

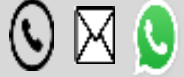


Lawgics

By Nidhi, Advocate



Serial No. 011
Dt.: 13-01-2023



Section 15 of CGST Act, 2017

15. Value of taxable supply.

(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include—

- a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
- 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;
- c) incidental expenses, including 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 goods or supply of 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 Government and State Governments.

Explanation. —For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

(3) The value of the supply shall not include any discount which is given—

- (a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
- (b) after the supply has been effected, if—
 - (i) 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
 - (ii) 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.

(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.

(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.

Explanation. —For the purposes of this Act, —

(a) persons shall be deemed to be —“ related persons” if—

- (i) such persons are officers or directors of one another 's businesses;
- (ii) such persons are legally recognised partners in business;

- (iii) such persons are employer and employee;
- (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
- (v) one of them directly or indirectly controls the other;
- (vi) both of them are directly or indirectly controlled by a third person;
- (vii) together they directly or indirectly control a third person; or
- (viii) they are members of the same family;

(b) the term —” person” also includes legal persons;

(c) 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.

Relevant Rule	Subject
Rule 27	Value of supply of goods or services where the consideration is not wholly in money
Rule 28	Value of supply of goods or services or both between distinct or related persons, other than through an agent
Rule 29	Value of supply of goods made or received through an agent
Rule 30	Value of supply of goods or services or both based on cost
Rule 31	Residual method for determination of value of supply of goods or services or both
Rule 31A	Value of supply in case of lottery, betting, gambling and horse racing
Rule 32	Determination of value in respect of certain supplies
Rule 32A	Value of supply in cases where Kerala Flood Cess is applicable
Rule 33	Value of supply of services in case of pure agent
Rule 34	Rate of exchange of currency, other than Indian rupees, for determination of value
Rule 35	Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax

Our Interpretation

Section 15(1)	<p>Valuation of taxable supply</p> <p>As per Section 15(1), Transaction value is the price actually paid or payable for the supply of Goods or Services or both, and that is the valuation on which GST is payable by the supplier provided:</p> <ul style="list-style-type: none"> • Supplier and Recipient are not related to each other • Price is the sole consideration for the supply
Section 15(2)	Section 15(2) provides those certain inclusions which needs to be added in the basic transaction value liable to GST.
Section 15(2)(a)	Any Tax, Duties, Cess, fee & charges levied under any other law (Except SGST, CGST, IGST, Cess, UTGST, etc), if the same are separately charged on the invoice by the supplier, then it will be added in the basic transaction value liable to GST.
Section 15(2)(b)	Any amount that the supplier is liable to pay but which has been incurred by recipient and the same is not included in the Invoice Value, then it will be added in the basic transaction value liable to GST.
Section 15(2)(c)	Incidental Charges, if any, including commission and packing charged by supplier in the invoice, at the time or before delivery of goods or supply of services, then it will be added in the basic transaction value liable to GST.
Section 15(2)(d)	If any late fee, interest or penalty is charged for delayed payment of consideration then it will be added in the basic transaction value liable to GST.
Section 15(2)(e)	<p>Subsidies directly linked to the supply excluding subsidy provided by Central Government or State Government will be added in the basic transaction value liable to GST.</p> <p>For Example, ABC supplies coaching services to underprivileged student at Rs. 300/- and getting Rs. 50/- from private NGO. In such a case, GST is leviable on Rs. 350/-.</p>

