



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

GST & INDIRECT TAXES COMMITTEE

## Certificate Course on Goods & Services Tax (GST)

**Topic: Value of Supply**

Date: 29/08/2020

By: CA. Radhika Verma



DO ONE THING AT A TIME AND,  
WHILE DOING IT PUT YOUR  
WHOLE SOUL INTO IT TO THE  
EXCLUSION OF ALL ELSE

- SWAMI VIVEKANANDA





# COVERAGE

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- **Introduction**
- **Statutory Provisions**
- **Valuation Rules**
- **Q & A**



# INTRODUCTION

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Every fiscal statute makes provision for determination of value as tax is normally payable on ad-valorem basis.

In GST also, tax is payable on **ad-valorem basis** as % of the value of supply of goods or services.

## Ad-valorem tax

- Fixed % of value of taxed goods
- Example: Customs, GST, Excise

## Specific (Unit) tax

- Certain amount per unit of good
- Example: Cess on Coal (INR 400/Tonne)





# INTRODUCTION

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*“9. (1) Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15”*

## Levy of GST

- **Section 9** is the charging section under GST.
- **Section 9 states that tax shall be levied on the value determined as per Section 15.**
- **Discussion today primarily revolves around concept of valuation under GST.**

Refer	Section/Rule reference
CGST ACT	Section 15
CGST Rules	Rule 27 to Rule 35 (9 Nos)



# STATUTORY PROVISIONS

## VALUE OF SUPPLY



# CONTENTS

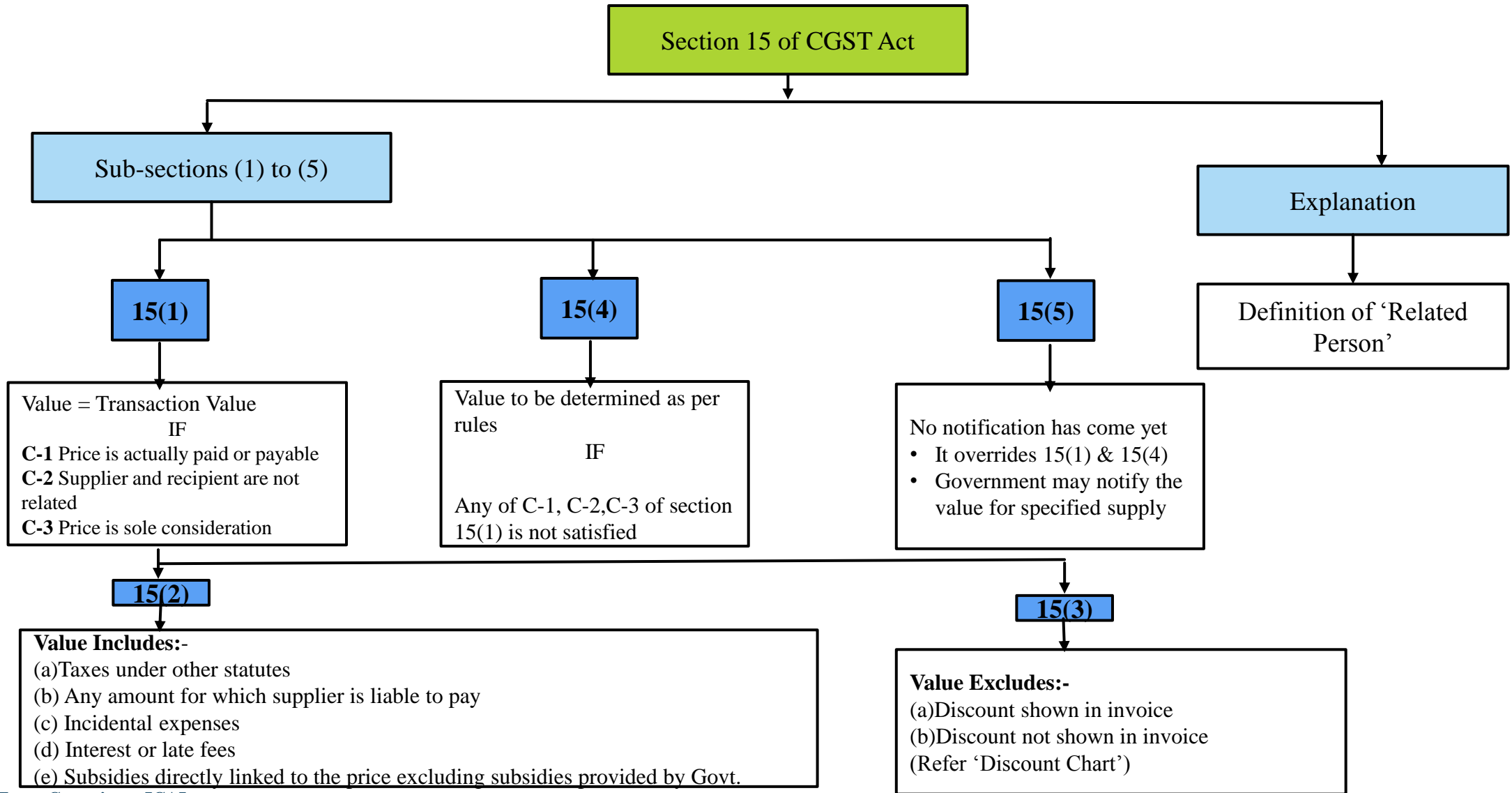
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- **Anatomy of Section 15**
- **Understanding Crux of valuation provision – “Transaction value”**
- **Inclusions in value of supply**
- **Exclusion of value of supply**
- **Miscellaneous provisions**



