



SBS AND COMPANY LLP
CHARTERED ACCOUNTANTS

ONE PAGE

on
Valuation

1. Overall Scheme of Valuation under GST:

The value of supply of goods or services or both shall in general be the transaction value i.e. the price actually paid. In cases where consideration is non-monetary or supplies between related persons, offices/units of same entity located in different states, value shall be determined in the prescribed manner. Further, in case of certain notified supplies, the value shall be determined in the manner as prescribed.

2. Transaction value under GST:

In terms of section 15(1), the value of supplies of goods or services shall be the transaction value in all cases where supplier and recipient are un-related, and price is sole consideration for the supply. Thus, transaction value is not applicable in cases where supply is between related persons or consideration is partly or fully non-monetary. However, the value of supplies of goods or services shall in addition to transaction value include certain items as specified in section 15(2).

3. Items to be Included in Value of Supplies:

As stated above, Value of supply of goods or services shall in addition to transaction value, include items as specified in section 15(2). These items include the following;

- a. Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than those of GST and charged by the supplier.
- b. Any amount that the supplier is liable to pay in relation to such supply but has been incurred by the recipient and not included in the price paid or payable for the goods or services or both.
- c. Incidental expenses such as commission, packing... etc or any amount charged by supplier in respect of supply of goods or services or both
- d. interest or late fee or penalty for delayed payment of any consideration for any supply
- e. Subsidies directly linked to the price excluding subsidies provided by Central Government and State Governments

4. Discounts:

Discounts extended before or at the time of supply shall not be included in value of supplies of goods or services or both if it has been duly recorded in the invoice issued. In case of discounts extended after supply, the tax paid originally on the discount part at the time of supply shall be reduced during the month in which such discount is extended subject to satisfaction of the following conditions;

- a. The discount shall be established in terms of agreement entered at or before the time of supply and specifically linked to invoices.
- b. Input tax credit attributable to discount based on credit note issued by supplier shall be accepted by recipient and accordingly reversal shall be made.

5. Related Persons:

Persons shall be deemed to be related if such persons are officers, directors, partners of one another's business, any person directly or indirectly owns more than 25% of the voting stock, one of them directly or indirectly controls the other, both of them are controlled by other, together they control a third person, or they are members of same family.



6. Understanding the meaning of the phrase 'Open Market Value':

The term 'Open Market Value' is used as reference to determine the value in case of supplies involving non-monetary consideration or supplies between related persons or branches or through an agent. 'Open Market Value' means full value in money to obtain such supply (which is an identical supply from supplier) at the same time when the supply being valued is made subject to the following conditions;

- a. Where supplier and recipient are not related and Price is the sole consideration
- b. Excluding the integrated tax, central tax, state tax, union territory tax and cess payable

7. Understanding the meaning of the phrase 'Supply of goods or services or both of like kind and quality':

The term 'Supply of Goods or Services or both of Like Kind and Quality' is used as reference when open market value is not available to determine the value in case of transactions involving non-monetary consideration, between related persons or branches or through an agent. It means any other supply of goods or services or both made under similar circumstances that, in respect of the characteristics, quality, quantity, functional components, materials, and the reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.

8. Valuation in cases where consideration is non-monetary:

In all transactions where supply of goods or services or both are undertaken for non-monetary consideration or not wholly in money, the value of supply shall—

- a. Be the open market value of such supply
- b. If the open market value is not available, be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply
- c. If the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality
- d. If the value is not determinable under clause (a) or clause (b) or clause (c), then it shall be a value equivalent to 110% of the cost of supply of goods or services or both.
- e. If the value cannot be determined in any of the above manner, then it shall be determined using reasonable means consistent with principles and provisions of section 15 and the corresponding CGST Rules, 2017 relating to valuation.

9. Valuation in cases where supplies are between related persons or between two offices/units of same entity:

The value of supply of goods or services or both between related persons or between two offices/units of same entity shall be determined in the following manner;

- a. be the open market value of such supply;
- b. if the open market value is not available, be the value of supply of goods or services of like kind and quality;
- c. If the value is not determinable under clause (a) or clause (b), then it shall be a value equivalent to 110% of the cost of supply of goods or services or both.
- d. If the value cannot be determined in any of the above manner, then it shall be determined using reasonable means consistent with principles and provisions of section 15 and the corresponding CGST Rules, 2017 relating to valuation.



In cases where the goods supplied by supplier are intended for further supply by recipient, then the supplier can opt to value the goods at 90% of the price charged for supply of goods of like kind and quality by the recipient to his customer not being a related person.

As the issue of valuation is revenue neutral in all cases where the recipient is eligible for full ITC, it has been prescribed that the value adopted following the above parameters shall be deemed to be the open market value

10. Valuation of goods supplied or received through an agent:

The value of goods supplied between principal and agent shall be determined to be open market value of goods being supplied. In cases where the goods are intended for further supply by recipient, then at the option of the supplier, the goods can be valued at 90% of the price charged by recipient to his customer not being related

11. Valuation of Second Hand Goods:

Where a person is engaged in the business of buying and selling of second hand goods without availing input tax credit on purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price. In cases where, the value of supply is negative, then the value shall be considered as Nil.

12. Cum-Tax:

In all cases where GST is not collected separately, then the amount received towards the supply of goods or services or both shall be considered as inclusive of GST. Accordingly, GST is calculated as $\text{Value inclusive of taxes} \times (\text{tax rate in \% of GST}) \div (100 + \text{GST})$.

13. Reimbursements:

Any expenditure incurred by supplier as a pure agent of the recipient in the course of supply of goods or services or both shall be excluded from the value of supply subject to the condition that expenditure incurred is an obligation of recipient and is separately indicated in the invoice issued by recipient.