

# AAGAZ

## CA FINAL *Batch*

**2025 & ONWARDS**

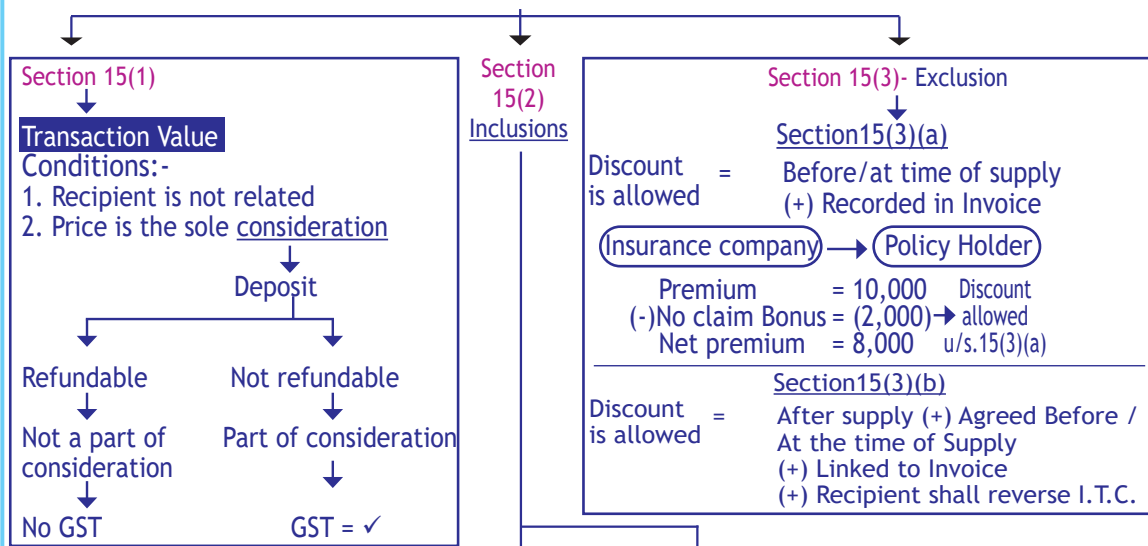
**Indirect Tax Laws**

**Lecture - 01**

**Value of Supply**

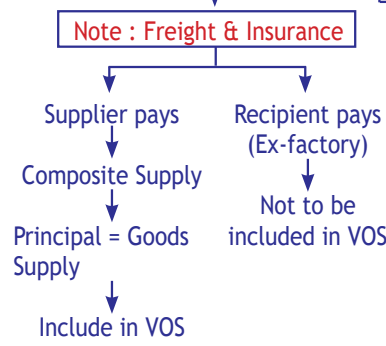
**By -CA Karan Sheth**





**Sec. 15(2)(a)**  
 Taxes / Duties Except  
 i) GST  
 ii) TCS

**Sec. 15(2)(c)**  
 Incidental Expenses incurred before / at time of delivery



- Sec. 15(2)(d)**
- Rate of tax on I/P/L fees = Rate of Tax of G/S
  - Calculate I/P/L Fees on inclusive basis only.
  - If I/P/L is waived off = Donot include in VOS.

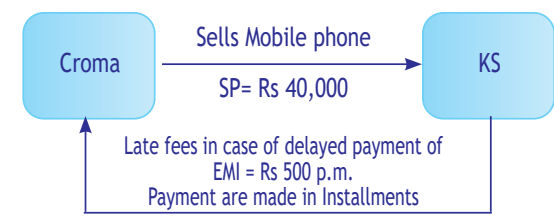
**Sec 15(2)(e)**  
 Subsidy should be directly linked to price

	Given by CG/SG	Given by other than CG/SG
Subsidy is considered in price	No effect	Add it
Subsidy is not considered in price	Reduce it	No effect

Note : Subsidy is not directly to price = Ignore

**iii) Clarification**  
 Applicability of GST on delayed payment charges in case of Late payment of EMI's.

Case I = Sellers sells it on hire - purchase



Rs 11,000 \* 4 EMI's = 44,000 + 500 = 44500

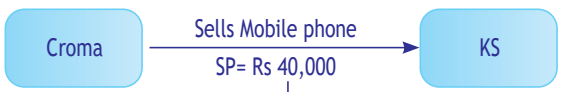
T.V u/s 15(1) 15(2)(d)

Interest on Delayed payment of EMI's

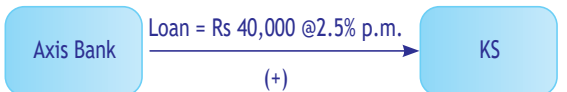
Value of Supply = ₹ 44,500

Represents part of consideration

Case II = Sellers sells but it is financed by bank.

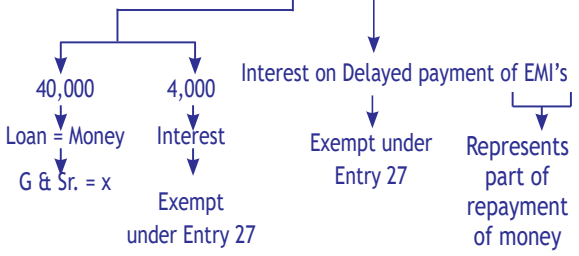


∴ This is transfer of Title of goods  
 ∴ Value of Supply = TV u/s 15 = ₹ 40,000



Late fees in case of delayed payment of EMI = Rs 500 p.m.  
 Payment are made in Installments

