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LIVE COACHING CLASSES BOARD OF STUDIES(A), ICAI

CA INTERMEDIATE TOPIC NAME: VALUE OF SUPPLY PAPER 4B: INDIRECT TAXES

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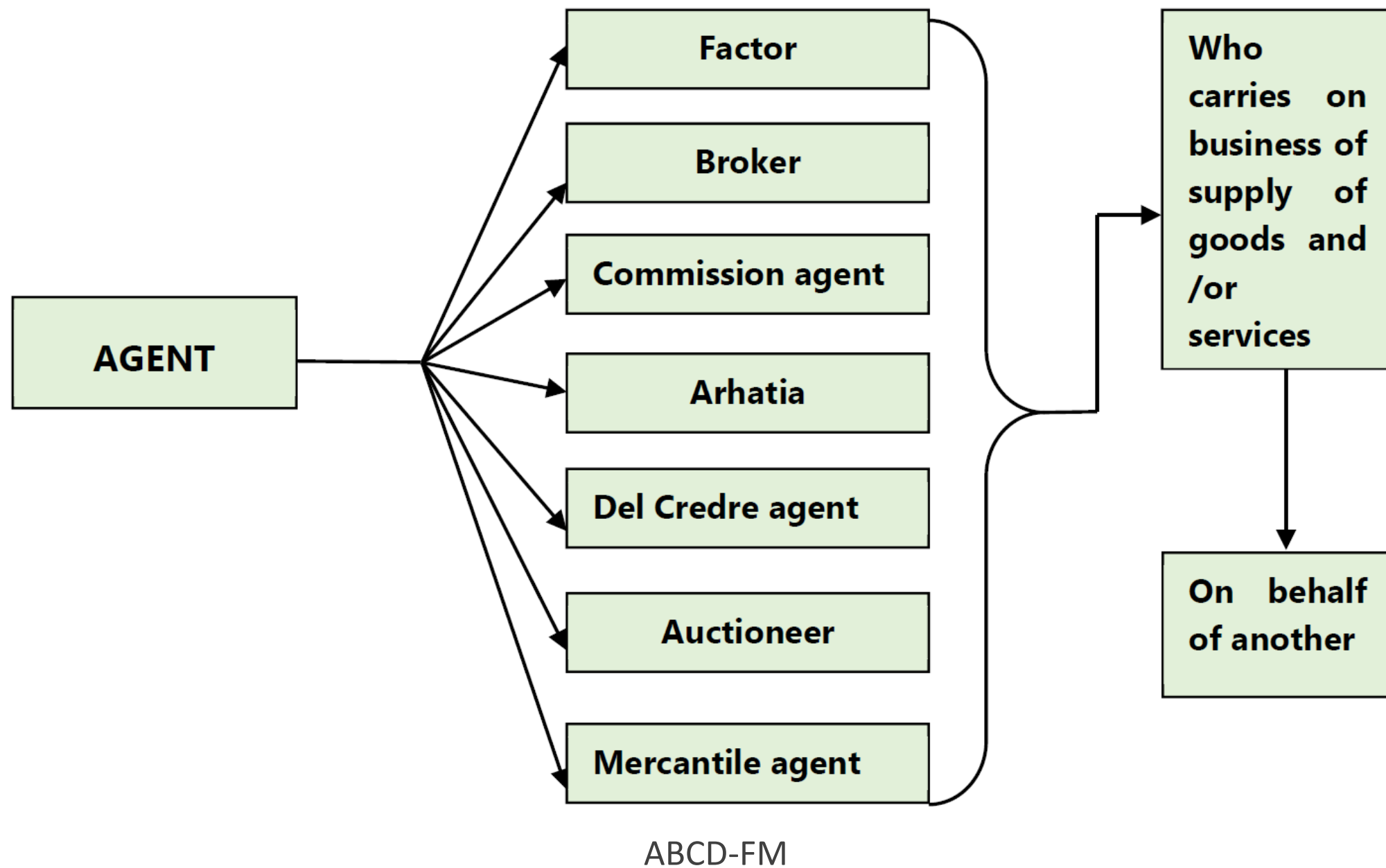


