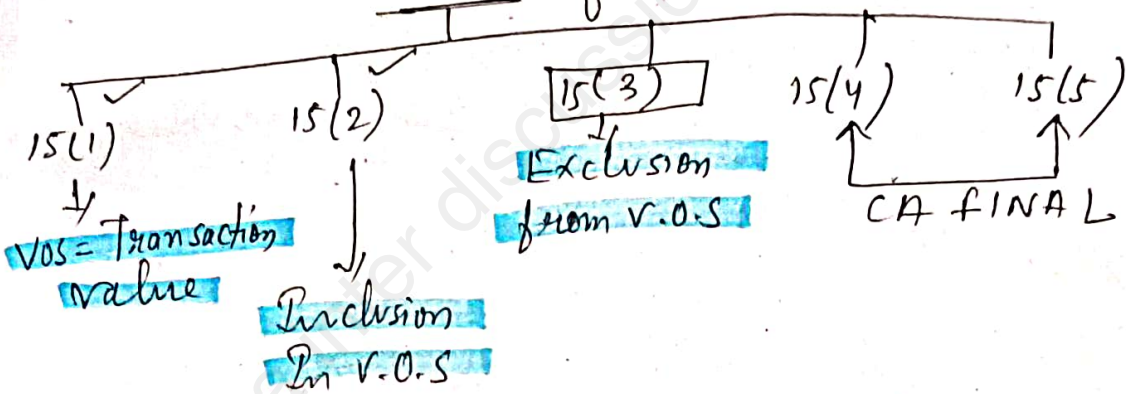


# Ch-7 Value of Supply

GST Taxable Event → "Supply"

$$\text{GST} = \frac{\text{value of Supply}}{\text{Sec 15 of CGST Act, 2017}} \times \frac{\text{Rate of GST}}{\text{Annexure}}$$



Section 15(1) VOS shall be transaction value when following 2 conditions are satisfied:

1. Supplier & Recipient → unrelated
2. Price sole consideration (ie no kind consideration)

Note:- Trans. value :- value @ which supply takes place  
eg. Mr. X supply Goods to Mr. Y for ₹50,000  
₹50,000 → Trans. value

Accept as v.o.s if:-

- (a) Mr. X (supplier) & Mr. Y (Recipient) → not related
- (b) ₹50,000 is sole consideration ie Mr. Y is not paying anything else apart from this ₹50,000

If Supplier & Recipient are related ← or  
If price not a sole consideration ← then v.o.s shall be determined as per Validation Rules (S-15(4))

Section 15(2) → Inclusions In value of supply

1. Taxes other than GST, if charged separately by the supplier

eg. Mr. X supply Generator worth of ₹5L to Mr. Y & charged 5% Municipal tax on such supply separately. Calculate GST payable if trans. is Intra-state & GST Rate = 18%.

Trans. value	₹ 5,00,000
Add:- As per Sec. 15(2), Municipal Tax 18% of 5L v.o.s	<u>25,000</u> 5,25,000

CGST = 5,25,000 × 9% = 47,250

SGST = 5,25,000 × 9% = 47,250

Note:- T.C.S collect under Income Tax shall not include In v.o.s

eg. Mr. X sell car worth of ₹12L to Mr. Y & collected TCS @ 1% as per Income Tax act, 1961.

GST Rate = 28% & Trans - Intra-state

TCS shall not be included in v.o.s ∴ v.o.s shall be ₹12L

CGST = 12L × 14% = 1,68,000

SGST = 12L × 14% = 1,68,000

2. Incidental Expenses:- Any amount charge by supplier from recipient for anything done at the time or before supply of G/S.

eg. Ketan shopkeeper → Mahila Mitra KETANI

S24 ultra pro	- ₹ 1,00,000	
Packing	- ₹ 5,000	Incidental Exp & hence include In v.o.s
Delivery	- ₹ 1,500	
v.o.s	<u>1,06,500</u>	



VOS

106500

Gst applicable  
Main supply  
ie mobile

### Examples of Incidental Exp

- Transportation (freight)
- Insurance
- Design & development
- Inspection charges
- Weightment charges
- Installation
- Loading & unloading etc

Included in VOS  
if charged separately  
by supplier.

furniture supply inter-state to Mr Y for ₹75000 & charged following Amt Separately:-

