




## Value of Supply and Time of Supply








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FAQ : It is a destination based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition is taxed and burden of tax is to be borne by the final consumer.



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## What is GST

-  Goods and Services Tax
-  Greatly Screw-up Tax
-  Good and Simple Tax
-  Great Selfish Tax
-  Gabbar Singh Tax
-  God Save (from) Tax


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## COVERAGE


- Value of Taxable Supply
- Determination of Value of Supply
- Time of Supply



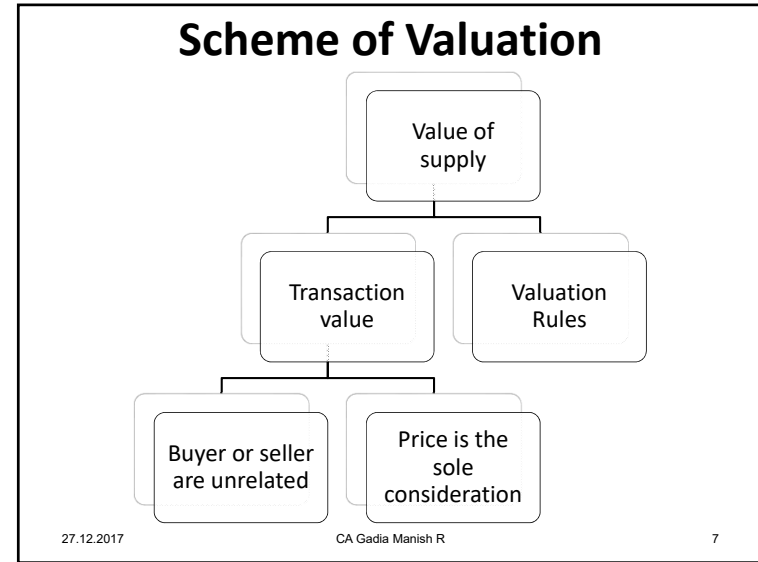
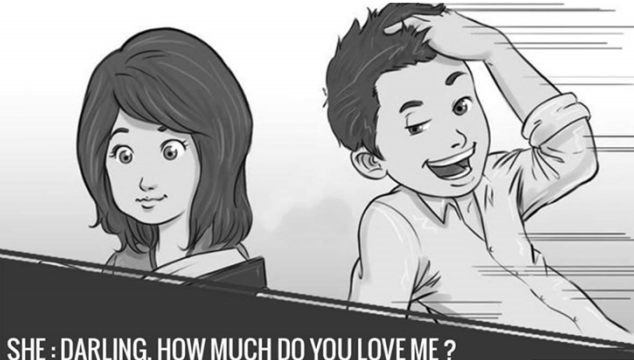
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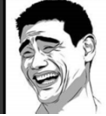
# Value of Supply



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SHE : DARLING, HOW MUCH DO YOU LOVE ME ?  
 HE : 82%  
 SHE: HUH, WHY IT IS NOT 100% ?  
 HE : 18% GST IS APPLICABLE ON ALL TRANSACTIONS.



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## Transaction Value FAQ

**Q 2. What is transaction value?** MRP value?  
Assessable Value under Excise?

**Ans.** Transaction value refers to

- The **price actually paid or payable for the supply** of goods and or services
- where the supplier and the recipient are not related and
- price is the **sole** consideration for the supply.
- It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply.

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## Transaction Value shall include Sec 15(2)

- Taxes levied other than GST Acts, if charged separately.
- Amount that supplier is liable pay in relation to such supply but incurred by recipient and not included in the price.
- Incidental expenses such as commission & packaging **charged** by the supplier to the recipient including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, supply of the services
- interest or late fee or penalty for delayed payment of any consideration for any supply
- subsidies directly linked to the price excluding subsidies provided by the CG and SG. The subsidy shall be included in the value of supply of supplier who receives the subsidy

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## Discount Vs Bad debts

Adjustment of Bad Debts, whether thru credit note?

- **“credit note” means a document issued by a taxable person as referred to in sub-section (1) of section 34;**
  - Where a tax invoice has been issued for supply of any goods and/or services and
  - the taxable value and/or tax charged in that tax invoice is found to exceed the taxable value and/or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where services supplied are found to be deficient,
  - the registered taxable person, who has supplied such goods and/or services, may issue to the recipient a credit note containing such particulars as may be prescribed.

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## Value Shall not include discount

### Before or at the time of supply

- Discount has been recorded in the invoice

### After the supply has been effected

- Such discount is as per the terms of **Agreement** entered into at or before the time of supply and specifically **linked to relevant invoices**; and
- ITC has been reversed by the recipient of the supply as is attributable to the discount