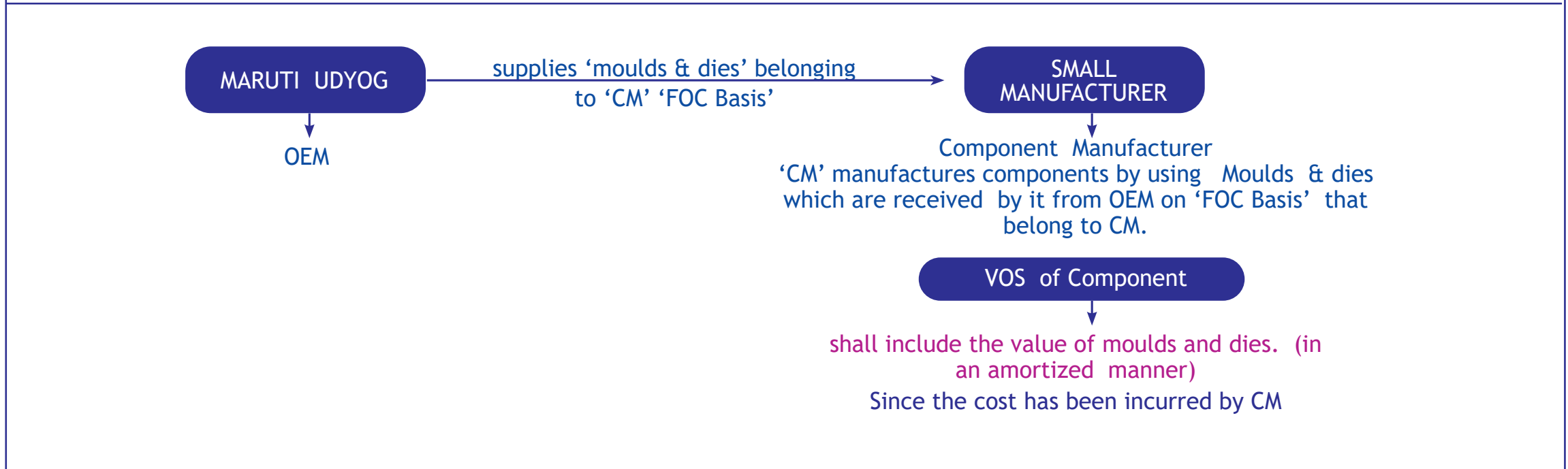
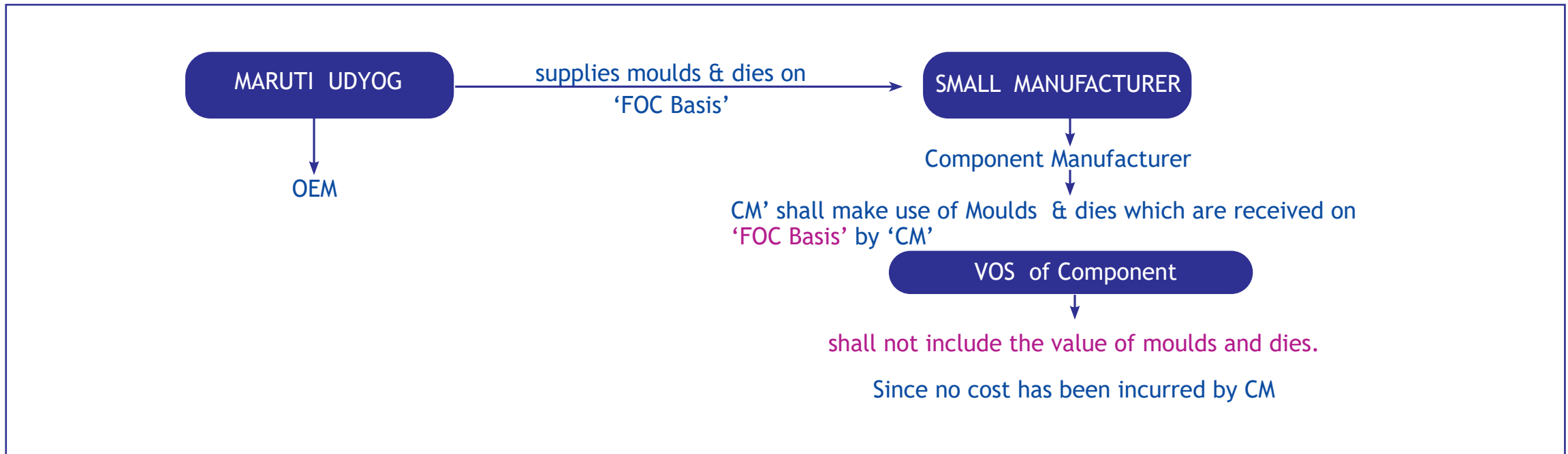
Rs 11,000 \* 4 EMI's = 44,000 + 500 = 44500



**NOTE : Amount paid by CG to Acquiring banks for transactions made through RuPay/BHIM UPI is to be considered as subsidy by CG directly linked to price**  
 Donot include in VOS V/s. 15 (2) (e)

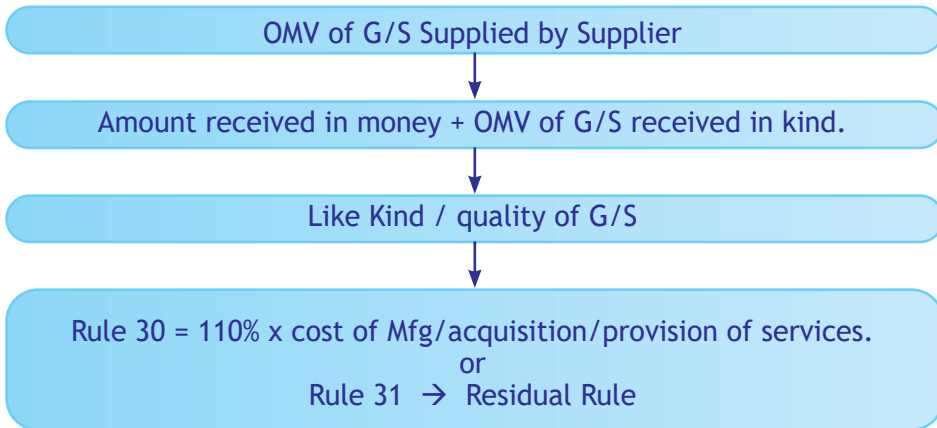
Sec. 15(2)(b)

Amt Liable to be paid by supplier, has been incurred by recipient on behalf of supplier.