- Design & development - ₹5000
- Loading & unloading charge - ₹1500
- Freight - ₹1800
- Insurance - ₹200
- Installation - ₹500
- Municipal Tax - 5% of 75,000

Gst Rate 12%. Calculate Gst liability

### Calculation of value of supply of ₹75000

Trans. value

D & D	5000
L & U L	1500
Freight	1800
Ins.	200
Installation	500
M-Tax	3750

127500

V.O.S

87750

IGST = 12% of 87750

10530

Note:- If supplier supply goods on **Ex-factory Basis** (ie supplier is not under obligation to transport the goods) & Trsp is arranged by recipient - In this case freight paid by recipient is not included in v.o.s

3. Payment made to third parties by the Recipient on behalf of Supplier in relation to the supply if not included in the invoice.  
(i.e. supplier obligation met by Recipient)

eg. X Supply Goods to Y for ₹ 50,000 & undertake obligation to deliver goods @ premises of Mr. Y.

• Upon delivery of goods Transport demanded freight of ₹ 1500 which is paid by Mr. Y on behalf of Mr. X.

• Mr. X Issued invoice for ₹ 48,500 to Mr. Y i.e. After deducting freight paid by Mr. Y

Invoice value	48,500
+ Inc as per 15(2)	
obligation of Supplier met by Recipient	1500
	<hr/>
	50,000

v.o.s →

eg Suppose In above Q if Mr. X raised Invoice for ₹ 50,000 only.

So In this case freight amount is already included in Invoice ∴ no need to include it separately.

