

Section 15 - Value of Supply



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Sec 15(1)

Value of SOG/SOS = Transaction value

Price actually paid or payable for Supply

- Conditions:**
- Supplier & recipient are not related
 - Price is sole consideration for Supply

Any taxes, Duties, fees or charges levied under any law (if charges by seller) **except = GST**

Tobacco & Tobacco Products



Tax Invoice

Value	1,00,000
Central Excise @ 20%	20,000
	<hr/>
	1,20,000
GST @ 18% (1,20,000 X 18%)	

Price Inclusive of GST

$$\text{Price (Inclusive of GST @ 18\%)} = 2,00,000$$

$$\text{VOS} = \frac{2,00,000 \times 100}{118} = 1,69,491$$

$$\text{GST} = \frac{2,00,000 \times 18}{118} = 30,508$$

Note: For GST purposes, the TCS amount under the Income Tax Act is not included in the value of supply.

Sec 15(2)

Inclusion to Transaction Value [only if charges extra by Seller]



a Any taxes, Duties, fees or charges levied under any law (if charges by seller) **except = GST**

b 3rd party payment
Any payment
⇒ Supplier is liable to pay for supply
⇒ but incurred by recipient
⇒ Not included in price

c Any Incidental expenses:
⇒ including commission or packing charged by the supplier or
⇒ any amount for anything done by the supplier in respect or supply at the time or before delivery

d Interest, late fee
Interest, late fee penalty for
⇒ delayed payment of consideration for any supply of goods or services

e Subsidy
Subsidy directly linked to price **except** subsidy given by CG/SG

Example : Isha Time Gallery has been appointed as an authorized center of Sony electronics, On sales of worth ₹ 20,00,000 electronic items. Sony electronics is liable to pay commission @ 10 % on such sale i.e. ₹ 2,00,000 but such selling commission to be paid by Sony electronics has been paid by Isha Time Gallery for the month of August. In this case such expense shall be included in transaction value.

Examples of additional recoveries by supplier

- ⇒ Packing, labeling, designing etc
- ⇒ Royalty, warranty charges, etc.
- ⇒ Insurance charges
- ⇒ Dharmada
- ⇒ Weightment charges.
- ⇒ Loading, weighing, coolie
- ⇒ Freight shown separately in invoice
- ⇒ Erection installation charges
- ⇒ Pre Delivery Inspection Charges

Analysis:- Interest

- on loan, advances or deposits
It is SOS but exempted
- On delayed payment of consideration
As per above clause it is included in VOS & GST is payable

Important Notes:-

- Value:-** Normally interest is assumed to be inclusive of GST whereas late fee & penalty, is assumed to be exclusive of GST.
- TOS:-** As per 12(6)/13(6) i.e. in a month when a such amount is actually received.
- Rate:-** Based of original supply

Analysis : Subsidy

- Given by Govt. (CG/SG/UT)
Not to be added to the value of supply
- Given by others
Subsidy linked to the price to be added in Value
Not linked to the price not to be added in value

Analysis:- Price net of subsidy -no impact of govt. subsidy price including subsidy -deduct govt. subsidy

- price net of subsidy = add subsidy
- price including subsidy = already added

Staggered discount (Buy more, save more offers):- Generally shown in the invoice, to be excluded

Periodic/ year end discount/ volume discounts :- Generally not shown on invoice since given at year end such discount are excluded from value of supply subject to fulfillment of conditions u/s 15(3)(b).

Secondary discounts (not known at TOS):- Such discount shall not be excluded from value of supply since not known at TOS & 15(3)(b) condition not satisfied.

(a) Discount is given at the time or before supply

(b) Past supply Discount
Discount given after supply

deduction is available if it is recorded in Invoice

- if it is Agreed at the Time of supply
- If it is not agreed at the time of supply

Discount is deductible if linked to invoice & ITC is recovered by recipient

No deduction of discount is available

Notes: 1) for such discount GST credit not shall be issued
2) GST apportioned to such discount shall be adjusted (deducted from output tax) in a month in which credit note is issued

Evidence of Compliance with Sec 15(3)(b)(ii) by Suppliers [Cir. No. 212/6/2024]

- Suppliers should obtain a CA/CMA certificate confirming ITC reversal for credit notes, including details like credit note, ITC amount & supporting documents.
- These certificates, with UDIN, must be provided if requested by tax officers during audits or investigations.