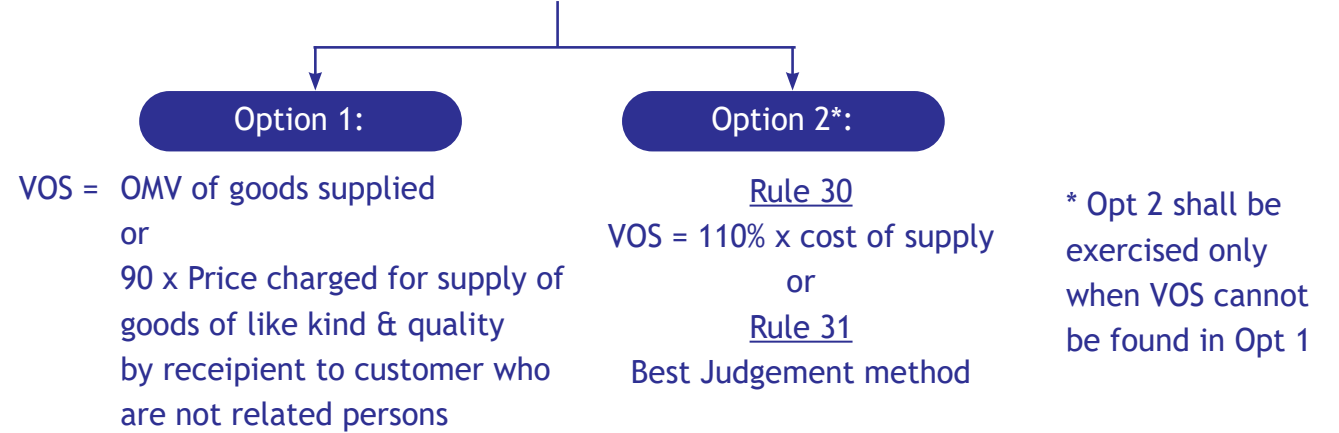
**Valuation Rules**

**Rule 27:** when consideration is not wholly in money

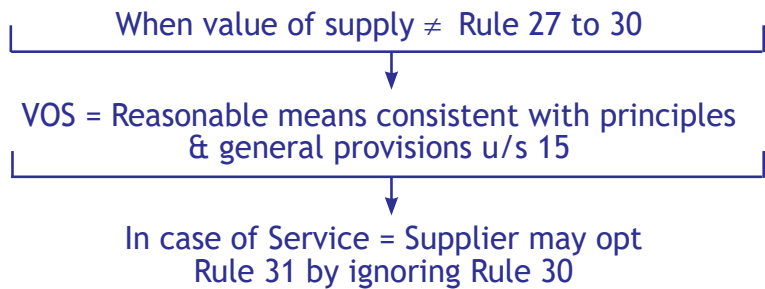


**Rule 29:**

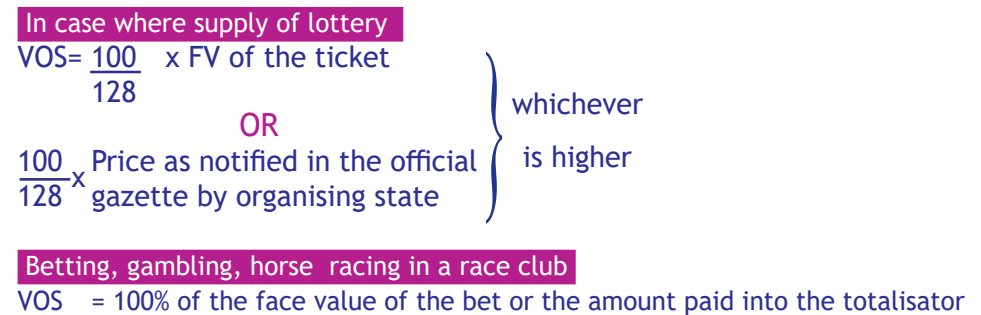
Where the supply of goods are made or received through agent.



**Rule 31**



**Rule 31A**



**Rule 31B**

**In case of online gaming [incl online money]**

VOS = Total amount paid to supplier

**Rule 31C**

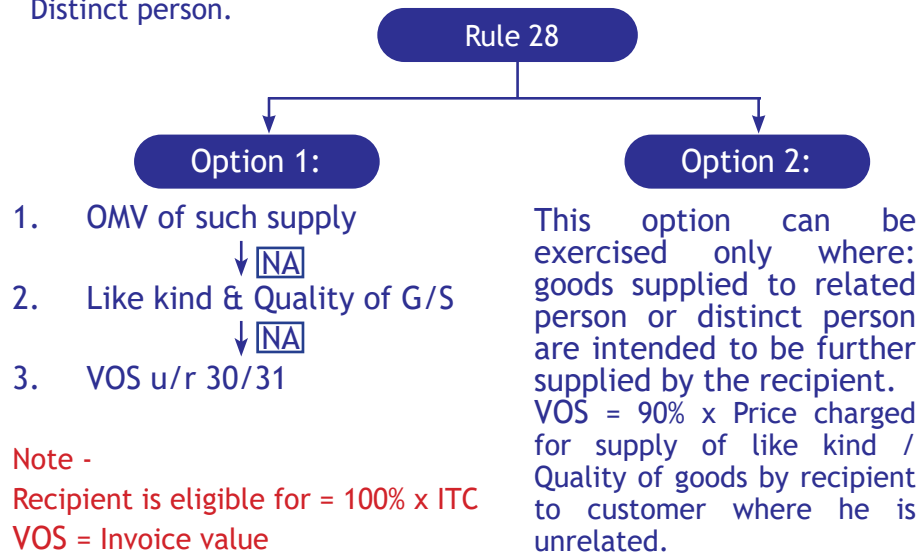
**Actionable claims in case of casino**

VOS = Total amt paid for purchase of tokens/coins/chips.

**Common Point Rule 31B/31C**

(Note - Any amount returned / refunded by the supplier to the player shall not be deducted from VOS)

**Rule 28:** When supply of goods or services between Related persons or Distinct person.

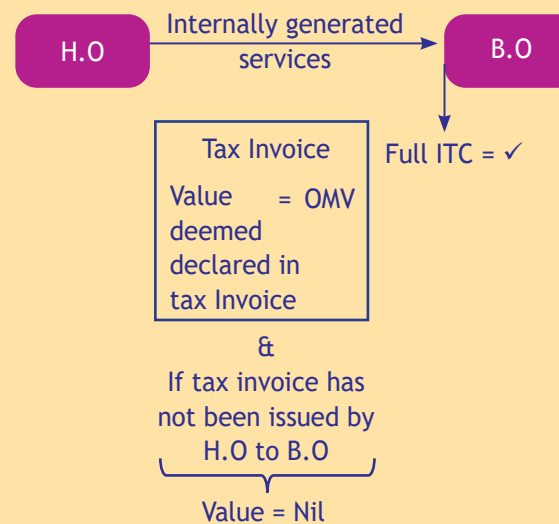


**Note -**  
 Recipient is eligible for = 100% x ITC  
 VOS = Invoice value

**Note :** It is optional (in case of reseller) to go for Opt 1/ Opt 2 Dept cannot compel RP to opt either of them.

**Clarification to i.r.t H.O & B.O**

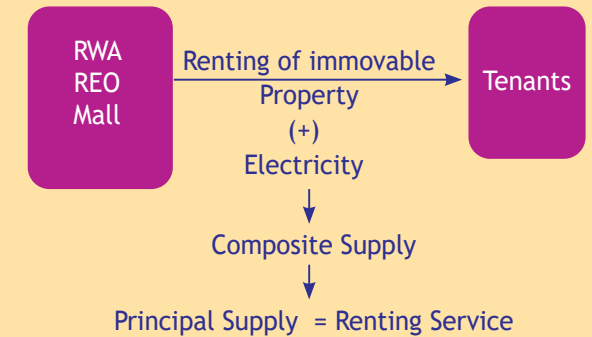
In respect of internally generated services, where full ITC is available to a BO, the value declared on the invoice by HO shall be deemed to be the OMV, irrespective of the fact whether cost of any particular component of such services, like employee cost etc., has been included or not in the value of the services. If HO has not issued a tax invoice to the BO, the value of such services may be deemed to be declared as Nil by HO to BO, and may be deemed as OMV



