

# GST ACT -2017

VALUE OF SUPPLY


- INTRODUCTION
- The value of the supply is the value on which the GST is chargeable.
- Determination of value of the supply is required to charge the goods and services tax,
- for arriving at the value of supply to compute the turnover prescribed for obtaining registration under GST.
- The GST Law proposes to adopt the concept of 'transaction value' for determining the taxable value of supply on which


- Section 15: Value of taxable supply
- (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.

# Value of supply shall include-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;

- (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;

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- (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;

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- (d) interest or late fee or penalty for delayed payment of any consideration for any supply; and
  - (e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.

# Value of supply shall exclude-15(3)

- 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




# Exclusion-

- (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

- (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.
- (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

- Explanation.—For the purposes of this Act,—
  - (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;
  - (v) one of them directly or indirectly controls the other;

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- (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.

- 1. Mr. A sold goods to Mr. B for Rs. 20,000. Mr. A is charging packing charges of Rs. 800. Mr. A is also paying freight of Rs. 2800 from Mr. A's premises to Mr. B's premises. Whether packing charges or freight is required to include in the invoice to determine taxable value?
- The answer is 23600

- Mr. A sold goods worth of Rs. 50,000. Mr. A also charged interest of Rs. 750 for delay in payment. Determine the taxable value for levy of GST?
- Answer 50,750

- Mr. A sold 1000 unit of goods to Mr. B for Rs. 20,000 and total unit sold during the year to Mr. B after including these units is 2500 unit. As **per terms of the agreement** if Mr. A is purchasing more than 2000 unit of goods in a year then Mr. A is allowing 10% discount on all the supplies. Assuming IGST rate is 18%. How discount will be recorded?

- Answer
- In this case discount is given after sale. Mr. A will issue a credit note with the amount of discount i.e. Rs. 5,000 and GST on such discount i.e. Rs. 900.



- **Rule-27 Value of supply of goods or services where consideration is not wholly in money:**
- Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall,
- (a) be the **open market value of such supply;**

- Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike is Rs. 52,000. Old Bike can be sold in the market for Rs. 20,000. Determine the value of supply for the purpose of levy of GST.
- **Answer:**
- In this case Open Market Value is available. Hence, Value of Supply will be Rs. 52,000.

- (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,
- ie money value + monetary value of consideration in kind

- **Question: 2**

- Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike is not available. Old Bike can be sold in the market for Rs. 20,000. Determine the value of supply for the purpose of levy of GST.

- **Answer: 2**

- In this case Open Market Value of new bike is not available. Hence, Value of Supply will be:
- Consideration in money i.e. Rs. 34,000 + Amount in money as is equivalent to the consideration not in money i.e. Rs. 20,000 = Rs. 54,000.

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

- Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike as well as old bike is not available. A bike with the same features of other company is selling in the market for Rs. 51,000. Determine the value of supply for the purpose of levy of GST.
- **Answer:**
- In this case Open Market Value of new bike as well as old bike is not available. Value of like kind bike of another company i.e. Rs. 51,000 will be considered as value of supply.


- Therefore Rule 27- if value is not in money
- Then the value of supply shall be:
  1. open market value
  2. money value and equivalent money value of consideration in kind
  3. value of goods of like kind and quality
  4. or value determined as per rule 30 or 31



- **Rule-28 Value of supply of goods or services or both between distinct or related persons, other than through an agent :**
- The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall(a) be the open market value of such supply;
- (b) if the open market value is not available, be the value of supply of goods or services of like kind and quality

- **Rule-28 Value of supply of goods or services or both between distinct or related persons, other than through an agent :**
- The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall

- (a) be **the open market value of such** supply;
- (b) if the open market value is not available, be the value of supply of goods or services **of like kind and quality**;
- (c) if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order

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- 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

- A Ltd. sold a product for Rs. 34,000 to Mr. X. Open Market price of the product is not available. Product of same like kind & quality is also not available in the market. Mr. X is selling the same like kind of product to his consumer for Rs. 60,000. Mr. X holds 30% share in A Ltd. Determine the value of supply for the purpose of levy of GST.
- **Answer:**
- Mr. X is related party for A Ltd. In this case Open Market Value of the product is not available. Also Value of like kind product is not available. Value of supply will be 90% of the price charged from the consumer i.e.  $\text{Rs. } 60,000 * 90\% = \text{Rs. } 54,000$ .

- Mr. A sold a bike without consideration to Mr. B. Open Market price of the bike is Rs. 52,000. Mr. B is family member of Mr. A. Determine the value of supply for the purpose of levy of GST.
- **Answer: 1**
- In this case Mr. A & Mr. B is related party. Hence, Value of Supply will be open market value i.e. Rs. 52,000.

- X Enterprises sold a bike for Rs. 30,000 to Y Enterprises. Open Market price of the bike is Rs. 52,000. Both firms are registered under the same PAN. Determine the value of supply for the purpose of levy of GST.
- **Answer: 2**
- In this case X Enterprises & Y Enterprises is distinct person. Hence, Value of Supply will be open market value i.e. Rs. 52,000.

