Whether Value of supply of Goods or Services or both is notified by CG on recommendation of GST Council

- Yes: Value shall be determined by the rules.
  - Note: Yet not notified anything

- No:
  - Supplier and the recipient of supply are not related
    - Note: Meaning of related person is given in 'Explanation under section 15'
    - Rules: 27 to 35
    - Note: Students may note that the rules are not covered in the study material issued by the Board of Studies of ICAI. So we have not covered.
  - Whether price is the sole consideration for supply
    - Yes: Value of supply = Transaction value = Price actually paid or payable for supply
    - No: Value of supply

<table>
<thead>
<tr>
<th>Value includes</th>
<th>Value excludes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 15(2)</td>
<td>Section 15(3)</td>
</tr>
<tr>
<td>5 Clauses</td>
<td>2 Clauses</td>
</tr>
</tbody>
</table>

Value of Supply

(a) Transaction Value: Sec. 15(1)
(b) Inclusion (5 clauses): Sec. 15(2)
(c) Discount (2 Clauses): Sec. 15(3)
BIRD EYE VIEW (DISCOUNT)

Start

Whether discount is given........

Yes

Before the time of supply

At the time of supply

After the time of supply

Whether shown in the invoice

No

Discounts included in the value of supply

Discounts not included in the value of supply (i.e. Deducted value)

Yes

Discount is in terms of an agreement that existed at the time of supply

Yes

Discount can be linked to invoices

No

Yes

Proportionate ITC reversed by recipient

No
Section 15 of CGST Act

Sub-sections (1) to (5)

15(1)

Value = Transaction value
If
C-1 Price is actually paid or payable
C-2 Supplier and recipient are not related
C-3 Price is sole consideration

15(4)

Value to be determined as per rules
If any of C-1, C-2, C-3 of sec.15(1) is not satisfied
[Note: Rules are not in CA Inter/IPCC syllabus]

15(5)

No notification is yet into picture
• It overrides 15(1) & 15(4)
• Government may notify the value for specified supply

15(2)

Value includes:
(a) Taxes under other statute
(b) Any amount for which supplier is liable to pay
(c) Incidental expenses
(d) Interest or late fees
(e) Subsidies directly linked to the price excluding subsidised provided by CG/SG

15(3)

Value excludes:
(a) Discount shown in invoice
(b) Discount not shown in invoice
(See the chart of ‘Discount’ also)

BIRD EYE VIEW [COVERAGE OF THIS CHAPTER]

CHAPTER OUTLINE

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Topic</th>
<th>Section</th>
<th>CGST Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Welcome posers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Important definitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Determination of Value of Supply</td>
<td>15(1), (4), (5)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Inclusions in the transaction value</td>
<td>15(2)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Exclusions in the transaction value</td>
<td>15(3)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Case study</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>MCQs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Numerical</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INTRODUCTION

\[
\text{Tax amount} = \text{Value of supply} \times \text{Tax Rate}
\]

Value of supply is the figure upon which tax is levied and collected. What forms part of the value and what does not form part of the value of supply is required to be ascertained for correct levy of tax.

GST will be charged on the ‘transaction value’. Transaction value is the price actually paid (or payable) for the supply of goods/services between un-related parties, when price is the sole consideration. Transaction value does not include the GST paid which means no GST can be charged on input GST. It means, no cascading effect shall be there.

Value is the price prevalent when a transaction takes place under controlled conditions. Value is price that would be prevalent under controlled conditions. These conditions being:

(a) Transaction having a price (actually paid or payable)
(b) Between persons not related
(c) And that price being the sole consideration

Where the transaction value of the supply of goods or services or both cannot be determined under the same shall be determined as per the rules. In other words, the exercise of valuation by rules is aimed to recreate the above conditions.

**Note:** For CA Inter/IPCC students, study material issued by Board of Studies does not cover the CGST Rules related to value of supply, relax!!!

WELCOME POSERS

- **Are the valuation provisions similar for inter and intra State supplies?**
  - Yes, Section 15 is common for all supplies.

