



PIONEER ONE

JUST A MINUTE (JAM)

April 2022

LEARN GST SERIES

Valuation Rules:

When should the valuation rules be used to determine the value of supply of goods or services?

If the conditions mentioned in S.15 (1) of CGST Act, 2017 are not satisfied, then the transaction value cannot be considered as the value of supply (VOS), in such cases, the value of supply is determined using the valuation rules.

What are the conditions given in Section 15 (1) of CGST Act, 2017?

1. The transaction value is the price paid or payable for the supply
2. The supplier and recipient are not related
3. Price is the sole consideration

What are all the valuation rules contained in Chapter IV of Central Goods and Services tax rules, 2017?

Rule No	Rule
27	Value of supply where the consideration is not wholly in money.
28	Value of supply between distinct or related persons, other than through agent
29	Value of supply made or received through agent
30	Cost based valuation
31	Residual method
31A	Value of supply in case of lottery, betting, gambling and horse racing
32	Determination of value in respect of certain supplies
32A	Value of supply in cases where Kerala Flood case is applicable
33	Value of supply in case of pure agent
34	Rate of exchange
35	Value of supply inclusive of GST

Rule 27: Value of supply where the consideration is not wholly in money:

The VOS shall be ascertained in the following order,

Open market value

consideration in money + money value of consideration not in money

Cost based valuation as per Rule 30

Residual method as per Rule 31

Rule 28: Value of supply between distinct or related persons, other than through agent:

The VOS shall be ascertained in the following order,

Open market value

Value of like, kind and quality

Cost based valuation as per Rule 30

Residual method as per Rule 31

Proviso 1:

*If the goods are supplied **as such** by the recipient, the value shall at the option of the supplier shall be an amount equivalent to 90% of the price charged for the supply of goods of like, kind and quality by the recipient to his unrelated customer.*

Proviso 2:

If the recipient is eligible for full ITC, the invoice value shall be deemed to be the open market value, which means that the value of supply is the invoice value.

Rule 29: Value of supply between distinct or related persons, other than through agent:

The VOS shall be ascertained in the following order,

Open market value **(or)** at the option of the supplier, 90% of the price charged for the supply of goods of like, kind and quality by the receiptent to his unrelated customer

Cost based valuation as per Rule 30

Residual method as per Rule 31

Rule 30: Cost based valuation:

Value of supply = Cost of supply + 10% markup

Rule 31: Residuary Method:

Value of supply determined by using reasonable means consistent with principles & general provisions of GST law. (Best Judgement method)

What do you mean by the following terms?

Open market value:

Open Market Value means the full value of money excluding GST, payable by a person to obtain such supply, provided such supply is between unrelated persons and price is the sole consideration for such supply.

Supply of like kind & quality:

Supply of like kind & quality means any other supply made under similar circumstances that is same or closely resembles in respect of characteristics, quality, quantity, functionality, reputation to the supply being valued.

Note: This month's newsletter covers 5 of the above mentioned 11 valuation rules.

PIONEER ONE CONSULTING LLP

Accounting | Audit | Compliance | Consulting | Tax

#13, Chittaranjan Road, Teynampet,

Chennai – 600018

Phone: +91-44-4092-5800

E-Mail: reach@pioneerone.in

Website: www.pioneerone.in

Chamber of Commerce – Affiliation

International – International Chamber of Commerce |

Bilateral – India-ASEAN-Sri Lanka | EU India Chambers | Indo-French | Indo-Japan |

Indo – Italy | India-China | Indo-German | Indo-Australian | Swiss Indian |

Indo-Canadian Business Chamber | Indo – Belgium – Luxembourg | ANZ Business Chamber

National – FIEO | FICCI | ASSOCHAM |

Regional – Madras Chamber | Southern India | Hindustan Chamber

Disclaimer: The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.