

Time and Value of Supply of Goods and Services

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Time of Supply – S. 12

- ❖ The time of supply **fixes the point** when the **liability to charge GST arises**. It also indicates when a **supply is deemed to have been made**.



- ❖ The GST Law provides **separate time** of supply for **goods and services**.

Taxable Event under Existing Law & GST

Types of Tax	Event
Central Excise Duty	On Removal of Excisable Goods
Service Tax	On Provision of Service or Advance Receipt of Money
Value Added Tax	On Sale (Intra-State as well as Inter-State) of Goods
Goods and Services Tax	On Supply of Goods and Services

Time of Supply of Goods – 12 (2)

- ❖ Time of supply would be **earliest of** –



Date of issue of invoice by the supplier

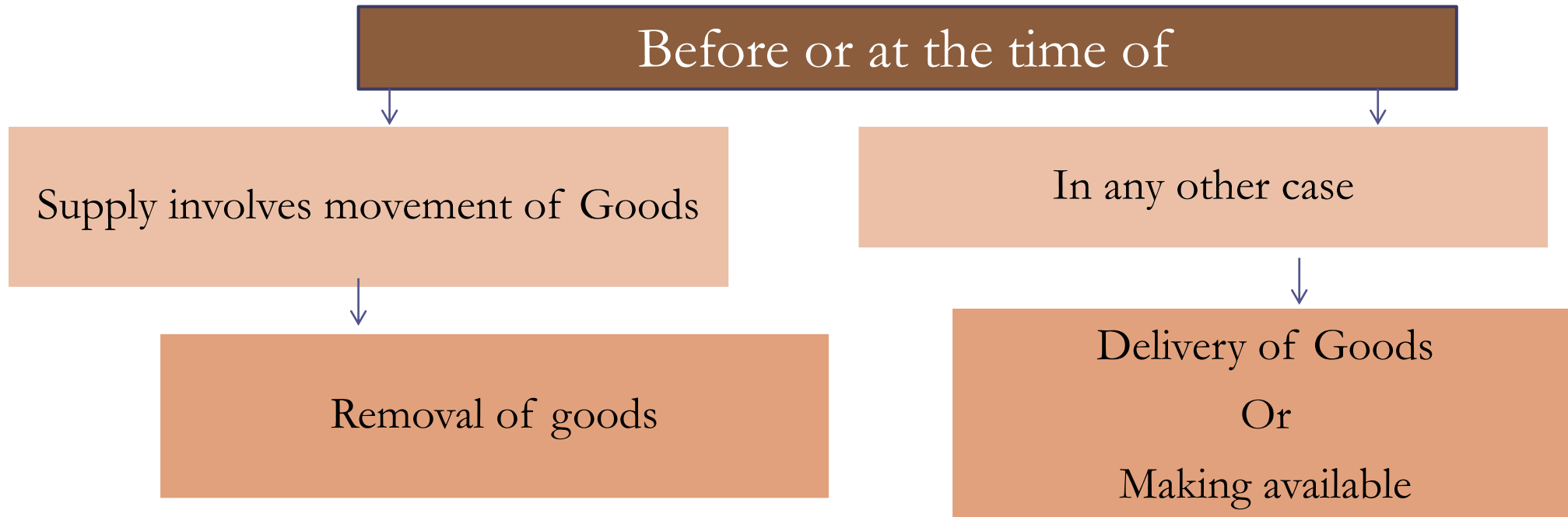
Last date on which he is required to issue the invoice under section 31

Date on which the supplier receives the payment in respect of such supply



- ❖ “**Date on which the supplier receives the payment**” shall be the date on which the **payment is entered in his books** of accounts or **the date on which the payment is credited to his bank account**, whichever is **earlier**.

Invoice to be issued – S. 31 (1)



Removal of Goods – 2 (96)

- (a) **despatch of the goods for delivery** by the supplier thereof or by any other person acting on behalf of such supplier, or
- (b) **collection of the goods by the recipient** thereof or by any other person acting on behalf of such recipient;

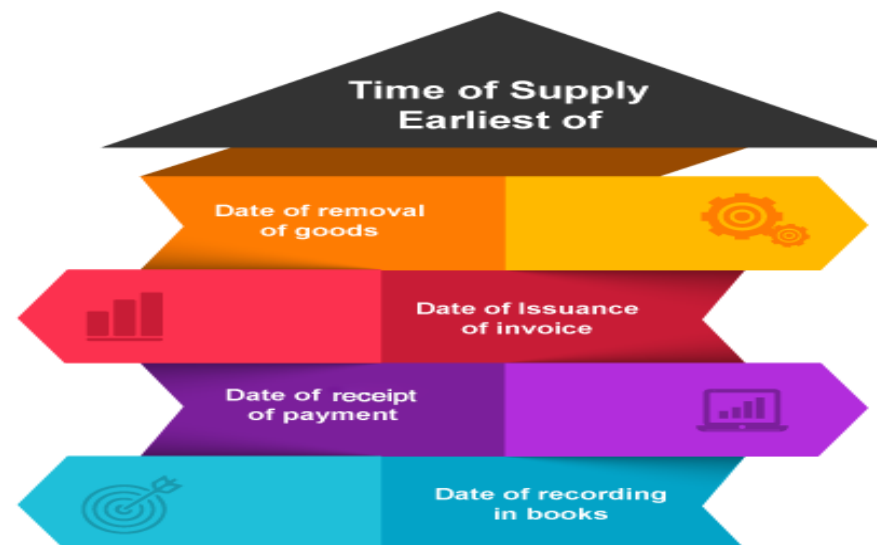
Supply of movable goods - Example

S. No.	Date of Removal	Date of Invoice	Date of Payment	Date of Entry in Books of Account	Time of Supply
1	30-06-2017	15-07-2017	25-06-2017	07-07-2017	25-06-2017
2	20-06-2017	15-07-2017	25-06-2017	07-07-2017	20-06-2017
3	30-06-2017	28-06-2017	01-07-2017	07-07-2017	28-06-2017
4	30-06-2017	15-07-2017	25-06-2017	20-06-2017	20-06-2017

Supply of non-movable goods - Example

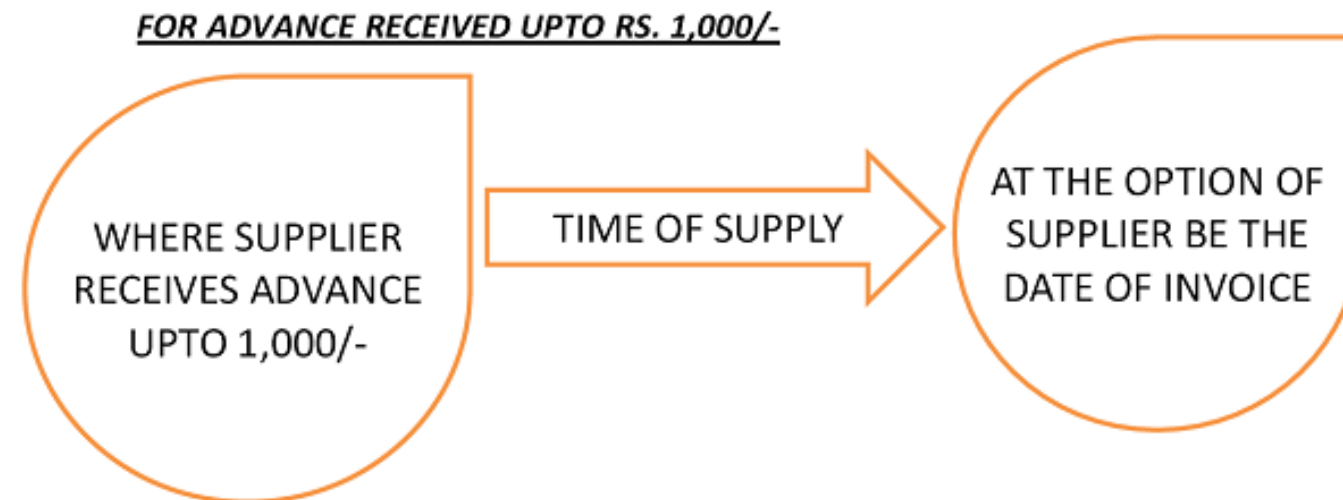
Supply of Cranes or Lifts:

S. No.	Date of Removal	Date of made available	Date of Invoice	Date of Payment \	Time of Supply
1	25-08-2017	31-10-2017	02-11-2017	04-11-2017	31-10-2017

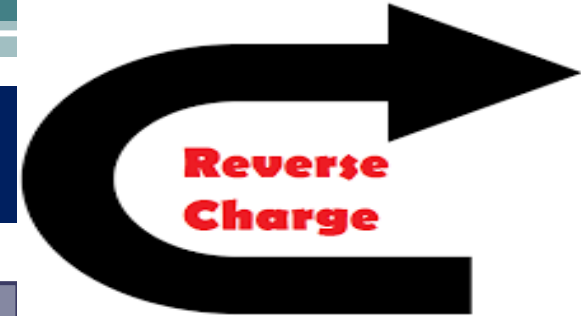


Supply under special circumstances

- ❖ Where **supplier of taxable goods** receives an **amount up to Rs. 1,000 in excess** of the amount indicated in the tax invoice, the **time of supply** to the extent of such excess amount shall, **at the option of the said supplier**, be the date of issue of invoice in respect of such excess amount.



