

Valuation under GST

By

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Levy & Collection of Tax

9. (1) Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, **on the value determined under section 15** and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

Sec. 15(1) Definition of Value

Value shall be **Transaction Value**, i.e.,

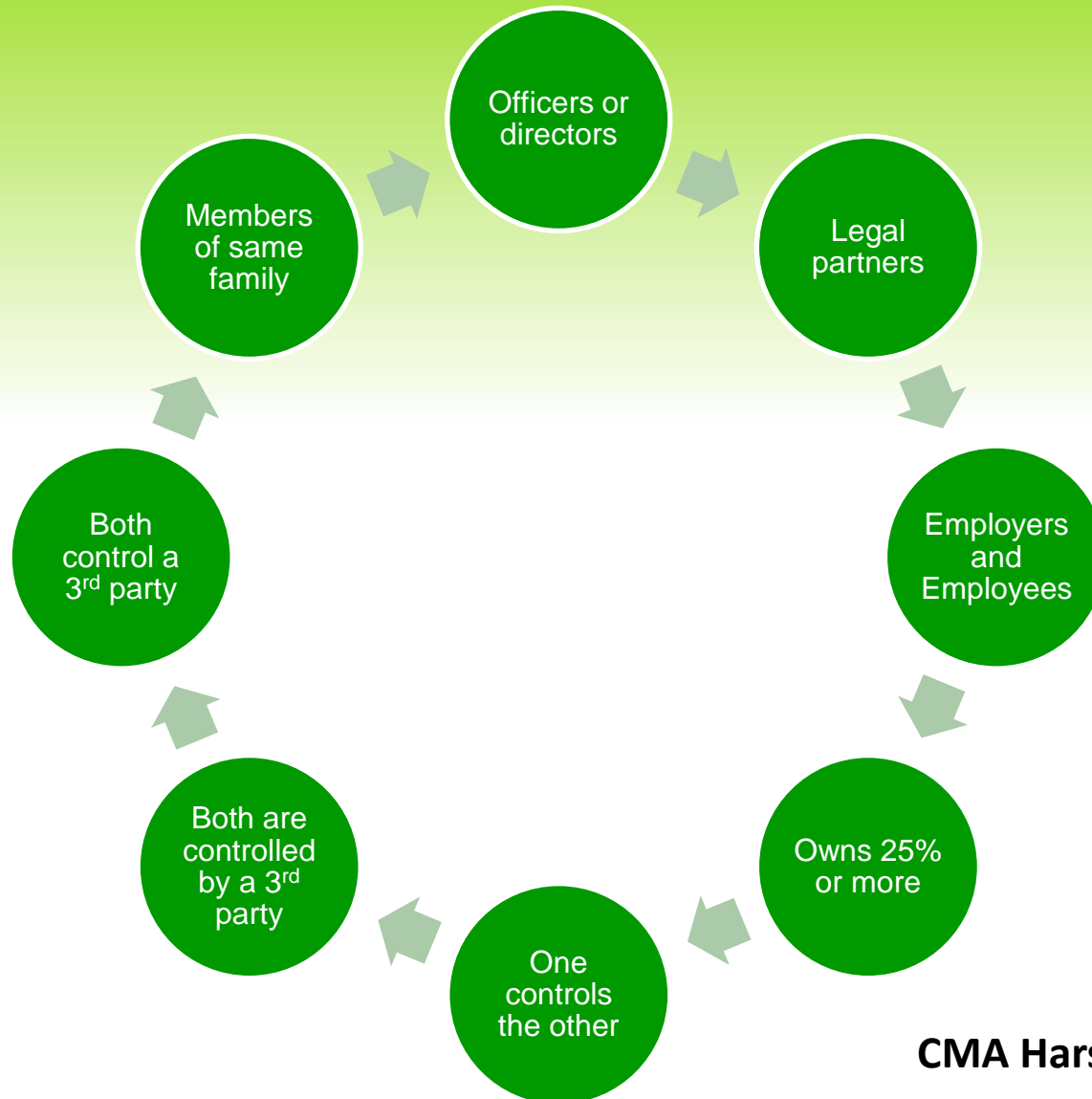
Price actually paid or payable for the said supply of Goods/Services , **IF**

