

Section 15 - Value of Supply



CA Vishal Bhattad

Sec 15(1)

Value of Taxable Supply = Transaction value
Price actually paid or payable for Supply

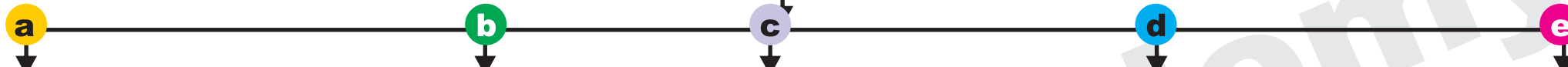
- Conditions:**
- 1) Not related party
 - 2) Price is sole consideration

Duties & Taxes All taxes levied under any law for time being in force other than GST Acts if charged separately

Tobacco & Tobacco Products

Sec 15(2)

Inclusion to Transaction Value



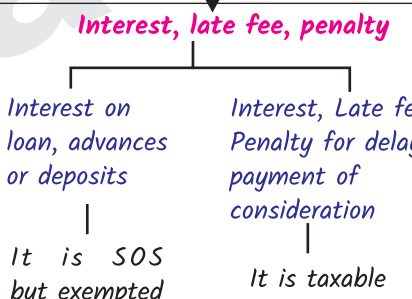
3rd party payment
Any payment incurred by the recipient for which supplier is liable to pay

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.

Incidental expenses: (packing, commission etc)
Any incidental expenses charged by supplier & any amount charged for anything done by the supplier at the time of supply or before delivery

- 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

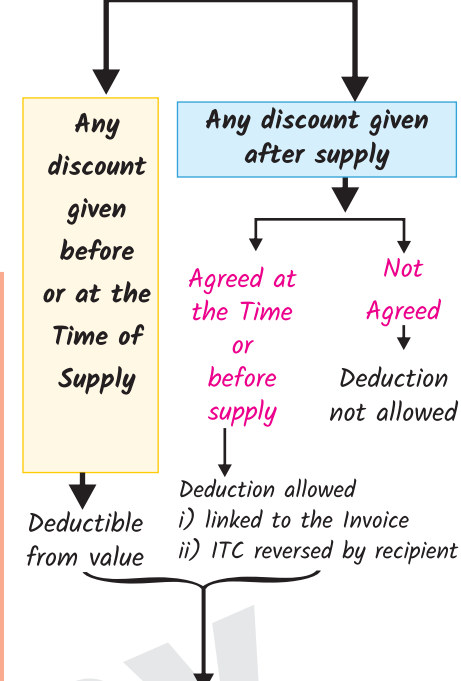
Interest, late fee penalty for delay payment of consideration



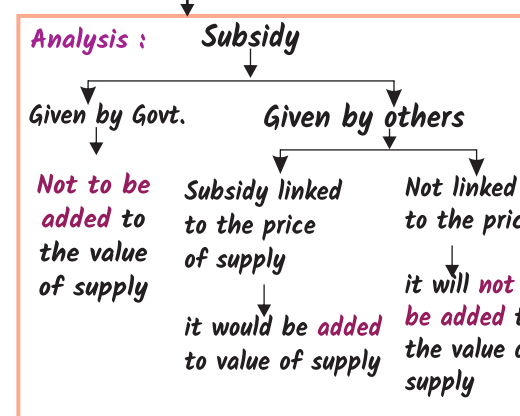
- Important Notes:-**
- 1) **Value:-** Normally interest, late fee, Penalty would be considered as inclusive of GST.
 - 2) **TOS:-** As per 12(6)/13(6) i.e. in a month when a such amount is actually received.
 - 3) **Rate:-** Based of original supply

Sec 15(3)

Deduction of discount



Subsidy
Subsidy directly linked to price by person other than govt.



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.

Important Clarification

Circular no. 76/50/2018

Issue:- Issue: TCS under Income-Tax Act, 1961 not includible in the taxable value for the purpose of GST

Clarification: To determine the value of supply under GST, tax collected at source (TCS) under the IT Act, 1961 would **not be includible** as it is an interim levy not having the character of tax.

Circular no.186/18/2022

Issue:- Whether No Claim Bonus allowed by insurance company can be considered as consideration for supply, for agreeing to the obligation to refrain from the act of lodging insurance claim during the previous year(s)?

Clarification:

- ⇒ It is clarified that there is **no supply provided by the insured** to insurance company in form of agreeing to the obligation to refrain from the act of lodging insurance claim during the PY
- ⇒ Hence No Claim Bonus **cannot be considered as a consideration** for any supply.

Issue:- Whether No Claim Bonus provided by insurance company to the insured can be considered as an admissible discount for the purpose of determination of value of supply of insurance service provided by insurance company to insured?

Clarification:

- ⇒ It is clarified that No Claim Bonus (NCB) is a permissible deduction u/s 15(3)(a) of CGST Act to calculate the value of supply of insurance services.
- ⇒ Accordingly, if the deduction on account of NCB is provided in the invoice, GST shall be **leviable on actual insurance premium** amount, payable by policy holders to insurer, **after deduction of NCB** mentioned on the invoice.