- **Valuation apply to IGST on Import of Goods**
  - No. Customs Law will be applicable for valuation of imported goods.

- **Why to value the supply?**
  - Because tax shall be levied on the value of supply

- **When to value the supply?**
  - At the time of issue of invoice

- **Value includes tax or not?**
  - Value does not include GST, so no tax on input GST.
Welcome posers

Important definitions

Section Term Remarks
2(5) Agent
2(22) Cess
2(31) Consideration
2(52) Goods
2(73) Market value
2(75) Money
2(84) Person
2(93) Recipient
2(102) Services
2(105) Supplier
2(118) Voucher

Readers are requested to refer the Chapter titled as 'Important Definitions' for the content of these. It is avoided here due to data duplication, as the same term is likely to be used in another chapter.

DETERMINATION OF VALUE OF SUPPLY [SECTION 15]

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.

Value of supply will be transaction value

Price is the sole consideration for the supply

Supply is between unrelated persons

15(4) Provides that where the value of supply of goods or services cannot be determined under Section 15(1),
the same shall be determined in the manner as may be prescribed.

Note: Rules are framed by Central Government from Rules 27 to 35 under CGST Rules, 2017, but it is not
in syllabus of CA Inter/IPCC students.

15(5) states that, notwithstanding anything contained in Section 15(1) or Section 15(4), the value of such suppliers as may be notified by the central or a State Government in this behalf on the recommendation of the GST council, shall be determined in such manner as may be prescribed.

Note: Nothing has been notified yet by Government in this category of provision.

Exercise 1: Are there separate valuation provisions for CGST, SGST and IGST and for Goods and Services?
Answer 1: No, valuation provisions are common for all three taxes and also common for goods and services.

Exercise 2: Is contract price not sufficient to determine valuation of supply?
Answer 2: Contract price is more specifically referred to as ‘transaction value’ and that is the basis for computing tax. However, the transaction will not be accepted as the value of supply where the supply is between related persons (including different registrations of the same PAN and principal-agent supplies), or where the consideration payable is not wholly in money.
This provision speaks that what shall form part of value under GST laws.

### Clause | Particulars | Explanation | Examples
--- | --- | --- | ---
(a) | Taxes under other statute | Any taxes, duties, cess, fees and charges levied under any statute other than CGST Act/SGST Act/UTGST Act/IGST Act, if charged separately by the supplier to the recipient. [Like Municipal tax, Entertainment tax levied by local bodies, Excise duty on such goods which are not covered under GST Laws (like Tobacco), Fuel Surcharge] | **E.g.1**
As per rent contract, tenant required to pay local tax directly to the local body or to owner of the premise. Such local tax may form part of consideration for the supply of renting service.

| | | **E.g. 2**
Levy of entertainment tax by local authority is not subsumed in the GST. Therefore right to levy is still available with local authority and consequently it appears that any entertainment tax charged by the local authority will form part of transaction value.

(b) | Any amount for which supplier is liable to pay | 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 and/or services. | **E.g.1**
Facts of example
Mr. X, purchaser, has placed an order to supply a product “packed in Carton” to Mr. Y (supplier).
As per the contract Mr. Y is required to deliver the goods in the premises of Mr. X.
Thereafter Mr. Y hires a transporter for transportation of goods. The lorry receipt of which indicates that freight is payable by receiver of goods (Mr. X).
In this case, Mr. Y was required to make the payment to the transporter as it is the obligation of Mr. Y to deliver the goods to the premises of Mr. X.

**Conclusion:**
Here in lieu of Mr. Y, payment is being made by Mr. X.
Therefore, such payment will form part of transaction value of product.
Thus, in a contract, the obligation undertaken by the supplier for making supply of goods needs to be determined.
All the expenses in respect of such obligation must be incurred by the supplier. But here the supplier was under obligation for which receiver has made the payment and therefore, the payment in connection with the supply i.e. Transportation will form part of transaction value.

**E.g. 2**
A Cost Accountant conducts an audit at client's premises out of the state and hotel payment is made by the client. Here the payment made to hotel by the client will be included in the transaction value.