Chapter – 5 – Unit – II

VALUE OF SUPPLY

Section 15 of CGSTAct, 2017

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1	Agent	2(5)
2	Cess	2(22)
3	Consideration	2(31)
4	Goods	2(52)
5	Market value	2(73)
6	Money	2(75)
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9	Recipient	2(93)
10	Services	2(102)
11	Supplier	2(105)
12	Voucher	2(118)

INTRODUCTION

GST is payable (i) on supply of goods and / or services for a consideration in the course of or furtherance of business; (ii) on certain supplies made without a consideration as specified in Schedule I to the CGST Act.

As GST is levied as a percentage of the value of supply, whether of goods or of services, it becomes important to know how to arrive at the value on which tax is to be paid. Provisions relating to 'value of supply' set out themechanism to compute such value basis which CGST and SGST/UTGST (intra-State supply) and IGST (inter- State supply) should bepaid.

Section 15 of the CGST Act supplemented with the Chapter IV: Determination of Value of Supply of CGST Rules prescribes the provisions for determining the value of goods andservices.

Section 15 of the CGST Act provides common provisions for determining the value of goods and services. It provides the mechanism for determining the value of a supply which is made between unrelated persons and when price and only theprice is the sole consideration of the supply. When value cannot be determined under section 15, the same is determined using Chapter IV: Determination of Value of Supply of CGSTRules.

Provisions of value of supply under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

GST has to be computed on the ASSESSABLE VALUE of supply of goods (or) supply of service.

TRANSACTION VALUE

Value of supply of Goods or Services (or) both,

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Is the **TRANSACTION VALUE**

Transaction value is the price **ACTUALLY PAID** (or) **PAYABLE** for the said supply of goods (or) services (or) both, where the supplier and recipient of supply are **NOT RELATED** and the **PRICE IS THE SOLE CONSIDERATION** for the supply.

Taxable value will be the transaction value if **2 CONDITIONS** are satisfied.

1stcondition :- Both supplier and recipient are **NOT RELATED**

2ndcondition :- **PRICE IS THE SOLE CONSIDERATION**

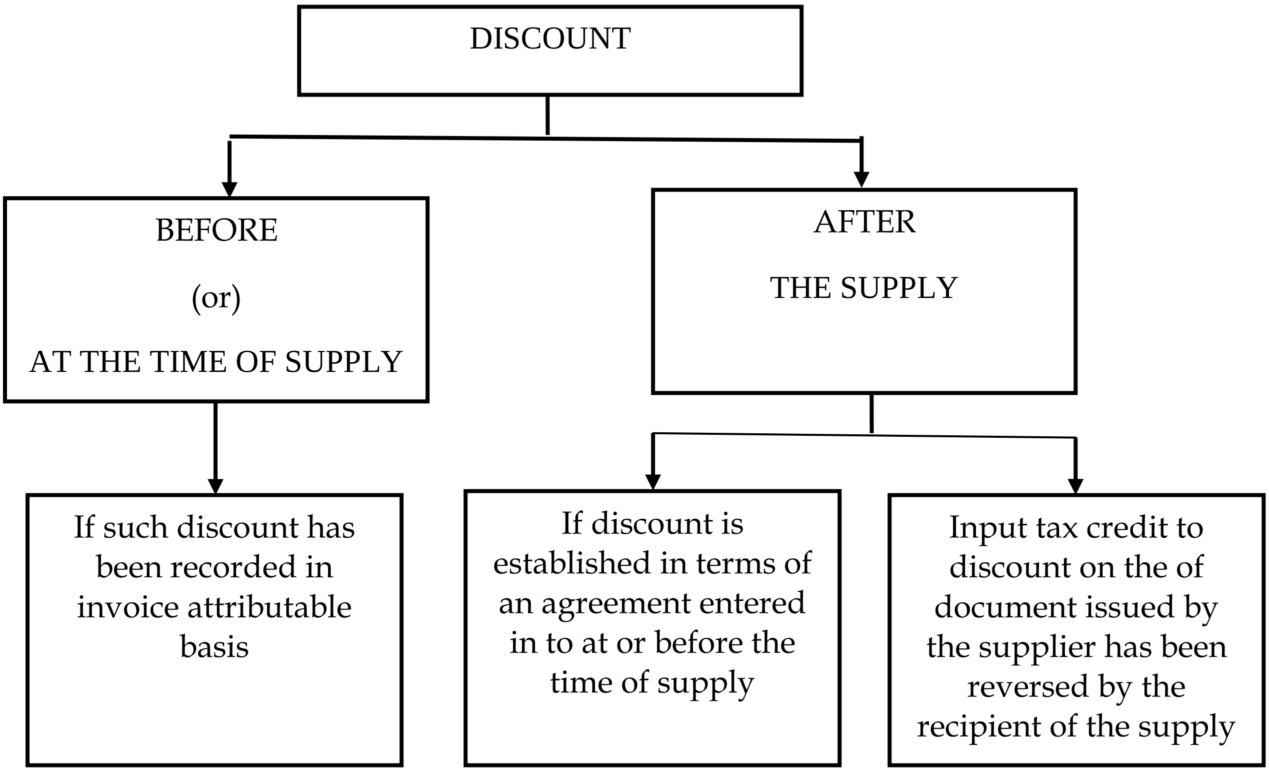
Note :- Price is the sole consideration means the supplier for the supply shall receive entire consideration ONLY BY WAY OF THE PRICE charged by him, and shall not receive any other benefit or facilities from the receiver.

