

Advisory on RSP-Based Valuation of Notified Tobacco Goods under GST

1. Background:

Vide Notification Nos. 19/2025–Central Tax and 20/2025–Central Tax, both dated 31.12.2025, Retail Sale Price (RSP)-based valuation for specified tobacco and tobacco-related products, has been prescribed with effect from 01.02.2026.

The said notifications cover the following HSN codes and descriptions:

S. No.	Chapter / Heading / Sub-heading	Description of Goods
1	2106 90 20	Pan masala
2	2401	Unmanufactured tobacco; tobacco refuse (other than tobacco leaves)
3	2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
4	2403	Other manufactured tobacco and manufactured tobacco substitutes; “homogenised” or “reconstituted” tobacco; tobacco extracts and essences (other than biris)
5	2404 11 00	Products containing tobacco or reconstituted tobacco intended for inhalation without combustion
6	2404 19 00	Products containing tobacco or nicotine substitutes intended for inhalation without combustion

As per the said notifications, valuation of the notified goods is required to be carried out on the basis of the declared Retail Sale Price (RSP). Accordingly, the taxable value for GST purposes is no longer linked to the actual sale price between the supplier and the recipient, but is derived from the RSP printed on the package, irrespective of the commercial consideration.

2. Computation of Tax under RSP-Based Valuation

2.1. For goods notified under RSP-based valuation, tax is required to be computed using the following formula:

- **Tax Amount** = $(RSP \times \text{GST Rate in \% of applicable taxes}) / (100 + \text{Sum of applicable tax rate})$
- **Deemed Taxable Value** = RSP – Tax Amount

Thus, GST liability is determined with reference to RSP, **irrespective of the actual sale price**.

2.2. For ease of reference, an **illustrative** tax invoice is provided below.

A. The item particulars are as follows (RSP-based notified goods)

Field	Value
Relevant HSN (RSP-based notified goods)	2403
MRP / RSP per pack (₹)	100
Total packs	1,000
Total RSP (₹)	1,00,000

B. Statutory computation as per RSP formula (IGST @ 40%)

Under RSP-based valuation, the **deemed taxable value** and **tax amount** are required to be derived from the **RSP (tax-inclusive)**.

Particulars	Computation	Amount (₹)
Total RSP (aggregate)	$100 \times 1,000$	1,00,000.00
Tax amount (IGST @ 40%)	$(1,00,000 \times 40) / (100 + 40)$	28,571.43
Deemed taxable value (as per RSP formula)	Total RSP – Tax amount	71,428.57

C. Commercial transaction values (actual consideration)

Particulars	Amount (₹)
Gross sale value	80,000.00
Less: Discount	20,000.00
Net sale value (commercial consideration)	60,000.00

D. Total invoice value (commercial consideration + statutory tax)

Particulars	Computation	Amount (₹)
Net sale value	As above	60,000.00

Particulars	Computation	Amount (₹)
Add: IGST amount (RSP-based)	As per RSP formula	28,571.43
Total invoice value	60,000.00 + 28,571.43	88,571.43

3. Existing System Validations in e-Invoice, e-Way Bill and GSTR-1/1A/IFF

It is clarified that the existing e-Invoice, e-Way Bill and GSTR-1/1A/IFF systems have been designed on the basis of a transaction-value model. Accordingly, the following system validation is currently enforced:

$$\text{Taxable Value} + \text{Tax Amount} \leq \text{Total Invoice Value}$$

The above validation is uniformly applicable to all supplies and is intended to ensure internal consistency of invoice data fields. Where the sum of the taxable value and tax amount exceeds the total invoice value, the system generates an error message stating that *“the sum of taxable value and tax amount cannot be greater than the total invoice value.”*

However, in the illustrated case of **RSP-based valuation above**, the **taxable value** works out to ₹71,428.57 and the **tax amount** to ₹28,571.43, while the **commercial transaction value** (net sale value) is ₹60,000, the **total invoice value**, computed as net sale value plus tax, would be ₹88,571.43. In such cases, reporting the deemed taxable value derived from RSP would result in the sum of taxable value and tax amount exceeding the total invoice value.