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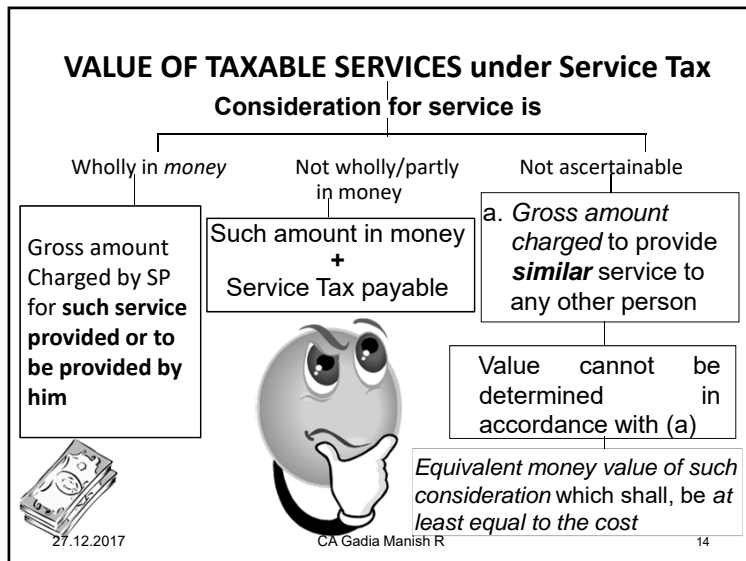
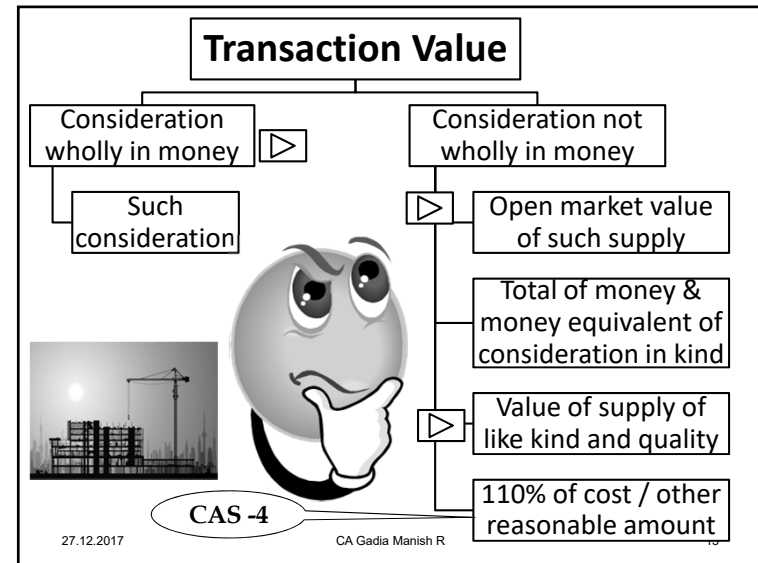
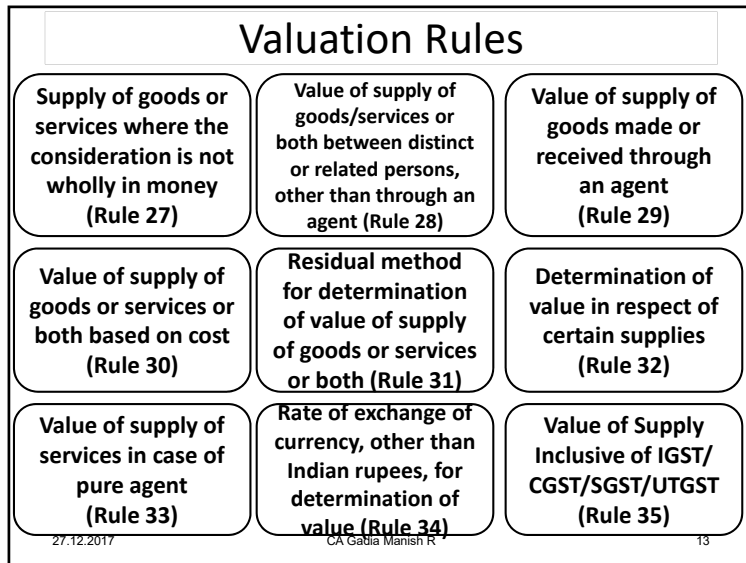
## Section 15(4)&(5)

- 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.
- ❖ 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.

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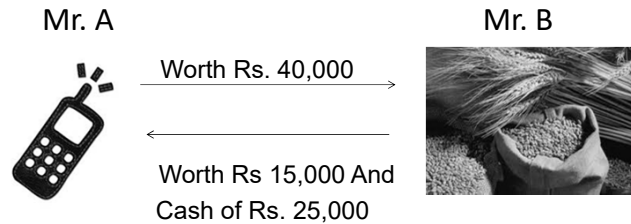
### Illustration – A shop owner sells mobile phone

Open Market Value	Cash	Kind Value	Cost of Supply	Like Kind & Quality	Transaction Value
40000	38000	0	28000	35000	38000
40000	30000	9000	28000	35000	40000
40000	30000	Not Known	28000	35000	40000
Not Known	30000	9000	28000	35000	39000
Not Known	Not Known	Not Known	28000	35000	35000
Not Known	Not Known	Not Known	28000	Not Known	30800

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### Supply of goods or services where the consideration is not wholly in money (Rule 27)

- Example:-



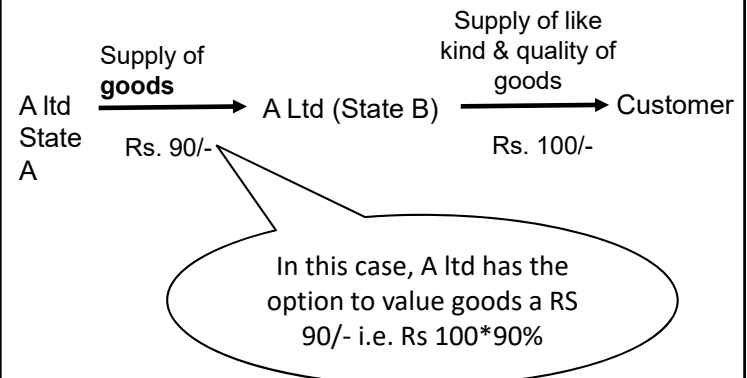
- As per Rule 27, Value of supply will be the open market value of such supply i.e. Rs. 40,000.