INCLUSIONS :-

CA uses two stick of **LIP^{2}STIC**ks every day. The lipsticks are too expensive. The value of lipstick is too high.

C	-	**C**ommission	Commission charged by the Supplier to the recipient.
A	-	**A**mount	Any amount that the supplier is liable to pay but which has been incurred by recipient **AND NOT INCLUDED IN THE PRICE ACTUALLY PAID (OR) PAYABLE**
L	-	**L**ate fee	Late fee for the delayed payment of any consideration.
I	-	**I**nterest	Interest for the delayed payment of any consideration.
P	-	**P**enalty	Penalty for the delayed payment of any consideration.
P	-	**P**acking charges	Packing charges charged by supplier to recipient.
S	-	**S**ubsidy	Subsidy directly linked to subsidy EXCLUDING provided by SG and CG
T	-	**T**axes & duties	Taxes and duties leviable under any law for time being in force **OTHER THAN THIS ACT [IF CHARGED SEPERATELY]**
I	-	**I**ncidental charges	Incidental charges charged by supplier to the recipient.
C	-	**C**esses, fees	Cesses, fees and charges leviable under any law for timebeing and charges in force **OTHER THAN THIS ACT.[IF CHARGED SEPERATELY]**

EXCLUSIONS :-



Examples for incidental charges:-

- Commission
- Packing charges
- Inspection or certification charges
- Installation & testing charges

Example 1- Price paid or payable

Contracted price of IMT of cement from X ltd to Y ltd is Rs.7,000. The Advance payment before dispatchis Rs. 700 and the amount Payable after credit period of 30 days Rs. 6,300.

What shall be the Taxable Value in the above scenario?

TAXABLE VALUE = Rs.7,000

Example 2 - Late fee, Interest, Penalty

A supply priced at Rs. 2000 is made with a credit period of 1 month for payment, interest charged 12% pa.The payment received after 2 months from date of supply. Compute the amount to be charged as interest.

Answer

The amount of 12% pa [ie;1% per month] on Rs. 2000 for 1 month after credi period is Rs. 20.

2000*1% =20

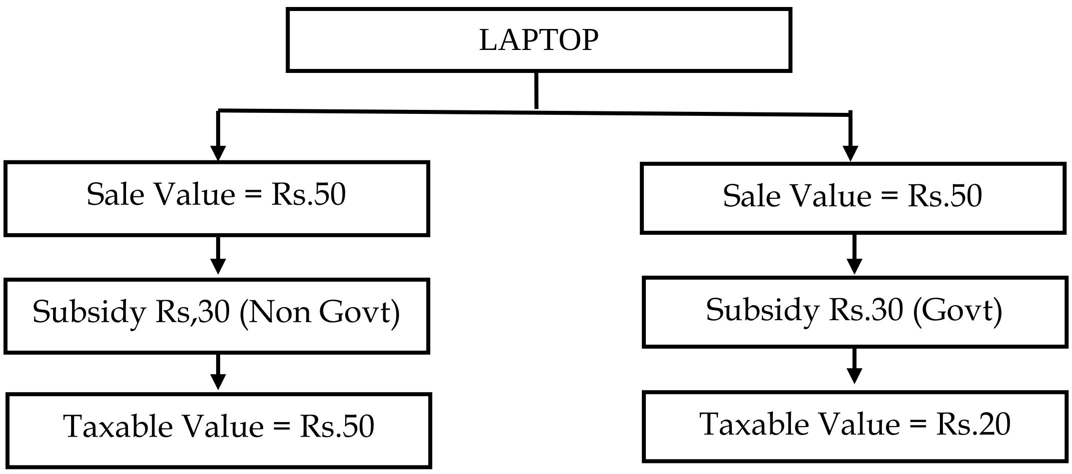
Conclusion: - Interest will be added to the value.