	Please note that Any cash back or no cost EMI (Price intervention by third party) are not included in this clause for the simple reason that this price intervention is reaching directly to the recipient and not to the supplier.
Section 15(3)	Exclusion from transaction value for paying GST i.e., value of the supply shall not include any discount.
Section 15(3)(a)	Discount, if any, duly recorded on the invoice, before or at the time of supply shall not form part of the taxable value.
Section 15(3)(b)	Discount, though not granted on the invoice but given on subsequently specifically linked to relevant invoices and are in conformity with the agreement that exists before or at the time of supply subject to the condition that recipient has to reverse proportionate ITC on such discount.
Section 15(4)	<p><u>Where the supply of Goods or services or both cannot be determined, the same shall be determined in such manner as may be prescribed:</u></p> <p>It can be said that valuation Rules shall be applied for calculating taxable value in below mentioned cases:</p> <ul style="list-style-type: none"> ➤ Price is not the sole consideration {Rule 27} ➤ Transaction between related parties {Rule 28} ➤ Supplies between Principal and agents {Rule 29} ➤ Cost based Valuation {Rule 30} ➤ Residual Method of Valuation for Service Providers {Rule 31} ➤ Valuation for Specific Categories {Rule 32} ➤ Pure Agent transactions {Rule 33} <p>It is the duty of the taxpayer to discharge GST liability on the correct value. If he believes that TRANSACTION VALUE is not correct, then he must resort to relevant rule for arriving at correct taxable value.</p>
Rule 27	<p><u>Value of supply of goods or services where the consideration is not wholly in money.</u></p> <p>Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall, -</p> <p>(a) be the open market value of such supply;</p> <p>(b) if the open market value is not available under clause (a), be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;</p> <p>(c) if the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality;</p> <p>(d) if the value is not determinable under clause (a) or clause (b) or clause (c), be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by the application of rule 30 or rule 31 in that order.</p>
Rule 27	<p><u>Valuation of supply of Goods or services or both where price is not the sole consideration</u></p> <p>In this situation, following sequential method is required to be adopted:</p> <ol style="list-style-type: none"> 1) Open Market Value (OMV) 2) If OMV not known then, money Consideration + non-money consideration 3) If value cannot be determined from above, then value of supply of like kind & quality 4) If none of the above method, then total of money Consideration + Rule 30 or 31 which is discussed below.
Rule 28	<p><u>Value of supply of goods or services or both between distinct or related persons, other than through an agent</u></p> <p>The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall-</p> <p>(a) be the open market value of such supply;</p> <p>(b) if the open market value is not available, be the value of supply of goods or services of like kind and quality;</p> <p>(c) if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order:</p> <p>Provided that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person:</p>

	<p>Provided further that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.</p>
Rule 28	<p><u>Transactions between related parties or distinct persons</u></p> <p>For determination of value of supplies while transaction between related person or distinct person (Separate Entity under same PAN)</p> <ol style="list-style-type: none"> 1) Open Market Value 2) If value cannot be determined from above, then value of supply of like kind & quality 3) If none of the above method, then apply Rule 30 or 31 which is discussed below. <p>First proviso to Rule 28 says if supply made to related parties or distinct party for further supply to a third party then valuation at the option of the supplier can be 90% of such value on which related party or distinct person had invoiced to the third party, where third party is unrelated/independent buyer.</p> <p>Second proviso states that if recipient is allowed to take full ITC, then the invoice value would be the transaction value in that scenario as the value declared in the invoice shall be deemed to be the open market value of the goods or services.</p>
Rule 29	<p><u>Value of supply of goods made or received through an agent.</u></p> <p>The value of supply of goods between the principal and his agent shall-</p> <ol style="list-style-type: none"> (a) be the open market value of the goods being supplied, or at the option of the supplier, be ninety percent. of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient. <p>Illustration: 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 five thousand rupees per quintal on the day of the supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of four thousand five hundred and fifty rupees per quintal. The value of the supply made by the principal shall be four thousand five hundred and fifty rupees per quintal or where he exercises the option, the value shall be 90 per cent. of five thousand rupees i.e., four thousand five hundred rupees per quintal.</p> <ol style="list-style-type: none"> (b) where the value of a supply is not determinable under clause (a), the same shall be determined by the application of rule 30 or rule 31 in that order.
Rule 29	<p><u>Supplies between Principal and agents</u></p> <p>Agency cannot be inferred but it must be expressed or implied. Supply between principal and agent is merely a channel to supply to the real customer and shall be treated as supply in case of goods as per schedule I of the Act.</p> <p>Rule 29 dealt only in respect of supply of Goods (Services not covered). Valuation to be done in the following manner:</p> <ol style="list-style-type: none"> 1) Open Market Value or the option of the supplier, the value can be 90% of the price charged for supply of like kind & quality by the recipient to an unrelated buyer, where goods is supplied to intended buyer 2) If none of the above method, then apply Rule 30 or 31 which is discussed below.
Rule 30	<p><u>Value of supply of goods or services or both based on cost.</u></p> <p>Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.</p>
Rule 30	<p><u>Costing based Valuation</u></p> <p>When the supplier fails to find out the value as per the aforementioned rules, then this rule may be applied, which is known as cost-based valuation rule, and the same is equivalent to 110% of the Cost to the supplier. (Manufacturer, Traders, service Providers, etc.)</p>
Rule 31	<p><u>Residual method for determination of value of supply of goods or services or both.</u></p> <p>Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter:</p>