Supply under Reverse Charge – 12 (3)



Time of Supply – Earliest of

Date of receipt of Goods

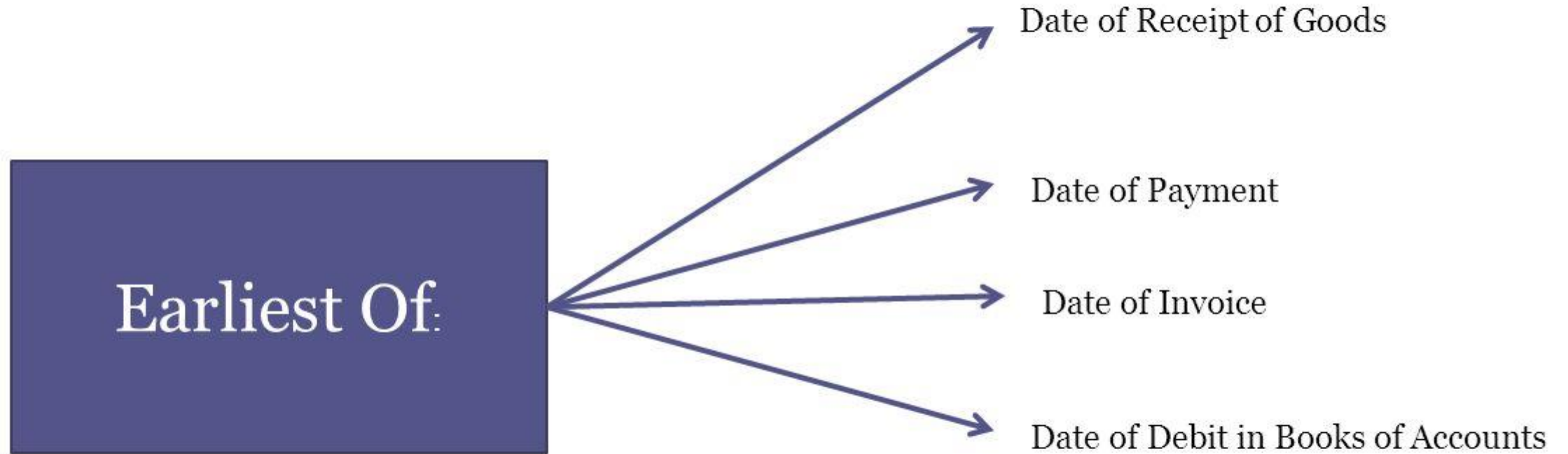
Date on which payment is made

Date immediately following **30 days** from issue of invoice by Supplier

In any other case
Date of entry in books of account of recipient of supply

“**the date on which the payment is made**” shall be the date on which the payment is entered in the books of accounts of the recipient or the date on which the payment is debited in his bank account, **whichever is earlier.**

Understanding Time of Supply of Goods (Reverse Charge)



Advances will be taxable under GST

Supply under Voucher by Supplier – 12 (4)

Time of Supply

If supply is identifiable at
time of issue of voucher

Date of issue of Voucher by
Supplier



In all other cases.

Redemption of Voucher

Time not able to determine – 12 (5)

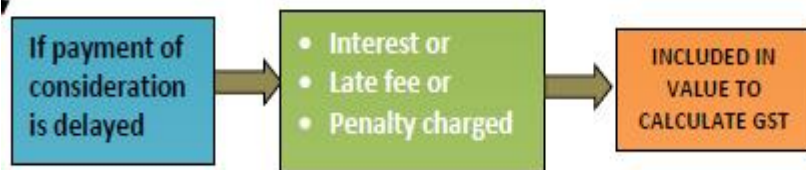
- ❖ In case it is **not possible to determine** the time of supply under the provisions of sub-section (2), (3) or (4) **the time of supply shall be –**
 - (a) in a case **where a periodical return has to be filed**, be the **date on which such return is to be filed**, or
 - (b) **in any other case**, be the date on which the **CGST/SGST is paid**.

Addition in value of supply – 12(6)



Time of supply to the extent it relates to an **addition in the value of supply** by way of **interest, late fees or penalty** for **delayed payment** of any consideration, shall be –

Date on which the supplier receives such addition in value.



Eg:

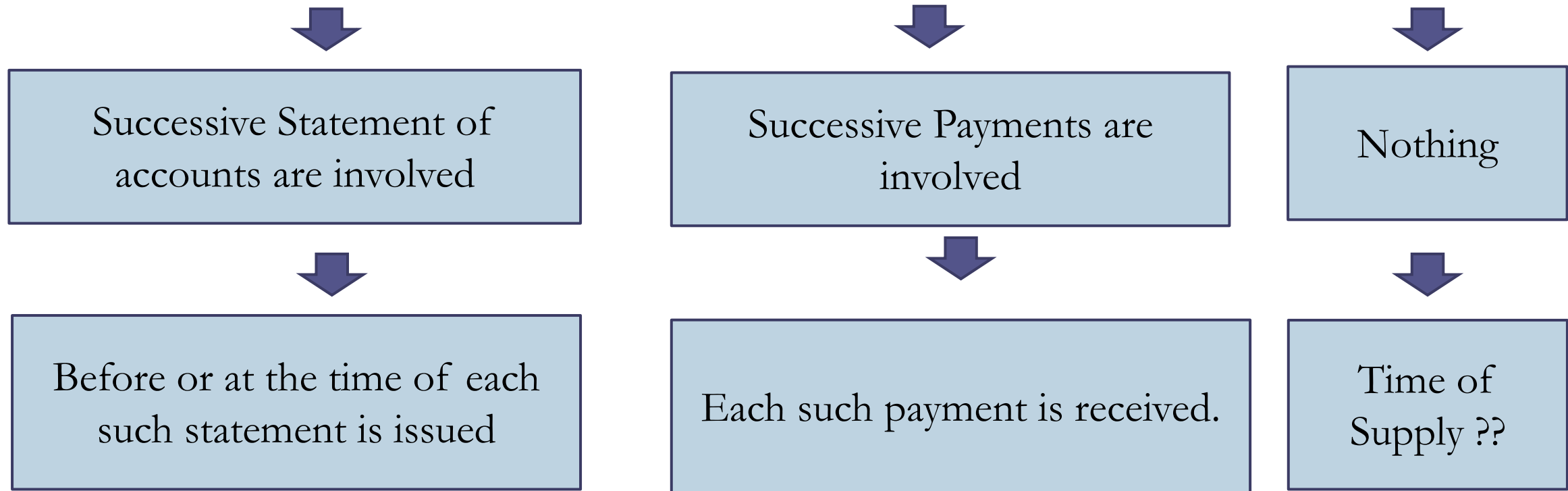


Car sold worth Rs 5L & invoice raised at time of supply on 10.4.17 and payment to be made within 30 days

Payment is to be made on 10.5.17 but distributor made the payment on 2.6.17 and Maruti Company charged Rs 3000 as charges for delayed payment

In this case Rs 3000 is included in VALUE OF SUPPLY for charging GST and SUPPLEMENTARY INVOICE shall be issued for the same

Continuous Supply of Goods – 31 (4)



“**continuous supply of goods**” means a supply of goods which is provided, or agreed to be provided, **continuously or on recurrent basis**, under a contract, **whether or not by means of** a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a **regular or periodic basis** and includes supply of such goods as Government may notify. S. 2(32)

Sale on approval or Sale or return – S. 31(7)



where the goods (being sent or taken on approval or sale or return or similar terms) are removed before it is known whether a supply will take place,



Earliest of



invoice shall be issued before or at the time when it becomes known that the supply has taken place



Six months from the date of removal of goods.

Time of Supply of Services – 13 (2)

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- ❖ Time of supply would be **earliest of following dates** –

Event	Time of Supply
Invoice issued within prescribed time limit	(i) Date of issue of Invoice; or (ii) Date of receipt of payment
Invoice not issued within prescribed time limit	(i) Date of provision of Services; or (ii) Date of receipt of payment
In any other case	(i) Date on which recipient shows the receipt of service in his books of account.