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### Goods intended for further supply by the Recipient

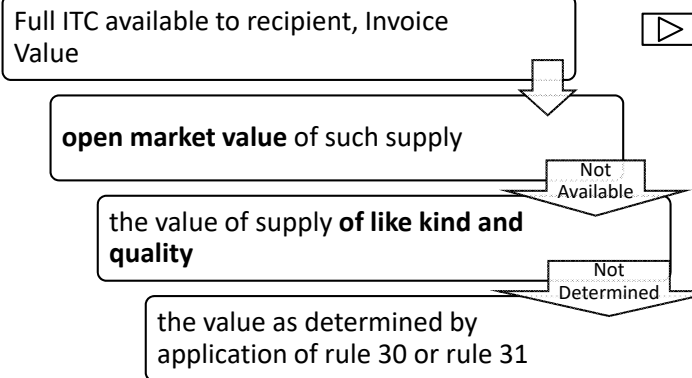


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### Value of supply between distinct or related persons, other than through an agent (Rule 28)

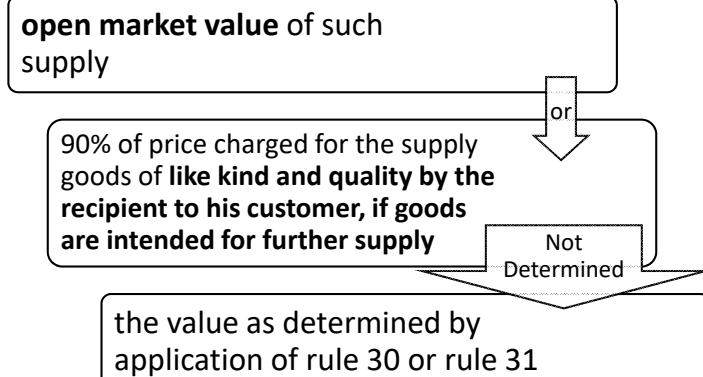


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### Value of supply of goods made or received through an agent (Rule 29)



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### Value of supply of goods or services or both based on cost (Rule 30)

- Where the value of a supply of goods or services or both is not determinable by any of the preceding rules,
- **the value shall be 110% of the cost of production or manufacture or cost of acquisition of such goods or cost of provision of such services.**

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## Integral Issues



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### Residual method for determination of value of supply of goods or services or both (Rule 31)

- Shall be determined using reasonable means consistent with the principles and general provisions of Section 15 and these rules
  - The residual method should be adopted only if valuation is not possible by any other method [Sanjay Chandiram v. CC 1995 (77) E.L.T 241(S.C.)]
  - Before resorting to valuation under residuary Rule, applicability of other Rules will have to be exhausted [Polyvinyl Industrial Corporation vs CC 1994 (74) ELT 426]
- Provided **that in case of supply of services**, the supplier may opt for this rule, disregarding rule 30

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#### Absence of Consideration

Whether a Taxable Supply?

“supply” includes—

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be **made for a consideration** by a person in the course or furtherance of business. ....

(c) **the activities specified in Schedule I, ... without a consideration ....”**

#### Presence of Non Monetary Consideration

What is value of taxable supply

**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.

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### Discount Vs Consideration by 3<sup>rd</sup> Party

- Vehicle Manufacturer has given discount voucher of Rs. 1000/- to customer, which customer redeems at authorised service station. Service station gets reimbursed of Rs. 1000/- from manufacturer – What is the value for GST?
- Amusement park gives discount coupons of 20% on F&B bought within the park. Customer redeems coupon in F&B outlet of an independent supplier. Coupons accepted by independent supplier reduced from rent payable by supplier to amusement park owner. What is the value for GST?

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### Valuation of imports as per IGST?

Sec 5(1) Proviso:

- Provided that IGST on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

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### Sponsorship from 3<sup>rd</sup> Party

- Pune Branch organised a seminar on GST. The expected cost of the seminar was Rs. 1 lac and to be attended by 100 members.
- The Branch received sponsorship from a GST software company of Rs. 25000/- for the event.
- Accordingly the branch decided price of Rs. 750 per participant for the event.
- Whether the branch is required to charge GST from participants on sponsorship also?

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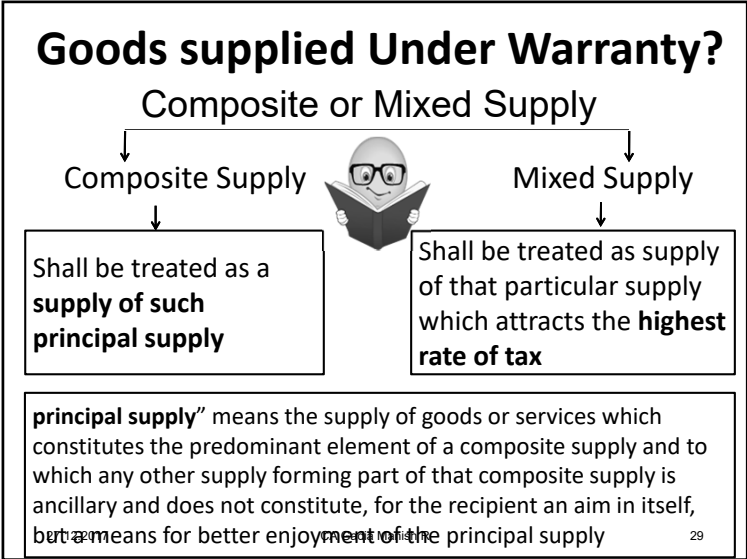
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- Free Samples– Effects?
- Goods Stolen/lost?
- **Credit not allowed? [17(5) (h)]**
  - Goods lost, stolen, destroyed, **written off** or **disposed of by way of gift or free samples**
- **Whether ITC can be taken if supplied at Re.1/-**
- **Expenditures under CSR**
  - ITC reversal ?
  - Sch I implication if business asset?