4. Interest, late fees, Penalty etc for delayed payment shall be included in v.o.s if charged by Supplier.

Note :- 1. Always - Consider Int (late fees) Penalty are inclusive of GST

eg. Penalty charge for delayed payment = ₹ 5000  
GST Rate = 18%

Penalty Excl. GST =  $5000 \times \frac{100}{118} = 4237$   
Include in VOS

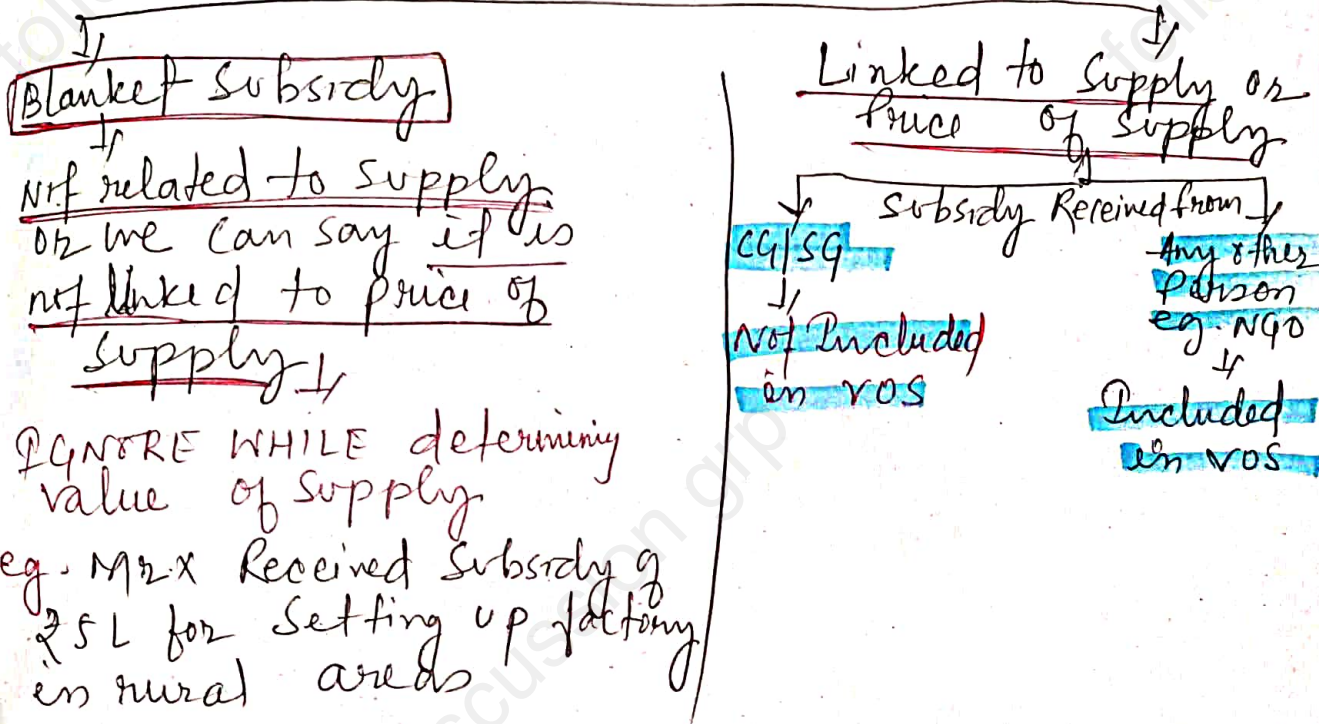


Excl. GST ~~value~~ = value Inc of GST  $\times \frac{100}{100 + \text{Rate}}$

GST = value of Incl of GST  $\times \frac{\text{Rate}}{100 + \text{Rate}}$

2. If Supplier waive off Int/fees/Penalty  
Not Included in vos on Notional Basis  
ie If Actually charged  $\rightarrow$  Included in vos

5. <sup>Subsidy</sup> Amt given to Supplier to keep Price of Goods & Services low



Situation 1 Price Given before considering Subsidy

It means  $\downarrow$  Subsidy Not reduced from Price Treatment

- CG/SG Subsidy
- NGO Subsidy

Reduce from Price

IGNORAI NAMAHI

As price w/o considering Subsidy ie Subsidy value already Included

1 Situation 2 Price Given, After Considering Subsidy  
 It means subsidy is reduced from price given Treatment

CG/SG subsidy

DGNORAI NAMA H  
 As price after reducing subsidy i.e. SG/CG subsidy already deducted.

NGO subsidy

Add Back

Reason:- NGO subsidy is included in V.O.S & price given after reducing NGO subsidy. It is reversed i.e. added back.

eg. List price \$1,50,000  
 CG subsidy } both subsidy \$15,000  
 NGO subsidy } linked to price of supply \$5,000

(a) V.O.S if L.P After Consid subsidy  
 List price 1,50,000  
 + NGO subsidy 5,000  
 VOS 1,55,000

Note:- No treatment req for CG subsidy As it is already Excluded.

(b) V.O.S if L.P before Consid. subsidy  
 List price 1,50,000  
 - CG subsidy 15,000  
 VOS 1,35,000