# STATUTORY PROVISIONS

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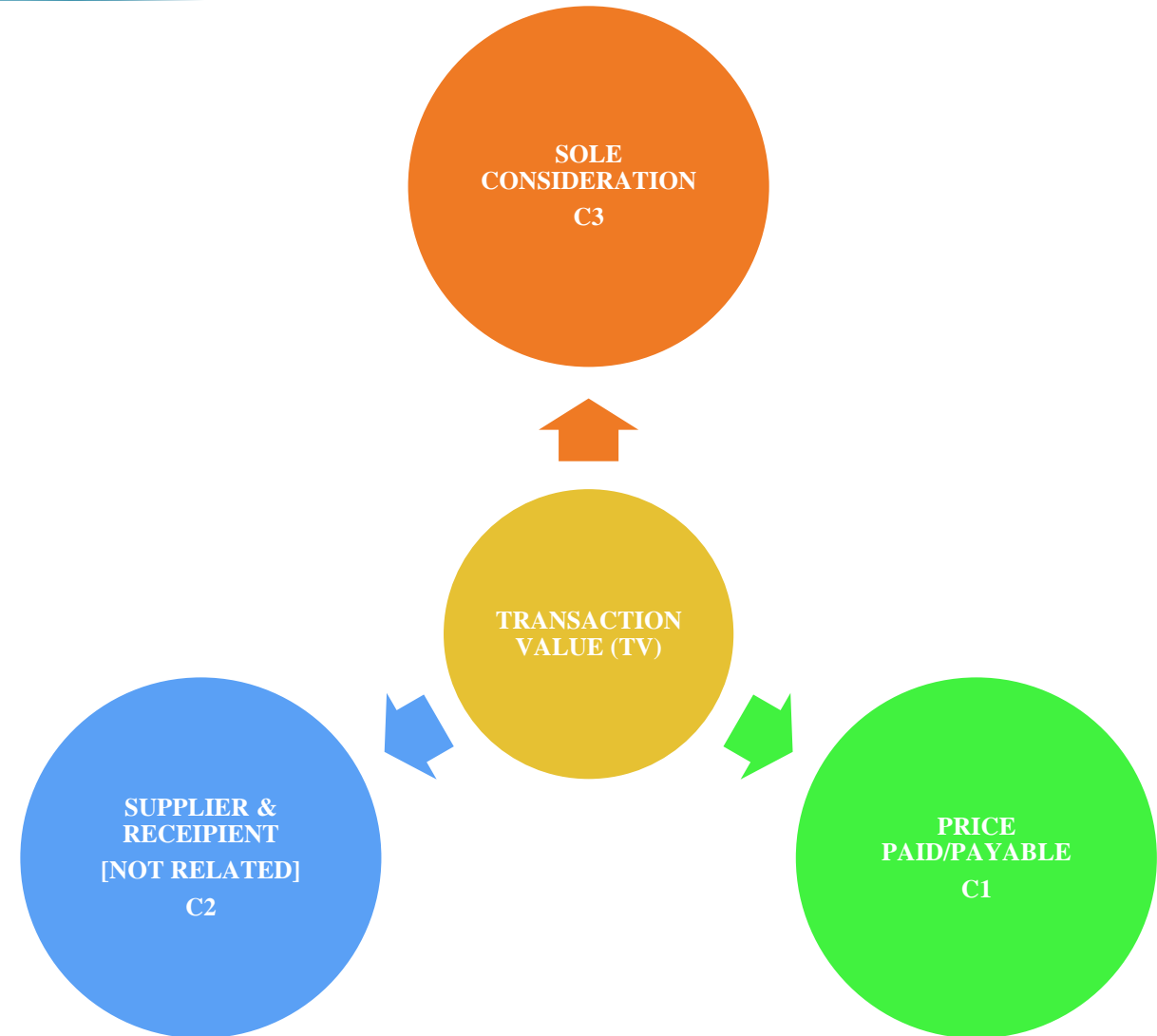


# SECTION 15(1) OF CGST ACT

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## Crux of valuation provision

- 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





# C1 – PRICE PAID/PAYABLE



# PRICE PAID/PAYABLE

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2(31) “consideration” in relation to the supply of goods or services or both **includes**—

(a) **any payment made or to be made, whether in money or otherwise**, in respect of, in response to, or for the inducement of, the supply of goods or services or both, **whether by the recipient or by any other person** but shall not include any subsidy given by the Central Government or a State Government;

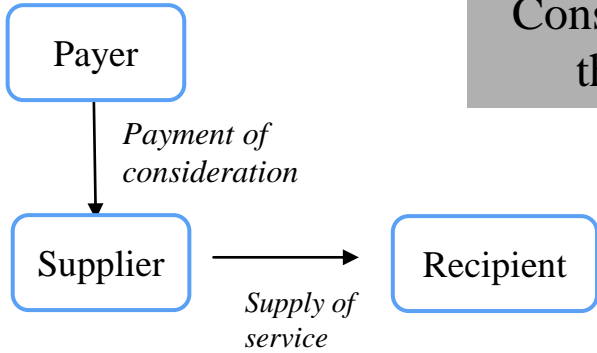
(b) **the monetary value of any act or forbearance**, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

*Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply*



# CONSIDERATION BY THIRD PARTY

## Consideration by third party



- (93) “recipient” of supply of goods or services or both, means—
- (a) where a consideration is payable for the supply of goods or services or both, **the person who is liable to pay that consideration;**
  - (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
  - (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,
- and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply** and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;

Supplier

Recipient

➤(A) As Sec 2(31) of CGST Act, payments received from third party (payer) shall be treated as valid consideration and thus the transaction between supplier and recipient shall be treated as taxable supply

➤(B) Unlike discounts, receipt of partial consideration from recipient of supply is not treated as reduction in the value of supply

(A) As per section 16 of the CGST Act, the recipient has to make payment of vendor in order to avail the ITC

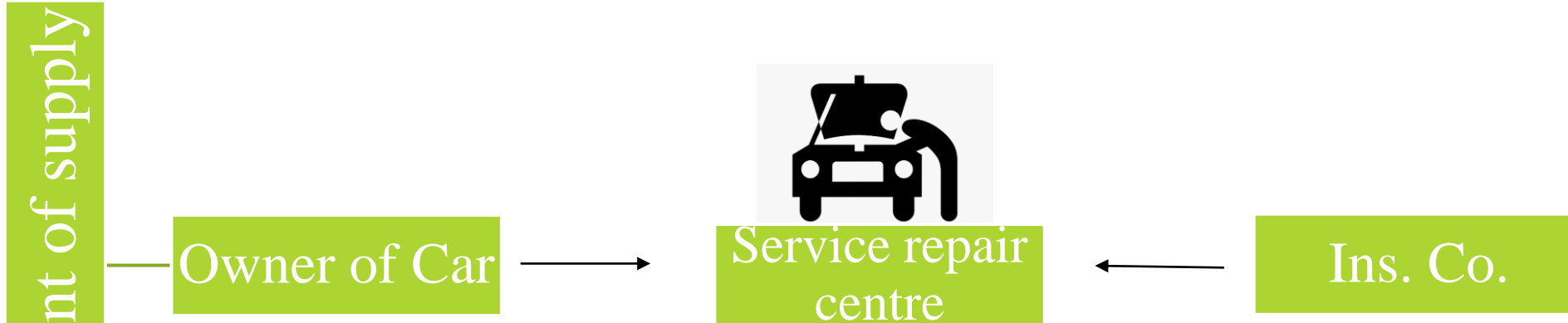
(B) However, as per section 2(93) of the CGST Act, a recipient is the person who is liable to pay the consideration