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### Value of supply of services in relation to purchase or sale of foreign currency and money Changing – Rule 32 (2)

A person can opt any of the following options for determining value of supply

**Option A:**

When any currency is exchanged from or to Indian Rupees (INR)	Value shall be difference between the Buying or selling rate and RBI reference rate, multiplied by total units of currency
If in relation to the above case, RBI reference rate is not available	Value shall be 1% of gross amount of INR provided or received by the person changing the money
If neither of the currencies exchanged in INR	Value shall be 1% of lesser of two amounts by converting any of the two currencies into INR on <b>that day at reference rate provided by the RBI.</b>

- ### Valuation in Specific cases(Rule 32)
- Notwithstanding anything contained in these rules, the value in respect of supplies specified below shall, at the option of the supplier, be determined in the manner provided hereinafter
    - **Money Changer** – Similar to Rule 2B of present regime
    - **Air Travel Agent** – Similar to Rule 6(7) of Service Tax Rules,1994
    - **Life Insurance Business** – Similar to Rule 6(7A) of Service Tax Rules,1994
    - Person Dealing in Buying and Selling of Second hand goods
    - Value of token, Voucher, Coupon or a stamp
    - Certain services provided to related and distinct person.
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**• Option B**

Gross Amount of Currency Exchanged	Value to be considered for Supply of Service
Upto Rs. 1,00,000	Minimum amount of currency
Exceeding to Rs. 10,00,000	Minimum amount
Exceeding Rs. 10,00,000	Gross amount exchanged, Subject to Maximum amount of Rs. 60,000.

**Once, the supplier of such services opts for option B, Then he cannot withdraw from such option during the remaining part of the financial year**

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## Value of supply of service by Air Travel Agent – Rule 32(3)

Value to be considered for Supply of service	Type of Booking of Air ticket
5% of Basic Fare	Domestic Booking
10% of Basic Fare	International Booking

- “Basic Fare” means that part of the Air Fare on which Commission is normally paid to the Air Travel Agent by the airline



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## Value of Supply for a person dealing in Buying and Selling of Second hand goods - Rule 32(5)

- 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 shall be the difference between the selling price and purchase price**
- Where the value of such supply is negative it shall be ignored

Invoice? GST amount disclosure?



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## Value of Supply of Service of Life Insurance Business Rule 32(4)

If amount allocated for investment is intimated to policy holder at the time of supply

Gross premium charged reduced by the amount allocated for investment or savings on behalf of policy holder

In case of single premium annuity policies other than above

- **10%** of single premium charged from the policy holder



In all other cases

- **25%** of premium charged in 1<sup>st</sup> year from policy holder
- **12.5%** of premium charged in **Subsequent years**

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## Value of Supply in case of unregistered defaulting borrower

Purchase Value of goods to be considered which is repossessed from a defaulting borrower, **who is not registered**

Shall be deemed to be

Purchase price of such goods by defaulting borrower reduced by 5% for every Quarter or part thereof

Between

Date of Purchase and date of disposal by the person making such repossession

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## Value of token, Voucher, Coupon or stamp - 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

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## Pure Agent means who

- enters into a contractual agreement
- neither intends to hold nor holds any title to the goods or services
- does not use for his own interest such goods or services so procured
- receives only the actual amount in addition to the amount received for supply he provides on his own account



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## Certain services provided to related and distinct person – 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 between distinct persons as referred to in section 25,
- where input tax credit is available, shall be deemed to be **NIL**

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## Exclusion of Value (Rule 33)

- **Conditions for exclusion from the value**
- acts as a pure agent while making payment to the third party on authorisation
- separately indicated in the invoice
- are in addition to the services he provides
  - ❖ ~~knows payment has been made~~
  - ❖ ~~actual amount to be recovered~~
  - ❖ ~~recipient of service is liable to make payment to the third party~~
  - ❖ ~~recipient of service receives and uses the goods or services so procured~~

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## Rate of exchange of currency, other than Indian rupees, for determination of value Rule (34)

For Goods, Rate of exchange =

As Notified by the Board under section 14 of the Customs Act, 1962

On the date of Time of Supply of such goods

For Services, Rate of Exchange =

As per GAAP

On the date of Time of Supply of such services

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## Time of Supply



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## Value of supply inclusive of IGST/CGST/SGST/UTGST (Rule 35)

- Where the value of supply is inclusive of IGST/CGST/SGST/UTGST, the tax amount shall be determined in the following manner,

- Tax Amount = 
$$\frac{\text{Value Inclusive of Tax} * \text{Tax Rate (\%)}}{100 + \text{Sum of Tax Rates (\%)}}$$

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## Time of supply of Goods – Sec 12(2)

Issue of Invoice by the supplier

Earliest of

Last date on which require to issue invoice with respect of supply

Earliest of

Receipt of payment by supplier in respect of supply

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## Payment of tax on issuance of Invoice

If a registered person gets paid in advance for the supply of goods

Earlier

Currently

Issue a receipt voucher

Pay GST in the month of receipt of such advance

Will pay GST on the issuance of Invoice if Aggregate T/o in preceding FY < 1.5 Cr.