Sec 15(4)

If value of supply cannot be determine u/s 15(1) i.e. \Rightarrow Supply without price \Rightarrow Related party transaction \Rightarrow Supply without consideration or any other considerations then apply

CGST Rules 2017

Rule 27	Rule 28	Rule 29
<p>When consideration is not wholly or partly in money</p> <p>(a) Open market value (OMV)</p> <p>(b) If (a) is not determinable value = consideration in money + FMV of consideration not in money</p> <p>(c) If (a) & (b) not determinable Value = value of like kind & quality (LKQ)</p> <p>(d) If (a), (b) or (c) not determinable then apply Rule 30 or 31 in that order</p>	<p>1) Supply between distinct (u/s 25(4)/(5) or related person (other than agent)</p> <p>(a) Open Market Value (OMV)</p> <p>(b) If (a) is not determinable, value = value of like kind & quality</p> <p>(c) If (a) & (b) not determinable, then apply Rule 30 or 31 in that order</p> <p style="background-color: #ffffcc;">Proviso 1: If further supply is as such by recipient at option of supplier Value = 90% of price charged for like kind & quality by recipient to his unrelated customers</p> <p style="background-color: #ffffcc;">Proviso 2: If recipient is eligible Full ITC then OMV = Value declared in invoice for supply of goods or services.</p> <p>2) If corporate guarantee service is provided to bank/FI on behalf of recipient who is related person, VOS = 1% of guarantee offered, or actual consideration, whichever is higher Proviso: If recipient eligible full ITC, then value declared in invoice shall deemed to be OMV..</p>	<p>Supply between principle & agent</p> <p>(a) Open Market Value (OMV)</p> <p style="text-align: center;">OR</p> <p>90% of price of like kind & quality by the recipient to his unrelated customers</p> <p>Where such goods are intended for further supply.</p> <p>(b) If (a) is not determinable then Rule 30 or 31 in order.</p>

Rule 30 & 31 are applicable in order in following cases

- 1) If situation covered in rule 27,28,29 but Valuation can not be done by applying the principles Stated in rules
- 2) If situation not covered in aforesaid rules.

Rule 30: Value of supply based on Cost

Value = 110% of

- Cost of production (COP)
- Cost of acquisition (COA)
- Cost of provision of service

Rule 31: Residual method or Best judgement by using reasonable means

- Consistent with the principles & general provision of Sec 15

- Provision of this chapter (i.e. earlier rules)

Note: In case of SOS supplier may option for rule 31 instead of rule 30

COP/COA = As per cost accounting standard-4
COP = Exclude - Advt. expenses/ insurance expenses/ non-recurring cost/ abnormal cost/ selling and distribution cost/ interest and financial charges

Rule 33 : Deduction of expenses incurred as a pure agent

This rule is applicable for all supply of services
 Value shall exclude the expenditure & cost incurred by the supplier as a pure agent subject to following conditions.

- 1) Supplier act as pure agent of the recipient while making payment to 3rd party
- 2) Amount separately shown in invoice
- 3) Supplies of goods / services procured by the supplier as a pure agent are in addition to services he supplies on his own A/c.

Definition of pure agent: Means a person -

- (a) entering into contractual agreement with the recipient to incurred the expenditure as pure agent
- (b) Neither holding any title on supplies procured as a pure agent
- (c) Doesn't use such supplies for his own interest
- (d) Received only the actual amount incurred to procure supplies under pure agent.

Rule 34- Rate of exchange of currency (other than Indian Rupees) for conversion of value-

- 1) **SOG = Rate of exchange as notified by board u/s 14 of Customs Act as on the date of TOS u/s 12**
- 2) **SOS = Rate of exchange as determined by GAAP, As on the date of TOS u/s 13**

Relevant date for exchange rate shall be determine as per Sec 12 & 13

Rule 35- Value of Supply (if inclusive of GST))

$$\text{Tax} = \frac{\text{value including GST} \times \text{Tax Rate}}{100 + \text{Tax Rate}}$$

Important Clarification

GST Taxability of Personal and Corporate Guarantees [Cir.No. 204/16/2023]

S. No.	Situations	Reason	Liability of GST
1	Director providing personal guarantee to the bank for company's borrowing.	Taxable value zero (RBI mandate)	No Tax
2	If director providing guarantee is no longer connected with management of Co. but his guarantee is continue	VOS = consideration paid to him by company	Taxable
3	Corporate guarantee provided by a company to the bank/financial institutions for another related co.	VOS = Rule 28(2) (with or without consideration)	Taxable
4	Corporate guarantee provided by a holding company for its subsidiary company.	VOS = Rule 28(2) (with or without consideration)	Taxable

No Claim Bonus (NCB) by Insurance Company [Cir.No.186/18/2022]

Cases	Clarification
Is NCB considered as a supply?	No, NCB is not a supply
Can NCB be considered a discount?	Yes, NCB is deductible from premium

Clarification relating to pure agent [Cir. No. 206/18/2023]

Cases	Clarification
Reimbursement of electricity charges bundled with renting or maintenance	It is a composite supply, taxed at the rate of the principal supply (renting).
Electricity supplied as a pure agent	If real estate owners, developers, or RWAs supply electricity as a pure agent, it is not included in the value of their supply.
If Charging electricity on an actual basis	They are acting as a pure agent.