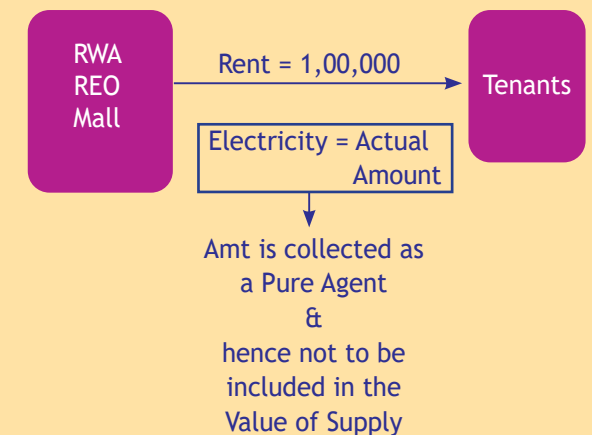
In respect of internally generated services provided by the HO to BOs, the cost of salary of employees of the HO, involved in providing the said services to the BOs, is not mandatorily required to be included while computing the taxable value of the supply of such services, even in cases where full ITC is not available to the concerned BO.

**Other Clarification**

Case I - When RWA, Real Estate owners charge adhoc amount of electricity charges.

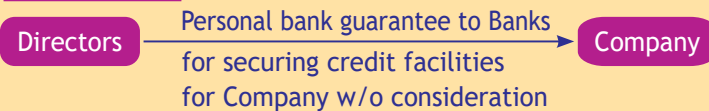


Case II - When RWA, Real Estate owners etc charge electricity on Actual Basis.



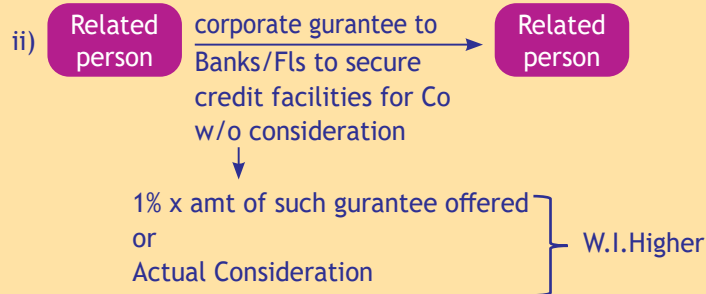
**Rule 28**

**Clarification**



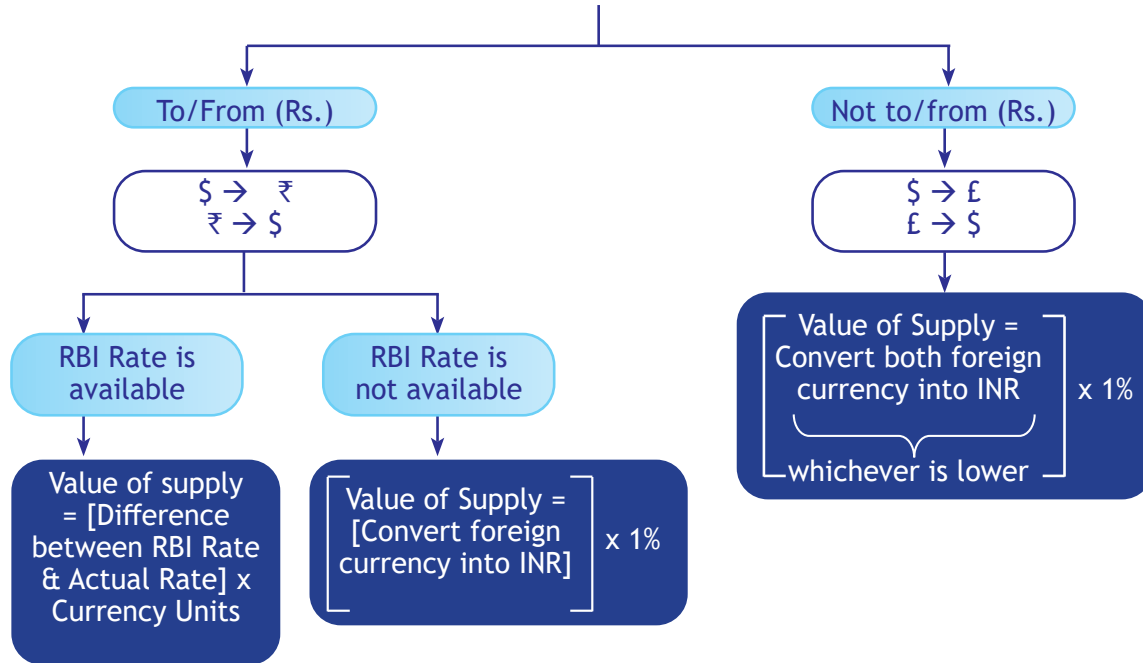
In case where no consideration is paid :- VOS = Nil  
 In case where consideration is paid :- VOS = Remuneration/ consideration paid to such director.