30 days – Normal & 45 days for Insurance, Banking and Financial Institutions & NBFC's

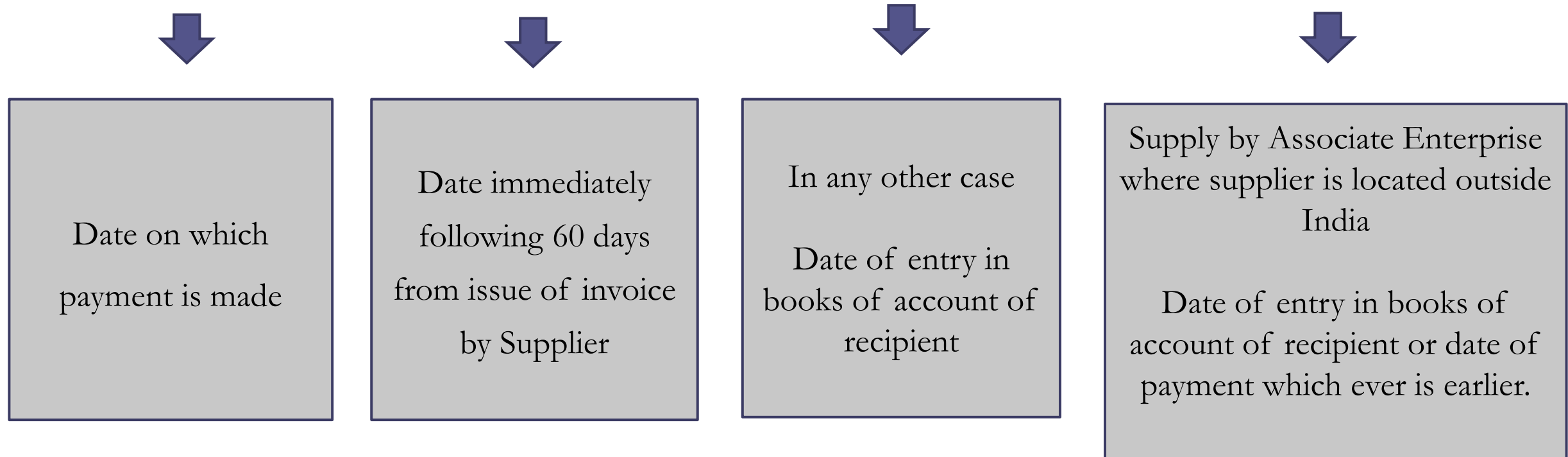
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Supply under Reverse Charge – 13 (3)

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Time of Supply



“the date on which the payment is made” shall be the date on which the payment is entered in the books of accounts of the recipient **or** the date on which the payment is debited in his bank account, **whichever is earlier.**

Supply under Voucher by Supplier – 13 (4)

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If supply is identifiable at
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Date of issue of Voucher by
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In all other cases.

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Addition in value of supply – 13 (6)



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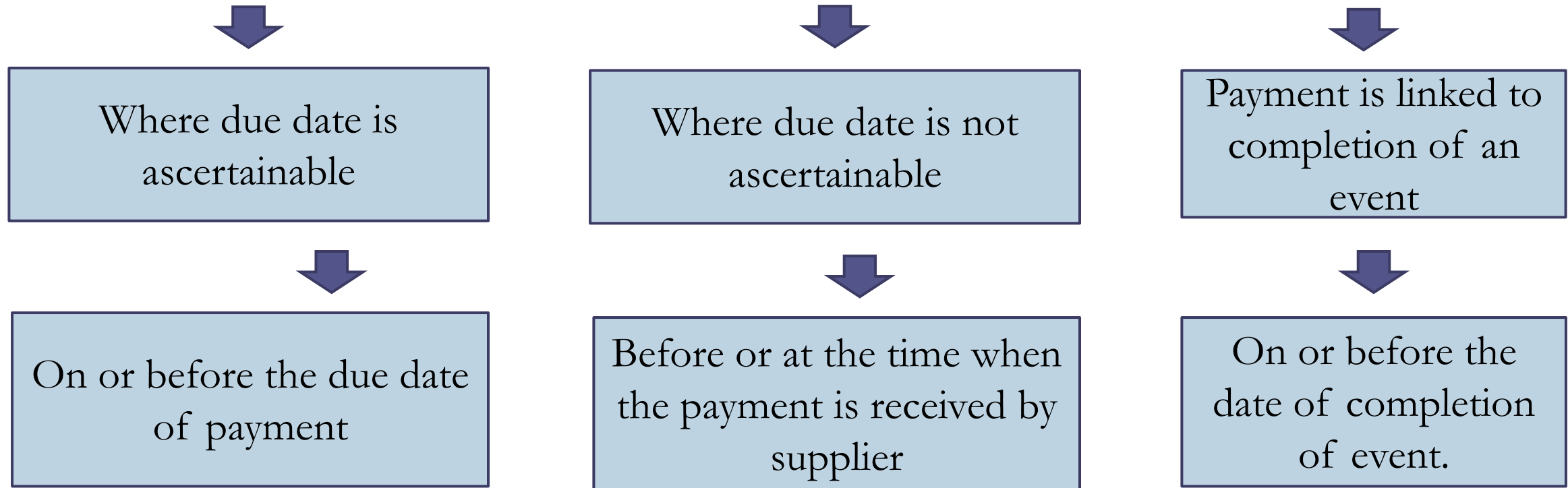
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Date on which the supplier receives such addition in value.

Continuous Supply of Services – 31 (5)



“continuous supply of service” means a supply of services which is provided, or agreed to be provided, **continuously or on recurrent basis**, under a contract, for a period exceeding 3 months with periodic payment obligations and includes supply of such services as Government may subject to such conditions, as it may by notification, specify. S. 2(33)

Change in Rate of Tax - 14

Supply	Issue of Invoice	Receipt of Payment	Time of Supply
Before	After	After	Date of receipt of payment or Date of Issue of Invoice, whichever is earlier.
Before	Before	After	Date of Issue of Invoice
Before	After	Before	Date of receipt of payment.
After	Before	After	Date of receipt of payment
After	Before	Before	Date of receipt of payment or Date of Issue of Invoice, whichever is earlier.
After	After	Before	Date of Issue of Invoice

Date of Payment

Date of Payment

In normal circumstance

Date of entry in BoA

Or

Date of Credit in Bank



Change in Rate of Tax

Date of Credit in Bank, if not within
4 working days;
Or
Otherwise, Date of deposit

Treatment of ongoing existing Contracts – 142 (10)

- ❖ Goods or Services supplied **on or after the appointed day** in pursuance of a contract entered into **prior to the appointed day** shall be liable **to tax under the provisions of this Act.**
- ❖ Moreover, GST law further provides that tax in respect of the taxable supplies (Goods and Services) shall be payable **under the earlier law** to the **extent tax was leviable on the said goods under VAT Laws and on Services, Service Tax Law.**
[S. 142 (10) & (11)]
- ❖ Taxable person have to determine the value of work carried out by them **immediately before the appointed day** and discharge tax liability under existing law.



Tax paid in advance but supply later – 142 (10)


If **tax was paid** on any supply both under the Value Added Tax and under Chapter V of the Finance Act, 1994

Such **supply is made after appointed** day and leviable under GST Law

Taxable person is entitle to take **credit of VAT or Service Tax paid** under existing law

Mechanism of availment of credit to be prescribed.

Taxable Goods Returned by URD – 142(1)

Eligible Person	Types of Credits	Conditions
Registered Taxable Person – RTP	❖ Excise Duty – ED Service Tax not covered. 	<ul style="list-style-type: none"> ✓ Duties or Taxes are paid at the time of removal; ✓ Such removal should not be earlier than 6 months prior to the appointed date; ✓ Goods are returned to the place of business on or after appointed date; ✓ Return of goods within a period of 6 months from appointed date; ✓ Goods are identifiable to the satisfaction of the officer.

RTP when return the goods he is considered to have carried out “deemed supply”



Person who have received the returned goods would be eligible for ITC

If goods are not identifiable ?

Price Revision after the Appointed date – S. 142 (2)

Instrument	Conditions	Time limit
Debit Note Or Supplementary Invoice	<ul style="list-style-type: none"> ❖ Contract must have entered prior to appointed day for supply of goods or services or both; ❖ Upward revision in price on or after the appointed day. 	Within 30 days of price revision.
Credit Note Or Supplementary Invoice	<ul style="list-style-type: none"> ❖ Contract must have entered prior to appointed day for supply of goods or services or both; ❖ Downward revision in price on or after the appointed day. ❖ Taxable person shall be allowed to reduce his tax liability on account of issue of the said invoice only if recipient has reduced his ITC. 	With in 30 days of price revision

Supplementary Invoice or Debit / Credit Note shall be deemed to have been issued in respect of an outward supply.

Return of Goods sent on approval basis – 142 (12)

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Types of Goods	Time period	Tax payable	Conditions / Implication
Goods sent on approval basis and returned to Seller on account of rejection or not approved, on or after appointed date.	Within 6 months Extension for 2 more months by Competent Authority	No	<ul style="list-style-type: none"> ✓ Goods sent should not be earlier than 6 months from appointed date;
	After 6 months or extended time	Yes	<ul style="list-style-type: none"> ✓ Tax have to be paid as per GST Law by person returning goods. ✓ Person who has sent the goods is also liable to pay tax on such returned goods as per GST Law from appointed date.

Provisions relating to TDS – S. 142 (13)

- ❖ Supplier's (Government Department, Local Authority or Government Agency) **need not have to deducted tax at source** at the **time of making payment, after the appointed date**, under the following situations -
 - (a) Tax is deducted **under earlier law**; and
 - (b) Supplier has **issued invoice before the appointed day**,
 - (c) **Payment** to the said supplier is made **on or after appointed day**

TAX
DEDUCTION
AT SOURCE

Import of Service after appointed date

- ❖ Import of services  made after the appointed day shall be liable to tax under the provisions of this Act regardless of whether the transactions for such import of services had been initiated before the appointed day. [S. 21 – IGST]

- ❖ Transaction initiated before appointed day mean, if either the
 - (i) invoice relating to such supply has been received; or
 - (ii) payment, either in full or in part, has been received or made before the appointed day

Import of Services – S. 2(11) of IGST

- ❖ Supply of any service shall be treated as an “import of service” if,
 - (a) the supplier of service is located outside India;
 - (b) the recipient of service is located in India; and
 - (c) the place of supply of service is in India,



Import of Service after appointed date

- ❖ If tax on such import of service had been paid in full under the earlier law, no tax shall be payable on such import under this Act i.e. GST
- ❖ However, if the tax on such import of services had been paid in part under the earlier law, balance amount of tax shall be payable on such import or inter-state supply under this Act i.e. GST.