Supplier and Recipient **NOT RELATED**

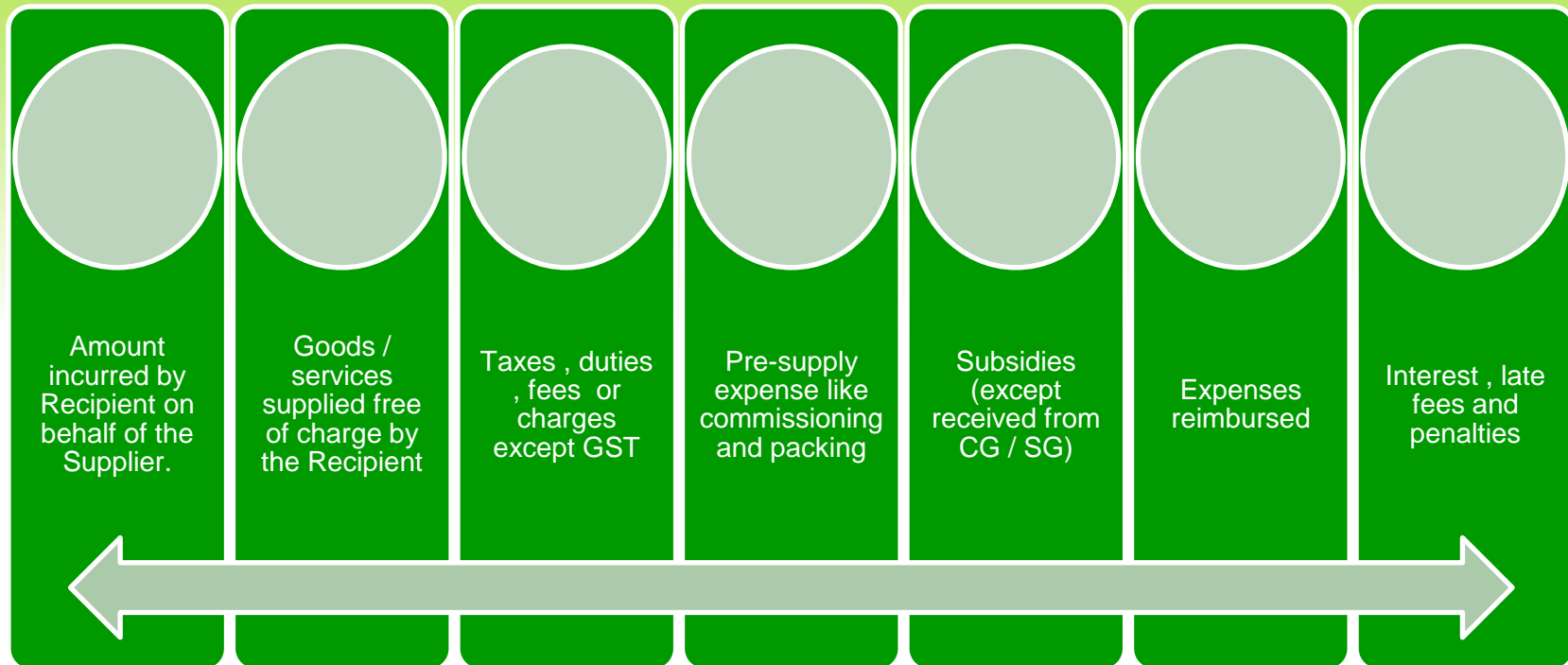
Price is the **SOLE CONSIDERATION**



Related persons include

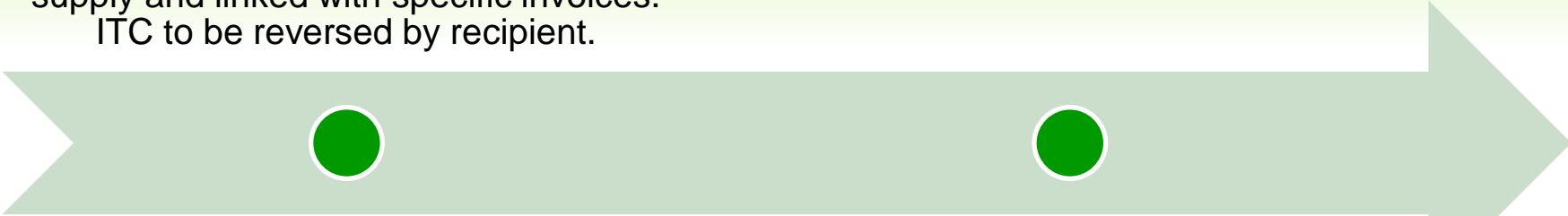


Sec 15(2) Inclusions in Transaction Value



Discounts

Any Post – supply discounts offered are to be included. However, we can exclude discounts established as per agreements and known at the time of supply and linked with specific invoices. ITC to be reversed by recipient.



If any discounts are applied before or at the time of supply in the course of normal trade practice and has been recorded in the invoice, the same would not be form part of the transaction value u/s 15(3).



Sec 15(4) : When to Resort To Rules ?



When buyer and seller **are Related** persons.

When price is **not** the sole consideration for sale.

Reasons to **doubt** about the transaction value.