- **Question: 3**

- Mr. A sold a product for Rs. 84,000 to Mr. B. Open Market price of the product is not available. A product with the same features of other company is selling in the market for Rs. 1,34,000. Mr. B is employee of the Mr. A. Determine the value of supply for the purpose of levy of GST.

- **Answer: 3**

- In this case Open Market Value of the product is not available. Mr. A & Mr. B is related person. Value of like kind product of another company i.e. Rs. 1, 34,000 will be considered as value of supply.



- **Rule-29 Value of supply of goods made or received through an agent**
- The value of supply of goods between the principal and his agent shall:
- (a) be the open market value of the goods being supplied, or

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

- Illustration: A principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of five thousand rupees per quintal on the day of the supply. **Another independent supplier is supplying groundnuts of like kind and quality** to the said agent at the price of four thousand five hundred and fifty rupees per quintal.

- The value of the supply made by the principal shall be **four thousand five hundred and fifty rupees**(OPEN MARKET VALUE) per quintal or where he exercises the option, the value shall be 90 per cent Of five thousand rupees i.e., four thousand five hundred rupees per quintal
- OPTION 1—OPEN MARKET VALUE 4550
- OPTION 2 90% OF 5000=4500

- **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 **one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such service**

- **Question:**

- Mr. A sold a bike for Rs. 34,000 with exchange of old bike. Open Market price of the new bike as well as old bike is not available. Product of same like kind & quality is also not available in the market. Cost of purchase of the bike is Rs. 47,000. Determine the value of supply for the purpose of levy of GST.

- **Answer:**


- In this case Open Market Value of new bike as well as old bike is not available. Also Value of like kind bike is not available. Hence, value of supply will be Cost of acquisition plus 10% i.e.  $\text{Rs. } 47,000 + \text{Rs. } 4,700 = \text{Rs. } 51,700$ .

# BEST JUDGEMENT ASSESSMENT- RULE 31

- **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 cannot be determined under rules 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 for this rule, ignoring rule 30.

- **Rule 32. Determination of value in respect of certain supplies:**
- (1), the value in respect of supplies specified below shall be determined in the manner provided hereinafter.
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- (2) The value of supply of services in relation to the purchase or sale of foreign currency,
- (a) For a currency, when exchanged from, or to, Indian Rupees, the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India reference rate for that currency at that time, multiplied by the total units of currency:



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- Provided that in case where the Reserve Bank of India reference rate for a currency is not available, the value shall be one per cent of the gross amount of Indian Rupees provided or received by the person changing the money:


- Provided further that in case where neither of the currencies exchanged is Indian Rupees, the value shall be equal to one per cent of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into Indian Rupee on that day at the reference rate provided by the Reserve Bank of India

- Provided also that a person supplying the services may exercise the option to ascertain the value in terms of clause (b) for a financial year and such option shall not be withdrawn during the remaining part of that financial year.
- (b) At the option of the supplier of services, the value in relation to the supply of foreign currency, including money changing, shall be deemed to be
  - (i) one per cent of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees;
  - (ii) one thousand rupees and half of a per cent. of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and
  - iii) Five thousand and five hundred rupees and one tenth of a per cent. of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to a maximum amount of sixty thousand rupees

- (3) The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of five per cent. of the basic fare in the case of domestic bookings, and at the rate of ten per cent of the basic fare in the case of international bookings of passage for travel by air.

- (4) The value of supply of services in relation to life insurance business shall be,-
- (a) 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;
- (b) in case of single premium annuity policies other than (a), ten per cent. of single premium charged from the policy holder; or


- (c) in all other cases, twenty five per cent. of the premium charged from the policy holder in the first year and
- twelve and a half per cent. of the premium charged from the policy holder in subsequent years:

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- Provided that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance

- (5) Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:



- Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered,
- for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower **reduced by five percentage points** for every quarter or part thereof, **between the date of purchase and the date of disposal by the person making such repossession**

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- 6) 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.

- 1. From the following particulars calculate the value of supply:
- Mr. X agrees to sell a product to his customer Y
- The details of cost and other items are as under:
  - Raw materials purchased Rs. 50000 and IGST paid Rs.9000
  - Purchased components from a supplier for Rs.15000 and CGST paid 2700 AND SGST Rs.2700
  - Subsidy received from the Central government towards purchase of raw materials Rs.5000
  - Labour charges incurred Rs. 25,000
  - Overheads incurred Rs.12,000
  - Profit charged 10% on the production cost
  - Discount allowed to customers Rs.5000 as per the terms of the agreement of sale
  - Package charges paid by the supplier Rs.5000
  - The customer incurred Transportation cost Rs.5,000 on behalf of the supplier



<b>Raw materials and components</b>	<b>65,000</b>	
Labour charges	5,000	
Overheads incurred	12,000	
Production cost of the supply		82,000
Add profit 10%		8,200
Price of the supply		90,200
Packaging charges		5,000
Transportation cost		5,000
Total		1,00,200
Less; Discount		5,000
Assessable value under GST		95,200



THANK YOU