



# Chapter 6

## Value of Supply

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## 01. Sec 15(1): Value Of Taxable Supply, Transaction Value

**Q1. When can the transaction value be rejected for computation of value of supply?**

- (a) when buyer and seller are related or price is not sole consideration
- (b) when buyer and seller are not related and price is sole consideration
- (c) It can never be rejected
- (d) When the goods are sold at very low margins

**[Reason: Refer Sec 15(1)]**

**Q2. Ram of Jaipur provides online gaming services. He earns ₹ 2,00,000 from Jammu & Kashmir, ₹ 10,00,000 from foreign users and ₹ 20,00,000 from other users in India. The taxable value of service will be:**

- (a) ₹ 32,00,000      (b) ₹ 20,00,000
- (c) ₹ 22,00,000      (d) Nil.

**[Reason: ₹10 lakhs from foreign users is received for export of service and hence is a zero-rated supply. Thus, it is not considered for GST]**

**Q3. M/s. Visali & Co, a Partnership firm, is a manufacturer of equipment in Kerala & registered u/s 10(1) of CGST Act. The firm made a supply during October to an unrelated limited company. Multiple valuations were available for the same goods:**

- Market value: ₹ 12,00,000
- Wholesale value: ₹ 13,00,000
- Maximum retail price (MRP): ₹ 14,00,000
- Actual transaction price (only consideration paid): ₹ 11,00,000

**Determine the value of supply of equipment u/s 15(1) of CGST Act, 2017 made by M/s. Visali & Co. in the month of October? [ICAI Case 47 Sub-Q3]**

- a) ₹ 14 lakh

- b) ₹ 13 lakh
- c) ₹ 12 lakh
- d) ₹ 11 lakh

**[Reason: Refer Sec 15(1), VOS is the transaction value when supplier & recipient are unrelated and price is sole consideration. VOS = Transaction value ₹ 11,00,000 applies regardless of market value (₹ 12 lakh), wholesale value (₹ 13 lakh), or MRP (₹ 14 lakh).]**

**Q4. Ecotech Solutions Pvt. Ltd. is engaged in manufacturing and supply of energy products. It sold goods worth ₹1 crore in January under multiple invoices. The goods were subsequently returned in March by the customer due to defective quality. The company incurred ₹5 lakh on their repairs to make them resalable in the market to customers other than a related party.**

**In case returned goods are sold by the Company to customers other than the**



related parties, the value of supply of such goods under GST shall be\_\_\_\_\_ [ICAI Case 35 Sub-Q4]

- (a) equivalent to original value of supply only.
- (b) equivalent to original value of supply plus the cost incurred on making the goods reusable.
- (c) 110% of original value of supply plus the cost incurred on making the goods reusable.
- (d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.

[Reason: The goods being resold by Co. can be sold at any value to third party customer. The amount received from customer shall be treated as transaction value u/s 15(1) liable to GST subject to adjustments mentioned in sec 15(2).]

## 02. Sec 15(2): Additions To Transaction Value

### Sec 15(2)(b): Payment made to third party

Q5. Yogrishi rents out a commercial building owned by him in Sanskriti Society, Noida, U.P. to Bhaarat for a monthly rent of ₹ 1,00,000. He pays municipal tax of ₹ 20,000 which he has not recovered from Bhaarat. Yogrishi also pays the maintenance charges of ₹ 5,000 (reimbursed to him by Bhaarat) for the month as charged by the Society. The value of supply for the month of January is..... All the amounts given hereunder are exclusive of GST.

- (a) ₹ 1,00,000
- (b) ₹ 1,20,000
- (c) ₹ 1,25,000
- (d) ₹ 1,05,000

[Reason: Refer Sec 15(2)(b) i.e. Value = ₹ 1,00,000 + ₹ 5,000. ₹20,000 is not added as it is not recovered from Bhaarat]

### Sec 15(2)(c): Incidental expenses & amount charged for anything done

Q6. Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹ 2,400 from Balram Pvt. Ltd. GST is leviable @ 18% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST? (RTP Nov 2020)

- (a) 1GST-₹ 37,332
- (b) 1GST-₹ 10,370
- (c) CGST-₹ 18,666 and SGST-₹ 18,666
- (d) CGST-₹ 5,185 and SGST-₹ 5,185

[Reason: - Refer Sec 15(2)(c) & thus value = ₹2,05,000 + ₹2,400 & tax on it



@5% on this composite supply = ₹10,370]

Q7. Sapiant Ltd., registered under GST, supplies machinery used for making bottle caps to Chandra Ltd. at a price of ₹ 42,00,000 (excluding all taxes and other expenses). Apart from the price of the machinery, Sapiant Ltd. charges from the customer the associated handling and loading charges of ₹ 10,000 and installation and commissioning charges of ₹ 1,00,000. The value of supply of machinery is .....

- (a) ₹ 42,00,000 (b) ₹ 43,10,000  
(c) ₹ 43,00,000 (d) ₹ 42,10,000

[Reason: Refer Sec 15(2)(c) i.e Value = ₹ 42,00,000 + ₹ 10,000 + ₹ 1,00,000]

Sec 15(2)(d): Interest, late fee or penalty for delayed payment

Q8. Sarabhai & Sarabhai Associates, a partnership firm registered under GST, is engaged in various business activities. It

supplied taxable goods to Dhanush Enterprises valued at ₹ 8,00,000 in April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the consideration. The payment is received from Dhanush Enterprises after the lapse of two months from the date of supply. Value of supply made to Dhanush Enterprises, assuming interest on delayed payment to be exclusive of GST, is----- [ICAI Case 30 Sub-Q1]

- a) ₹ 8,00,000  
b) ₹ 8,08,000  
c) ₹ 7,92,000  
d) ₹ 8,16,000

[Reason: Refer sec 15(2)(d), interest for delayed payment of consideration is includible in VOS. Delay = 1 month (beyond agreed credit period of 1 month). Interest = ₹ 8,00,000 × 12% ÷ 12 = ₹ 8,000. VOS = ₹ 8,00,000 + ₹ 8,000 = ₹ 8,08,000.]