	Provided that in the case of supply of services, the supplier may opt for this rule, ignoring rule 30.
Rule 31	<p><u>Residual rule for calculating value in case of supply of Goods or Services or both</u></p> <p>The suppliers need to sequentially apply Rule 27 to 30 before coming to Rule 31 but Service Provider has the option to omit the application of Rule 30 and directly apply Rule 31 in case, they are unable to find out value as per Rule 27 to Rule 29.</p> <p>This rule is basically a residual method, which consist of determining value by using principle of reasonableness in accordance with general provisions of section 15 and the provisions of this Chapter.</p>
Rule 31A	<p><u>Value of supply in case of lottery, betting, gambling and horse racing</u></p> <p>(1) Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall be determined in the manner provided hereinafter:</p> <p>(2) The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher.</p> <p>Explanation: – For the purposes of this sub-rule, the expression “Organising State” has the same meaning as assigned to it in clause (f) of sub-rule (1) of rule 2 of the Lotteries (Regulation) Rules, 2010.</p> <p>(3) The value of supply of actionable claim in the form of chance to win in betting, gambling or horse racing in a race club shall be 100% of the face value of the bet or the amount paid into the totalisator.</p>
Rule 31A	<p><u>Value of supply in case of Lottery, Betting, Gambling, & Horse Racing</u></p> <p>In case of Lottery, if permitted only in the organising state, then valuation is higher of the notified price or 100/112* face value of tickets sold.</p> <p>In case of Lottery, if permitted in other states along with the organising state, then valuation is higher of the notified price or 100/128* face value of tickets sold.</p> <p>In case of actionable claims (Betting, Gambling, horse racing), the taxable value is the face value of such claim or amount paid to totalisator.</p>
Rule 32(1)	<p><u>Determination of value in respect of certain supplies.</u></p> <p>Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall, at the option of the supplier, be determined in the manner provided hereinafter.</p>
Rule 32(1)	<p><u>Determination of value in respect of certain specified supplies of Goods or Services</u></p> <p>Rule 32(1) overrides the other Rules from 27 to 31 and applied to certain specific supplies which have been elaborated in Rules as under:</p> <ul style="list-style-type: none"> ➤ Sale of Foreign currency or money changer [Rule 32(2)] ➤ Air Travel Agent [Rule 32(3)] ➤ Services related to Life Insurance Business [Rule 32(4)] ➤ Dealer of Second-Hand Goods {Rule 32(5)} ➤ Value of Token / Coupon / Voucher, etc. [Rule 32(6)] ➤ Value of supply of services provided by notified service providers between distinct person [Rule 32(7)] <p>Please note that this is an optional Rule at the option of the supplier.</p>
Rule 32(2)	<p>The value of supply of services in relation to the purchase or sale of foreign currency, including money changing, shall be determined by the supplier of services in the following manner, namely:</p> <p>(a) for a currency, when exchanged from, or to, Indian Rupees, 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 reference rate for that currency at that time, multiplied by the total units of currency:</p> <p>Provided that in case where the Reserve Bank of India reference rate for a currency is not available, the value shall be one per cent. of the gross amount of Indian Rupees provided or received by the person changing the money:</p> <p>Provided further that in case where neither of the currencies exchanged is Indian Rupees, the value shall be equal to one per cent. of the lesser of the two amounts the person changing the money would have received</p>