**Note:- This is applicable only in case of supply goods and not in case of supply of services.**

Via Notification No. 66/2017-CT w.e.f 15/11/2017 the limit for 1.5 Cr, T/o in the preceding FY has been removed.

**Hence from 13/10/2017 to 15/11/2017 a registered person having aggregate T/o in the preceding FY > 1.5 Cr will have to pay GST on receipt of advance.**

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### Continuous Supply of Goods - Sec 31(4)

Successive statements of accounts or successive payments

Yes

No

Invoice shall be issued before or at the time each such statement is issued

??

**Continuous Supply of Goods:** Provided, or agreed to be provided, continuously or on recurrent basis, under a contract, **whether or not** by means of wire, cable, pipeline or other conduit and for which the supplier invoices the recipient on a regular or periodic basis.

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### Invoice require to be issue [sec31(1)]

**Before or at the time of:**

Supply involve movement of goods

Other case

Removal of goods

Delivery of goods or Making available

**Removal of Goods 2(96)** Dispatch of goods for delivery by the supplier or any person on behalf of supplier

**Goods made available** Collection of goods by recipient or any person on behalf of recipient

Means goods are placed at the disposal of the recipient physically not capable of being moved – M/c embedded to earth supplied in assembled or installed form - Lift supplier to his agent or his principal

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### Sale on approval – Sec 31(7)

- Trial Use before purchase, Demo, On Approval?

**Sale on approval or sale or return or similar term**

Goods removed before it is known that supply will take place, invoice shall be issued earliest of

Before at the time, It known that supply has taken place

6 months from the date of removal

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**NO GST**

Delivery Challan (E-way bill if Applicable)

**Determination of Time of Supply in case of supplies made by artists.**

**GST Applicable**

On sale Artist will issue an Invoice

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**Time of Supply of Services u/s 13(2) at the Earliest of**

- Invoice is issued in 30/45 days
  - Date of Invoice
  - Date of Receipt of payment
- Invoice is **not** issued in 30/45 days
  - Date of Completion of Service
  - Date of Receipt of Payment

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**Receipt and invoice**

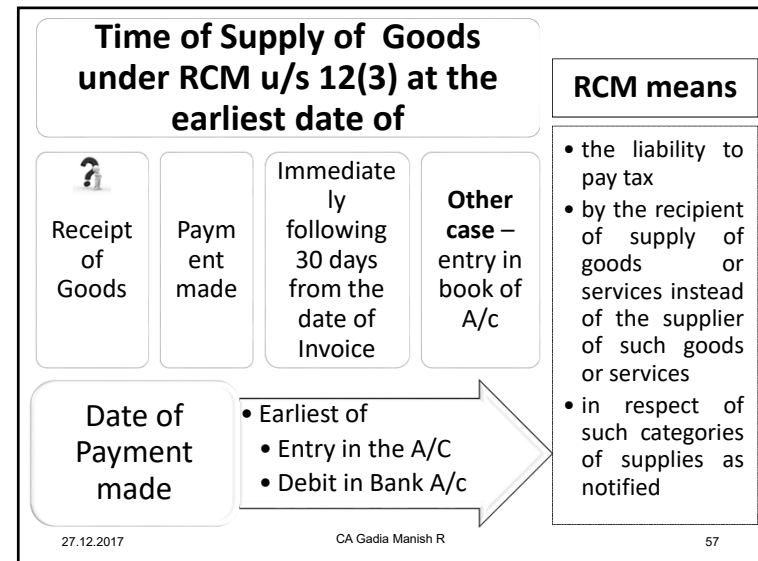
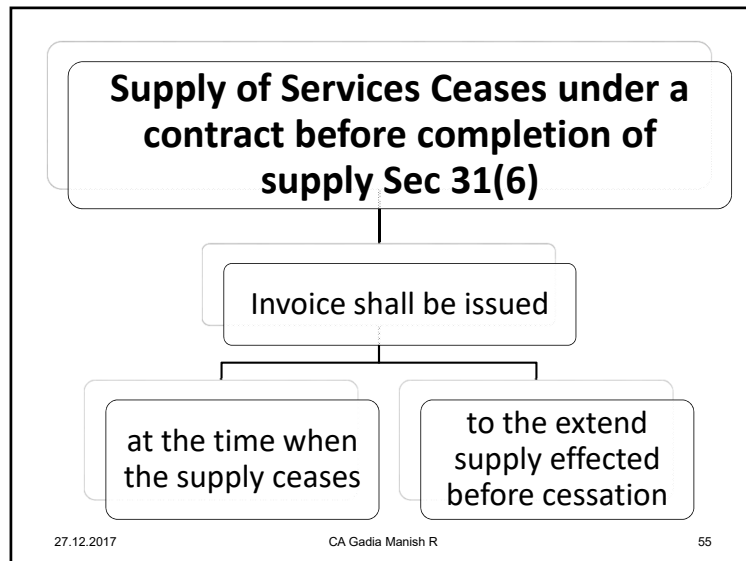
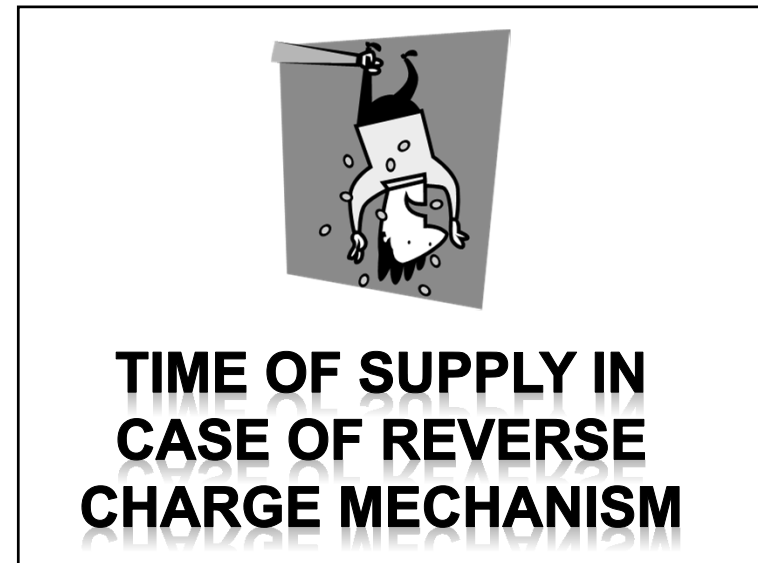
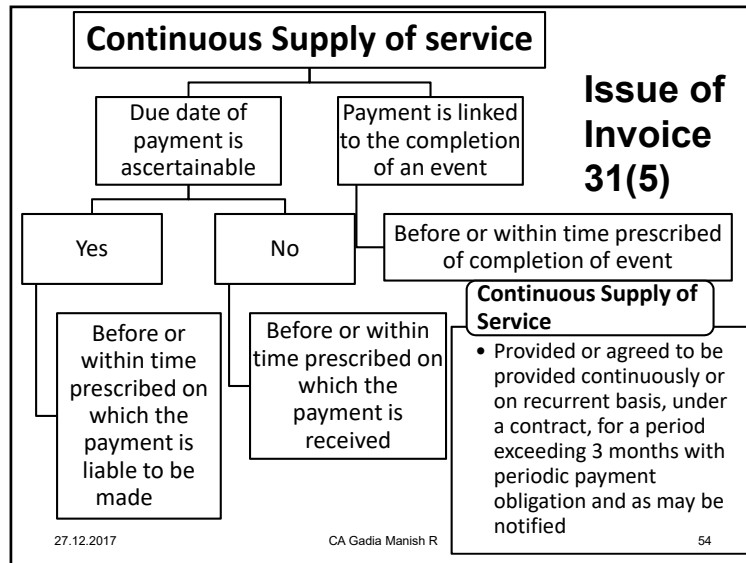
Excess payment up to Rs 1000	Invoice & Payment	Receipt of Payment
At the option of supplier be the date of issue of invoice	Supply shall be deemed to be made to the extent it is covered by the invoice or the payment	Earliest of <ul style="list-style-type: none"> <li>Entry in the A/C</li> <li>Credit in Bank A/c</li> </ul>