(C) Since recipient is contractually liable to pay to supplier, he shall be treated as recipient of service and hence can avail ITC



# ILLUSTRATION

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Issue: Who is the recipient of supply?

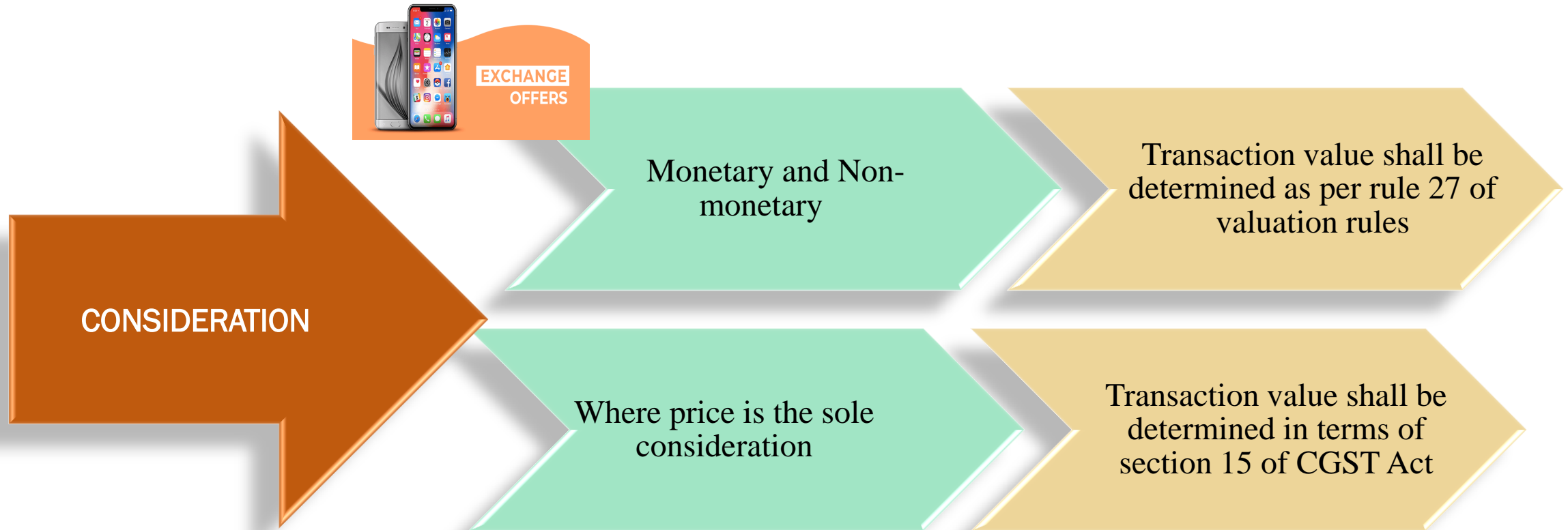
- **“Person liable to pay”**
- **Is this a case of consideration by third party?**



# C2 – PRICE IS SOLE CONSIDERATION



# CONSIDERATION VS. SOLE CONSIDERATION





# CASE STUDIES WHERE PRICE IS NOT A SOLE CONSIDERATION

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## ONUS OF PROVING PRICE IS NOT A SOLE CONSIDERATION IS ON THE ASSESSING OFFICER

**In CCE Vs. Sanjivani Non-Ferrous Trading Private Limited 2019 ACR 312 Supreme Court of India –**

- *“as provided by Section 14 of Customs Act, 1962, the assessable value has to be arrived at on the basis of the price which is actually paid and in a case the price is not sole consideration or if the buyers and sellers are related persons then after establishing that the price is not sole consideration the transaction value can be rejected and taking the other evidences into consideration the assessable value can be arrived at. Such exercise has not been done in these cases on hand. Therefore, we reject the enhancement of assessable value in respect of the Bills of Entry which are involved in all the appeals being decided and we restore the assessable value as declared by the appellant in said Bills of Entry.”*
- The Tribunal has categorically mentioned that as per the provisions of Section 14 of the Customs Act and the principles laid down in the case law (which it referred to in the earlier part of the judgment) interpreting this provision, the assessable value has to be arrived at on the basis of the price which is actually paid. It is the basic principle enshrined in the aforesaid provision, i.e., Section 14, which can be culled out from the catena of judgments pronounced by this Court.





# CASE STUDIES WHERE PRICE IS NOT A SOLE CONSIDERATION

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## ONUS OF PROVING PRICE IS NOT A SOLE CONSIDERATION IS ON THE ASSESSING OFFICER

**In CCE Vs. Sanjivani Non-Ferrous Trading Private Limited 2019 ACR 312 Supreme Court of India –**

- Therefore, normally, the Assessing Officer is supposed to act on the basis of price which is actually paid and treat the same as assessable value/transaction value of the goods. This, ordinarily, is the course of action which needs to be followed by the Assessing Officer. This principle of arriving at transaction value to be the assessable value applies. That is also the effect of Rule 3(1) and Rule 4 (1) of the Customs Valuation Rules, namely, the adjudicating authority is bound to accept price actually paid or payable for goods as the transaction value. Exceptions are, however, carved out and enumerated in Rule 4(2). **As per that provision, the transaction value mentioned in the Bills of Entry can be discarded in case it is found that there are any imports of identical goods or similar goods at a higher price at around the same time or if the buyers and sellers are related to each other. In order to invoke such a provision it is incumbent upon the Assessing Officer to give reasons as to why the transaction value declared in the Bills of Entry was being rejected; to establish that the price is not the sole consideration;** and to give the reasons supported by material on the basis of which the Assessing Officer arrives at his own assessable value.