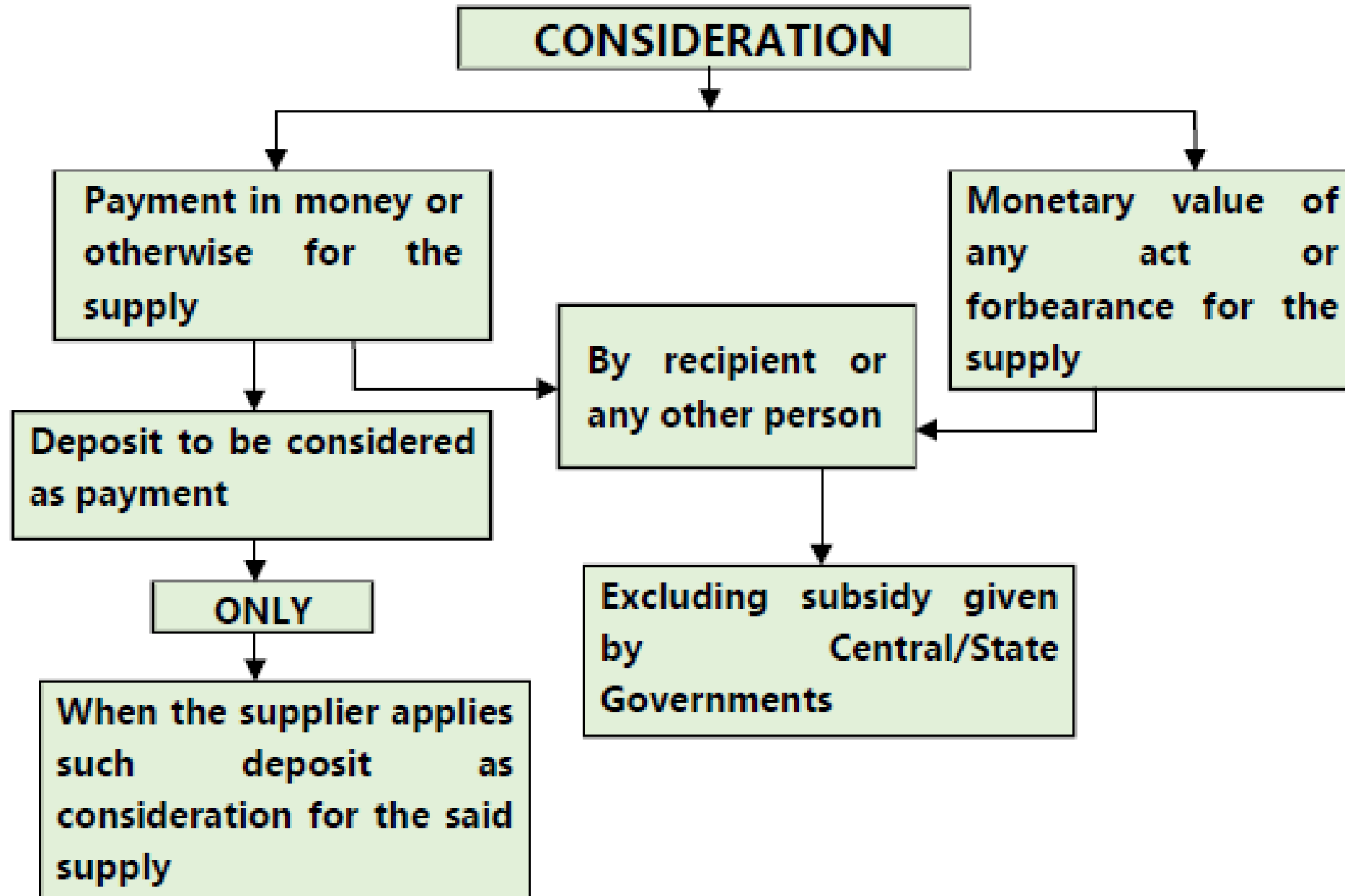
Introduction

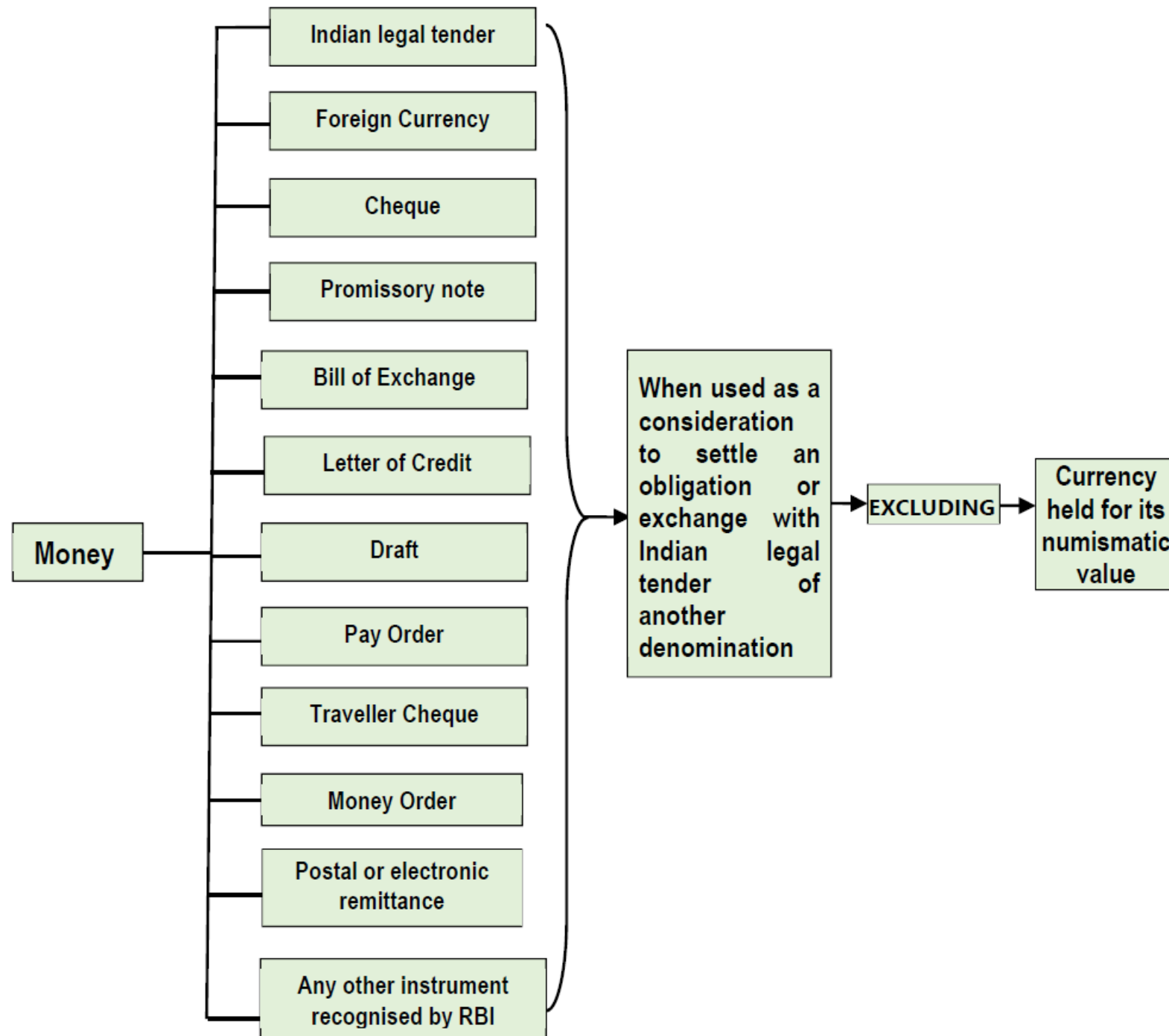
GST is levied under Section 9
on value determined u/s 15
and at specified rates

Duty could be
Ad valorem or Specific duty levy











Related Persons



+ 8th

One of them is a sole agent / sole distributor / sole concessionaire of the other

Section 15: Value of Taxable Supply

Sec 15(1)

Transaction Value
i.e. Price actually
paid/payable for Supply

Conditions:
Not related
party & price
should be sole
consideration.

Sec 15(2)

Inclusion to
Transaction Value

Duties &
Taxes other
than GST if
charged
separately

Interest, late
fee, penalty on
delayed
consideration

Payment
incurred by
recipient for
which supplier
liable to pay

Price linked
subsidy other
than given by
Govt.

Incidental
expenses charged
by supplier at
time of supply or
before delivery

Sec 15(3)

Deduction of discount

Any discount
given before/
at the time of
supply

Deductible
from Value

Any
discount
given after
supply

Agreed
at/before time
of supply

Deductible, if linked
to the invoice & ITC
reversed by recipient

Not
Agreed

Not
deductible



Transaction value : Section 15(1)

**Transaction is
between 2 persons not
related to each other**



**Price is the sole
consideration for
supply**

**Value of Supply is
Transaction Value
i.e price actually
paid or payable**



Adjustments to Transaction Value – Section 15(2)





Inclusions to Transaction value – 15(2)

(a) Any taxes, duties, cesses , fees and charges levied under any law for the time being in force other than this Act

- i. TCS under Income Tax is not includable as it is an interim levy not having the character of tax

(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 or services or both

- i. Cement bought by the recipient directly and given to supplier.