**Rule 28(2)**

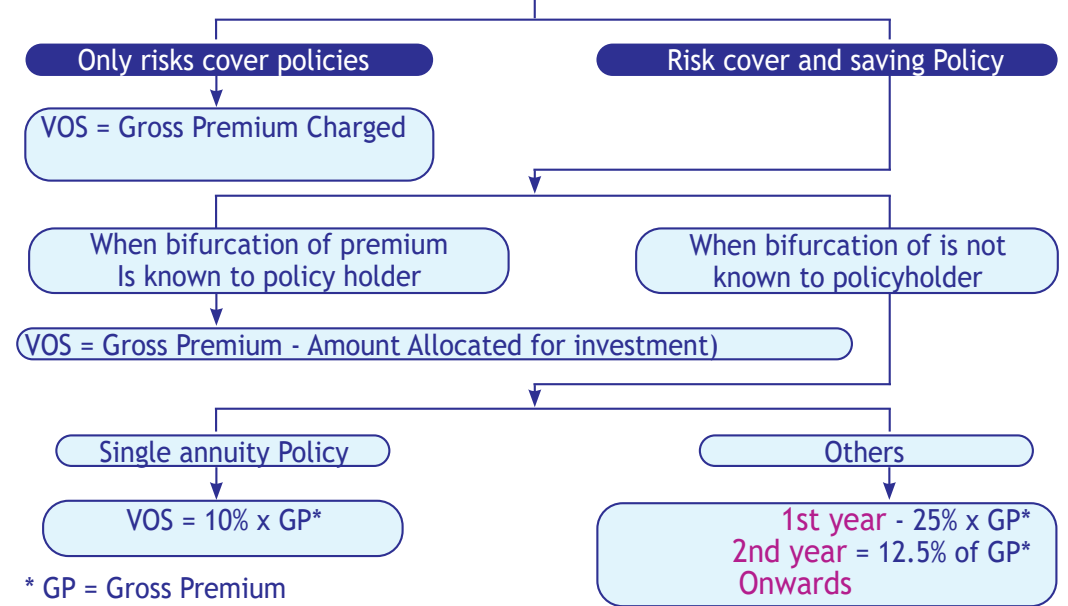


**Rule 32(2)(a) Forex Agent**

**Option 1: Rule 32(2) (a)**



**Rule 32 (4): VOS of service in relation to life insurance business**

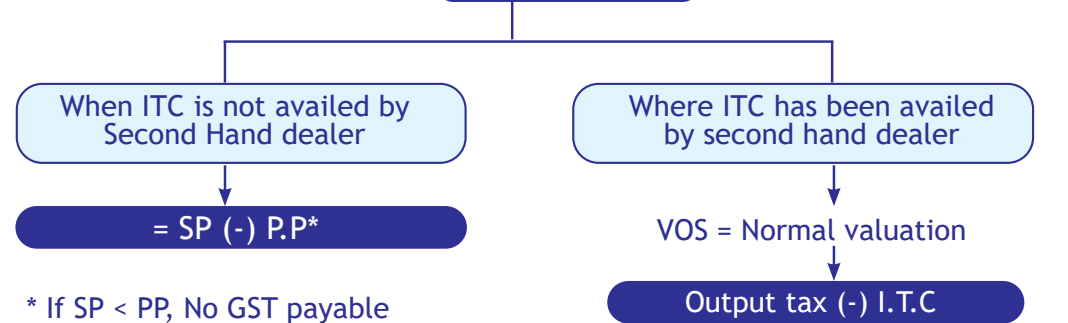


**Rule 32(2)(b) → Forex Agent**

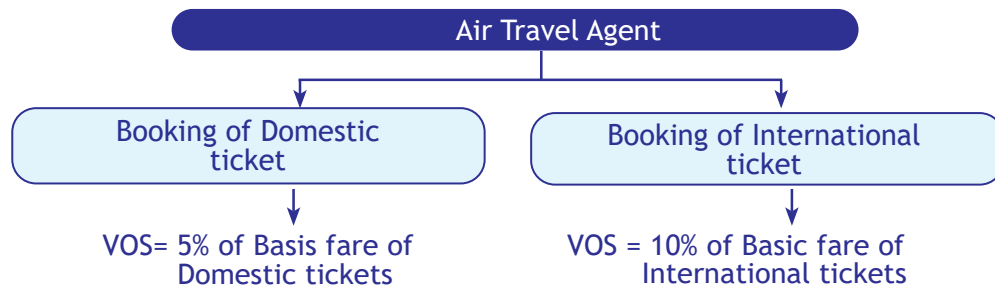
**Option 2: 32 (2) (b)**

Value of currency exchanged	Value of supply
Up to 1,00,000	Rs. 250 or 1% x VOCE, W.I.Higher
1,00,001 to 10,00,000	Rs. 1,000+0.5% x VOCE exceeding 1 Lac
More than Rs. 10,00,000	Rs. 5500+0.1% x VOCE exceeding Rs. 10 Lacs or Rs. 60,000 → W.I.LOWER

**Rule 32 (5): VOS in relation to dealer of second hand goods**  
Value of **second hand goods**



**Rule 32 (3):**



**Proviso to Rule 32(5)**

**Purchase Value =** P.P of goods for defaulting borrower (-)

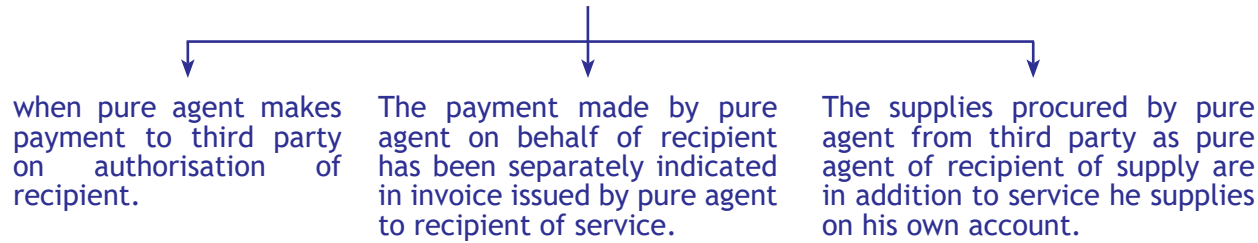
**No. of Quarter\***  
Date of Issue of Invoice = xxx  
Date when such repossessed = xxx  
No. of Quarters = xxxx

5% for every quarter between Date of purchase & Date of disposal by Repossessor of goods.

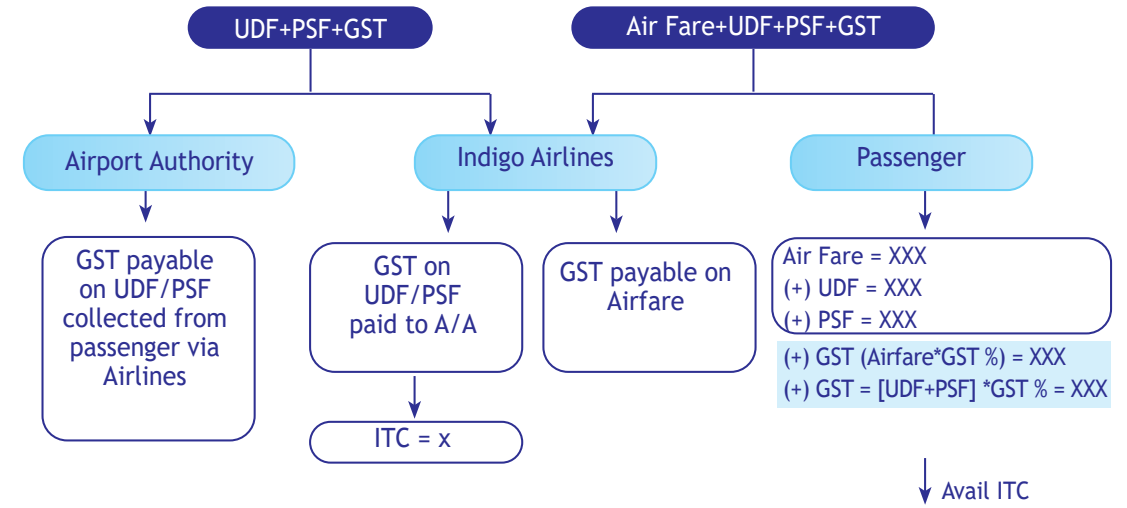
\* PSF = Passenger service fee  
UDF = User development fee

