GOODS AND SERVICE TAX

ONE NATION, ONE TAX

VALUE OF SUPPLY

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MEANING OF VALUE OF SUPPLY

- Value of Supply refers to taxable amount on which GST shall be levied & paid by the supplier of goods or sevices or both (under normal scenario) or by the receipent of goods or services or both (in case of RCM).

- In GST tax is payable on ad-valorem basis i.e percentage of value of the supply of goods or services.

- Sec 15 of CGST Act, 2017 in conjunction with Determination of Value of Supply, CGST Rules, 2017 governs the provisions related to valuation of supply.

VALUE OF SUPPLY (VOS)

According of CGST Act, 2017

VOS = **Transaction value (TV)** i.e price actually paid or payable

IF

1. Supplier & Recipient are not the related party.

and

2. Price is sole consideration in the transaction.

According of CGST Rules, 2017

VOS = **Need to be determined** as per the prescribe rules.

IF

ANY of the conditions prescribed under CGST Act, 2017 is not fulfilled.

<u>Determination of Value of Supply, CGST Rules, 2017.</u>

- If any of the condition mentioned in CGST Act, 2017 are not fulfilled then taxable value has to be determined as - **<u>prescribed in the rules.</u>**
- In such cases following values have to be taken **<u>sequentially</u>** to determine the taxable value:

a) Open Market Value of such supply.
b) Total money value of the supply i.e monetary as well as non-monetary consideration (applicable only in case where "price is not sole consideration".)
c) Value of supply of like kind and quality.
d) Value of supply based on cost i.e. cost of supply plus 10% mark-up.
e) Best Judgement method.

Exception: If the recipient is **eligible** for **full input tax credit (ITC)**, the **invoice value** will be accepted as **taxable value**.

Illustration:

(1) Where a new phone is supplied for Rs. 20000/- along with the exchange of an old phone and if the price of the new phone without exchange is Rs.24000/-, the open market value of the new phone is Rs 24000/-.

(2) Where a laptop is supplied for Rs. 40000/- along with a barter of printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs. 4000/- but the open market value of the laptop is not known, the value of the supply of laptop is Rs. 44000/-.

VALUE OF SUPPLY OF GOODS MADE OR RECEIVED THROUGH AN AGENT

Squentially

According to 1st option

At the option of the supplier

1. Open market value of goods.

OR

2. 90% of price charged for the supply of goods of "like kind & quality" by an agent to his unrelated customer.

According to 2nd option

Squentially

1. Cost of supply plus 10% mark-up
2. Best Judgement method

Illustration:

Q. A principal supplies groundnut to his agent and the agent is supplying groundnuts of "like kind and quality" in subsequent supplies at a price of Rs. 5000/- per quintal on the day of supply. Further, another independent supplier supplies groundnuts of like kind and quality to the said agent at the price of Rs. 4550/- per quintal.

Ans: The value of the supply made by the principal shall be Rs. 4550/- per quintal (i.e Open market value of supply)

OR

The value shall be 90% of the Rs. 5000/- i.e. is Rs. 4500/- per quintal.

VALUE OF SUPPLY OF SERVICES IN CASE OF A PURE AGENT

The expenditure and costs incurred by the supplier as a pure agent of the recipient of supply of service, has to be excluded from the value of supply i.e such expenses will not form part of value of supply & GST will not be levied on such expense component.

DETERMINATION OF VALUE IN RESPECT OF FEW SPECIFIC SUPPLIES

- In case of 5 specific supplies, methods to determine taxable value has been prescribed under the valuation rules.
- **At the discreation of the supplier**, he can use the prescribed method for determining the value of specific taxable supplies.
- List of supplies covered by this provision are as follows:

a) Purchase or sale of foreign currency including money changing
b) Booking of tickets for air travel by an air travel agent
c) Life insurance business
d) Value of supply of Second hand goods
e) Value of redeemable vouchers/stamps/coupons/tokens.