(c) Incidental expenses, including commission and packing, charged by the supplier to the recipient

- i. Freight handling charges, inspection or certification charges, installation and testing charges
- ii. Weighment charges, loading charges, designing charges etc.



Inclusions to Transaction value – 15(2)

(d) **Interest or late fee or penalty** for delayed payment of any consideration for any supply.

- i. Time of supply for such interest would be on actual receipt
- ii. Such charges are in addition to the value of supply, hence same rate of tax of the principal supply is applicable.

(e) **Subsidies directly linked to the price**

- i. Blanket subsidies are not included, only subsidies directly related to price of the goods/services are to be added
- ii. Subsidy given by State Government / Central Government is not to be added.



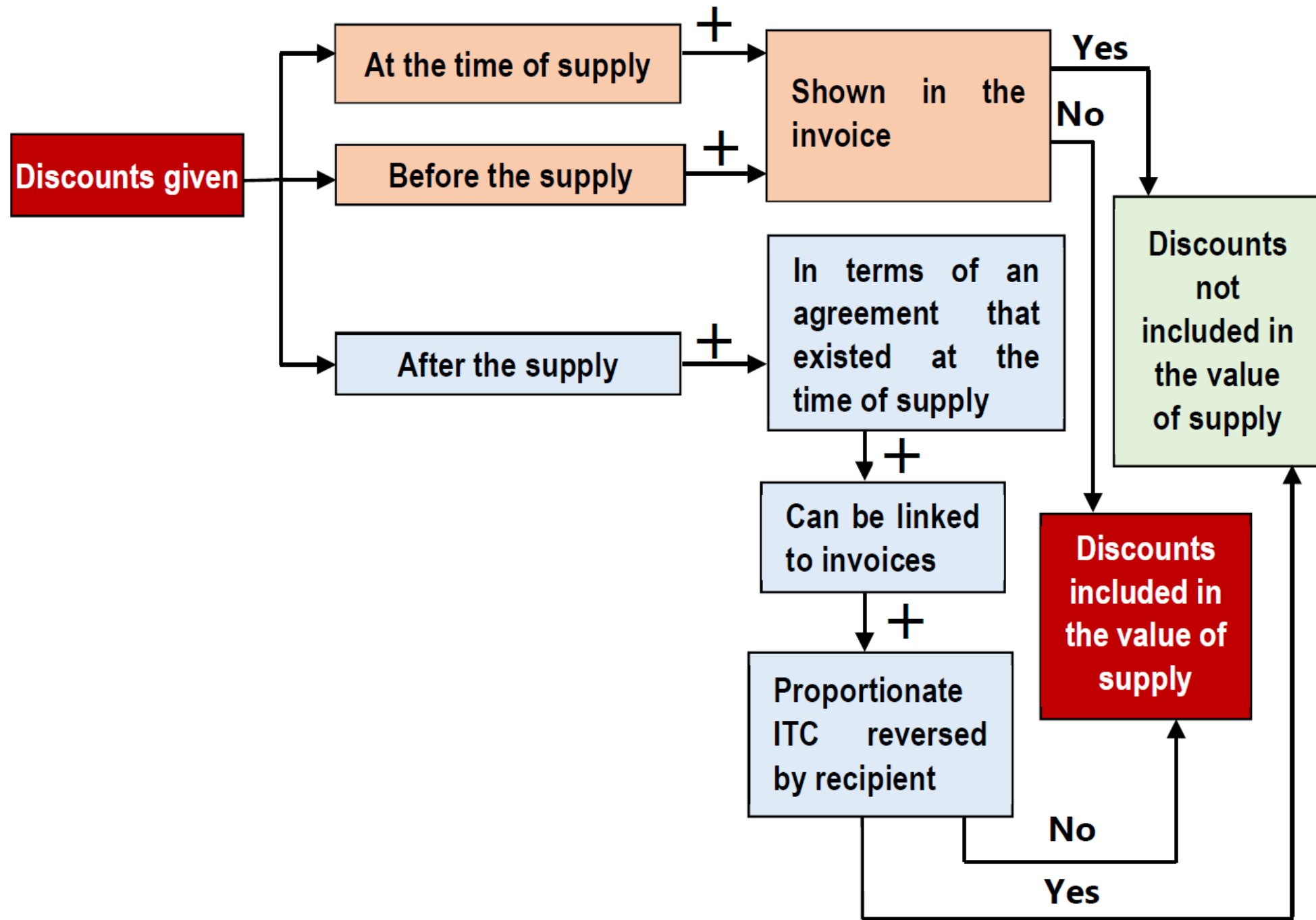
Exclusion to Transaction value – 15(3)

(a) **Discounts given Before or at the time of the supply** if such discount has been duly recorded in the invoice issued in respect of such supply

- i. Discount for spot payment
- ii. Discount on List price to distributors.

