

Two days Workshop on GST **(Valuation of Taxable Supply and** **Valuation Rules)**

organised by

WIRC of ICAI

30th December 2016

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Section 5(1) of IGST & Section 8(1) of CGST/SGST

- ❖ Section 5(1)-There shall be levied a tax called the Integrated Goods and Services Tax on all supplies of goods and/or services made in the course of inter-State trade or commerce **on the value determined under section 15 of CGST Act, 2016....**
- ❖ Section 8(1)-There shall be levied a tax called the Central/State Goods and Services Tax (CGST/SGST) on all intra-State supplies of goods and/or services **on the value determined under section 15...**

Valuation in General – Section 15

- ❖ Section 15(1) - Concept of “transaction value” [1]
- ❖ Section 15(2) - Inclusions in the value of supply [5]
- ❖ Section 15(3) - Exclusions from value of supply [4]
- ❖ Section 15(4) - Valuation in cases where Section 15(1) not applicable (Rules to be prescribed). [2]
- ❖ Section 15(5) – Special cases overriding Section 15(1) and Section 15(4) (Rules to be prescribed) [3]
- ❖ Draft GST valuation rules (To be prescribed).

Section 15(1) – Concept of transaction value

- ❖ The value of a supply of goods and/or services shall be the transaction value, **that is**
 - ✓ The **price actually paid or payable**
 - ✓ for the **said supply** of goods or services
 - ✓ where the supplier and the recipient of the supply are **not related** .
 - ✓ The price is the **sole consideration** for the supply.

Section 15(4) – Valuation where 15(1) not applicable

- ❖ Where the value of the supply of goods or services **cannot be determined under sub-section (1)**, the same shall be determined in such manner as may be prescribed.
 - ✓ Services where the supplier and the recipient of the supply are related
 - ✓ The price is not the sole consideration for the supply.
 - ✓ No price is payable (Discuss with reference to Section 3(1)(c) i.e. supply without consideration mentioned in Schedule I).

Schedule I - Matters to be treated as supply even if made without consideration

- ❖ Permanent transfer/disposal of **business assets** where input tax credit has been availed on such assets.
- ❖ Supply of goods or services between related persons, or **between distinct persons as specified in section 10**, when made in the course or furtherance of business.
- ❖ Supply of goods—
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- ❖ Importation of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Section 15(5) – Special cases overriding Sec.15(1) & Sec. 15(4)

- ❖ Components of special cases are:
 - ✓ Notwithstanding anything contained in sub-section (1) or sub-section (4)
 - ✓ Value of such supplies as may be notified by the Central or a State Government.
 - ✓ Recommendation of the Council.
 - ✓ Determined in such manner as may be prescribed.

Section 15(3) – Exclusions from value of supply

- ❖ Discount shall not form part of value **if certain conditions are fulfilled :**

Situation	Conditions
a) If discount given before or at the time of supply.	Discount is duly recorded in the invoice.
b) If discount is given after the supply	a) An agreement should be entered for providing such discount at or before the time of supply. b) <u>The discount should be specifically linked to invoices.</u> c) <u>Input tax credit has been reversed by the recipient of the supply</u>

Section 15(3) – Exclusions from value of supply(Cont.)

❖ Questions that may arise?

1. How the discount is specifically linked to invoice ?

8. Details of Credit/Debit Notes (figures in Rs)

GSTIN / UIN / Name of recipient	Type of note (Debit/Credit)	Debit Note/credit note		Original Invoice		Differential Value (Plus or Minus)	Differential Tax					
		No.	Date	No.	Date		IGST		CGST		SGST	
							Rate	Amt	Rate	Amt	Rate	Amt
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Other than reverse charge												
Reverse charge												

Note: Information about Credit Note / Debit Note to be submitted only if issued as a supplier.

2. Whether there is any time limit for claiming discount?

Section 15(2) – Inclusions & Exclusions in value of supply

Inclusions	Exclusions
Any taxes, duties, cesses , fees and charges levied under any statute, if charged separately by the supplier to the recipient	Any taxes, duties, cesses , fees and levied under SGST Act/the CGST Act/IGST Act & cess levied for compensation to the state for loss of revenue.
Subsidies directly linked to the price [The amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy]	Subsidies provided by the Central and State governments

Section 15(2) – Inclusions in value of supply (Cont.)

- ❖ 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.
- ❖ **Incidental expenses**, such as, commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, as the case may be, supply of the services. [**Concept of composite supply ??**]
- ❖ **Interest or late fee or penalty** for delayed payment of any consideration for any supply.

Composite Supply and Mixed Supply

- ❖ **“Composite supply”** means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply

Illustration : Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

- ❖ **“Principal supply”** means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply.

Composite Supply and Mixed Supply (Cont.)

- ❖ **“Mixed supply”** means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;

Illustration: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

GST Valuation Rules

- ❖ Determination of value of supply **by comparison.**
- ❖ Computed Value Method – **Cost + Profit**
- ❖ **Residual Method** – The value shall be determined using reasonable means consistent with the principles & general provisions of these rules.
- ❖ **Authority to reject** the declared value if officer has reason to doubt the truth or accuracy of value declared.
- ❖ Valuation in certain cases :
Business transactions undertaken by a **pure agent, money changer.**

Thank You