# CASE STUDIES WHERE PRICE IS NOT A SOLE CONSIDERATION

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## A5. Check the valuation of goods

**A5.1** Assessment of duty, beside classification, also involves correct determination of value, where the goods are assessable on ad-valorem basis. The Auditor has to take note of the invoice, contract and other declarations submitted along with the bill of entry / shipping bill to support the valuation claim, and adjudge whether the value declared is proper in terms of Section 14 of Customs Act, 1962. He shall also take note of the National Imports Data Base (NIDB), contemporaneous values and other information on valuation available with the Auditor /Custom House. The

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PCA MANUAL

Auditors should also refer to the London Metal Exchange (LME) prices, PLATT, Valuation Bulletin and alerts published/issued by the Directorate of Valuation etc.

**Department Audit  
Manual**



# CASE STUDIES WHERE PRICE IS NOT A SOLE CONSIDERATION

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## In the case of **Adani Exports Ltd. vs. CC, Visakhapatnam**

- CESTAT had ruled that prices given in a journal like PLATT cannot be the basis for enhancing the transaction value. CESTAT held that "the department tried to rely on the LME prices though they have themselves not relied on those prices uniformly in every case of import during the relevant period. The tribunal, in the above cited order, also observed that the price of a consignment of 1,250 tonnes is not to be adopted for a consignment of 16 tonnes as the imports are on different commercial levels, and therefore are not comparable.

## In **CCE v. Rishabh Instruments (2008) 226 ELT 230 (CESTAT)**

- One buyer was given higher discount than others on condition that he will promote sale and marketing of assessee's products. The extra discount was to compensate advertisement and promotion activity undertaken by L&T. It was held that the additional discount cannot be allowed as deduction.



# C3 – NOT RELATED PERSON



# RELATED PARTIES

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## *Explanation to Section 15*

Following shall be deemed to be related persons if -

- (a) they are officers or directors of one another's businesses;
- (b) they are legally recognized partners in business;
- (c) they are employer and employee;
- (d) any person directly or indirectly owns, controls or holds twenty five per cent or more of the outstanding voting stock or shares of both of them;
- (e) one of them directly or indirectly controls the other;
- (f) both of them are directly or indirectly controlled by a third person;
- (g) together they directly or indirectly control a third person; or
- (h) they are members of the same family

Businesses are related when one controls the other or both are under common control. If parties to the transaction are connected, the price charged for the transaction may not be the same as that charged between unconnected parties, as many other influences and factors come in to play. However, in certain cases businesses might ensure that its transactions with associated businesses are recorded in its accounts at an “arm’s length” result or OMV. In such case, the price paid or payable shall be the transaction values, alternatively, adjustments may be required as per Valuation Rules.

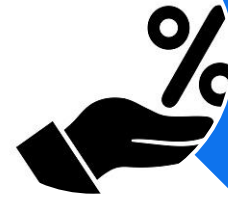


# INCLUSIONS

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Any taxes, duties, cesses, fees and charges levied under any statute, other than the {SGST Act/the CGST Act} and the GST Cess, if charged separately by the supplier to the recipient



Interest or late fee or penalty for delayed payment of any consideration for any supply; and



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



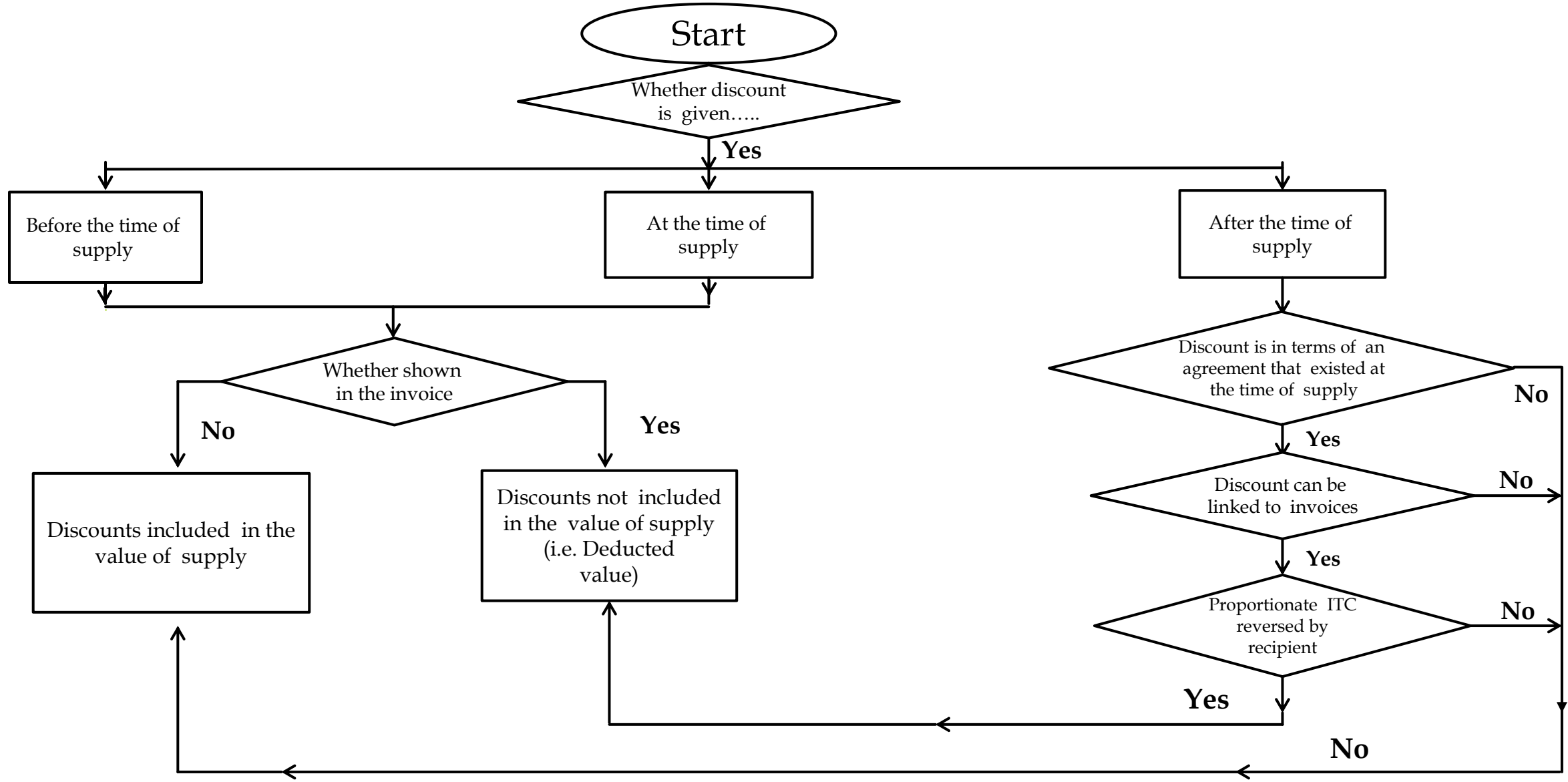
Subsidies directly linked to the price excluding subsidies provided by the Central and State governments