(b) **Discounts given After the supply** has been effected, only if -

- Such discount is established in terms of **an agreement** entered into at or before the time of such supply and specifically linked to relevant invoices,
and
- **Input tax credit as is attributable to the discount** on the basis of document issued by the supplier has been reversed by the recipient of the supply.





Allowability of certain specific discounts

Staggered discounts

- Rate of discount increases with increase in purchase volume
- Such discounts are excluded to determine the value of supply

Year end / volume discounts

- Offered by the suppliers to their stockists
- Discounts passed by the supplier through credit notes.
- Such discounts are excluded to determine the value of supply, but satisfy 15(3) conditions

Secondary discounts

- Discounts not known at the time of supply or are offered after the supply is already over
- Shall not be excluded while determining the value of supply
- Commercial Credit Note is issued



Transaction value – 15(4) & 15(5)

15(4) Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same **shall be determined in such manner as may be prescribed.**

15(5) Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.



When do we go to valuation rules

- a) Supply not covered under sec 15 (1),
i.e. the two controlled conditions are not satisfied
- b) Supply covered under sec 15 (1) but transaction is
between related persons
- c) Supply covered under sec 15 (1) but mandatory
adjustments to transaction value not made



MCQ'S



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1. Value of supply shall not include any discount which is given
- a) Before the time of supply if such discount has been duly recorded in the invoice issued in respect of such supply
 - b) At the time of supply if such discount has been duly recorded in the invoice issued in respect of such supply
 - c) Both a & b
 - d) None of the above



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2. In which circumstances, subsection 4 & 5 of section 15 read with chapter IV: Determination of value of supply of CGST Rules applies
- a) Supplies made solely for non-monetary consideration
 - b) Supplies made for part monetary consideration and part non-monetary consideration
 - c) Supplies made to related persons
 - d) All of the above



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3. Persons including legal persons deemed as related persons if
- a) A third person controls (directly/indirectly) or own/holds $< 25\%$ voting stock/shares of both of them
 - b) A third person controls (directly/indirectly) or own/holds $\geq 25\%$ voting stock/shares of both of them
 - c) A third person controls (directly/indirectly) or own/holds $\geq 50\%$ voting stock/shares of both of them
 - d) A third person controls (directly/indirectly) or own/holds $< 50\%$ voting stock/shares of both of them



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4. Value of supply includes____
- a) Subsidies provided by the Central Government
 - b) Subsidies directly linked to the price
 - c) Blanket Subsidies
 - d) Both a & c



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5. Value of supply is the “Transaction Value” when a transaction of supply of goods/services is
- a) made between unrelated persons
 - b) Price is the sole consideration for the supply
 - c) Both a & b
 - d) Price is made with related persons but adjusted to match with unrelated party transaction



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6. Discounts are excluded from value u/s 15(2) when it is given
- a) Before the time of supply
 - b) At the time of supply
 - c) Recorded in the invoice
 - d) All of the above



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7. Which of the following discounts offered by the supplier are allowed as reduction in transaction value?
- a) Staggered discounts ('Buy more, save more' offers)
 - b) Periodic/year ending discounts/volume discounts
 - c) Secondary discounts
 - d) Discounts given through Commercial Credit Note



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8. For the purpose of determination of value of supply under GST, TCS under the provisions of the Income Tax Act, 1961 is ____ in the taxable value for the purpose of GST
- a) Includible as it is an interim levy having the character of tax
 - b) Not includible as it is an interim levy not having the character of tax
 - c) No TCS concept under GST
 - d) None of the above



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9. In which of the following circumstances, outward freight & transit insurance **will not be included** in the value of supply of goods
- a) Supplier agrees to deliver the goods at the buyer's premises & arranges for transport & insurance, the contract of supply becomes a composite supply
 - b) Contract for supply is on ex-factory basis where the buyer pays the outward freight & insurance
 - c) Neither a nor b
 - d) Both a & b



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10. Which are the conditions to be satisfied to allow post supply discounts as deduction from the value of the supply
- a) Discount is in terms of agreement that existed at the time of supply & can be worked out invoice-wise
 - b) Proportionate input tax credit is reversed by the recipient
 - c) Neither a nor b
 - d) Both a & b



THANK YOU