

ATHENA NEWSLETTER



GST 10-point Series

A quick and efficient mode to understand important aspects of the biggest tax reform in India

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01

Valuation under GST

In the Model GST Law, **ordinarily** the value for payment of GST is the '**transaction value**' which is computed as per the provisions of section 15 of the Model GST Law. Section 15 is common for computing transaction value for all the types of GST i.e. IGST, CGST and SGST.

02

Transaction value refers to the price actually paid or payable for the supply of goods and/or services where the supplier and recipient are **not related** and the price is the **sole consideration** for the supply.

03

As per section 15(2) of the Model GST Law, transaction value **includes**:

- Amount which is paid by the recipient on behalf of the supplier
- Value of goods and/or services supplied, free of cost or at reduced price, directly or indirectly by the recipient to supplier, for use in connection with the supply of goods and/or services, to the extent such value has not been included in the price charged
- Royalties and licence fees which the recipient is liable to pay as a condition of supply, to the extent that such royalties and fees are not included in the price
- Any taxes, duties, fees and charges levied under any statute other than Goods and Service Tax i.e. CGST, SGST and IGST
- All the incidental expenses, such as commission, packing etc, incurred by the supplier before or at the time of delivery of goods and/or services
- Any form of subsidies provided which are linked to the supply
- Any reimbursable expenditure incurred by or on behalf of supplier and charged in relation to supply
- Discounts or incentives that may be allowed after the supply

04

The aforementioned provisions of the Model GST Law would thus have the effect of taxing a value much higher than the price actually paid or payable.

05

It is important to note that the said inclusions in transaction value defined under the GST Law are an exact replica of *parimateria* provisions under the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 [Explanation 1 to Rule 6] and Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 [Rule 10(1)(b) & Rules 10(1)(c)].

06

The transaction value shall not include any discount allowed before or at the time of supply provided such discount is allowed in the course of normal trade practice and has been duly recorded in the invoice in respect of the supply.

07

GST Valuation Rules shall be resorted for computing the value **only** when:

- a. Consideration is not in monetary terms wholly or partly
- b. Parties are related or supply by any specified category of supplier
- c. Transaction value declared is not reliable

08

Rule 7(b) of GST Valuation Rules provides the reasons for doubting the accuracy of transaction value declared:

- d. Comparable supplies are at significantly higher value
- e. Transaction is at significantly lower or higher than market value of supplies, and;
- f. misdeclaration in parameters like description, quality, quantity, year of make etc. The list is indicative and not exhaustive.

09

Primarily there are three methods that are provided under GST Valuation Rules for determining the value of supply:

- a. Comparative method
- b. Computation method
- c. Residual method

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The methods stated above are to be applied sequentially.

ABOUT THIS PUBLICATION

This publication forms part of 10-point series by Athena Law Associates, to help readers quickly understand key provisions of the Model Goods & Services Tax (GST) law proposed to be implemented in India, starting April 2017.

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