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



# EXCLUSIONS





- Under the Central Excise Act, 1944, there was no specific exclusions of discounts from the transaction value. The same was excluded only by virtue of Govt. clarifications & by the law established by the judicial precedents.
- In the case of *UOI v. Bombay Tyres International Ltd., 2002-33-SC-CX-LB* dated November 14, 1983, the hon'ble S.C. has held that Trade Discounts should be allowed to be deducted from the sale price having regard to the nature of the goods, if established under agreements, or under terms of sale or by established practice. Such trade discounts shall not be disallowed only because they are not payable at time of each invoice.
- Under the VAT regime, the hon'ble S.C. in the case of *Southern Motors [2016]* has enunciated the principle that all trade discounts are allowable as permissible deductions and that it suffices if the taxpayer demonstrates that the discounts specifically relates to the sales with reference to which it is allowed even if it is not shown in the original sales invoices.





- **Valuation - Promotional discount paid from dealer's margin whether includible in assessable value (See [2014-TIOL-2072-CESTAT-DEL](#))**

It would be commercially unthinkable for any dealer to remain in business without offering promotional discounts on 'Ex-showroom Price', while charging over and above that price in the name of 'Handling Charges' or by some other name. Therefore, *prima facie* it transpires that the discounts have been offered in connection with the sale and such discounts were a booster to the appellant to increase the sales. **Further, such discounts has character of expenses on account of Advertising or Publicity, Marketing and Selling Organization Expenses, which are covered within the definition of 'transaction value'.**

It held that a large number of Supreme Court decisions also support Revenue's contention that when manufacturer has an enforceable legal right against the dealer then any expenses incurred by the dealer against such a right have to be included in the assessable value.



# DISCOUNT VS BAD DEBTS

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## Bad Debts under GST

- There are no specific provisions with respect to 'bad debts' under the GST law.
- However, in case Outstanding balances are on account of deficiency in supply of services, or tax charged being greater than the actual tax liability, or goods returned, GST paid on the same can be adjusted by way of issuing credit note in terms of section 34 of CGST Act.
- In any other cases, tax already paid on bad debts cannot be refundable due to absence of specific provisions under the GST law resulting in extra cost to the taxpayer.

## Bad Debts under Pre-GST regime

- Under the erstwhile service tax regime, there was no provision for bad debts adjustment or reduction in invoices in case the service value is not received or less received as compared to invoice amount
- Hence, in the pre GST era also there was no clarity on the treatment for bad debts



## Double whammy for service companies: Required to pay GST on defaults, bad debts

Services companies have been dealt a twin blow: Unpaid bills, & GST liabilities on incidents on non-payment.

By Vinod Mahanta, Sachin Dave, ET Bureau | Last Updated: Jun 04, 2020, 07:55 PM IST



MUMBAI: As customer defaults mount due to the Covid-19 crisis, Indian services companies have been dealt a twin blow: Of unpaid bills, and Goods and Services Tax (GST) liabilities on those incidents on non-payment.

Under the current GST framework, there is no provision to allow adjustments of GST

### The Ministry's Circular No. 341/34/2010-TRU dated 31.3.2011 explains:

“If the amount of invoice is renegotiated due to deficient provision or in any other way changed in terms of conditions of the contract (e.g. contingent on the happening or non-happening of a future event), the tax will be payable on the revised amount provided the excess amount is either refunded or a suitable credit note is issued to the service receiver. **However, concession is not available for bad debts.**”

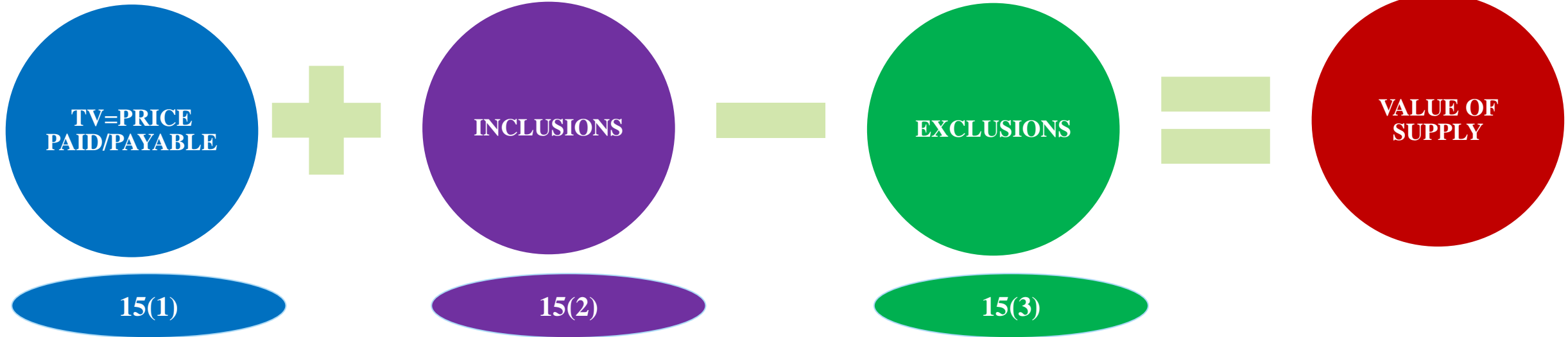
### In Vodafone Cellular Limited Vs. CCE ST/27788/2013-SM,

“On their output service, in case of pre-paid connection, the appellant is not receiving amount of service provided by them from the recipient of the service and during the impugned period, the service tax was payable on receipt of the amount of service tax from the service recipient. Therefore, it was alleged that appellant is not entitled to avail CENVAT credit on the inputs/input services attributable to the output service for which they could not realize the amount of service provided by them from the service recipient as the service tax has not been paid thereon. The matter was adjudicated and the demand on account of input/input service attributable to the output services for which the appellant could not realize the amount, the demand was confirmed.”