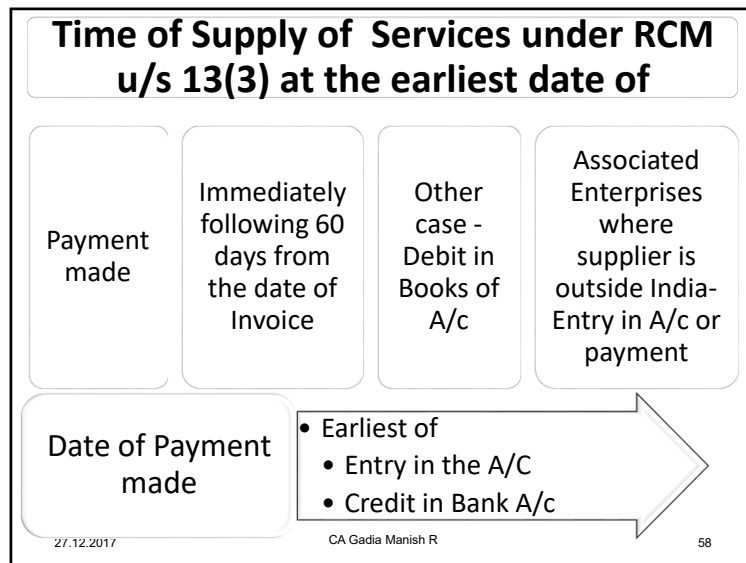
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**Receipt and invoice**

Excess payment up to Rs 1000	Invoice & Payment	Receipt of Payment
At the option of supplier be the date of issue of invoice	Supply shall be deemed to be made to the extent it is covered by the invoice or the payment	Earliest of <ul style="list-style-type: none"> <li>Entry in the A/C</li> <li>Credit in Bank A/c</li> </ul>