4. Reporting Guidance for RSP-based Valuation Goods

4.1. In view of the above, for supplies covered under RSP-based valuation, taxpayers are advised to report invoice details in the following manner in **EWB and E-invoice systems**:

a) The **Net Sale Value** (i.e., the actual transaction value / commercial consideration) shall be reported in the **taxable value field**. Accordingly, **₹60,000.00** shall be reported as the taxable value, as illustrated above.

b) The **tax amount** shall be computed **strictly in accordance with the RSP-based valuation formula**, as prescribed under the law. Accordingly, a tax amount of **₹28,571.43** shall be reported in the tax amount field, which is derived based on the **Deemed taxable value of ₹71,428.57** computed as per the RSP-based formula.

c) The **total invoice value** shall be reported as the **sum of the Net Sale Value and the tax amount**. Accordingly, the total invoice value shall be **₹88,571.43** (₹60,000.00 + ₹28,571.43).

4.2. Similarly for supplies covered under **RSP-based valuation**, taxpayers are advised to report invoice details in the following manner in **GSTR-1/1A/IFF Forms**:

a) The **Net Sale Value** (i.e., the actual transaction value / commercial consideration) shall be reported in the **taxable value field**. Accordingly, **₹60,000.00** shall be reported as the taxable value, as illustrated above.

b) The **tax amount** shall be computed **strictly in accordance with the RSP-based valuation formula**, as prescribed under the law. Accordingly, as shown in the illustration above, a tax amount of **₹28,571.43** shall be reported in the tax amount field, which is derived based on the **deemed taxable value of ₹71,428.57** computed as per the RSP-based formula. However, in case, the GSTR-1 reflects the system calculated tax amount that is different from the tax amount leviable, the same may be **edited** to report the correct tax amount leviable under RSP-based valuation in accordance with the notification i.e., as illustrated above, a tax amount of **₹28,571.43**.

c) The **total invoice value** shall be reported as the **sum of the Net Sale Value and the tax amount**. Accordingly, the total invoice value shall be **₹88,571.43** (₹60,000.00 + ₹28,571.43).

5. Reporting Mechanism

In order to facilitate seamless generation of e-Invoice, e-Way Bill and GSTR-1/1A/IFF for RSP-based supplies, it has been decided that:

a) Taxpayers are required to **report the Net Sale Value** in the **taxable value field**. The **tax amount** shall be reported **in accordance with the RSP-based valuation formula**, and the **total invoice value** shall be reported as the **sum of the Net Sale Value and the tax amount**.

All the above three fields shall be self-assessed, self-calculated, and correctly furnished by the taxpayer, and the accuracy thereof shall be duly verified prior to submission. System-based computation, wherever applicable would be required to be corrected as suggested above by the taxpayer.

b) The above reporting method is being extended only for the HSNs notified vide the aforesaid notifications. This reporting mechanism is only devised as a trade facilitation measure, without any dilution of the statutory provisions or legal requirements prescribed under the GST law.

6. Advisory to Stakeholders

In this regard, the following is advised:

a) Taxpayers shall ensure that the **taxable value is computed strictly in accordance with the notified RSP-based valuation formula**, and that **tax is discharged on such taxable value**. For the purposes of reporting in the e-Invoice e-Way Bill systems and GSTR-1/1A/IFF the **Net Sale**

Value (commercial consideration) shall be reported in the **taxable value field**, as explained above.

b) Due care shall be exercised to **correctly identify and classify notified goods**, and to **apply RSP-based valuation only in cases where the same is statutorily applicable**.

Thank you,
Team GSTN

Disclaimer – This advisory has been prepared solely for educational and informational purposes and does not constitute legal advice. Taxpayers are advised to rely on the relevant statutory provisions for meeting their compliance requirements. For all official or legal purposes, reference shall be made to the applicable provisions of the GST laws, rules, and notifications