

VALUATION UNDER GST

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TRANSACTION VALUE- GST ...

- ❖ In any tax legislation, the three key facets are:
 - ❖ Taxable event
 - ❖ Measure of tax- valuation
 - ❖ Rate of tax
- ❖ Value of taxable supply under GST is the Transaction Value ('TV'):
 - ❖ That is the price actually paid or payable for said supply of goods and/or services;
 - ❖ Where the supplier and recipient of service are not related; and
 - ❖ The price is the sole consideration for the supply

[Section 15(1) of the Model CGST/SGST law- concept of TV has been borrowed from section 4 of the Excise Act and Section 14 of the Customs Act]
- ❖ If the value of the taxable supply cannot be determined in the manner set out above, the same is to be determined in the manner as prescribed- resort to be made to the GST Valuation Rules

... TRANSACTION VALUE- GST ...

- ❖ Specific inclusions in TV
 - ❖ All taxes, duties, cesses, fees and charges levied under any statute except GST related legislation - if charged separately by the supplier to the recipient
 - ❖ Amount which supplier is liable to pay in relation to supply but has been incurred by the recipient, and, has not been included in the price actually paid or payable
 - ❖ Interest or late fee or penalty for delayed payment of any consideration for any supply
 - ❖ Subsidies directly linked to the price excluding subsidies provided by Central and State Governments
 - ❖ Will exclude investment linked subsidies provided by the Government

TREATMENT OF DISCOUNTS

- ❖ Treatment of discounts
 - ❖ Value of supply will not include discount given:
 - ❖ Before; or
 - ❖ At the time of supply
 - If the discount has been duly recorded in the invoice issued in respect of such supply
 - ❖ After the supply has been effected, provided that:
 - ❖ Such discount is established in terms of agreement entered into at or before the time of such supply;
 - ❖ Is specifically linked to relevant invoices; and
 - ❖ ITC proportionate to such discount is reversed by the recipient of such supply
- ❖ Central/State Government have power under section 154 to notify trade discounts to be excluded from value under section 15
- ❖ In all other cases- discount will form part of the value of supply of goods/services
- ❖ Largely in line with current legal position on 'treatment of discounts' under Excise law and VAT

GST VALUATION RULES

- ❖ ‘Consideration’ under model GST law covers monetary and non-monetary consideration
- ❖ GST Valuation Rules- [*No revised version of the GST Valuation Rules has been released in public domain*]
 - ❖ Value of goods/services under the GST Valuation Rules shall be the TV
 - ❖ TV shall be accepted even where the supplier and recipient of supply are related provided that the relationship has not influenced the price
 - ❖ Manner in which it can be demonstrated that relationship has not influenced price has not been set out in the GST Valuation Rules [*no provisions similar to Rule 3(3)(a)/3(3)(b) of the Customs Valuation Rules*]
 - ❖ Value of supply shall be TV:
 - ❖ where goods are transferred from one place of business to another place of the same business
 - ❖ where goods are transferred from a principal to an agent or *vice-versa*

GST VALUATION RULES

❖ Valuation methodologies under the GST Valuation Rules

GST Valuation Rules	Customs Valuation Rules (CVR)
Determination of value of supply by comparison: <ul style="list-style-type: none">• TV of goods and/or services of like kind and quality supplied at or about the same time to customers• After making reasonable adjustments as prescribed for difference in commercial levels and quantity levels etc.	Similar to TV of identical goods/similar goods under Rule(s) 4/5 of the CVR
Computed value method	Similar to Rule 8 of the CVR which deals with 'computed value'
Residual method	Similar to Rule 9 of the CVR which deals with 'residual method'
Rejection of declared value	Similar to Rule 12 of the CVR which deals with 'rejection of declared value'

VALUATION OF SELF-SUPPLIES...

❖ Valuation of self-supplies

- ❖ At present supply of goods and/or services between related persons or distinct persons as specified in section 10 [*Same person having different state wise registrations will be treated as distinct persons for the purposes of the Model CGST/SGST law*]
- ❖ When made in the course or furtherance of business
- ❖ Even if made without consideration

will be treated as a 'supply' on which GST is leviable

❖ GST Valuation Rules

- ❖ where goods are transferred from one place of business to another place of the same business
 - the value of such supply shall be the TV

...VALUATION OF SELF-SUPPLIES

- ❖ TV as defined under section 15(1) of the Model CGST/SGST law can apply only when:
 - ❖ There is monetary consideration for the supply
- ❖ If TV cannot be determined under Section 15(1), then resort to be made to section 15(4)
 - ❖ At present the prescription under section 15(4) can be taken as the GST Valuation Rules
 - ❖ Therefore methodology to determine valuation of self-supplies can presently be:
 - ❖ Value of supply by comparison; or
 - ❖ Computed value method; or
 - ❖ Residual method
- ❖ No specific rule has been prescribed for valuation of inter-state stock transfers or supply of services between distinct persons under section 10 who are part of the same legal entity

THANK YOU