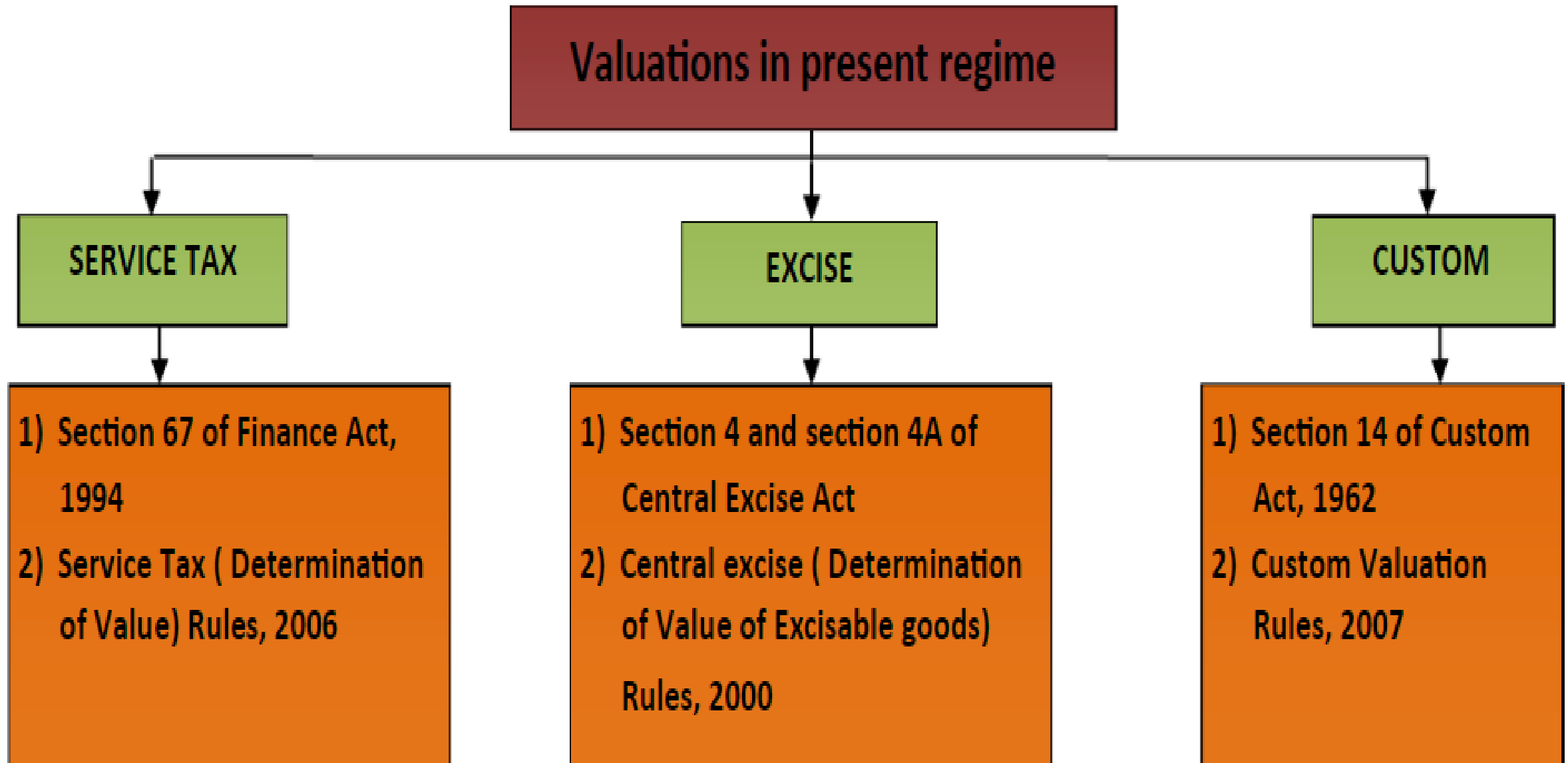
A close-up photograph of a person's hands in a dark suit jacket. The right hand holds a magnifying glass with a gold-colored frame and a dark handle, positioned over a document. The left hand rests on the document, with the index finger pointing towards the text. The document is part of a binder with silver rings. The background is dark and out of focus.

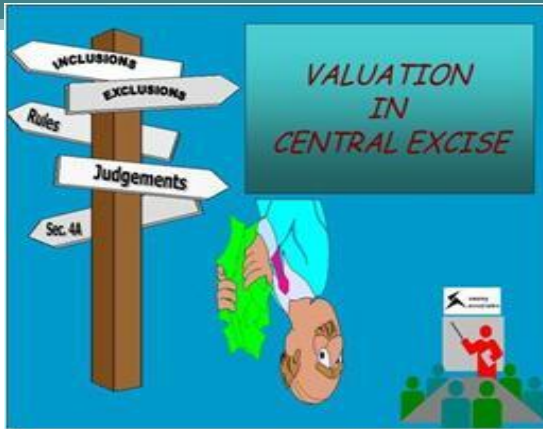
Valuation under GST



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Transaction Value



EXCISE

As per Section 4 of Central Excise Act ,
Transaction Value means price actually paid/payable for goods and includes any amount which buyer is liable to pay by reason of or in connection to sale.

GST

As per Section 15 of CGST Act,
Transaction value is the price actually paid (or payable) for the supply of goods/service between unrelated parties (i.e. Price is the sole consideration)

Valuation under Excise v/s Valuation under GST

Valuation under Excise



Example : ABC , a manufacturer sells power drill to XYZ wholesaler. The MRP is Rs. 5,500 but ABC sells it for Rs. 3,000



PARTICULARS	AMOUNT (RS.)
Power Drill	3,000
Add: Excise @ 12.5%	375
Subtotal	3375
Add : VAT @ 14.5% (On Subtotal)	490
TOTAL	3,865

Valuation under GST



Example : The value of goods &/or services supplied in the transaction value , i.e. the price paid/payable , which is Rs 3,000 in the example. Assuming CGST =9% and SGST =9%

PARTICULARS	AMOUNT (RS.)
Power Drill	3,000
Add: CGST @9%	270
Add: SGST @ 9%	270
TOTAL	3,540

Valuation of Imports

PRE- GST

Post - GST

Custom duty payment on MRP valuation

Custom duty payment on Transaction value

Credits

PRE- GST

Post - GST

CVD & SAD




IGST



Customs

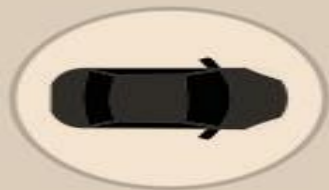


Value of Taxable Supply – S. 15

- ❖ The value of supply of goods and / or services shall be the **Transaction Value (TV)**.
- ❖ **Transaction value** is the **price actually paid or payable**  for the said supply of goods or services or both where the –
 - (i) **supplier and the recipient of the supply are not related;**  and
 - (ii) **price is the sole consideration**  for the supply.
- ❖ When the **transaction is with related person or price is not the sole consideration for the supply,** value have to be determined in such manner as may be prescribed. [15(4)]

Price Payable

GST Regime



Super Cars Limited



Spare Parts



Ravindra Automobiles

MRP = Rs 10,000
Selling Price = Rs 6,000

Invoice					
S. No.	Description of goods	Quantity	Rate	Per	Amount
1	Spare Parts	1	6,000	No.	6,000
	GST @ 18%*				1,080
	Total	1			7,080

On spare parts, GST is charged on the price payable, i.e. Rs 6,000. On this value, GST @ 18% (Assuming GST of 18% on spare parts) is charged.



Ms. Jaya



Price of Sony TV @ Rs. 85,000



After an hour of bargaining, the shop manager agrees to accept Rs.75,000 instead of his quote of Rs.85,000



Where the price is the sole consideration, the value of supply shall be the transaction value, i.e. price actually paid or payable for the said supply. In this case, Value taken would be Rs. 75,000



Directors & officers of one another's business



Legally recognised partners



Employees of Co



Directly/ Indirectly owns, controls or holds 25% or more O/S stock or share or both

Related Person means



Members of same family*



- One of them directly/indirectly controls another
- Together they are directly/indirectly controlled by third person
- Both of them directly/indirectly controlled by third person

Family means :

- 1) Spouse & children of person
- 2) Parents , Grandparents, Brothers & sisters wholly/mainly dependent

Related persons – Explanation to S. 15

Persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be **“related”**.



Consideration – 2 (31)

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“**consideration**” in relation to the supply of goods or services or both includes —

- (a) **any payment made or to be made**, whether in money **or otherwise**, in respect of, in response to, or for the inducement of, the **supply of goods or services or both**, whether by the recipient or **by any other person** **but shall not include** any subsidy given by the Central or State Government;
- (b) the monetary value of **any act or forbearance**, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person **but shall not include** any subsidy given by the Central or State Government.