**Rule 32 (6):** Value of token, voucher, coupon, stamp (other than Postage stamp)  
VOS = That money value of goods or services that can be redeemed

**Rule 33:** VOS of service in case of pure agent.  
The expense or cost incurred by supplier as a pure agent of recipient: Exclude from VOS only if following condition are satisfied:



**Clarification on issue of GST on airport levies**



**Rule 35**

**Rule 35 → Price cum Tax**

$$\text{Tax Amount} = \frac{\text{Value (Incl of GST)}}{100 + (\text{Applicable GST Rate})} \times \text{Applicable GST}$$

**Rule 34**

Import/Export of goods	CBIC rate
Import/Export of services	GAAP rate

**Case 1: When a person is liable to pay tax but has not paid**

Eg:

Supplier	= Exempt
Applicable rate of tax	= 10%
Amt Collected from recipient	= 1,00,000
Rule 35 = Tax Amount	= $\frac{1,00,000}{100+10} \times 10$
Tax Payable	= Rs. 9091

**Case 2: When a person pays tax at a lower rate than then what is liable to pay**

Eg:

Supplier	= 10%
Applicable rate of tax	= 20%
Amt Collected from recipient & paid to Govt	= 1,10,000
SCN = Tax payable - Tax Paid.	= $\frac{1,10,000}{100+20} \times 20$ (-) 10,000
	= 18,333 - 10,000
	= Rs. 8,333

**Case 3: When supplier has received additional consideration**

Eg:

Supplier	= 10%
Applicable rate of tax	= 10%
Additional consideration	= Rs. 50,000
Total Amt Collected from recipient & paid to Govt	= 1.10L + 50K = 1.60L
SCN = Tax Payable (-) Tax Paid	= $\frac{1.60L}{110} \times 10$ (-) 10,000
	= 14,545 - 10,000
	= Rs. 4,545

## Summary of Corporate Guarantee

$$\rightarrow 1\% \text{ p.a.} \times \frac{\text{Amt Guaranteed}}{\text{Amt Disbursed}} = \checkmark$$

- Takeover of Existing loan = No GST
- Fresh Guarantee/Renewal = Service = GST = ✓

### → Corporate Guarantee by Multiple Related Entities



1) If Total Consideration > 1% x Guarantee offered :- VOS = Sum of consideration paid to all such Co-Guarantors

1) If Total Consideration > 1% x Guarantee offered :- VOS = 1% x Amt guaranteed by them (individually)

In case where there are  
Intra-Group Corp Guarantees

Domestic Corporates = FCM = ✓  
Overseas Entity = RCM = ✓

### Fixed-term gurantee (5 yrs, 10 yrs)

VOS = 1%p.a x no of years x Amt guarantee Guaranteed offered  
or

Actual Consideration (for such) Yrs



W.I. Higher

Corporate Gurantee for a period (less than a year)

Eg:- 6 months

VOS = 1% x 6/12 X Amt Gurantee

or

Actual Consideration



W.I. Higher



One-Year Guarantee (with Renewals) every year

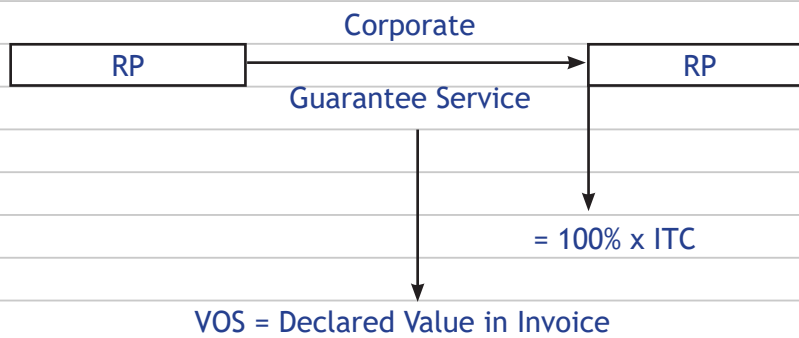
VOS = Compute for each year year



1% x Amt Gurantee  
or  
Actual Consideration  
&

} W.I.Higher

GST shall be payable annually at the time of each renewal



## Clarification

### 1. Corporate guarantee vis a vis disbursement of loan:

Value of supply of the service of providing a corporate guarantee will be calculated based on the amount guaranteed and will not be based on the amount of loan actually disbursed to the recipient of the corporate guarantee.

The recipient of the service of providing corporate guarantee shall be eligible to avail the ITC, subject to other conditions specified in the Act and the Rules made thereunder, irrespective of when the loan is actually disbursed to the recipient, and irrespective of the amount of loan actually disbursed.

#### Question

ABC Pvt. Ltd. (Supplier) provides a corporate guarantee on behalf of XYZ Ltd. (Recipient) to secure a loan of ₹10 Crores from Kotak Bank. The agreed consideration for the corporate guarantee service is ₹8,00,000. Kotak Bank disburses the loan in two tranches: ₹5 Crores initially and ₹2 Crores later.

#### Details:

- **Corporate Guarantee Amount:** ₹10 Crores
- **Agreed Consideration:** ₹8,00,000
- **Valuation Rule:** The value of supply is 1% of the guarantee amount or the actual consideration, whichever is higher.
- **Loan Disbursement:** ₹5 Crores initially and ₹2 Crores later.
- **GST Rate:** 18%

#### Analysis:

##### 1. Value of Supply Calculation:

- o 1% of the guarantee amount = ₹10 Crores × 1% = ₹10,00,000
- o Actual consideration = ₹8,00,000
- o **Value of Supply** = Higher of ₹10,00,000 or ₹8,00,000 = ₹10,00,000

##### 2. GST Liability for ABC Pvt. Ltd.:

$$\text{GST} = ₹10,00,000 \times 18\% = ₹1,80,000$$

##### 3. Loan Disbursement and ITC Eligibility for XYZ Ltd.:

- o XYZ Ltd. is eligible to claim ITC of ₹1,80,000 (GST paid by ABC Pvt. Ltd.), **irrespective of the loan disbursement schedule or amounts.**
- o ITC can be claimed as long as other conditions under GST law are met, such as having a valid tax invoice and filing necessary GST returns.