### Combined Questions on Sec 15(2)

Q9. Bali Bells Pvt. Ltd. (referred as Bali Bells), registered in Chennai, Tamil Nadu, provides outward supplies of products and also engaged in logistics and warehousing services. Bali Bells made a supply during November with the following details:

- Basic price of the product before TCS under Income Tax Act, 1961: ₹ 45,000
- Tax collected at source (TCS) under Income Tax Act, 1961: ₹ 2,500
- Subsidy received from Bharat Foundation Pvt. Ltd. for usage of green energy: ₹ 3,500

(This subsidy was linked to units of energy saved and not for the aforesaid product.)

- Also received a subsidy from an environmental NGO for adopting green refrigeration technology and using Electric Vehicles for logistics: ₹ 4,000



(This subsidy was linked to a performance metric (carbon reduction), not to the price of services)

Compute the value of supply made by Bali Bells in November? [ICAI Case 2 Sub-Q4 - Merged] [ICAI Case 22 Sub-Q4 - Modified]

- a) ₹ 45,000
- b) ₹ 47,500
- c) ₹ 48,500
- d) ₹ 51,000

[Reason: 1) As per CBIC clarification, TCS ₹2,500 is not a tax but an interim levy, accordingly **not includible** in value of supply. 2) Performance-linked subsidy ₹3,500 (linked to energy units saved, NOT directly to price) is **not includible** as per sec 15(2)(e). 3) Since subsidy ₹4,000 is linked to performance metric (carbon reduction), NOT directly to price of supply, it must be **excluded** from transaction value. 4) Therefore, VOS = ₹ 45,000 only.]

Q10. Mr. Raju, proprietor of Raju Stationery Mart, is registered under GST in Pune, Maharashtra. Raju Stationery Mart supplied some stationery items of ₹50,000 (including subsidy) to “Action for Good” group for distribution among students on children’s day. GST ₹2,500 and ₹500 local tax is also charged separately. It has also received price linked subsidy amounting to ₹ 10,000 on these items from a private organisation. What will be the value of supply for supplies made to “Action for Good” group? [ICAI Case 15 Sub-Q6]

- (a) ₹50,000
- (b) ₹53,000
- (c) ₹40,000
- (d) ₹50,500

[Reason: 1) As per sec 15(2)(a), local taxes amounting to ₹ 500 shall be added to compute VOS whereas GST ₹2,500 shall not be added. 2) As per sec 15(2)(e), since price linked subsidy ₹10,000 is already

included in value of ₹50,000, same shall not be added again.]

### 03. Combined Questions on Sec 15(1), 15(2) & 15(3)

Q11. Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colorful Pvt. Ltd.

Particulars	(₹)
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

Black and White Pvt. Ltd. received ₹ 2000 as a subsidy from a NGO on sale of such goods. The price of ₹ 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount



on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Black and White Pvt. Ltd.

- (a) 57,000 (b) 58,000  
(c) 55,000 (d) 59,000

[Reason: Refer Sec 15(1), (2) & (3) i.e. value = ₹50,000 - (2% \* ₹50,000) + ₹5,000 + ₹1,000 + ₹2,000]

Q12. Sapiant Ltd., registered under GST, supplies machinery used for making bottle caps to Chandra Ltd. at a price of ₹ 40,00,000 (excluding all taxes and other expenses). A cash discount of 2% on the above price of the machinery is offered at the time of supply since Chandra Ltd. agrees to make the payment within 15 days of the receipt of the machinery at its premises. Sapiant Ltd. receives a price linked subsidy of ₹ 2,00,000 from its holding company Diligent Ltd. The value of supply of machinery is

- (a) ₹ 39,20,000 (b) ₹ 42,00,000  
(c) ₹ 41,60,000 (d) ₹ 41,20,000

[Reason: Refer Sec 15(2)(e) & Sec 15(3)(b) i.e. [₹40,00,000 - [₹ 40,00,000 \* 2%] + ₹ 2,00,000]

Q13. Ms. Neha is engaged in supply of services & registered under GST under composition scheme. She crossed aggregate turnover of ₹ 50 lakh in July and opted out of composition scheme. She also started trading of goods in July. She supplied an order to Breathe Well LLP on ex-factory basis with following details:

- i) Basic price of the product: ₹ 53,000
- ii) Outward freight: ₹ 12,000
- iii) Packing Charges: ₹ 5,000
- iv) Discount given on receiving last tranche of payment: ₹ 2,000 (not recorded in the invoice and no agreement for the same)

Compute the value of supply made by Ms. Neha to Breathe Well LLP? [ICAI Case 45 Sub-Q2]

- a) ₹ 56,000  
b) ₹ 58,000  
c) ₹ 68,000  
d) ₹ 70,000

[Reason: Outward freight (₹ 12,000) EXCLUDED as supply is on ex-factory basis. Packing charges (₹ 5,000) INCLUDED as incidental charges as per Sec 15(2)(c). Discount (₹ 2,000) NOT deductible as NOT recorded in invoice AND no agreement as per Sec 15(3)(b). VOS = ₹ 53,000 + ₹ 5,000 = ₹ 58,000.]



**Answers:**

01	a
02	c
03	d
04	d
05	d
06	b
07	b
08	b
09	a
10	d
11	a
12	d
13	b