Provided that a **deposit given** in respect of the supply of goods or services or both **shall not be considered** as payment made for such supply **unless the supplier applies such deposit as consideration for the said supply**

Consideration Given To third Party



GST Levied on Transaction between A & B on Rs 2,00,000

A Purchased Goods from B for Rs 2,00,000



Paid Rs 50,000 to B




Paid Rs 1,50,000 to C




C is The Creditor of B for Rs 1,50,000





Certain items included in Transaction Value – 15 (2)

- a. any **taxes, duties, cesses, fees and charges levied under any law for the time being in force**, other than the CGST Act, SGST Act, UTCGST 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; 

Certain items included in Transaction Value – 15 (2)

- c. **incidental expenses, such as, commission and packing**, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both **at the time of, or before delivery** of the goods or, 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 governments; 

The amount of subsidy shall be included in the value of supply of the **supplier who receives the subsidy.**

Examples of taxes, duty, cess

- ❖ Security Transaction Tax (STT), Stamp Duty levied by Stock Brokers;
- ❖ Fees or duty paid by the Agent on behalf of customer or client;



Examples of amount incurred by recipient

- ❖ Contractor entered in to an agreement for construction of building for Rs. 10 Crores. Builder had instructed that they will procure Cement and Steel worth Rs. 4 Crores and supply to them and such amount would be **deducted from their contract amount payable.**
- ❖ Mumbai based Chartered Accountant received contract to carry out Statutory audit from Hotelier client located at Delhi. CA visited Delhi by flight and incurred expenses for lodging and boarding too and **all these expenses were incurred by client.** At the time of issuance of invoice, she had **prepared invoice for professional fees only.**

Examples of amount incurred by recipient

- ❖ Saral Infrastructures Ltd. (SIL) appointed Mr. Hasmukhlal (Agent) for marketing their products and agreed to pay commission of 5% on the selling price. Mr. Hasmukhlal had sold goods worth Rs. 10 Lakhs to Confused Enterprises (CE). SIL instructed CE to make the payment of commission amounting to Rs. 50K to Mr. Hasmukhlal and deduct such amount from the amount payable to SIL.

SIL had issued invoice amounting to Rs. 9.50 Laks

Hasmukhlal was not registered under GST Law.



Examples of incidental expenses

- ❖ Meaning of **Commission** and Packing (Dictionary Meaning) –
Commission – Mutually agreed upon, or fixed by customs or law, fees accruing to agent, broker or sales persons for facilitating, initiating
- ❖ In GST, the point when title passes is irrelevant.

Examples of incidental expenses

- ❖ Rajkot based Chartered Accountant (CA) received contract to carry out Statutory audit from Hotelier client located at Delhi. CA visited Delhi by flight and incurred expenses for lodging and boarding too. At the time of issuance of invoice, he had prepared invoice in two parts one for professional fees and other for actual expenditure incurred for travelling and lodging & boarding.

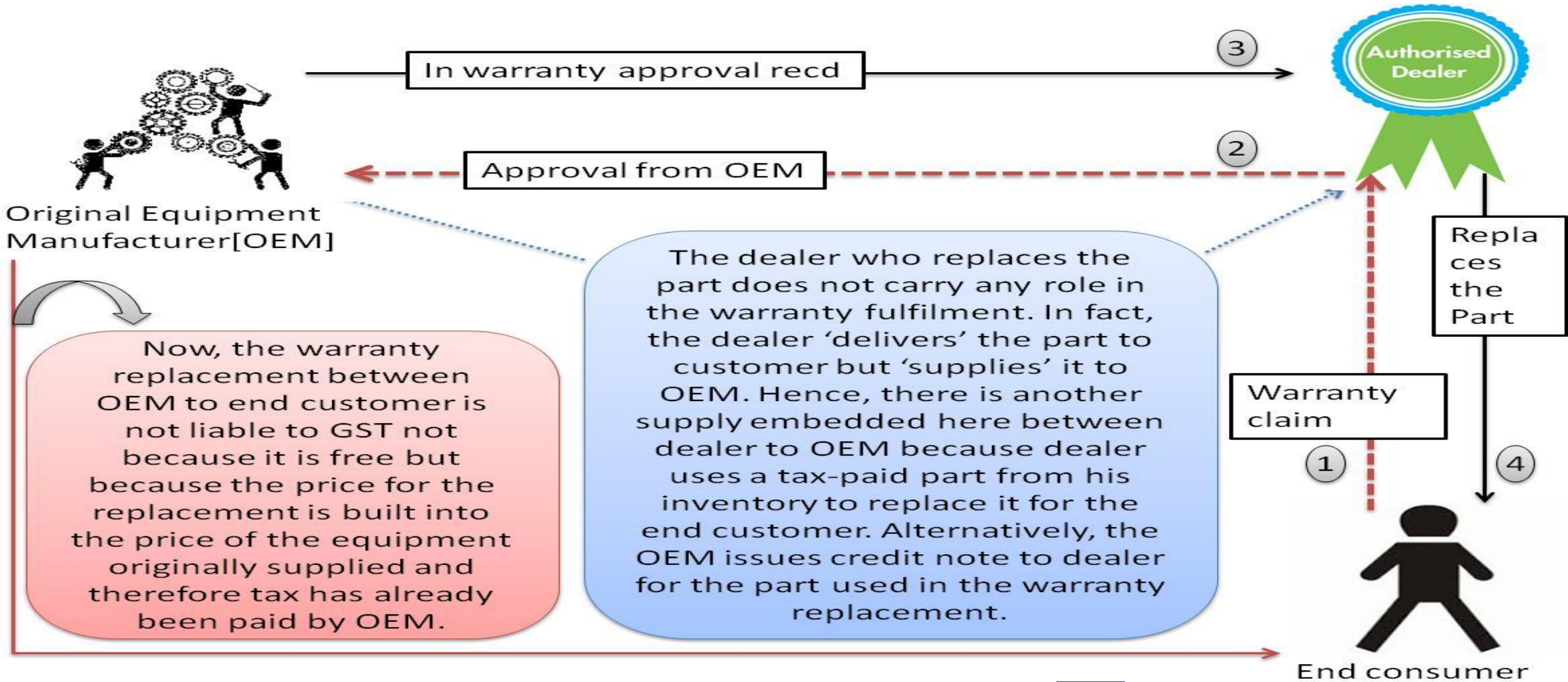


Valuation In Case Of Warranty




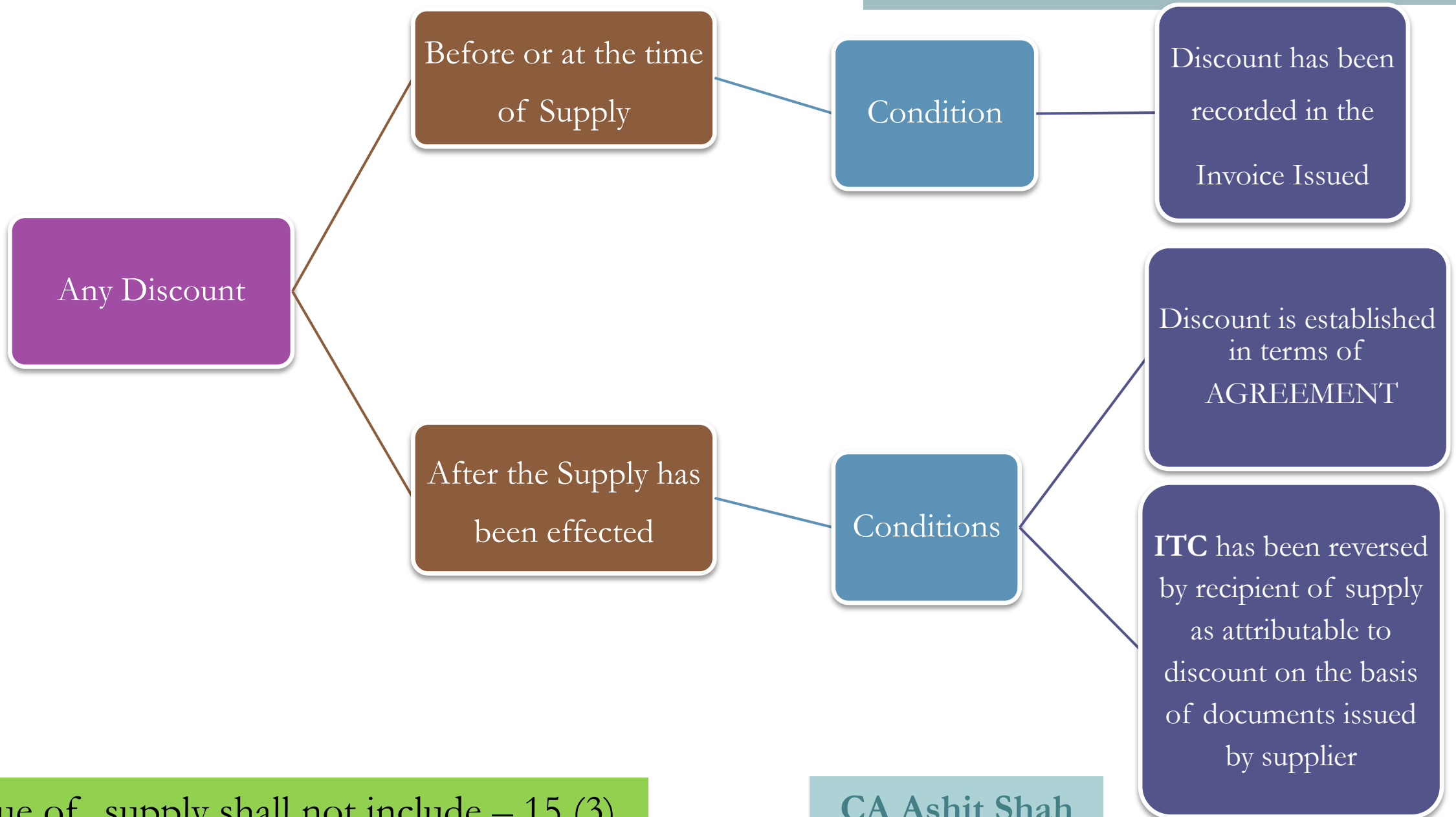
Examples of incidental expenses

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Examples of subsidy

- ❖ **Honest Ltd.** pursuant to Companies Act, 2013 have to spent sum towards Corporate Social Responsibility (CSR) during the year. Hence, they have asked Wocksoft Hosptial to carry out health check up activity in rural areas and agreed to share Rs. 500 per patient with Wocksoft Hospital out of total cost of Rs. 600 per patient. Such receipt of Rs. 500 would be liable for GST? 
- ❖ View would be different, if services were provided by Municipal Authority ?