	<p>by converting any of the two currencies into Indian Rupee on that day at the reference rate provided by the Reserve Bank of India.</p> <p>Provided also that a person supplying the services may exercise the option to ascertain the value in terms of clause (b) for a financial year and such option shall not be withdrawn during the remaining part of that financial year.</p> <p>(b) at the option of the supplier of services, the value in relation to the supply of foreign currency, including money changing, shall be deemed to be-</p> <ol style="list-style-type: none"> i. one per cent. of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees; ii. one thousand rupees and half of a per cent. of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and iii. five thousand and five hundred rupees and one tenth of a per cent. of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to a maximum amount of sixty thousand rupees.
Rule 32(2)	<p><u>Sale of Foreign currency or money changer [Rule 32(2)]</u></p> <p>The value of services in relation to determination of value of services for purchase or sale of foreign currency including money changing, is determined by the supplier of service in the following manner: -</p> <ol style="list-style-type: none"> (a) 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. (b) At the option of supplier of services, the value in relation to supply of foreign currency, including money changing, shall be deemed to be <ol style="list-style-type: none"> (i) 1 % of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees; (ii) one thousand rupees (1,000) and half of a per cent (0.5%) of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and (iii) five thousand rupees (5,000) and one tenth of a per cent (0.10%) of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to maximum amount of sixty thousand rupees. <p>Please note that Slab rates option once opted, cannot be withdrawn during the remaining financial year.</p>
Rule 32(3)	<p>The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of five percent. of the basic fare in the case of domestic bookings, and at the rate of ten per cent. of the basic fare in the case of international bookings of passage for travel by air.</p> <p>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 airlines.</p>
Rule 32(3)	<p><u>Air Travel Agent</u></p> <p>This Rule specifically relates to the valuation of services provided by Air travel agents which is to be calculated as under:</p> <ul style="list-style-type: none"> ❖ 5% of basic fare in case of domestic flights ❖ 10% of basic fare in case of international flights <p>Basic fare means the amounts on which commission is paid to the air travel agents by the airlines.</p>
Rule 32(4)	<p>The value of supply of services in relation to life insurance business shall be, -</p> <ol style="list-style-type: none"> (a) the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such an amount is intimated to the policy holder at the time of supply of service; (b) in case of single premium annuity policies other than (a), ten per cent. of single premium charged from the policy holder; or (c) in all other cases, twenty-five per cent. of the premium charged from the policy holder in the first year and twelve and a half per cent. of the premium charged from the policy holder in 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.
Rule 32(4)	<p><u>Services related to Life Insurance Business</u></p> <p>This Rule applies for Life Insurance Policy only. It also covers Composite policy having both Risk & saving / investment. The value of supply of services in relation to life insurance business shall be:</p> <p>(a) the gross premium charged from a policy holder reduced by the amount allocated for investment, or savings on behalf of the policy holder, if such amount is intimated to the policy holder at the time of supply of service;</p> <p>(b) in case of single premium annuity policies other than (a), 10% of single premium charged from policy holder; or</p> <p>(c) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from policy holder in subsequent years.</p>
Rule 32(5)	<p>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 the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:</p> <p>Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.</p>
Rule 32(5)	<p><u>Dealers of Second-Hand Goods</u></p> <p>This Rule mainly deals in respect of second-hand Goods and liable for taxation on Margin. If no margin, then No GST. This scheme is applicable when following conditions are satisfied:</p> <ol style="list-style-type: none"> 1) Purchase of the Used Goods 2) Sale of such used goods as it is or with minor processing (nature of goods should not be altered) 3) Any cost incurred towards minor repairs, refurbishing, reconditioning, shall form part of cost to the old used goods 4) Such dealer is a registered person 5) Not taken ITC while purchasing old used good <p>Therefore, Value of Taxable Supply = S.P – C.P. If the selling price is less than Purchase/ Cost price, then Value of Taxable supply = Zero</p> <p>Please note that Old Jewellery purchased and then remaking the same after melting, shall not be eligible to opt this margin scheme.</p> <p>Please note that the proviso to Rule 32(5) deals with the goods being repossessed from a defaulting borrower. The purchase value of such repossessed goods shall be determined by reducing 5% per quarter, if defaulting borrower is Unregistered otherwise person repossessing shall discharge liability at supply value without reduction from actual / notional purchase value, if the defaulting borrower is a registered tax payer under GST.</p>
Rule 32(6)	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.
Rule 32(6)	<p><u>Value of supply of service in relation to supply of Token, Voucher, Coupon, Stamp other than postage stamp.</u></p> <p>In such cases, redemption value is the taxable value.</p>
Rule 32(7)	The value of taxable services provided by such class of service providers as may be notified by the Government, on the recommendations of the Council, as referred to in paragraph 2 of Schedule I of the said Act between distinct persons as referred to in section 25, where input tax credit is available, shall be deemed to be NIL.
Rule 32(7)	<p><u>Value of supply of services provided by notified service providers between distinct persons</u></p> <p>The government may notify certain class of service providers (Related persons or Distinct person) where the taxable value shall be deemed to be NIL, provided the ITC is available in such case.</p>