Valuation of Imported Services by Related Persons with Full ITC Eligibility [Cir. No. 210/4/2024]

Cases	Clarification
RCM Applicability	Tax under RCM applies to services from related foreign entities to Indian recipients, same as for domestic related parties.
Value of Services	The value is deemed as OMV when the recipient is eligible for full ITC.
Services without Invoice	If no invoice is issued, the value may be declared as Nil (OMV deemed as Nil).

Sec 15(5): Overriding sec 15(1)/15(4), VOS notified by Govt. to be determined as per rules

Rule 31A: VOS of lottery, betting Gambling & Horse racing

VOS of lottery = 100/128 of higher of -
 → face value (FV) of ticket or
 → price as notified by organising State

VOS of actionable claim in betting, gambling or horse racing in a race club - 100% of FV of bet or amount paid in to totalisator.

Rule 31B: VOS of online gaming including actionable claims involved in online money gaming

Value = total amount paid/payable to/deposited with supplier in money/money's worth, including virtual digital assets, by or on behalf of player.

Proviso:- Any refund by supplier to player of balance money shall not be deductible from VOS of online money gaming.

Rule 31C: VOS of actionable claims in case of casino

Value = total amount paid/payable by/on behalf of player for -
 (i) purchase of tokens, chips, coins or tickets, etc. for use in casino; or

(ii) participating in any event, including game, scheme, competition, etc. in casino (where token, chips, coins or tickets are not required)

Proviso:- Refund by casino to player on return of token, coins, chips, or tickets or otherwise shall not be deductible from value.

Explanation to rule 31B & 31C:- If winnings received by player is used for playing further event without withdrawing, it shall not be considered as amount paid to or deposited with supplier.

Free supply of moulds by original equipment manufacturer (OEM) to component manufacturer [Co. mfg.] [Cir. No. 47/21/2018]

Scenario	Clarification
If contract (between OEM & Co. mfg.) does not specify that mould should be owned by co. mfg.	Appportioned value of mould is not includible in the value of component
If contract (between OEM & Co. mfg.) does specify that mould should be owned by co. mfg. & supply it free by OEM	Appportioned value of mould is includible in the value of component

Reversal of ITC on Non-Taxable Portion of Life Insurance Premium [Cir. no. 214/8/2024]

- Premiums for taxable life insurance policies not included in taxable value per rule 32(4) are not considered non-taxable or exempt supplies.
- Thus, no ITC reversal is required u/s 17(1) & (2) with rule 42/43.

GST on Incentive Amounts Shared by Acquiring Banks in Digital Payments [Cir. No. 228/22/2024]

- GST is not applicable on the incentive amount shared by acquiring banks with other stakeholders in the digital payment ecosystem under the notified Incentive Scheme, as it is considered a subsidy.

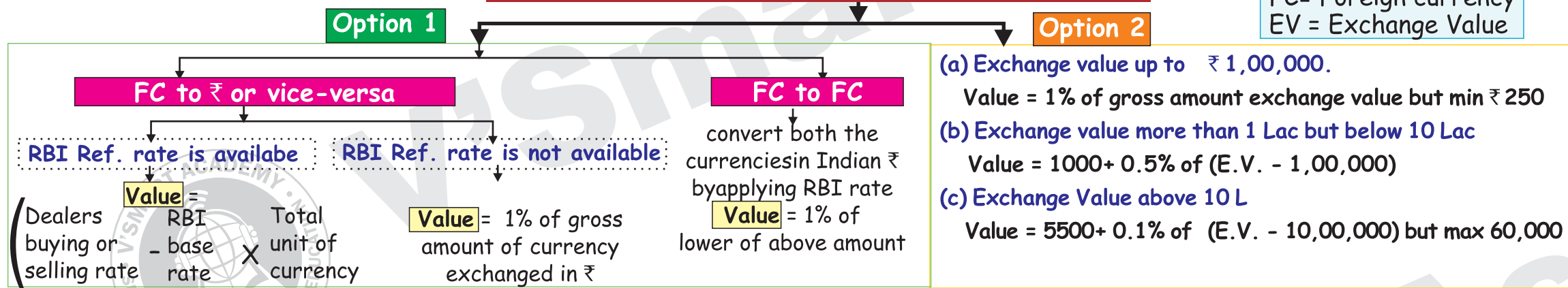
Clarification on Extended Warranty (EW) [Cir.No. 216/10/2024]

1) Customer opt for EW at the time of SOG	1) It is treated as part of composite supply 2) Principle supply is SOG
2) If supplier of goods (Manufacturer) & supplier of EW (dealer) are different.	Then GST is payable on EW as SOS
3) Customer opt for EW after supply	Then EW is treated as separate supply of service & GST is payable as the rate applicable for service.