# CRUX OF VALUATION PROVISION-SEC 15(1)

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# VALUATION RULES [SECTION 15(4)]

## VALUE OF SUPPLY



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- **General Valuation Rules (Rule 27 to Rule 31)**
- **Sector Specific Valuation Rules (Rule 31A to Rule 32(7))**
- **Special Valuation Provisions (Rule 32A to Rule 35)**



## GENERAL VALUATION RULES

<b>RULE 27</b>	VALUE OF SUPPLY WHERE CONSIDERATION IS NOT WHOLLY IN MONEY
<b>RULE 28</b>	VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH B/W DISTINCT OR RELATED PERSONS OTHER THAN THROUGH AN AGENT
<b>RULE 29</b>	VALUE OF SUPPLY OF GOODS MADE OR RECEIVED THROUGH AGENT
<b>RULE 30</b>	VALUE OF GOODS OR SERVICES OR BOTH BASED ON COST
<b>RULE 31</b>	RESIDUAL METHOD FOR DETERMINATION OF VALUE OF GOODS OR SERVICES OR BOTH



## RULE 27 – VALUE OF GOODS OR SERVICES WHERE THE CONSIDERATION IS NOT WHOLLY IN MONEY

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- **Option 1:**

- **Open Market Value (OMV)**

- *Where a new phone is supplied for twenty thousand rupees along with the exchange of an old phone and if the price of the new phone without exchange is twenty four thousand rupees, the open market value of the new phone is twenty four thousand rupees*

- **Option 2:**

- **If OMV is not available, be sum total of money and such further amount in money as is equivalent to the consideration not in money**

- *Where a laptop is supplied for forty thousand rupees along with the barter of a printer that is manufactured by the recipient and the value of the printer known at the time of supply is four thousand rupees but the open market value of the laptop is not known, the value of the supply of the laptop is forty four thousand rupees*

- **Option 3:**

- **If value of supply cannot be determined as per Option 1 or 2, then value of similar goods or services of like kind or quality**

- **Option 4:**

- **Apply Rule 30 or Rule 31**





## “Market Value”

### Section 2(73):

*“market value” shall mean the full amount which a recipient of a supply is required to pay in order to obtain the goods or services or both of like kind and quality at or about the same time and at the same commercial level where the recipient and the supplier are not related*



# ABSENCE OF CONSIDERATION VS. PRESENCE OF NON-MONETARY CONSIDERATION

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## Absence of consideration

### Schedule I of CGST Act

- Permanent transfer or disposal of business assets where ITC has been availed
- Supply between related persons or distinct persons
- Supply of goods by principal to his agent
- Supply of goods by an agent to his principal
- Import of services by a related person or from any other establishments outside India, in the course or furtherance of business

## Presence of Non-Monetary Consideration

Non-monetary compensation means compensation in kind such as the following:-

- Supply of goods or services, like barter transactions
- Refrain or forbearing to an act
- Tolerating an act or situation
- Doing or agreeing to do an act

**SUPPLY  
UNDER  
GST LAW**



## RULE 28 – VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH B/W DISTINCT OR RELATED PERSONS

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- **Option 1:**  
**Open Market Value (OMV)**
- **Option 2:**  
**If OMV is not available, value of supply of goods or services of like kind or quality**
- **Option 3:**  
**Apply Rule 30 or Rule 31**

**Alternatively,**

- **Option 1:**  
**90% of value charged by the recipient to his customer not being a related person.**

*A Ltd. sells mobile phone to his subsidiary B Ltd. B Ltd. further sells the mobile phone to Customer C (not related at Rs.10,000/-). At option of A Ltd. the value of supply between A Ltd. & B Ltd. can be Rs.9,000/-.*

- **Option 2:**  
**Where the recipient is entitled to full input tax credit, the value declared in the invoice shall be deemed to be OMV of goods or services.**



- **Option 1:**  
**Open Market Value (OMV)**
- **Option 2:**  
**90% of value charged by the recipient to his customer not being a related person.**

*A Ltd. sells mobile phone to his subsidiary B Ltd. B Ltd. further sells the mobile phone to Customer C (not related at Rs.10,000/-. At option of A Ltd. the value of supply between A Ltd. & B Ltd. can be Rs.9,000/-.*

- **Option 3:**  
**Apply Rule 30 or Rule 31**



## RULE 30 AND RULE 31

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**Rule 30 can be opted if value is not determinable as per Rule 27 to Rule 29.**

Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be 110% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

Rule 31 – RESIDUAL METHOD FOR DETERMINATION OF VALUE OF SUPPLY OF GOODS OR SERVICES OR BOTH

**Rule 31 can be opted if value is not determinable as per Rule 27 to Rule 30, Except supplier of services can opt for this rule ignoring Rule 30.**

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter.



# RELATIONSHIP BETWEEN COGS AND TRANSACTION VALUE

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- The concept of transaction value has its roots in erstwhile Excise law
- A transaction value is the amount which is actually paid or payable by the recipient to the supplier
- However, the transaction value cannot be adopted as assessable value for levying ED all the time

## What is transaction value

## COGS and Transaction Value

- The department in the matter of **CCE v M/s Fiat India Pvt. Ltd [283 ELT 161 SC]** sought to tie the transaction value of supply of goods with the COGS
- It was contended by the department that supply of cars below the cost of production cannot be considered as 'normal price' for the purpose of arriving at Transaction Value

- **The Hon'ble SC held that selling below the cost of production cannot be treated as transaction value and such value doesn't reflect price being sole consideration**
- The Central Government nullified the SC judgment by amending Rule 6 of Excise Valuation Rules wherein sale of goods even below the cost was to be accepted as transaction value

## The way forward

In GST, transaction value can be rejected if price is not sole consideration. Can the department invoke Fiat principles where goods are supplied below the cost ?