Note:- No treatment req for NGO subsidy As it is already Incl in VOS



Section 15(3) Exclusion from Value of Supply

Discount

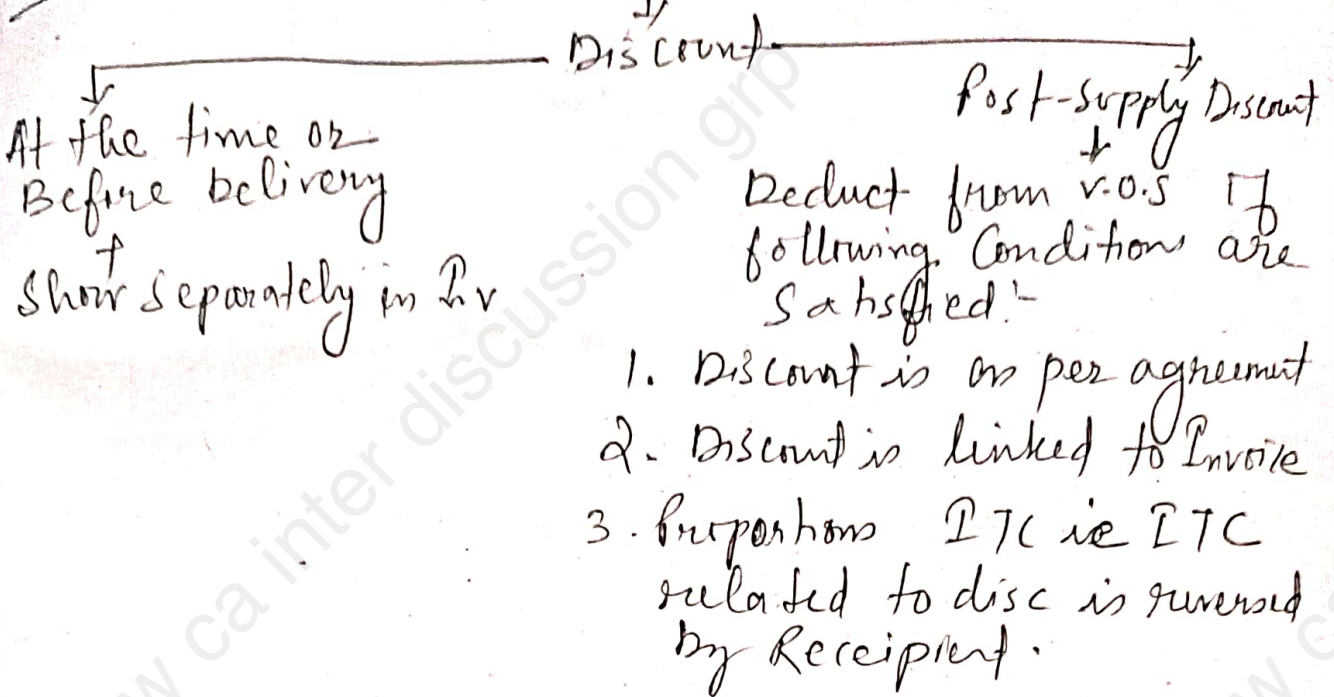
At the time or Before Supply

After Supply  
Next class

Excl. from v.o.s if discount record in Invoice

TAX INV	
No: 101	Dt = 24/12
Rec _____	
Goods value	1,00,000
(-) Disc	10,000
	<hr/> 90,000
Epst 12% of 90,000	10,800
	<hr/> 1,00,800

S. 15(3) Exclusion from VOS



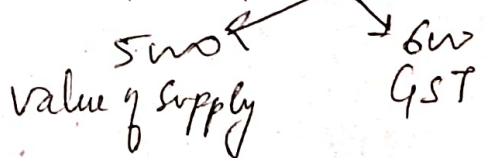
eg 15/1/25:- Goods Supply to Mr. X @ 2 month Credit & Invoice is Issued

• value of goods = 1,00,000  
+ GST @ 12% = 12,000  
1,12,000

Also Supplier offered discount of 5% to Mr. X if he makes the payment in 30d.

Mr. X Avail ITC in M/O Jan ⇒ 12000 on the basis of Invoice

10/2/25:- Mr. X Paid Amt to Supplier & availed dis. of 5%  
Discount Received to Mr. X = 1,12,000 × 5% = 5600



Now Supplier demands Reduction in VOS by 5000

Current GST = 95000 × 12% = 11400

~~Supplier~~ Supplier issue Cr. Note to Receipt

Supplier output Tax liability Reduce by

Receipt ITC reverse by 3600



# Credit Note

Discount  
GST @ 12%

5000
600
5600

15/1/25 → Goods Supply 5000 units

Inv = 505	Customer = 5000
value = 5,00,000	To Sales = 5000
+ GST 60,000	
5,60,000	

25/1/25 → 1500 units Returned being defective  
 ↳ Sale Returns  
 Cr. Note  
 Sales Returns 1500 units  
 To Customer 1500 units

<u>units</u>	Dis	1 Qt → purch. <u>&gt; 1,00,000 units</u>
0 - 100	-	↓ 10% Discount
7100 - 500	1-1	
7500 - 1000	5%	April = 30,000 units
71000 - 5000	10%	May = 50,000 units
		June = 25,000 units
		Q1 1,05,000 units

① Discount @ time or bef supply → Excl if mentioned on Invoice

② Discount After Supply

Agreed or known @ time or before supply  
 ↓  
 Reduce from v.o.s of Cr. note issued & Receipt

Not Agreed / not known @ time or before supply  
 ↓  
 Discount is not excluded from v.o.s

Eg. Mr. X Supply LTD Bulb to Mr. Y for  
₹ 50/bulb

• Mr. X offered discount of ₹ 5/bulb @ time of  
Supply & recorded in Invoice.

• Mr. Y complained about poor Quality of Bulb  
which lead to lower Sales.

• Mr. X offered further discount to Mr. Y to  
boost the sale amt to ₹ 10/bulb

• Determine VOS =  $50 - 5 = 45$ /bulb

→ Discount not known/agreed @ time of supply  
∴ It is not Excl from VOS

No claim Bonus

→ Sort of Disc offer by Ins. Co  
to Customer @ time of renewal of Ins  
Policy

→ NCB shared on Insurance policy  
by deducting from premium

→ ∴ It is a disc provided by  
Insur. Co. @ time or before  
the supply & recorded in Invoice  
Hence it is Excluded from VOS  
& GST shall be levied on net premium