

## VALUATION IN GST : : : cont.

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DEDUCTIONS FROM THE T.V.  
SECTION 15(3) OF THE CGST ACT

Under Section 15(3) of the CGST Act, the value of the supply shall not include any discount is given

(a) any discount given before or at the time of the supply, provided such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) any discount given after the supply has been effected, provided that:

(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices

(ii) and input tax credit as is attributable to discount has been reversed by the recipient of the supply.

Different type of discount which are normally offered to the customers can be, quantity discount for purchase of goods (may be offered at periodic intervals), cash discount, annual turnover discount (ATD), regional discount, off season discount, conditional discount.

All types of discounts will be allowed as deduction provided the conditions stipulated in Sec 15(3) are satisfied.

[2]

Sec 15(3) does not prescribe that uniform amount of discount should be allowed to all the buyers. The supplier can provide different rate of discount to different class of buyers.

**Case 1** U/S Sec 15(3)(a) the T.V. will not include any discount allowed before or at the time of supply, if such discount is allowed in the course of normal trade practice and shown in the invoice, i.e., discount will be deducted from the transaction value. Section 15(3)(a) permits deduction of discount which have been shown in the invoice.

**Case 2** Discount Allowed After the supply.  
(By giving Credit Note)

Sec 15(3)(b)

Any discount which is allowed to the recipient AFTER SUPPLY (of goods or services or both) shall be allowed as a deduction from the transaction value when two conditions stated below are satisfied.

(a) Discount to be known to the customer.

1) Section 15(3)(b)(i) specifically allows discount which have been provided to the customer after the supply has been made if

- It is established in terms of agreement before date of supply
- And discount should be linked to relevant invoice.

2) Specifically Linked to Invoice

3) Credit Note [see 34(1)] of contract provides that CN can be issued by supplier on a/c of the purpose specified in Sec 34(1) i.e.

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- a) where the Taxable value + tax charged in the invoice exceeds the T.V (Taxable value) or tax payable
- b) where the goods are returned by the recipient.
- c) where the supplies are found to be deficient

## (b) Reversal of Input tax credit by Recipient.

Sec 15(3)(b)(ii) provides that the post supply discount will be allowed as deduction for determination of value of supply. When the ITC has been reversed by the recipient of supply as it is attributable to the discount. ~~It~~

This condition apply only when recipient has take his credit of GST paid by the supplier on the supplies made to him. If recipient has marked the credit as ineligible or has reversed the credit for any reason, the above condition mention in ~~that~~ clause (b)(ii) need not be complied with.

EXAMPLE - 1 Cit Ltd is a cake manufacturing company in Haryana. It gives a TD @ 20% on the list price. During December 2019, it offers Christmas BONANZA OFFER @ 10% on list price of all products extra. Kat Ltd purchase 3000 packets of chocolate cake (list price Rs 80 per packet of 200gm) on NOV 2019 and 2000 packets of the same products on December 1 2019. GST rate is 18%. Distributor Kat Ltd is from Punjab. Determine Taxable value of supply & GST Payable.

	NOVEMBER 30 2019 (1000 Packets) ₹	DECEMBER 1, 2019 (2000 Packets) ₹
Value of chocolate cake @ 80	80000	160,000
LESS: DISCOUNT T.D (Trade Discount 20%)	16000	32000
LESS: Christmas BONANZA OFFER @ 10%		16000
	64,000	112,000
Add: GST 1 GST @ 18%	11520	20160
TOTAL	<del>75520</del> 52480	132160

**Ex 2** Determine value of taxable supply from the following details

- (1) Value of supplies 300,000
- (2) Other expenses not included in supplies
  - (a) Cost of special packing 15000,
  - (b) freight exp incurred at the request of supplier 10000
  - (c) NCCD paid by supplier on goods 5000
  - (d) Weighing charges before supply 7000
  - (e) Brokerage paid to agent by supplier 3000
  - (f) Installation expenses 5000
  - (g) Testing charges, 2500 before delivery of supply
  - (h) Subsidy received from Philanthropic association 40,000
  - (i) Penalty for delayed payment 3000
  - (j) Discounts before supply stated in bill - 7000

Solution

VALUE		300,000
ADD: INCLUSION U/S 15(2)		
(a) Cost of special packing	15,000	
(b) freight incurred at request of supplier	10,000	
(c) NCCD paid	5,000	
(d) Weighing charges	7,000	
(e) Brokerage	3,000	
(f) Installation	5,000	
(g) Testing charge	2,500	
(h) Subsidy	40,000	
(i) Penalty	<u>3,000</u>	90,500
		<u>390,500</u>
LESS: Exclusion U/S		
(1) Discounts allowed to the supplier		<u>7,000</u>
VALUE OF SUPPLY		<u>383,500</u>

**Sec 15(4) GST Act** Provides that if value of goods and services cannot be determined under SUBSEC 15(1), the same shall be determined as per the manner prescribed.