Value of taxable Supply = Rs. 2020

Example 3 -Subsidy

Selling price of a laptop is Rs. 50. For laptops sold for students in govt. schools a company uses its CSR fund to pay the seller Rs. 30. So that students need to pay only Rs. 20 per laptop.

Taxable value of laptop is 50 itself as it is a non govt. subsidy.



Example 4-Discount

Royal Biscuit co. gives a discount of 30% on the list price to its distributors.Thus for a carton of biscuits the invoice the list price is Rs. 200, on which a discount 30% is provided to arrive at final price of Rs. 140

Particulars	Amount
Invoice Value	200
Less – Discount @ 30%	(60)
Taxable Value	**140**

Example 5 -Amount paid by recipient to included in transaction value.

Sahil consultancy contracts with Anu & co to conduct dealers meet in furtherance of this Sahil consultancy contracts with vendors to deliver goods /services like water, soft drinks, audio system, projector, catering, flowers etc. at venue.

Answer - Sahil consultancy is liable to make payments. The soft drink supplier wants payment upon delivery .Anu & co agrees to pay the bills raised by the soft drinks on Sahil consultancy.

Answer- Sahil has to invoice total value.

Example 6 -Discount -(Reversal of input tax credit)

The agreement of raju appliances with its dealers are that sale of rice cookers of over 100 pieces in Diwali season will entitle a discount of 5% per cooker. Sold in next month.

Next month stock has already dispatched when the sale firures for Diwali month are worked ourt. However, as agreement was in existence at the time of supply and discount can be worked out for each invoice the taxable value will be billed price minus 5%.

Conclusion

Dealer must reverse the proportionate ITC on the relevant stock to being it in line with reduced tax.

Example 7 -Non deductable discount

Company announces turnover discount after reviewing dealer performance during the year discounts based on performance slabs and are given as cash back.

Answer

As these discount were not known at the time of supply of goods they will not be deducted from taxableValue of those goods.

Example 8

Arun and Alenpvt ltd has provided the following particulars relating to goods sold by it to SarathPvt Ltd.

Particulars	**Amount**
List price of goods [Exclusive of Taxes and discount]	50,000
Tax levied by municipal authority on sale of such goods.	5000
CGST & SGST chargeable on goods	10,440
Packing charges [not included in price] above.	1000

Arun&AlenPvt ltd received Rs. 2000 as subsidy from NGO on sale of such goods.the price of 250000 of goods is after considering such subsidy.Arun&AlenPvt ltd offers 2 % discount on list price of goods.Determine value of taxable supply made by Alen&ArunPvt ltd.

Computation of value of taxable supply

Particulars	**Notes**	**Amount**
List Price		50,000
Add – Tax Levied	1	5000
Add CGST and SGST	2	-
Packing charges [not included in price]	3	1,000
Subsidy	4	2,000
Value of Taxable Supply before Discount		58,000
Less Exclusions		
Discount @ 2% [50,000*2/100]		(1,000)
Value of Taxable Supply after Discount		**57,000**

Notes:-

1 Taxes and duties leviable under any law for time being in force other than this act.
2 Taxes and duties leviable under this Act shall be excluded
3 Packing Charges forms part of value of taxable supply
4 Subsidy direcly linked to price excluding subsidy provided by SG& CG.

Example 9

Antony advertisers designed the advertising campaign for a new product launched by new moon pvt ltd for a consideration of 5 lakhs.

Antony advertisers owned Rs. 20000 to one of its vendors in relation to advertising service provided by it to new moon pvt ltd.

Such liability of Antony advertisers was discharged by new moon pvt ltd.

New moon pvt ltd delayed the payment of consideration and thus paid 15000 as interest assume that GST rate to be 18%.

Determine the value of taxable supply made by Antony advertisers.

Computation of value of taxable supply

Particulars	Notes	Amount
Amount charged [excl.GST]		5,00,000
Add : Payment made by new moon ltd.[Liability discharged by recipient]	1	20,000
Interest [incl. GST]	2	12712
Value of Taxable Supply		5,32,712

Note:- Interest for delay in payment of consideration will be included in value of supply.but, TOS uls 13 [6] of such interest will be the date when such interest is received.

Such interest will be taken to be inclusive of GST and value will be computed by making back calculation as below:-

$$15000 - \left[\frac{15000*18}{118}\right] = \underline{\underline{12,712}}$$

DEFINITION :-

MONEY

As per section 2(75) of CGST Act 2017 “money” means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, travellercheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but SHALL NOT INCLUDE any currency that is held for its numismatic value