

DTC 30/9/20

## Valuation Rules

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### Rule: 27

When consideration is not wholly in money, then <sup>value of</sup> supply shall be determined

(a) ~~(a)~~ on the basis of open market value

(b) ~~(b)~~ If open market value is not available, then amount of money equivalent to value of kind at the date of supply

(c) IF value of supply is not determinable under (a) and (b) above, then

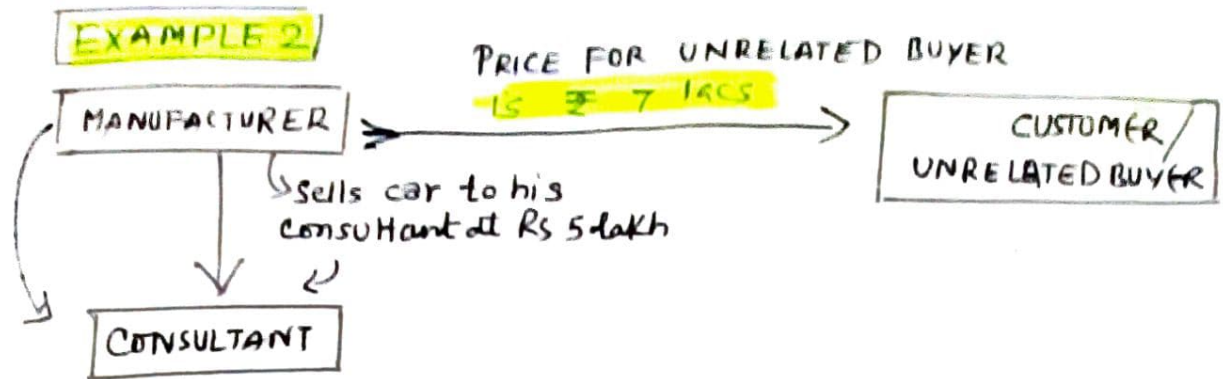
value of supply shall be determined on the basis of kind and quality

(d) If the value of supply is not determinable by any method (a, b, c), shall be determined by Rule 30 (OR) 31 of CGSTRULE

This rule is applied when Sec 15 is utilized.

- ① Recipient is not related person!
- ② Price is the sole consideration!

For example. • [ A new phone is supplied for 20000 along with the exchange of old phone without exchange price of new phone is Rs 24000 ]



The above example price is not sole consideration  
 So value of car = open market value (if available)  
 Hence value of car = 7 lakhs

**EXAMPLE 3**

Aditya, a dealer; sells mobile to DIYA an unrelated person, for a consideration of ₹ 34000 and exchange of old phone having open market value of ₹ 6000.

- (i) what will be the value of supply if open market value (OMV) of cell phone is 34000 ? Also compute the taxes thereon if such mobile phone is taxable at 14% CGST and SGST assuming it to be an intrastate supply ?
- (ii) IF OMV was not available, would your answer be different ?

**SOLUTION :**

We know that as per provision 15 ; value of supply shall be the T.V. if

- The supplier and recipient are not related
- Price is the sole consideration.

In case No (i) it shall be determined as per rule 27 of CGST Rules on the basis of open market value [proviso(a)]

Calculation of taxes

TAXABLE VALUE	₹ 37000
Add: CGST @ 14% of 37000	5180
Add: S GST @ 14% of 37000	5180
INVOICE VALUE	<u>47360</u>

In case No (ii) open market value is not given, proviso (b) or (c) is applicable.

Value of supply	34000 + 6000	40,000
Add CGST @ 14%		5600
SGST @ 14%		5600
INVOICE VALUE		<u>51200</u>

For proviso (c) of Rule 27 → Price is to be taken on the basis of

- price of similar goods
- price of identical goods
- price of exactly same goods (allow some degree of difference may be)

**SUMMARY OF RULE 27**

RULE WHEN APPLICABLE = WHEN CONSIDERATION IS NOT WHOLLY IN MONEY

Follow (Step)	Value determine
(a) First ; if OMV of such supply is known	OMV
(b) Then . If : OMV not available	Value = Monetary + Non Monetary value
(c) If both (a) & (b) do not apply	Value = value of supply of like kind & quality
(d) If none of above applies	Value = COP + 10% of COP
<ul style="list-style-type: none"> <li>• First Rule 30</li> <li>• If rule 30 not applicable the USE RULE 31 (RESIDUAL VALUE)</li> </ul>	Value = BEST JUDGEMENT BASIS .

**RULE 28**

When supply is made to Related Person or a Distinct Person

In such a case the value supply —

- (a) CMV of the supply made by the supplier
- (b) shall be like kind and quality
- (c) IF not determinable under (a) or (b) above then shall be determined as per rule 30 or 31 of CGST Rules.

Related person ; officer or director of one another's businesses

- ✓ Legally recognised partners in business
- ✓ Employee & Employer
- ✓ Person hold 2% of share or more in stock
- ✓ One of them directly or indirectly controls the other
- ✓ Both of them are directly or indirectly controlled by a 3rd person
- ✓ Together they directly or indirectly control a 3rd person
- ✓ Member of the SAME FAMILY
- ✓ Person to include legal person
- ✓ Sole agent or distributor or concessionaire

Distinct Person. Sec 25 (4) and 25(5)