Rule 32A	The value of supply of goods or services or both on which Kerala Flood Cess is levied under clause 14 of the Kerala Finance Bill, 2019 shall be deemed to be the value determined in terms of section 15 of the Act, but shall not include the said cess.
Rule 32A	<p><u>Value of supply in cases where Kerala Flood Cess is applicable</u></p> <p>The value of intra-state supply of goods or services or both in the State of Kerala shall not include the said cess, i.e., Kerala Flood Cess, w.e.f. 01/07/2019.</p>
Rule 33	<p><u>Value of supply of services in case of pure agent.</u></p> <p>Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely, -</p> <ol style="list-style-type: none"> (a) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient; (b) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and (c) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account. <p>Explanation. - For the purposes of this rule, the expression “pure agent” means a person who-</p> <ol style="list-style-type: none"> (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both; (b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply; (c) does not use for his own interest such goods or services so procured; and (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account. <p>Illustration. - Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A’s recovery of such expenses is a disbursement and not part of the value of supply made by A to B.</p>
Rule 33	<p><u>Value of supply of services in case of Pure Agent</u></p> <p>This Rule overrides all other rules and is applicable only in case of valuation of services provided by the pure agents.</p> <p>Pure agent services are usually ancillary services which are done in respect of a main supply. Under this, agent is the one who incurs certain expenditures and claims as re-imbusement on actual basis, in addition to their own services in normal course of business.</p> <p>The expenditure or costs incurred by the supplier as a pure agent of the recipient of supply of services shall be excluded from the value of supply, if all the following conditions are satisfied, namely: -</p> <ol style="list-style-type: none"> (i) the supplier acts as a pure agent of the recipient of the supply, when he makes payment to the third party for the services procured; (ii) the recipient of supply uses the services so procured by the supplier service provider in his capacity as pure agent of the recipient of supply; (iii) the recipient of supply is liable to make payment to the third party; (iv) the recipient of supply authorizes the supplier to make payment on his behalf; (v) the recipient of supply knows that the services for which payment has been made by the supplier shall be provided by the third party; (vi) the payment made by the supplier on behalf of the recipient of supply has been separately indicated in the invoice issued by the supplier to the recipient of service; (vii) the supplier recovers from the recipient of supply only such amount as has been paid by him to the third party; and (viii) the services procured by the supplier from the third party as a pure agent of the recipient of supply are in addition to the supply he provides on his own account.

Rule 34	<p>Rate of exchange of currency, other than Indian rupees, for determination of value:</p> <p>(1) The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.</p> <p>(2) The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.</p>
Rule 34	<p><u>Valuation for change in currency other than INR</u></p> <p>Transactions undertaken in foreign currency must be converted into INR.</p> <ul style="list-style-type: none"> ➤ In case of Goods – Notified rates by Board u/s 14 of custom Act, 1962 ➤ In case of services – applicable rate as per general accepted accounting principle
Rule 35	<p><u>Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax.</u></p> <p>Where the value of supply is inclusive of integrated tax or, as the case may be, central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner, namely, -</p> <p>Tax amount = (Value inclusive of taxes X tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) ÷ (100+ sum of tax rates, as applicable, in %)</p> <p>Explanation. - For the purposes of the provisions of this Chapter, the expressions-</p> <p>(a) “Open market value” of a supply of goods or services or both means the full value in money, excluding the integrated tax, central tax, State tax, Union territory tax and the cess payable by a person in a transaction, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made;</p> <p>(b) “Supply of goods or services or both of like kind and quality” means any other supply of goods or services or both made under similar circumstances that, in respect of the characteristics, quality, quantity, functional components, materials, and the reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.</p>
Rule 35	<p><u>Value of supply inclusive of IGST, CGST, SGST</u></p> <p>Where the value of supply + Tax component is inclusive in consideration, then, Value of supply or Tax Amount be calculated as under:</p> <p>Tax Amount = Tax Rate / 100+tax rate * Total consideration</p> <p>Value of supply = Total consideration – tax amount</p> <p>Suppose, Rs. 168 is the total consideration of a calculator having tax rate @12%, then:</p> <p>Tax Amount = 12/112*168 or says Rs. 18/-</p> <p>Therefore, the Value of supply = 168 – 18 = Rs. 150/-</p>
Section 15(5)	<p>The Government on the recommendations of the Council may notify the valuation provisions in respect of some supplies which shall not be determined according to the provisions of Section 15(1) and Section 15(4).</p>

We expressly disclaim liability to any person in respect of anything done in reliance of the contents of this publication.