GST Valuation

PURCHASE OR SALE OF FOREIGN CURRENCY INCLUDING MONEY CHANGING

Option 1

Transaction involves Indian currency

- RBI Refernce Rate (RR) is known

TV = (BR/SR - RR)*No. of foreign currency

or

- TV =1% (No. of foreign currency*BR/SR) when RR is not known

Transaction doesnt involves Indian currency

TV = 1% of the lesser of the two amount (i.e conversion of FC) when both foreign currency converted in INR at RR.

Option 2

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Note: BR= Buying Rate & SR= Selling Rate

BR/SR= Buying Rate or Selling Rate, as the case may be.

Option 2 - The person supplying the service may also exercise the following option to ascertain the taxable value.

% (a)	Limit (b)	Min TV (c)	Max TV (d)	Final Transaction value (TV)
1	Upto 1 lacs	Rs. 250	No Limit	(a*b) or c - whichever is higher
0.5	> 1 lacs upto 10 lacs	Not Req.	No Limit	(a*b) +Rs. 1000
0.1	> 10 lacs	Not Req.	Rs. 60000	(a*b) + Rs. 5000 or d - whichever is lesser

Note:

a) For opting option 2, transaction must involve Indian currency

b) Option 2 once opted cannot be withdrawn during the remaining part of the year.

VALUE W.R.T SERVICE OF BOOKING OF TICKETS FOR AIR TRAVEL BY AN AIR TRAVEL AGENT

TYPE	TRANSACTION VALUE
Domestic Tavel	5% of **"Basic Fare"**
International Travel	10% of **"Basic Fare"**

Note: For this rule, the expression "basic fare" means that part of the airfare on which commission is normally paid to the air travel agent by the airline.

VALUE OF SUPPLY OF SECOND HAND GOODS

TV = Selling Price - Purchase Price.

Condition: No ITC have been availed by the supplier on purchase of such goods.

Note: Second Hand Goods = 1. Sale of "Used Goods" as such.

2. Sale after minor processing which does not change the nature of goods.

DETERMINATION OF VALUE OF SERVICES IN RELATION TO LIFE INSURANCE BUSINESS

Benefits covered	Allocation known to policy holder	Transaction value
Risk coverage + Investment	Yes	Gross Premiun - amount allocated for investment or savings.
Risk coverage + Investment (Single premium annuity policy)	No	10% of premium charged.
Risk coverage + Investment (Other than above)	No	1st year - 25% of premiun charged. 2nd year - 12.5% of premium charged.
Risk coverage	Not Applicable	Gross premium charged

VALUE OF A TOKEN, VOUCHER, COUPON, OR STAMP (OTHER THAN POSTAGE STAMP)

The value of a token, voucher, coupon, or stamp (other than postage stamp) which is **redeemable** against a supply of goods or services, or both, shall be **equal to the money value** of such goods or services, or both.

Eg: If Rs. 1,500 worth of Sodexo is supplied by the taxable person, the value of supply under GST law will also be Rs. 1,500 .

VALUE OF SUPPLY OF GOODS REPOSSESSED FROM A DEFAULTING BORROWER

Defaulting borrower is

Un-Registered Person

Adjusted Purchase Value = Initial Purchase Price (IPP) - 5% reduction in IPP for every quarter or part thereof between date of purchase & date of disposal.

Transaction Value = Selling Price - Adjusted Purchase Value

Registered Person

Adjusted Purchase Value = Initial Purchase Price (IPP)

Transaction Value = Selling Price - Adjusted Purchase Value

Note: The above calculation will be performed by the Lender of goods & not the defaulting borrower.

IMPORTANT TERMS

- **Open Market Value:** 1) Full value of money (Excluding GST tax but Including other applicable taxes)
  2) Transaction between unrelated parties.
  3) Price is the sole consideration.

- **Supply of like kind & quality:** 1) Supplies made under similar circumsatnces
  2) Such other supplies closely resembles in resepct to qaulity,characteristics, quantity, functionality, reputation to the supply being made.

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THANKYOU

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