## SPECIFIC VALUATION PROVISIONS (Sector-wise)

**RULE 31A** LOTTERY, BETTING, GAMBLING AND HORSE RACING

**RULE 32(2)** SALE OR PURCHASE OF FOREIGN CURRENCY

(3) AIR TRAVEL TICKETS

(4) LIFE INSURANCE BUSINESS

(5) SECOND HAND GOODS DEALER

(6) TOKEN/VOUCHER/STAMP/COUPON

(7) DISTINCT PERSONS (Exception)



## SECTOR-SPECIFIC RULES

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Rule	Provision
<b>31A</b>	
Lottery	Face value of ticket shall be considered as inclusive of tax.  GST on lottery of all kinds i.e. whether run by the State Governments or agencies authorised by State Governments
Betting, Gambling or Horse Racing	100% of Face value of bet
<b>32(2)</b>	
Purchase or sale of foreign currency	<ul style="list-style-type: none"><li>• Difference of Buying rate/Selling rate and RBI reference rate for that currency*Total units of currency [When pegged to INR]</li></ul>





# SECTOR-SPECIFIC RULES

Select Items RBI Reference Rate ▾ ?

Prev 1 ▾ Next

DATE	USD(₹)	GBP(₹)	EURO(₹)	YEN(₹)
15-May-2020	75.56	92.26	81.65	70.48



Banking  
Cards & Accounts

Borrowing  
Home & Personal Loans

Investing  
Wealth & Insurance

NRI  
Non-Resident Services

Offers  
Offers & Rewards

Online Banking  
Banking made easy

## Foreign Exchange Rates

FCY	Bills Buy	Bills Sell	TT Buy	TT Sell	Percentage Difference between TT Buying and TT Selling	Currency Buy	Currency Sell
GBP	89.54	94.08	89.54	94.08	4.94%	90.81	93.06
USD	74.45	77.32	74.45	77.32	3.78%	75.32	76.57



Rule	Provision
<b>32(2)</b> <b>Purchase or Sale of foreign currency</b>	<ul style="list-style-type: none"><li>• in case where the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of INR provided or received by the person changing the money</li><li>• in case where neither of the currencies exchanged is INR, the value shall be equal to 1% of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into INR on that day at the reference rate provided by the Reserve Bank of India.</li></ul>
<b>Composition Method</b>	<ul style="list-style-type: none"><li>• 1% of gross amount of currency exchanged for upto 1 Lakh and minimum of Rs.250</li><li>• Rs. 1000 &amp; 0.50% for currency &gt; 1 Lakh but &lt;= 10 Lakh</li><li>• Rs.5,500 &amp; 0.10% for currency &gt; 10 Lakh, subject to maximum of Rs.60,000</li><li>• Option once exercised during the year cannot be withdrawn for remaining part of financial year.</li></ul>



# ILLUSTRATION

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<b>Gross amount of currency exchanged</b>	<b>Value of supply</b>	<b>GST @ 18%</b>
Rs. 6,500	Rs 250 i.e. 1% of 6500 or Rs 250 whichever is higher	Rs.45
Rs. 65,000	Rs 650 i.e. 1% of 65000 or Rs 250 whichever is higher	Rs.117
Rs. 6,50,000	Rs. 3750 i.e 1000 plus .50 % of 5,50,000	Rs.675
Rs. 65,00,000	Rs 11,000 i.e 5000 plus .10% of Rs.55,00,000	Rs.1,980
Rs 6,50,00,000	Rs 60,000 i.e 5000 plus .10% of Rs.6,40,00,000 subject to maximum of Rs 60,000	Rs.10,800



# SECTOR-SPECIFIC RULES

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Rule	Provision
<b>32(3)</b> <b>Air Travel Agent</b>	<ul style="list-style-type: none"><li>• Value of supply of services shall be</li><li>- 5% on basic fare in case of domestic bookings</li><li>- 10% on basic fare in case of international bookings</li></ul>
<b>32(4)</b> <b>Life Insurance business (Only case of ULIP, pure life insurance is not covered)</b>	<ul style="list-style-type: none"><li>• the gross premium charged from a policy holder reduced by the amount allocated for investment</li><li>• In case of single premium annuity policies other than 10% of single premium charged from policy holder</li><li>• In all other cases, 25% of premium in first year and 12.50% of premium charged from policy holders in subsequent years</li></ul>
<b>32(5)</b> <b>Second Hand goods dealer</b>	<ul style="list-style-type: none"><li>• Margin scheme implemented (negative value is ignored)</li><li>• No ITC has been availed on purchase of such goods</li></ul>
<b>Defaulting borrower (Repossessed goods)</b>	<ul style="list-style-type: none"><li>• Value of goods reduced is Purchase by 5% points for quarter or part thereof until date of disposal</li></ul>



# SECTOR-SPECIFIC RULES

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Rule	Provision
<b>32(6)</b>	
<b>Token/Voucher/Coupon/Stamp</b>	<ul style="list-style-type: none"><li>• Money Value of goods or services redeemable against such token/voucher/coupon/stamp</li></ul>
<b>32(7)</b>	
Value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendations of the Council, as referred to in paragraph 2 of Schedule I of the said Act between distinct persons as referred to in section 25,	<ul style="list-style-type: none"><li>• where input tax credit is available, shall be deemed to be NIL.</li></ul>



# SPECIAL PROVISIONS

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## SPECIFIC VALUATION PROVISIONS (Sector-wise)

<b>32A</b> Kerala Flood Cess	Value for the purposes of Section 15 shall not include KFC
<b>33</b> Pure agent	To be discussed in detail
<b>34</b> Rate of exchange of currency for determination of value	<p>Value of taxable goods shall be the Customs rate of exchange which is notified fortnightly.</p> <p>Rate of exchange for services is Generally accepted accounting principles at the time of supply (generally accounting rate)</p>
<b>35</b> Value inclusive of GST	Computation of GST where value of supply is inclusive of GST. This shall be helpful at the time of litigation.