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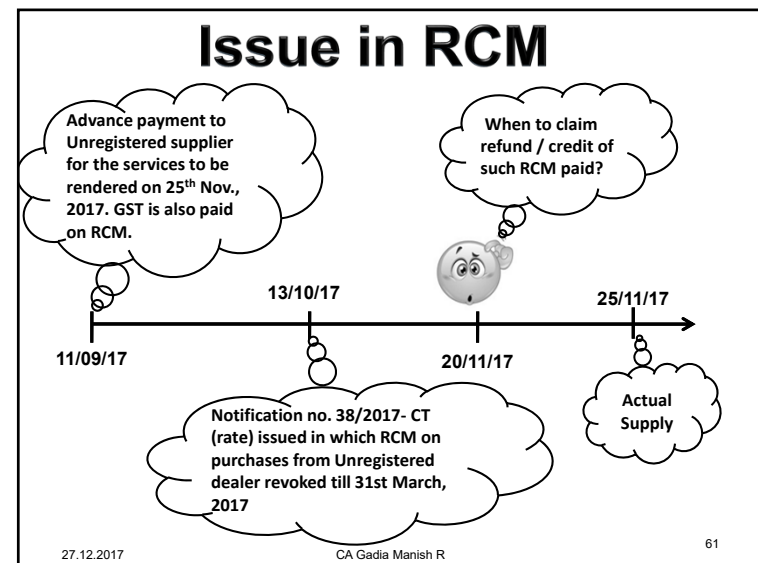
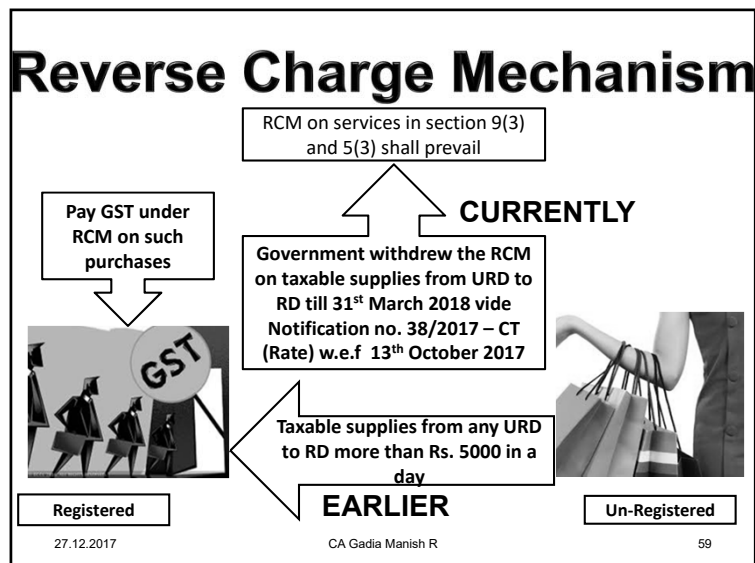


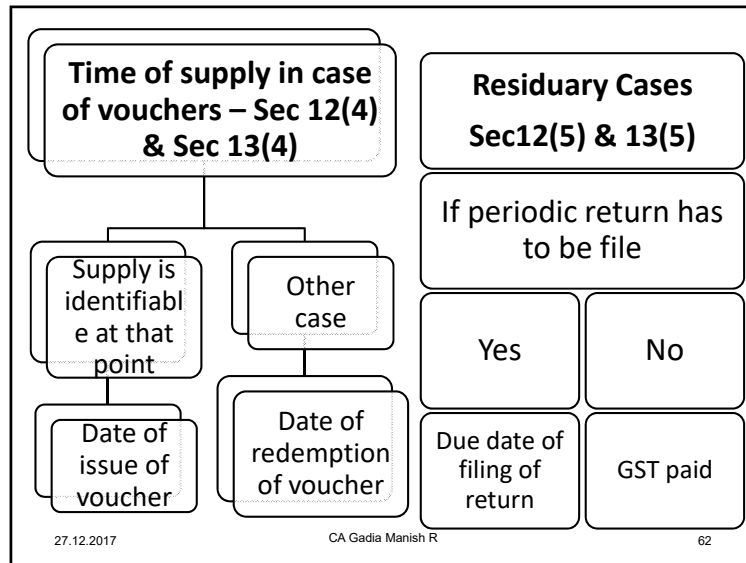


### RCM on URD purchases

Nature	Date of Supply	Date of invoice	Date of Payment	Time of Supply	RCM
Goods	01.09.17	01.09.17	30.09.17	01.09.17	Yes
Goods	01.09.17	15.09.17	16.10.17	01.09.17	Yes
Goods	15.10.17	15.10.17	03.10.17	03.10.17	Yes
Goods	13.10.17	13.10.17	15.10.17	13.10.17	No
Service	01.09.17	01.09.17	30.09.17	30.09.17	Yes
Service	01.09.17	01.09.17	15.10.17	15.10.17	No
Service	01.08.17	01.08.17	15.10.17	30.09.17	Yes

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**Change in the Rate of Tax – Sec 14**

Supplied	ISSUE OF INVOICE	RECEIPT OF PAYMENT	TIME OF SUPPLY
Before	After	After	Date of Invoice or Receipt of Payment, whichever is earlier.
Before	Before	After	Date of Issue of Invoice
Before	After	Before	Date of Receipt of Payment
After	Before	Before	Date of Invoice or Receipt of Payment, whichever is earlier.
After	Before	After	Date of Receipt of Payment
After	After	Before	Date of Issue of Invoice

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**Time of Supply – In case of Interest received on Delayed payment SEC 12(6) & 13(6)**

- If any supplier of goods or services receives amount in addition to the value of the supply for delayed payment of consideration by way of
  - Interest or
  - Late Fee or
  - Penalty

Is GST Payable? If YES, What is the Time of Supply??