##### 4. Loan Disbursement Timing:

- o Kotak Bank disburses ₹5 Crores initially. Even if only part of the loan (₹5 Crores) is disbursed, XYZ Ltd. can claim the full ITC of ₹1,80,000.
- o The remaining loan amount of ₹2 Crores is disbursed later, but this does not affect the ITC eligibility or timing for XYZ Ltd.

#### Conclusion:

The value of supply for the corporate guarantee service is determined as ₹10,00,000 (1% of the guarantee amount, as it is higher than the agreed consideration of ₹8,00,000). GST liability for ABC Pvt. Ltd. is ₹1,80,000. XYZ Ltd. can claim the full ITC of ₹1,80,000, regardless of the loan disbursement schedule or amounts. The valuation and ITC are tied to the corporate guarantee amount, not the timing or extent of loan disbursement.

## Clarification

### 2. Takeover of existing loan:

If the loan issued by the banking company/ financial institution is taken over by another banking company/ financial institution, the said activity of taking over of the loan does not fall under the service of providing corporate guarantee to any banking company or financial institution by a supplier to a recipient.

Therefore, in such cases, there will be no impact on GST, unless there is issuance of fresh corporate guarantee or there is a renewal of the existing corporate guarantee.

### Question

DEF Ltd., a subsidiary of GHI Pvt. Ltd. (Holding Company), took a loan of ₹50 Crores from Axis Bank, secured by a corporate guarantee provided by GHI Pvt. Ltd. Subsequently, HDFC Bank takes over the loan from Axis Bank. Analyze the GST implications in the following scenarios:

1. Will the activity of taking over the loan by HDFC Bank attract GST under the scope of corporate guarantee services?
2. If a fresh corporate guarantee is issued by GHI Pvt. Ltd. to HDFC Bank during the loan takeover, what will be the GST liability?
3. If the existing corporate guarantee is renewed by GHI Pvt. Ltd. during the loan takeover, how will GST apply in this case?

### Answers:

#### 1. Loan Takeover by HDFC Bank:

- o The activity of **taking over the loan** by HDFC Bank does **not** fall under the scope of "providing corporate guarantee" services.
- o GST is **not applicable** unless GHI Pvt. Ltd. issues a fresh corporate guarantee or renews the existing guarantee.

#### 2. Fresh Corporate Guarantee Issued:

- o **Details:**  
Loan Amount = ₹50 Crores  
Agreed Consideration for Guarantee = ₹40 Lakhs GST Rate = 18%  
Value of Supply = 1% of Guarantee Amount or Agreed Consideration, whichever is higher.
- o **Calculation:**  
1% of ₹50 Crores = ₹50 Lakhs  
Value of Supply = Higher of ₹50 Lakhs or ₹40 Lakhs = ₹50 Lakhs  
GST Liability = ₹50 Lakhs × 18% = ₹9 Lakhs
- o **Conclusion:**  
If a fresh corporate guarantee is issued by GHI Pvt. Ltd., GST of **₹9 Lakhs** will be applicable.

#### 3. Renewal of Existing Corporate Guarantee:

- o **Details:**  
Loan Amount = ₹50 Crores  
Agreed Renewal Fee = ₹10 Lakhs GST Rate = 18%  
Value of Supply = Renewal Fee or 1% of Guarantee Amount, whichever is higher.
- o **Calculation:**  
1% of ₹50 Crores = ₹50 Lakhs  
Value of Supply = Higher of ₹50 Lakhs or ₹10 Lakhs = ₹50 Lakhs  
GST Liability = ₹50 Lakhs × 18% = ₹9 Lakhs
- o **Conclusion:**  
If the corporate guarantee is renewed during the loan takeover, GST of **₹9 Lakhs** will be applicable.

### Summary:

1. The loan takeover itself does not attract GST under the scope of corporate guarantee services.
2. A **fresh corporate guarantee** or **renewal of an existing guarantee** by GHI Pvt. Ltd. will result in GST liability.
3. The value of supply is determined as **1% of the guarantee amount or the consideration/ renewal fee, whichever is higher.**

### Clarification

#### 3. Corporate guarantee by multiple related entities:

In cases where corporate guarantee is being provided by multiple related entities, the value of such services of providing corporate guarantee shall be the sum of the actual consideration paid/ payable to co-guarantors, if the said amount of total consideration is higher than 1% of the amount of such guarantee offered.

In cases where the sum of the actual consideration is less than one per cent of the amount of such guarantee offered, then GST shall be payable by each co-guarantor proportionately on 1% of the amount guaranteed by them.

### Question

Pineapple Ltd., Mango Ltd., and Banana Ltd. (all related entities) jointly provide a corporate guarantee of ₹200 Crores to secure a loan for Coconut Ltd. from Grapes Bank. Analyze the GST implications if the

#### Details of Actual Consideration Paid:

- Pineapple Ltd.: ₹2.5 Crores
- Mango Ltd.: ₹1.5 Crores
- Banana Ltd.: ₹1 Crore
- Total Consideration = ₹2.5 Cr + ₹1.5 Cr + ₹1 Cr = ₹5 Crores

1. How is the value of supply determined when the total actual consideration paid to co-guarantors exceeds 1% of the total guarantee amount?
2. How is GST calculated if the total actual consideration paid to co-guarantors is less than 1% of the total guarantee amount?

### Answers:

#### When Total Actual Consideration Exceeds 1% of the Guarantee Amount-

#### Details:

Total Guarantee Amount = ₹200 Crores

Total Actual Consideration Paid to Co-Guarantors = ₹5 Crores (Exceeds 1% of ₹200 Crores, which is ₹2 Crores)

GST Rate = 18%

#### GST Liability for Each Co-Guarantor (at 18% GST):

- Pineapple Ltd.: ₹2.5 Crores × 18% = ₹45 Lakhs
- Mango Ltd.: ₹1.5 Crores × 18% = ₹27 Lakhs
- Banana Ltd.: ₹1 Crore × 18% = ₹18 Lakhs

#### Conclusion:

The GST liability will be calculated on the actual consideration of ₹5 Crores, as it exceeds 1% of the guarantee amount.