Valuation in special cases [Rule 32]

32(2) : Purchase or sale of foreign currency

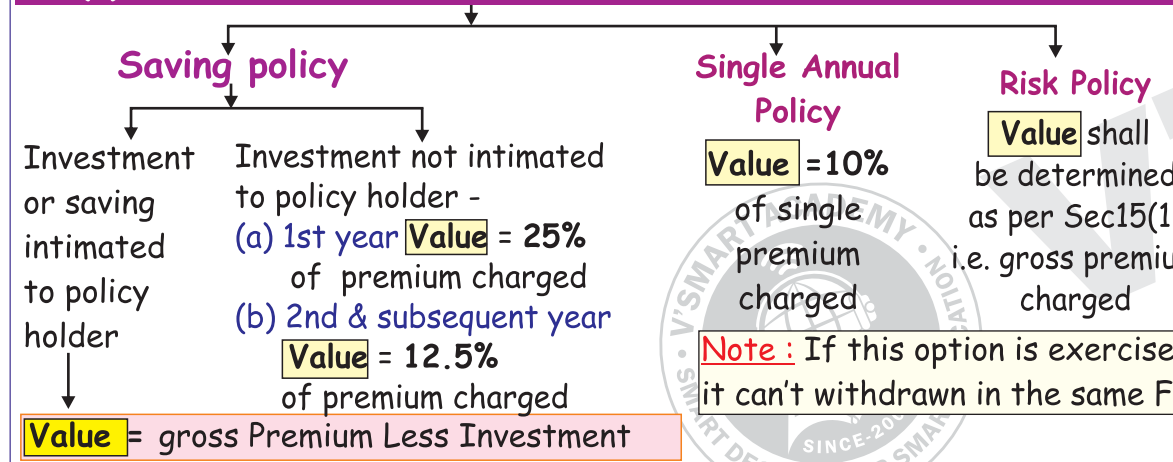
Note:
 FC = Foreign currency
 EV = Exchange Value



32 (3) : Value of the supply of Services in relation to booking of tickets for travel by air

- (a) Domestic Booking - Value = 5% of basic fare
 - (b) International Booking - Value = 10% of basic fare
- Note: Basic fare means airfare on which commission is payable to air travel agent. i.e. It doesn't includes other charges & taxes.

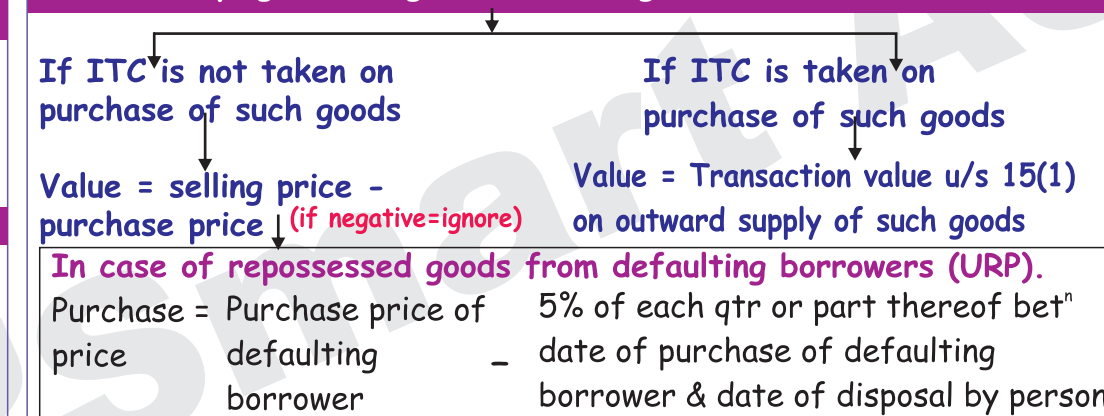
32 (4) : Life insurance business



32 (6) : Value of token, voucher, coupon, Stamp

Value = money value of goods / services / both redeemable against such coupon, token, voucher, stamp

32 (5) : Buying & Selling of 2nd hand goods



Special Margin Scheme for Motor vehicle

Condition	Value Calculation
When ITC is not availed	
Depreciation claimed u/s 32 (if negative=ignore)	Consideration received - Depreciated value (if Consideration ≥ Depreciated value)
No Depreciation claimed u/s 32 (if negative=ignore)	Selling price - Purchase price
When ITC is availed	Normal valuation as per other applicable provisions.