

Valuation in GST

Q 1. What is the value of taxable supply to be adopted for the levy of GST?

Ans. The value of taxable supply of goods and services shall ordinarily be 'the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration. Section 15 of the CGST/SGST Act further elaborates various inclusions and exclusions from the ambit of transaction value. For example, the transaction value shall not include refundable deposit, discount allowed subject to certain conditions before or at the time of supply.

Q 2. What is transaction value?

Ans. Transaction value refers to the price actually paid or payable for the supply of goods and or services where the supplier and the recipient are not related and price is the sole consideration for the supply. It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply.

Q 3. Are there separate valuation provisions for CGST, SGST and IGST and for Goods and Services?

Ans. No, section 15 is common for all three taxes and also common for goods and services.

Q 4. Is contract price not sufficient to determine valuation of supply?

Ans. Contract price is more specifically referred to as 'transaction value' and that is the basis for computing tax. However, when the price is influenced by factors like relationship of parties or where certain transactions are deemed to be supply, which do not have a price, the value has to be determined in accordance with the GST Valuation Rules.

Q 5. Is reference to GST Valuation Rules required in all cases?

The logo for ANK, consisting of the letters 'A', 'N', and 'K' in a stylized, blue, sans-serif font. The letters are slightly shadowed and appear to be floating or have a soft glow effect.

Ans. No. Reference to GST Valuation Rules is required only in cases where value cannot be determined under sub-section (1) of Section 15.

Q 6. Can the transaction value declared under section 15(1) be accepted?

Ans. Yes, it can be accepted after examining for inclusions in section 15(2). Furthermore, the transaction value can be accepted even where the supplier and recipient are related, provided the relationship has not influenced the price.

Q 7. Whether post-supply discounts or incentives are to be included in the transaction value?

Ans. Yes. where the post-supply discount is established as per the agreement which is known at or before the time of supply and where such discount specifically linked to the relevant invoice and the recipient has reversed input tax credit attributable to such discount, the discount is allowed as admissible deduction under Section 15 of the model GST law.

Q 8. Whether pre-supply discounts allowed before or at the time of supply are includible in the transaction value?

Ans. No, provided it is allowed in the course of normal trade practice and has been duly recorded in the invoice.

Q 9. When are the provisions of the Valuation Rules applicable?

Ans. Valuation Rules are applicable when (i) consideration either wholly or in part not in money terms; (ii) parties are related or supply by any specified category of supplier; and

(iii) transaction value declared is not reliable.

Q 10. What are the inclusions specified in Section 15(2) which could be added to Transaction Value?

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Ans. The inclusions specified in Section 15 (2) which could be added to transaction value are as follows:

a) Any taxes, duties, cesses, fees and charges levied under any statute, other than the SGST/CGST Act and the Goods and Services Tax (Compensation to the States for Loss of Revenue) Act, 2016, if charged separately by the supplier to the recipient;

b) 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;

c) 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;

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

e) Subsidies directly linked to the price excluding subsidies provided by the Central and State Government.