~~Issuance of Debit Note/ Credit Note~~    ~~Date of Entry in Books of Accounts~~    Date on which such amount is received

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**Date of Payment**

normal course earlier of

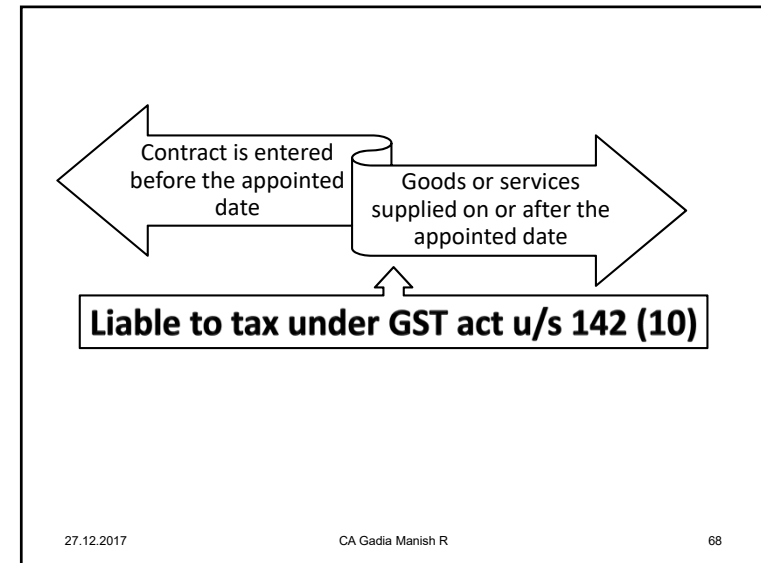
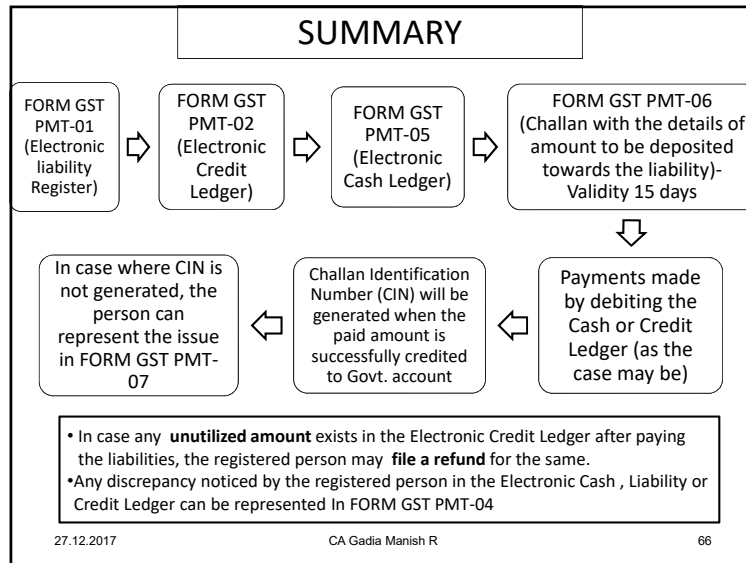
- date of entry in BOAs
- date of credit in bank

change in rate of tax

- Date of Cr in Bank, if not within 4 working days
- Otherwise date of deposit

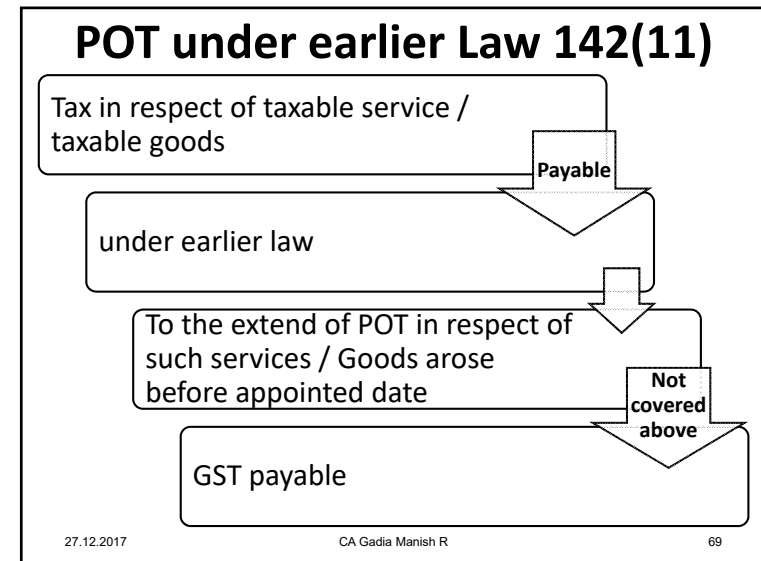
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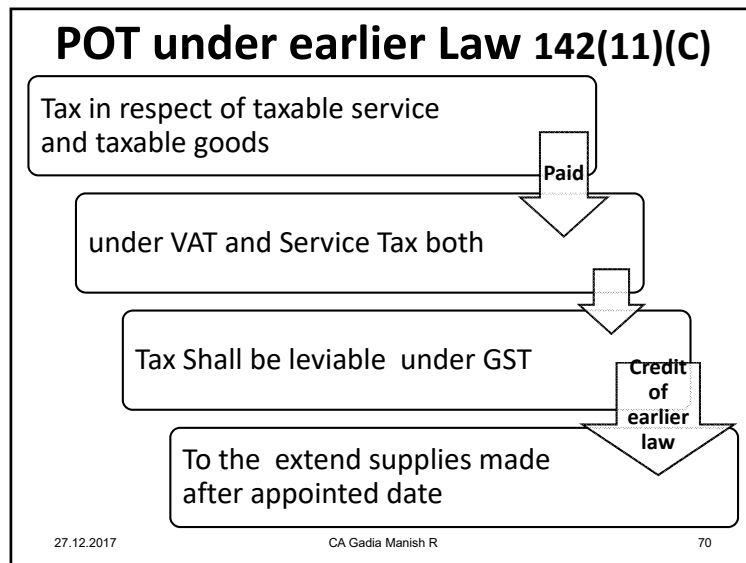




# Transitional Provisions

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**Opinions or views are like wrist watches.**

**Every watch shows different time from others.**

**But every one believes that their time is right!**

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### GST

What we thought      What we received

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# Thanks

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