Value of supply shall not include – 15 (3)

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Effect of Discounts

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Invoice					
S.No.	Description of goods	Quantity	Rate	Per	Amount
1	Car	1	4,00,000	No.	4,00,000
	Packing charges				5,000
	Discount@ 1%	1			(-) 4,000
	GST@18%*				72,180
	Total	1			4,73,180

1% of price Rs 4,00,000

18% on transaction value of
Rs 4,01,000 (4,00,000 + 5,000 - 4,000)



Many invoices Received & Payment Settled along with discount @ year end

These are after sale discounts :
IF After the supply it can be specifically linked to relevant invoices (on 1:1 Basis)



Can be deducted from the Transaction Value
ITC to be reversed

No Deduction from Value
Will be treated as bad debts

Deemed Value – 15 (5)

- ❖ In respect of **certain transactions**, value of supply would be determined in accordance with manner prescribed by Central Government or State Government in this behalf on the recommendation of the GST Council.

When Valuation provisions apply

- ❖ Valuation Rules attracts under following situations –
 - ✓ Consideration are not wholly or partly in money terms; or
 - ✓ Parties are related; or
 - ✓ Supplies between distinct persons;
 - ✓ Transaction value declared is not acceptable.

Value where consideration is not wholly in money – Rule 1

Value of Supply shall be

a

Open Market value
of such supply

Means full value in
money excluding Taxes
payable by person in a
transaction.

Transaction is not with
related party.

b

Open Market value
not available

Total of
Consideration in
Money
+
Consideration not
known in money at
the time of supply.

c

If value is not
determined as per (a)
or (b)

Like kind and quality

Means any Supply
made under similar
circumstances that in
respect of the
characteristics, quality,
quantity is same as

d

If value is not
determined as per (a)
or (b) or (c)

Total Consideration in
Money
+
Amount in money
equivalent to
consideration not in
money by applying
Rule 4 & 5



Open Market Value

Where a new phone is supplied for Rs. 20,000 along with the exchange of an old phone and if the price of the new phone without exchange is Rs. 24,000, the open market value of the new phone is Rs 24,000

Open Market Value not available

Where a laptop is supplied for Rs. 40,000 along with a barter of printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs.4,000 but the open market value of the laptop is not known, the value of the supply of laptop is Rs. 44,000

Value pursuant to Rule 4 & 5

- ❖ When the value can not be determined in accordance with Rule 1 to 3 –
Value = 110% of
 - (a) cost of production; or
 - (b) cost of manufacture; or
 - (c) cost of acquisition of such goods or services;
 - (d) cost of provision of such services.

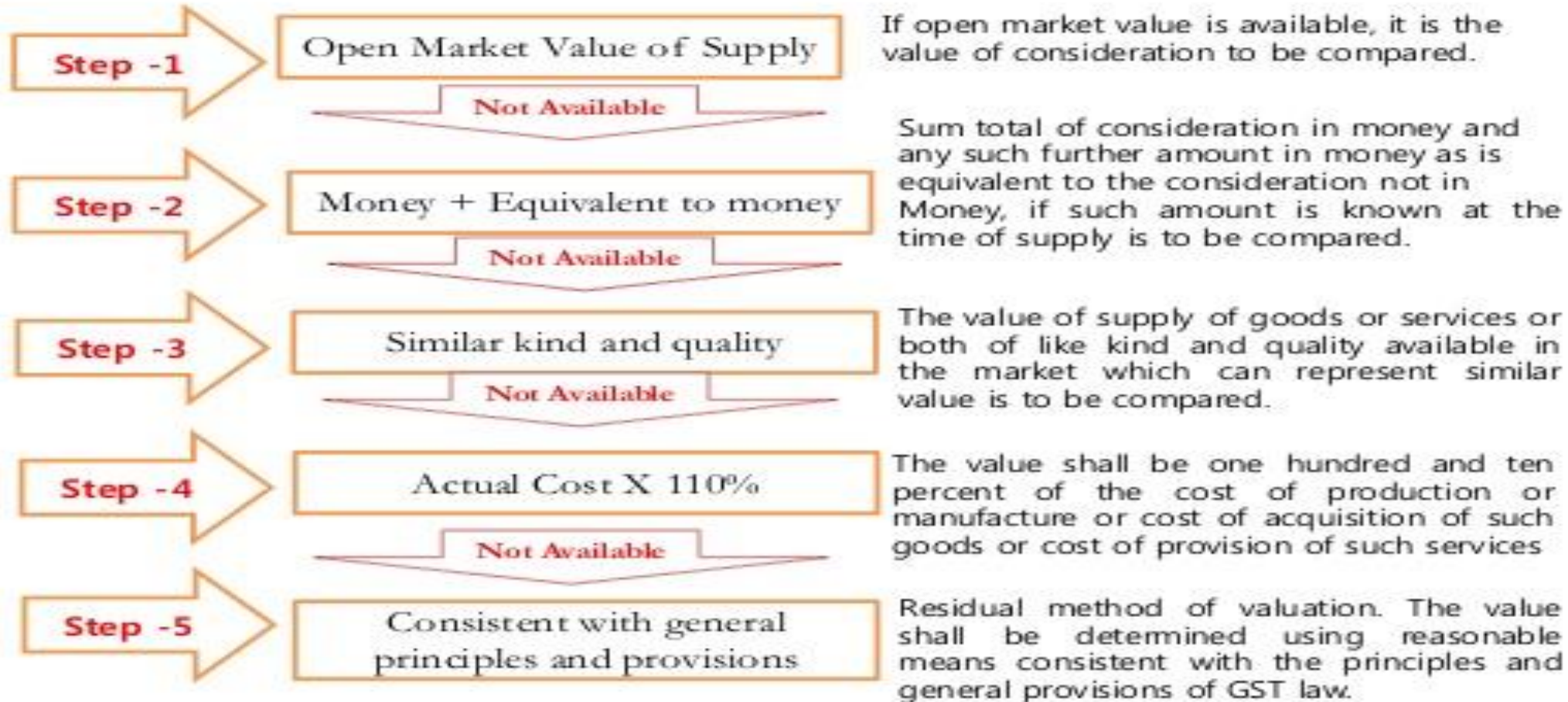
- ❖ Where the value of supply can not be determined in accordance the Rule 1 to 4 –
Value would determined using reasonable means consistent with the principles and general provisions of Section 15 and these rules,



GST -

Consideration is not wholly in Money

Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall be ;



The responsibility to ascertain the acceptable value of the transaction is with the person liable for the tax.

Value when transaction is with distinct & related persons – R. 2

❖ **Distinct Persons** – S. 25 (4) & (5)

(2) **A person** who has **obtained or is required to obtain** more than one registration, whether **in one State or more than one State**, shall, in respect of each such registration, be **treated as distinct persons for the purposes of this Act.**

(3) **An establishment** of a person who has **obtained or is required to obtain** registration **in a State**, and **any of his other establishments** in another State shall be treated as **establishments of distinct persons for the purposes of this Act.**

Transaction between distinct & related other than agent

Value of Supply shall be

a

Open Market value
of such supply

Means full value in
money excluding Taxes
payable by person in a
transaction.
Transaction is not with
related party.

b

Open Market value not
available

Value = like kind and
quality

Means any Supply made
under similar circumstances
that in respect of the
characteristics, quality,
quantity is same as

c

If value is not
determined as per (a) or
(b)

Value = Actual Cost x
110%

Or

Consistent with principles
and general provisions

d

If the recipient
is eligible for
full ITC, the
value declared
in the invoice
shall be deemed
to be the **open
market value** of
goods or
services.

Transaction between Principal and Agent – R -3

Value of Supply shall be

a

Open Market value
of such supply

Means full value in
money excluding Taxes
payable by person in a
transaction.
Transaction is not with
related party.

b

90% of the price charged for such supply
of like kind and quality by recipient
(agent) to his customer

Like kind and quality means any Supply made
under similar circumstances that in respect of
the characteristics, quality, quantity, functional
components, materials and reputation of
supplies is same as or closely or substantially
resembles, that supplies.

c

If value is not
determined as per (a) or
(b)

Value = Actual Cost x
110%

Or

Consistent with principles
and general provisions

Example

- ❖ Where a principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of Rs. 5,000 per quintal on the day of supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of Rs. 4,550 per quintal.
- ❖ The **value of the supply** made by the principal shall be Rs. 4,550 per quintal or where **he exercises the option** the value shall be 90% of the Rs. 5,000 i.e. is Rs. 4,500 per quintal.

