



VALUATION OF GOODS & SERVICES UNDER GST

EVERYTHING ABOUT GOODS AND SERVICE TAX

VALUATION OF GOODS & SERVICES

- ❑ For paying GST, Assessee has to determine the Assessable value of goods & services and then apply the rate of GST on such assessable value.
- ❑ The formulae for the same is: $AV * ROT$
- ❑ For determining such assessable value under different situations, Valuation Rules are prescribed under the law.

Conditions: 1. *Transaction of supply of goods and/or services having a definite consideration*
2. *Between two parties who are not relatives.*
3. *That price is the sole consideration.*

If all the 3 conditions are satisfied

Value of supply= Transaction value as per Section 15(1)

If all the 3 conditions are not satisfied

Value of supply= Value determined as per GST Valuation Rules

TRANSACTION VALUE



Transaction value shall include the following :

- Obligation of supplier paid by the recipient
- Money value of goods/services provided free or at concession by the recipient.
- Royalties & license fees payable by recipient as condition of supply.
- Taxes under other law (other than SGST/CGST or IGST)
- Incidental expenses such as commission, packing charges (if charges are separately shown in invoice)
- Subsidy realized by supplier on supply

Note: Discount allowed in normal practice & shown in invoice separately shall be included in such transaction value.

SITUATIONS WHERE VALUATION RULES ARE TO BE REFERED

There are certain situations where the conditions as let down in slide: 1 are not satisfied and transaction value is to be determined as per valuation rules. Such situations are given as follows:

- Consideration in wholly or partly is not in money.
- Transaction is between Related parties.
- Fact & circumstances of supply are such as the reliability of transaction suspect.
- Transactions of money changer, pure agent, insurer, air travel agent & distributor/ selling agent of lottery.
- Such other supply notified by Central Govt or State Govt from time to time.

GST Valuation Rules are governed by the GST Valuation (Determination of value of supply of goods & services) Rules, 2016

Rule-3: General Rule



Generally accepted value
= Transaction Value
determined in monetary
terms

If Supply includes both
taxable & non-taxable
supplies

Assessable Value= value
attributable to taxable supplies

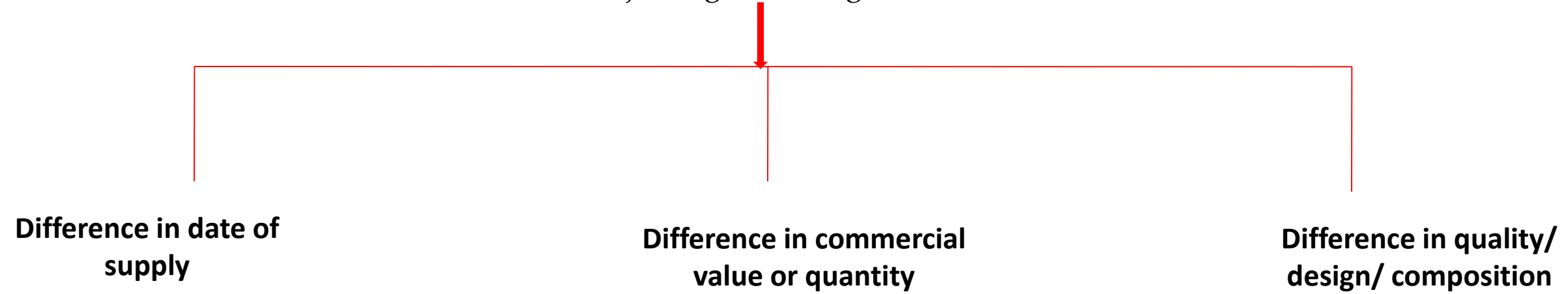
Transaction with Relatives

Value= TV if price is not influenced
by the Relation

Note: If value could not be determined by above then proceed Rule 4 to 6 in sequence.

VALUATION RULE NO: 4

Value of supply = Transaction value of like, kind & quality supplied at or about the same time to other customer by adjusting following factors



Note: If value cannot be determined by this Rule, then proceed to Rule 5

Rule : 5 Computed Value Method

Value of supply = Value computed which includes:

- Cost of production, manufacture or process
- Cost of provision of service
- Charges if any for design & brand
- Amount towards general expenses usually charged for similar supply
- Amount towards profit usually added towards similar supply

Rule 6: Determination of Value by Reasonable Means:

- If value cannot be determined using Rule 3 to 5, then the value of supply shall be determined using reasonable means.

VALUATION RULE NO: 7

Rule 7: Rejection of declared value.

This Rule does not provide any assessable value but only gives clarification regarding acceptance of assessable value by the proper officer.

If proper officer has doubt on value of supply by reason of:

Significant higher value as compared to similar supplies

Significant lower or higher value as compared to market value of similar supplies

Mis-declaration of quality, quantity, description, etc

Intimate supplier in writing with reason of doubt

Supplier will provide detail & proof

If proper officer satisfy with reason given by supplier

Assessable Value = TV

If proper officer is not satisfy with reason given by supplier

Value shall be determined by Rule 4-6 proceeding sequentially

RULE NO: 8 VALUATION OF TRANSACTION WITH PURE AGENT



To understand this rule, let's take an example of a Pure agent:

E.g: Mr. X is a pure agent engaged in providing building & construction services to Mr. Y (the recipient of his service). The construction services are provided in the state of Maharashtra. On demand of Mr. Y, Mr. X is purchasing a House Entrance Gate from Rajasthan from trader Mr. Z.

Value of expenditure incurred by pure agent shall be excluded from value of service if all the following conditions are satisfied:

- **Acted as pure agent & make payment of such expenditure to 3rd party.**
(i.e. Mr. X is making a payment to Mr. Z)
- **Such goods/services are used by recipient of service & not by pure agent.**
(i.e. The gate will be used for building of Mr. Y only not by any other recipient of services of Mr. X)
- **Recipient is known of transaction & he authorise pure agent to make payment on his behalf**
(i.e. Mr. Y is known of all the facts of the transaction and he himself authorise Mr. X to make payment to Mr. Z)
- **Such expenses should be separately show in the invoice of pure agent.**
- **Pure agent recover only such amount as paid by him for such expenses.**
(i.e. Mr. X should not charge any commission or any income for such above transaction.)

RULE NO: 9 VALUATION OF MONEY CHANGER



In case of purchase or sale of foreign currency including money changing

If RBI rate is available

Value = Difference of buying rate/
selling rate as the case may be

&

RBI Reference rate for that
currency multiplied by **Total Unit**

i.e. Value=
{(Buying Rate/ Selling Rate)- RBI Ref Rate} * No of units
exchanged

If RBI rate is not available

Value = 1% of gross amount of
Indian Rupee provided or received

**If neither of the currencies
exchanged is Indian Rupee**

Value = 1% of lesser of:

1. **Amount received by converting
one currencies into Indian rupee**
2. **Amount received by converting
other currencies into Indian
rupee**

at Reference rate provided by RBI of
that transaction date.

*Thank
you*



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