Transaction of Pure Agent, Money Changer etc.

Other notified transactions.

Comparison of Valuation Rules

Existing Regime	GST Regime
<p>Excise : -MRP based valuation in certain cases -Transaction value</p> <p>VAT : No specific principles except specific inclusions and exclusions</p> <p>Service Tax : No specific principles except specific inclusions and exclusions</p>	<p>GST : Sequential •Determination by comparison •Computed value method •Residual method</p> <p>Rejection of declared value</p> <p>Valuation in case of pure agent , money changer etc.</p>



General rules

Transaction value should be monetary

Related party transaction value should be accepted if relation has not influenced

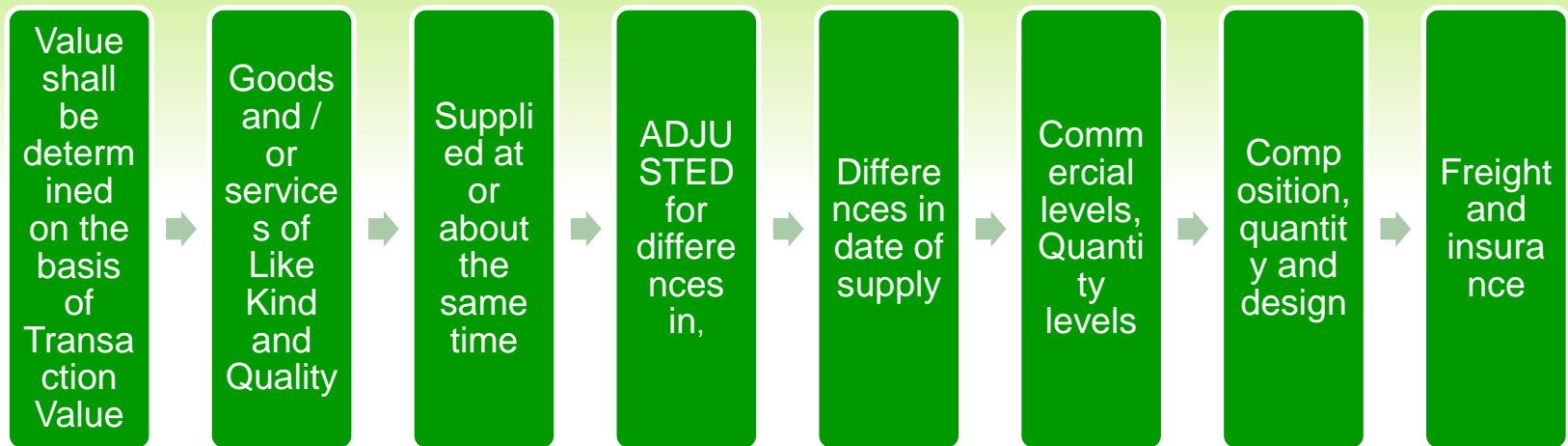
If supply consists of both taxable and non taxable , taxable supply shall be such attributable part of the monetary consideration.