Determination of value of service rendered in relation to `Money changing - Rule 6 (1)

- For a currency, when exchanged from, or to, **Indian Rupees (INR)**, the **value shall be equal** to the **difference** in the **buying rate or the selling rate**, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, **multiplied** by the total units of currency.

Example I : US\$1000 are sold by a customer at the rate of Rupees 62 per US\$.

RBI reference rate for US\$ is Rupees 62.50 for that day.

The taxable value shall be Rupees 500.



Determination of value of service rendered in relation to Money changing - Rule 6(1)

- In case where the RBI reference rate for a **currency is not available**, the **value shall be 1%** of the gross amount of Indian Rupees provided or received, by the person changing the money:

Example: US\$1000 are sold by a customer
at the rate of Rupees 62 per US\$.

$$\begin{aligned}\text{Taxable Value} &= 1\% \text{ of Rs. } 62,000 \\ &= (\text{USD } 1,000 * \text{INR } 62) \\ &= \text{Rs. } 620\end{aligned}$$



Determination of value of service rendered in relation to Money changing - Rule 6 (1)

- In case where **neither of the currencies** exchanged is Indian Rupee, the **value shall be equal** to 1% of the **lesser of the two amounts** the person changing the money would have received by **converting any of the two currencies** into Indian Rupee on that day at the reference rate provided by RBI.

Example: 1,000 USD is exchanged for 1,250 Euro

RBI Reference Rate of INR is Rs. 62.50 & 71.50

Value = Lower of – USD 1,000 * Rs. 62.50 = 62,500

- Euro 1,250 * Rs. 71.50 = 89,375

Value of service = 1% of 62,500 = 625

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Option -

27/06/2017

Maximum limit	Value	Min/ Max amount
Up to One lakh	1% of Gross Amount of Currency Exchanged	Min 250
< 1lakh up to 10 Lakhs	1,000+0.5% of (Gross Amount – Rs. 1 Lakh)	
> 10 lakhs	5,000+0.1% of (Gross Amount –Rs. 10 Lakhs)	Max 60,000

Valuation for Air Travel Agent – Rule 6(3)

27/06/2017

In relation to booking of air tickets by an Air travel agent:

- ✓ Value for domestic bookings = 5% of Base Fare
- ✓ Value for international bookings = 10% of Base Fare
- ✓ Explanation - For the purposes of this sub-rule, the expression “basic fare” means that part of the air fare on which commission is normally paid to the air travel agent by the airline.



Life Insurance Business – R. 6 (4)

In relation to Life Insurance Business:

- ✓ (a) Value = Gross amount of premium-amount allocated for investment, if such amount is intimated
- ✓ (b) Value in case of single premium annuity policies = 10% of premium
- ✓ © Value in other cases = 25% premium in 1st year and 12.5% of premium for subsequent years
- ✓ **Provided that nothing contained in this sub-rule shall apply where the entire premium paid by the policy holder is only towards the risk cover in life insurance.**

Second Hand Goods – R. 6 (5)

27/06/2017

In relation to Second hand goods:

- ✓ Where a taxable supply is provided by a person **dealing** in buying and selling of second hand goods i.e. used goods as such or **after such minor processing which does not change the nature of the goods** and where no input tax credit has been availed on purchase of such goods, the value of supply = **Selling Price - Buying Price** and where the value of such supply is negative it shall be ignored.



Sale of Voucher or Token or Coupon – R. 6(6) 27/06/2017

In relation to Voucher or Token or stamp:

- ✓ The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services or both **shall be equal to the money value** of the goods or services or both redeemable against such token, voucher, coupon, or stamp.





COUPONS



Mr. & Ms. Mehta purchased 10 Gift Vouchers for Rs. 500 each from Crossword, 5 Vouchers from Four Fountains Spa costing Rs. 1000 each, and gives them as return gifts to children and their parents for their son's birthday party. The vouchers from Four Fountains Spa had a special offer for couples - services for both persons at a price chargeable to one.



The value of the supply would be the money value of the goods redeemable against the voucher. Thus, in case of vouchers from Crossword, the value would be Rs 5,000 (i.e. Rs 500 * 10) and the value of vouchers in case of four fountains Spa would be Rs 10,000

(i.e. RS 1,000 *2*5)

Section 15(5) r/w Rule 6(6) of Valuation Rules

Pure Agent – Rule 7

- ❑ However, expenditure or costs incurred by the service provider **as a pure agent** of the client, shall be **excluded** from valuation, on **fulfillment of certain conditions** - Rule 5(2).

- ❑ Pure agent (PA) is defined in Explanation to Rule 5(2) as under:
 - ✓ PA enter in to contract with recipient of service;
 - ✓ Never holds title to the goods or services;
 - ✓ Not use the goods or services so procured;
 - ✓ Will receive only actual consideration.



Pure Agent conditions

□ In order to **exclude certain expenses or costs** from value of taxable services, PA have to **full fill Eight (8) cumulative conditions** as provided under Rule 5(2).

➤ Condition as a **qua Service Provider**:-

- ✓ enters in to a contractual agreement;
- ✓ does not hold title to goods or service so procured;
- ✓ does not use the goods or services himself;
- ✓ receives only actual amount;
- ✓ shows the amount in invoice separately.



Pure Agent conditions

□ Conditions as a **qua Receiver of Service**:

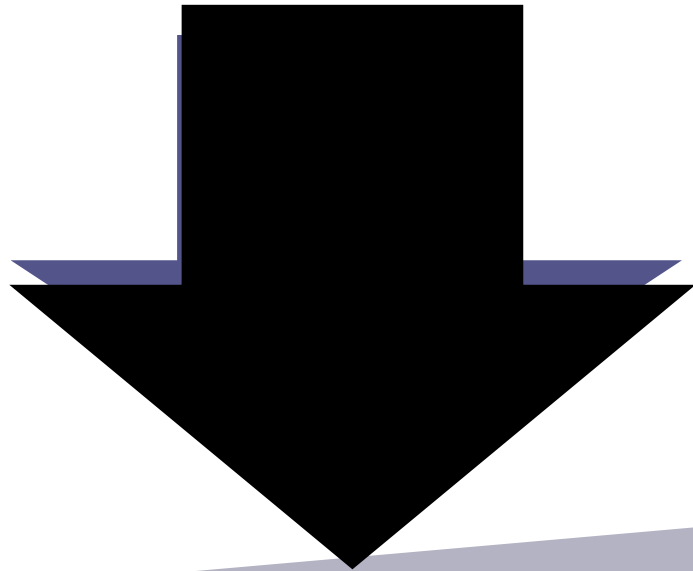
- ✓ receives and uses the goods or services;
- ✓ is primarily liable to pay to third party;
- ✓ authorises the service provider to make payment;
- ✓ knows that goods or services are provided by third party.

□ **Examples of Pure Agent**:

- ✓ Custom duty paid by CHA; or
- ✓ Air Ticket charges paid by agent on behalf of customer; or
- ✓ Statutory dues paid by CA on behalf of client; or
- ✓ STT or Stamp Duty paid by Broker on behalf of client.



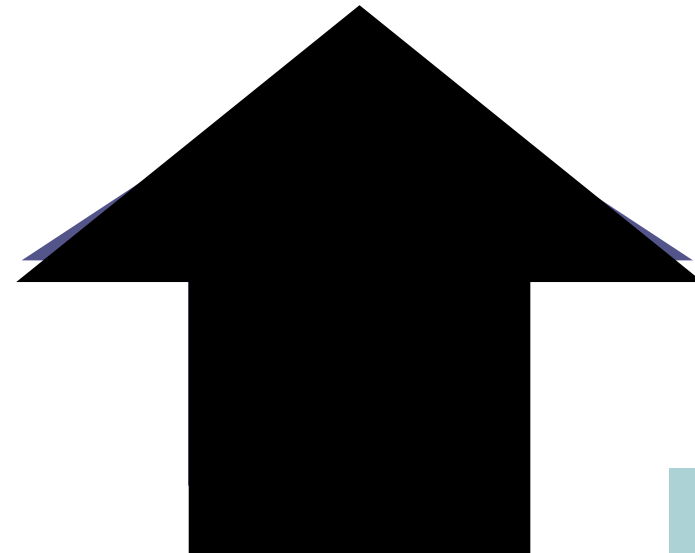
Valuations



Branch
Transfer

V/S

Goods sent on
approval



Stock Transfer Under GST



XYZ Ltd Transferred stock to its warehouse

Particulars	Goods Dealer	
	Present	GST
Inputs	1,000	1,000
Excise Duty @12.5%	125	
GST @ 18%		180
	<hr/>	<hr/>
	1,125	1,820
VAT (if Form F received)	NIL	
	<hr/>	<hr/>
	1,125	1,820
Eligible Credit		180
	<hr/>	<hr/>
Effective Cost	1,125	1,000

Notes:

1. Value of Inputs is Rs 1000
2. GST Rate is assumed to be 18%
3. Stock transfer is assumed to be 100% of the inventory

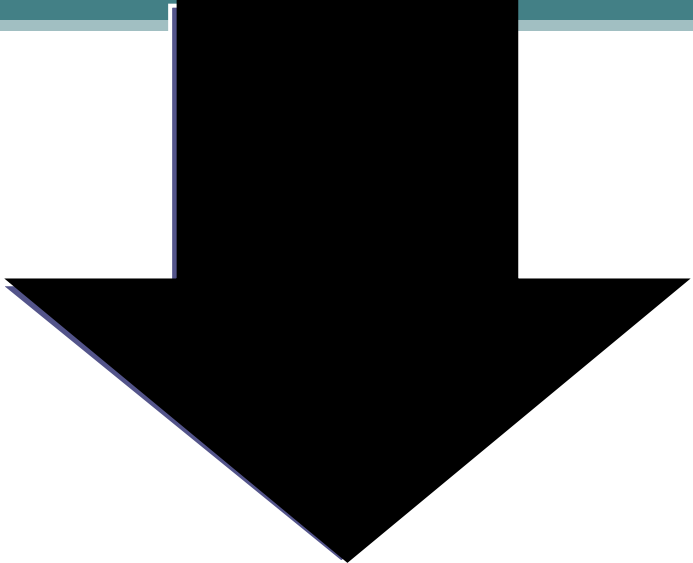


Sold LED worth Rs 60,000
on approval

Mr. Venkatesh

GST will be levied on Rs. 60,000 but only when the Mr Venkatesh approves the goods

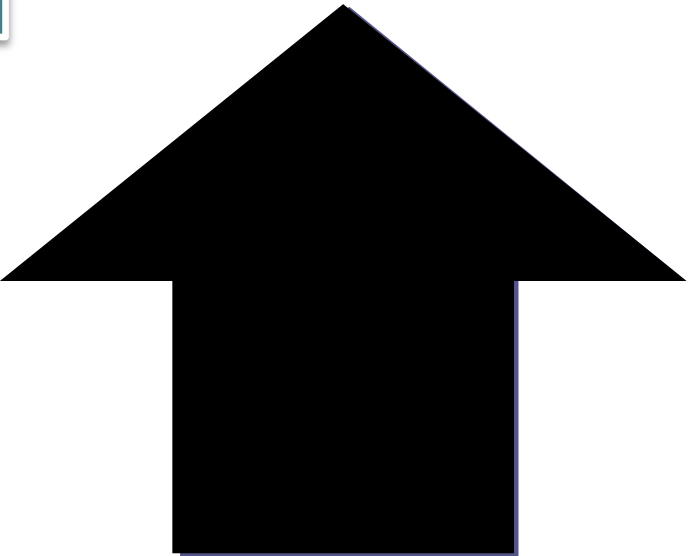
Depreciation



V/S

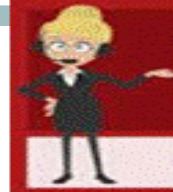


Write-Off





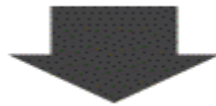
V/S



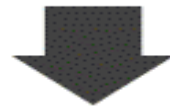
WRITE-OFF

meaning, definition, explanation...

Capitalization
(written off as depreciation over
several accounting periods)

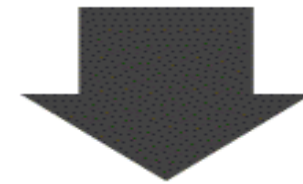


Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed in GST.



For eligibility of input, amount of GST should be excluded from assets value.

Writing Off
(charged off against earnings
in one accounting period)



Where the registered person has Written off the value of input , then he is not allowed to claim ITC on the tax components of such inputSupplies.

Valuation Of Capital Goods When Sold



GST on Sale OF Capital Goods



Mr.X

Disposes Capital Goods or Plant & Machinery
Mr. X had utilized ITC on such Goods earlier



ITC on Capital Goods
(reduced by the % points)

OR

The Tax on the Transaction
Value U/S 15 (1)

Whichever is higher

Note: If

- Refractory Bricks,
- Moulds & Dies,
- Jigs & Fixtures
are supplied as scrap

Mr. X may pay Tax on the
Transaction Value U/S 15 (1)

GST on Sale of Old Machines

Purchase Value	Rs. 1,00,000
Span	5 Yrs
Disposed after	3 Yrs

% points to be reduced
(5% base points per quarter)

$$\begin{aligned} &= 5\% * 12 \\ &= 0.6 * 1,00,000 \\ &= 60,000 \end{aligned}$$

ITC on Capital goods

$$\begin{aligned} &= 1,00,000 - 60,000 \\ &= \text{Rs. } 40,000 \end{aligned}$$

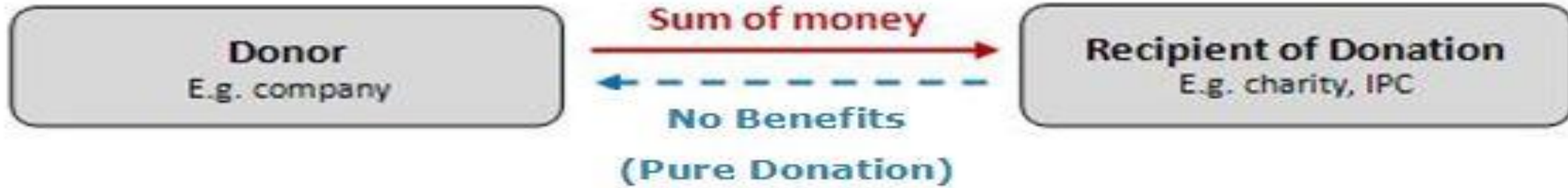
If the machine is
sold @ Rs.50,000

Whichever is higher
Therefore, GST to be paid on Rs. 50,000



Sponsorships & Donations

No Supply



When the recipient **does not provide any benefit in return** to the donor, there is no supply to the donor. Thus, GST is not applicable.

Supply Exists

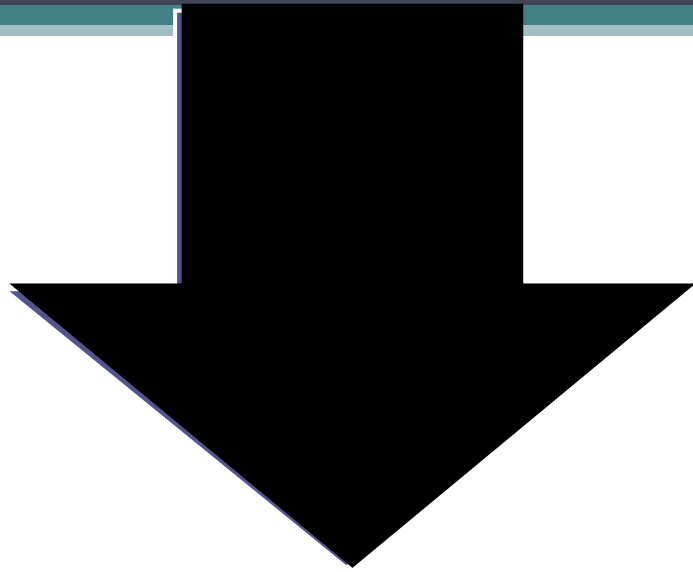


When the recipient **provides benefits in return** to the donor in the form of goods or services, there is a supply to the donor. Thus, GST is applicable.

Valuation

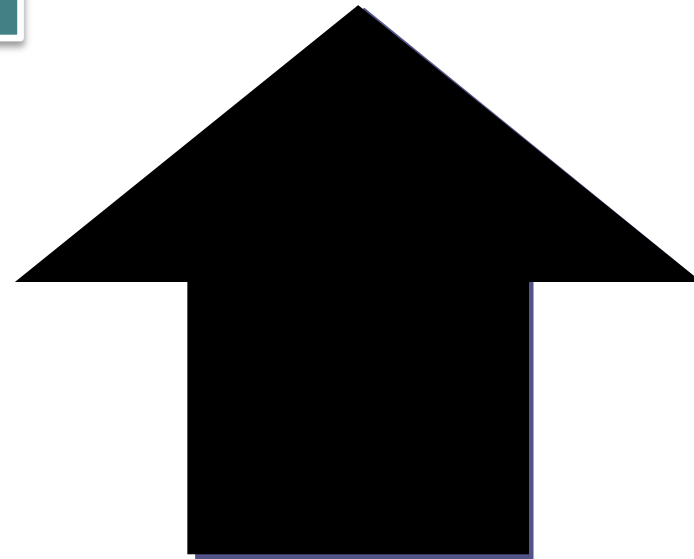
The recipient has to account for output tax at the prevailing tax rate on the open market value (OMV) of the benefits.

Sample
Defaced



V/S

Non Defaced



Sample Defaced



Facts:

On buying a Tommy Hilfiger travel bag worth Rs 10000 a Swiss military toiletry bag worth Rs 1500 will be offered free of cost

Since it is mentioned specifically on Swiss military bag (Defaced goods) the that they are “Not for sale” no GST would be leviable on them

Invoice		Company ~~~~	
To ~~~~			
Description	QTY	Rate	
Tommy Hilfiger bag	1	10,000	
GST @ 18%		1,800	
Total		11,800	

Non Defaced Items

Facts:

On buying a Tommy Hilfiger travel bag worth Rs 10000 a Swiss military toiletry bag worth Rs 1500 will be offered free of cost



It is not mentioned on Swiss military bag (Defaced goods) the that they are “Not for sale” hence GST will be levied.

Concept of Mixed supply
GST on goods having
highest rate

Company ~~~~		
To ~~~~		
Description	QTY	Rate
Tommy Hilfiger bag 10,000 GST @ 18%	1	
Total		12,070
2,070		



Thank you for your attention

Any questions?

Happy Learning

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