinable under clause (a) or clause (b), be the value of supply of *goods or services or both of like kind and quality*;

(d) if the value is not determinable under clause (a) or clause (b) or clause (c), be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as *determined by the application of rule 30 or rule 31 in that order*

Rule 27. Value of supply of goods or services where the consideration is not wholly in money

- Illustration:

- (1) Where a new phone is supplied for ₹ 20,000/- along with the exchange of an old phone and if the price of the new phone without exchange is ₹ 24,000/-, the open market value of the new phone is ₹ 24,000/-.
- (2) Where a laptop is supplied for ₹ 40,000/- along with the barter of a printer that is manufactured by the recipient and the value of the printer known at the time of supply is ₹4,000/- but the *open market value of the laptop is not known*, the value of the supply of the laptop is ₹ 44,000/-.

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

- Application of Rule :
 - ❖ Transaction is between distinct persons as specified in sub section 4 and 5 of section 25
 - ❖ Related persons are not the agents
 - ❖ Price is the sole consideration
 - ❖ If the goods are not intended for further sale
- Determination of Transaction Value :
 - (a) be the *open market value* of such supply;

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

- (b) if the open market value is not available under clause (a), *be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money*, if such amount is known at the time of supply;
- (c) if the value is not determinable under clause (a) or (b), *be value as determined by the application of rule 30 or rule 31 in that order*

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

Others :

- Provided that where the goods are *intended for further supply* as such by the recipient, the value shall, at the option of the supplier, be an *amount equivalent to ninety percent 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:
- Provided further that where *the recipient is eligible for full input tax credit*, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

Rule 29. Value of supply of goods made or received through an agent.

- Application of Rule :
 - ❖ Agent of the supplier is supplying the goods/ services to the customer
 - ❖ Price is the sole consideration
- Determination of Transaction Value :
 - (a) be the *open market value* of such supply; or

Rule 29. Value of supply of goods made or received through an agent.

at the option of the supplier, be *ninety per cent. 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.

(b) Where the value of supply is not determinable under clause (a), the same shall be *determined by the application of rule 30 or rule 31 in that order*

Rule 30. Value of supply of goods or services or both based on cost.

- Application of Rule :
 - ❖ Where the value of a supply of goods or services or both is not determinable by any of the preceding rules
- Determination of Transaction Value :
 - (a) 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

- Application of Rule :
 - ❖ Where the value of a supply of goods or services or both cannot be determined under rules 27 to 30.
- Determination of Transaction Value :
 - (a) The value shall be determined using *reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter.*
 - (b) *In case of supply of services, the supplier may opt for this rule, ignoring rule 30.*

Rule 32. Determination of value in respect of certain supplies

- (1) The value of supply of services in relation to the purchase or sale of foreign currency, including money changing :
 - ❖ If exchanged from, or to, Indian Rupees – Transaction Value = Total Unit of currency * (Buying/ Selling Rate – RBI Reference Rate)
 - ❖ If RBI Reference Rate not available – Transaction Value = **1 % of the gross amount of Indian Rupees provided or received by the person changing the money.**

Rule 32. Determination of value in respect of certain supplies

- ❖ For supplier of service, the value in relation to the supply of foreign currency :

Value of Currency Exchanged	Value
Up to ₹ 1,00,000/-	1% subject to minimum ₹ 250
₹ 1,00,001/- to ₹ 10,00,000/-	₹ 1000+ 0.5%
Above ₹ 10,00,000/-	₹ 5,500+ 1/10% subject to maximum ₹60,000/-

Rule 32. Determination of value in respect of certain supplies

- (2) The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent :
 - ❖ Domestic Booking : *5% of Basic Fare*
 - ❖ International Booking : *10% of Basic Fare*
- Basic fare : Part of the air fare on which commission is normally paid to the air travel agent by the airlines.

Rule 32. Determination of value in respect of certain supplies

- (3) The value of supply of services in relation to life insurance business :
 - ❖ the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service
 - ❖ Single premium annuity policies other than above – **10% of single premium charged.**
 - ❖ In other case – (i) **25% of premium for first year and (ii) 12.5% of premium from next year.**
 - ❖ Premium of policy exclusively risk cover life insurance : **Nil**

Rule 32. Determination of value in respect of certain supplies

- (4) taxable supply is provided by a person dealing in buying and selling of second hand goods :
 - ❖ Transaction Value = *Selling price – Buying price*
 - ❖ In case buying price is higher than selling price, transaction value nil.
 - ❖ No input credit is available for purchase.
- (5) The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable :
 - ❖ Transaction Value = *the money value of the goods or services or both redeemable against such token, voucher, coupon, or stamp.*

Rule 33. Value of supply of services in case of pure agent

- Application of Rule :
 - ❖ Supplier is pure agent of the recipient
 - ❖ Payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice
 - ❖ Supplies procured by the pure agent from third party in addition to the service supplies on his own account.
- Determination of Transaction Value : *Value of supply less expenditure incurred by pure agent.*

Rule 34. Rate of exchange of currency, other than Indian rupees, for determination of value

- The rate of exchange for the determination of the value of taxable goods or services or both shall be the applicable reference rate for that currency as determined by the Reserve Bank of India on the date of time of supply in respect of such supply in terms of section 12 or, as the case may be, section 13 of the Act.

Rule 35. Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax

- Where the value of supply is inclusive of integrated tax or, as the case may be, central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner, namely,-

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 %)

THANKING YOU

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