Transaction Value shall be the value of supply of goods transferred from ,

- One place of business to another
- principle to an agent or vice versa, Whether situated in same state or not



Comparative Method



Computed Value Method

Computed value shall include:

- Cost of Production, Manufacture or Processing of the goods or the cost of provision of the services;
- Charges for the Design or Brand;
- Profit and General expenses:
 - equal to that usually reflected in the supply of
 - goods and / or services of same class or kind
 - which are made by the other supplier



Residual Method

- Compute value using Reasonable means consistent with the principles and general provisions of this rules.

PURE AGENT

“Pure agent” means a person who—

- (a) enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service;
- (b) neither intends to hold nor holds any title to the goods and/or services so procured or provided as pure agent of the recipient of service;
- (c) does not use such goods and/or services so procured; and
- (d) receives only the actual amount incurred to procure such goods and/or services.

Pure agents`

Expenditure / costs incurred by the service provider as a pure agent of the recipient shall be excluded, if

condition on provider

Act as an agent of the recipient while making payment to third party

Payment made by service provider has been separately indicated in the invoice

Recovers only as much as paid

These goods and /or services procured by the provider from the third party are in addition to the services he provides on his own .

conditions on recipient

Receive and use such goods and / or services

Be liable to make payment to third party

Authorise the service provider to make payment on his behalf

Know that the goods and services for which payment has been made shall be provided by the third party

Money changer

- Value of taxable service provider for the purchase and sale of foreign currency including money changing. Shall be
- Currency exchanged to / from INR
- If RBI reference rate is available : difference in buying and selling rate * no. Of units
- If RBI reference rate is not available : 1% of the gross amount of INR provided/ received
- Neither of the currency is in INR
- 1% Of the lesser of the two amounts in INR which the person would have received if he had converted the two currencies into INR at RBI reference rate for the day

Rule 7 : Rejection of Declared Value

When officers has reasons to doubt , the truth and accuracy of the value declared



Officer may ask the supplier to furnish further information

-Supplier provides the information

-Supplier does not provide the information



Officer still has reasonable doubt , it will be DEEMED that the vale cannot be determined

Reasons may include -

- Significantly higher value at which similar good were assessed
- Significantly lower or higher value compared to market value
- Misdeclaration in description , quality , quantity , year of mfg etc. `

Officer shall intimate supplier the grounds



Reasonable opportunity of being heard

If not satisfied proceed to determine the value under rule 2,3,4.

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ISSUE / CONCERN

- The rule provides for acceptance of transaction value in case of related party transactions where the relationship has not affected the price.
- The rule provides for the transaction value of goods and services of the like kind and quality being the basis for valuation.
- The power to reject declared value is with the proper officer.
- Exclusion under the provisions of 'pure agent' is too cumbersome and has been litigious in service tax.
- The power to reject declared value is with the proper officer.
- The provision states that where the value of the goods and services cannot be determined under the provisions of R 5, the value shall be determined using reasonable means consistent with the principles and general provisions of these rules.
- Any reimbursable expenditure or cost incurred by or on behalf of supplier in relation to supply of goods and / or services
- Subsidies provided in any form and manner, linked to the supply, are sought to be included.

THANK YOU !

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