

CHAPTER : VALUATION IN GST

For GST Calculation, it is necessary to know about the value of good, value of services or both (Value of Supply)

$$\text{Symbolically } GST = \text{Value of Supply} \times \frac{\text{Rate of GST}}{100}$$

The value of supply is determined on the basis of Transaction value (see 15)

Section 15 states SUBSECTION (1)

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.

It includes

i) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than act,

ii) any amount that supplier is liable to pay in relation to such supply but which has been incurred by recipient and not included in the price actually paid or payable.

iii) Incidental exp.

iv) Interest or late fee penalty

v) Subsidy

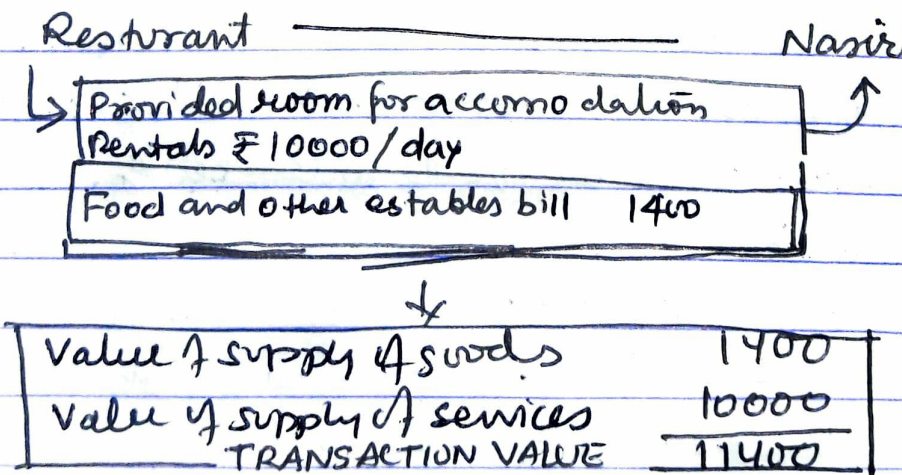
- (b) The value of supply shall not include any discount which is given.
- (c) Where the value of the supply of goods or service or both cannot be determined under subsec (1), the same shall be determined in such manner as may be prescribed.
- (d) Notwithstanding anything contained in subsec (1) or (c), the value of such supplies as may be notified by the Govt. on the recommendation of the council shall be determined in such manner as may be prescribed.

Conditions/ Essential

1. Transaction value (TV) is the basis for valuation = it clear that SEC 15 (1) ~~that~~ "Value of supply shall be the

TRANSACTION VALUE -

For example.



2. Price actually paid or payable

3. Nexus between the amount received and supply made

4. Price is the sole consideration - Sec 2(31) of CGST Act.
consideration as "consideration in relation to the supply of goods or services or both includes

- Any payment made or to be made in respect of supply but shall not include any subsidy given by the Central or state Govt

- The monetary value

But not to include deposit as advance.

Example: Ram makes supply of ₹ 300,000 to Shyam. The contract provides that Shyam will pay ₹ 150,000 to Ram and 150,000 to Munna to settle the debt of Ram. In this case, the price of ₹ 150,000 is not the sole consideration for sale.

Therefore, GST will be payable on the entire amount of ₹ 3 lakhs and not only on ₹ 150,000.

$$\begin{aligned} \text{Hence Transaction Value} &= 150,000 + 150,000 \\ &= 3,00,000 \end{aligned}$$

SECTION 15 SUB-SECTION 2 of CGST ACT 2017, specifically states the expenses which shall be included in the Transaction Value.

Sec 15(2)(g)

Any taxes, duties, fees and charges levied under any statute other than the SCGT Act or CGST Act or UGST act are includible in value, if charged separately.

Sec 15(2)(b)

- Any ~~such~~ amount which the supplier is liable to pay
- but this amount must be connected to the supply
- this amount is being paid by the recipient on behalf of supplier.
- and this amount is not included in the price actually paid or payable

Q 2. XYZ Pvt Ltd entered in contract with Raja Ram for providing legal service for ₹ 10 lakhs inclusive of all expenses of stay, fooding, conveyance etc. Later Rajaram incurred all expenses, stay and conveyance at his own amounting ₹ 75000 and ~~XYZ~~ ~~contracting~~ Pvt Ltd charged ₹ 925000 instead of ₹ 10, lakhs from Raja Ram. Determine the value of supply in this case.

Ans.

The value of supply shall be the sum total of ₹ 925000 for transaction value and ₹ 75000 which was originally payable by the supplier but borne by recipient directly. So the value of supply shall be both

Sub: (Interest or late fee or penalty)

(5)

Q3. A supply priced at ₹ 40,000 is made, with a credit period of 1 month for payment. Thereafter an interest @ of 12% is charged. The payment is received after the lapse of two months from the date of supply. Determine the value of supply.

Solution

(i) Calculation of Interest for delayed payment

Months of Delay = 2 months

Less: 1 month of credit allowed = 1 month

2 - 1 = 1 month

Interest = $40,000 \times \frac{12}{100} \times \frac{1}{2}$ (1 month of delay after credit period)

= 400

(ii) Value of supply = $40,000 + 400 = 40,400$.

Sub: Subsidy received from Non-govt is an Inclusion.

Q3. Zee Ltd owns a coaching institute in Ludhiana. The institute charges ₹ 18,000 per student for training in digital marketing. This training is subsidised by state govt ₹ 500/student, by Star Charitable Trust ₹ 200/student and by Govt of Japan ₹ 100/student. Zee Ltd charges 17,200 + GST per student. Determine TV and amount charged from student.

Transaction value = $17,200 + \text{Star CT } 200 + \text{Subsidy by Japan } 100$
= 17,500 Value of taxable supply

CGST 9% + SGST 9% = $1575 + 1575 = 3150$

Amount to be collected from student = $17,200 + 3150 = 20,350$