**Question No. 1**

Smaridhi Advertisers designed the advertising campaign for new product launch by New Moon Limited for Rs.5,00,000. New Moon Limited discharged the liability to one of the vendors of Smaridhi Advertisers of Rs.20,000. New Moon Limited delayed the payment of consideration and paid Rs.15,000 as interest. Determine value of taxable supply?

- a.5,00,000
- b.5,15,000
- c.5,35,000
- d.5,32,712

**Question No. 2**

A trust makes substantial donation each year to a reputed private management institution to subsidise the education of low income group students who have secured distinction in subjects. It has 80 regular students and 20 students who have the scholarship from the trust. The fee for these individuals is reduced from Rs.1,00,000 as charged for regular students to Rs.50,000. What is the value of supply to the private management institution?

**Question No. 3**

M/s Prateek Airline Associates has sold tickets for transport of passengers to Europe worth Rs.50,00,000 for the month of December 2020. Out of Rs.50,00,000, Rs.10,00,000 is towards passenger taxes.

What is the value of supply of taxable services?

- Value of taxable supply is Rs.4,00,000; GST is Rs.72,000
- Value of taxable supply is Rs.2,00,000; GST is Rs.36,000
- Value of taxable supply is Rs.5,00,000; GST is Rs.90,000
- Value of taxable supply is Rs.2,50,000; GST is Rs.45,000

**Question No. 4**

Zindagi Life Insurance Co. has collected premium from subscribers and it does not always intimate the amount collected for investment at the time of collection. During the month it has following receipts:

Particulars	Amount
Premium for risk cover	25,00,000
Premium for new subscribers	40,00,000
Renewal premium	80,00,000
Single premium	1,00,00,000
Premium (80% towards investment)	50,00,000



<b>Particulars</b>	<b>Amount</b>	<b>Value of supply</b>
Premium for risk cover	25,00,000	25,00,000
Premium for new subscribers	40,00,000	10,00,000
Renewal premium	80,00,000	10,00,000
Single premium	1,00,00,000	10,00,000
Premium (80% towards investment)	50,00,000	10,00,000
	<b>Value</b>	<b>65,00,000</b>



### **33. Value of supply of services in case of pure agent.**

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply.....

For the purposes of this rule, the expression —pure agent means a person who-

- (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to **incur expenditure or costs in the course of supply of goods** or services or both;
- (b) neither intends to hold nor holds any title to **the goods or services or both so procured or supplied** as pure agent of the recipient of supply;
- (c) **does not use for his own interest such goods or services** so procured; and
- (d) **receives only the actual amount incurred to procure such goods or services** in addition to the amount received for supply he provides on his own account.



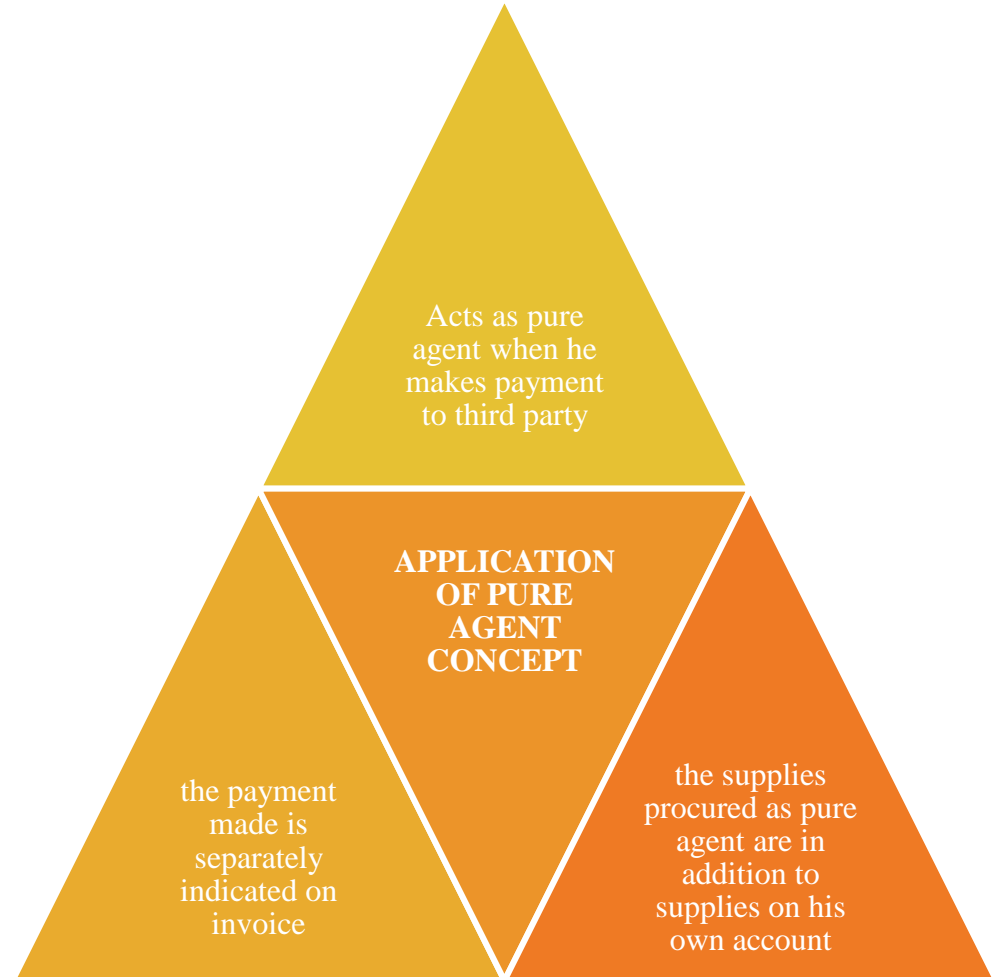
## DEFINITION

Enters into contractual arrangement in course of supply of goods or services

Neither holds nor intends to hold title to goods or services

Does not use for his own interest such goods or services

Receives only actual amount incurred to procure such goods or services





# Thank You

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