## 2. When Total Actual Consideration is Less Than 1% of the Guarantee Amount:

### o Details:

Total Guarantee Amount = ₹200 Crores

Total Actual Consideration Paid to Co-Guarantors = ₹1.2 Crores (Less than 1% of ₹200 Crores, which is ₹2 Crores)

Proportion of Guarantee by Each Co-Guarantor:

- Pineapple Ltd.: ₹100 Crores
- Mango Ltd.: ₹60 Crores
- Banana Ltd.: ₹40 Crores

### o Calculation:

Value of Supply for Each Co-Guarantor = 1% of Their Guarantee Amount:

- Pineapple Ltd.: ₹100 Crores × 1% = ₹1 Crore
- Mango Ltd.: ₹60 Crores × 1% = ₹60 Lakhs
- Banana Ltd.: ₹40 Crores × 1% = ₹40 Lakhs

**Total Value of Supply** = ₹1 Crore + ₹60 Lakhs + ₹40 Lakhs = ₹2 Crores

**GST Liability for Each Co-Guarantor:**

- Pineapple Ltd.: ₹1 Crore × 18% = ₹18 Lakhs
- Mango Ltd.: ₹60 Lakhs × 18% = ₹10.8 Lakhs
- Banana Ltd.: ₹40 Lakhs × 18% = ₹7.2 Lakhs

### o Conclusion:

When the total consideration is less than 1% of the guarantee amount, each co-guarantor is liable to pay GST on **1% of the amount guaranteed by them.**

## Clarification

Payment of tax in case of intra-group corporate guarantees -

Forward charge vs. Reverse charge:

In cases where domestic corporates issue intra-group guarantees,

GST is to be paid under forward charge mechanism, and invoice is to be issued by the supplier of the service of providing corporate guarantee to the related recipient under Section 31 read along with the relevant rules.

However, in cases where such guarantee is provided by the foreign/overseas entity for a related entity located in India, then GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India.

Scenario 1: Domestic Corporate Guarantee (Forward Charge)

Example:

- **Supplier of Service:** ABC Ltd. (Domestic parent company)
- **Recipient of Service:** XYZ Ltd. (Domestic subsidiary company)
- **Corporate Guarantee Amount:** ₹50 Crores
- **Agreed Consideration:** ₹40 Lakhs
- **GST Rate:** 18%

Analysis:

1. **Applicability:** Since the guarantee is provided by a **domestic entity**, GST is payable under the **forward charge mechanism**. ABC Ltd., as the supplier, must charge GST to XYZ Ltd. and issue an invoice as per Section 31 and relevant rules.

2. **GST Liability Calculation:**

- o **Value of Supply:** ₹40 Lakhs (Agreed Consideration, as it is higher than 1% of ₹50 Crores = ₹50 Lakhs)
- o **GST** = ₹40 Lakhs × 18% = ₹7.2 Lakhs

### 3. Conclusion:

- o ABC Ltd. will issue an invoice to XYZ Ltd. for ₹47.2 Lakhs (₹40 Lakhs + ₹7.2 Lakhs GST).
- o XYZ Ltd. can claim Input Tax Credit (ITC) of ₹7.2 Lakhs if all other conditions for availing ITC are met

### Scenario 2: Overseas Corporate Guarantee (Reverse Charge)

#### Example:

- Supplier of Service: DEF Inc. (Overseas parent company based in the US)
- Recipient of Service: PQR Ltd. (Indian subsidiary company)
- Corporate Guarantee Amount: ₹100 Crores
- Agreed Consideration: ₹1.5 Crores
- GST Rate: 18%

#### Analysis:

1. **Applicability:** Since the guarantee is provided by a foreign entity, GST is payable under the reverse charge mechanism. PQR Ltd., as the recipient, must pay GST on the service received from DEF Inc.
2. **GST Liability Calculation:**
  - o Value of Supply: ₹1.5 Crores (Agreed Consideration, as it is higher than 1% of ₹100 Crores = ₹1 Crore)
  - o GST = ₹1.5 Crores × 18% = ₹27 Lakhs
3. **Conclusion:**
  - o PQR Ltd., the recipient, must self-assess and pay GST of ₹27 Lakhs under the reverse charge mechanism.
  - o PQR Ltd. can claim ITC of ₹27 Lakhs if all other conditions under GST law are satisfied.

### Clarification

#### Fixed-term guarantees:

For corporate guarantees issued for a fixed term (e.g., five years, ten years),

Value of the supply shall be calculated at

= 1% p.a. of the amount guaranteed X number of years the guarantee is offered

or

Actual consideration, whichever is higher.

GST shall be payable on this amount at the time of issuance of the guarantee.

#### Question

ABC Ltd. provides a corporate guarantee to XYZ Ltd. for a fixed term of 5 years, securing a loan of ₹20 Crores.

The agreed annual consideration for the guarantee is ₹15 Lakhs per year ie 75lacs.

1. How is the value of supply determined when the guarantee is for a fixed term of 5 years?
2. Compute the GST liability based on the following:
  - Value of supply is the higher of 1% p.a. of the guarantee amount multiplied by the number of years or actual consideration for the term.
  - Annual agreed consideration is ₹15 Lakhs per year for 5 years.

#### Answer:

##### 1. Value of Supply Calculation:

- Corporate Guarantee Amount: ₹20 Crores
- Duration: 5 years
- 1% p.a. of Guarantee Amount: ₹20 Crores × 1% = ₹20 Lakhs per year
- Value Based on 1% Rule for 5 Years: ₹20 Lakhs × 5 years = ₹1 Crore
- Actual Consideration for 5 Years: ₹15 Lakhs × 5 years = ₹75 Lakhs

2. **Value of Supply** = Higher of ₹1 Crore (1% rule) or ₹75 Lakhs (actual consideration) = ₹1 Crore

GST Liability Calculation:

- **Value of Supply:** ₹1 Crore
- **GST Rate:** 18%
- **GST Payable:** ₹1 Crore × 18% = ₹18 Lakhs

**Conclusion:**

- The **value of supply** for the 5-year corporate guarantee is ₹1 Crore, as it is higher than the total agreed consideration of ₹75 Lakhs.
- GST payable by ABC Ltd. at the time of issuing the corporate guarantee is ₹18 Lakhs.
- XYZ Ltd. (the recipient) can claim **Input Tax Credit (ITC)** of ₹18 Lakhs, provided all other conditions under GST law are met.

### Clarification

For corporate guarantees provided for a period less than a year (e.g., six months), value

shall be determined proportionately, i.e., for six months, the value would be 0.5% (6/12 \* 1%) of the amount guaranteed or the actual consideration, whichever is higher.

### Question.

LMN Ltd. provides a corporate guarantee to PQR Ltd. for a loan of ₹10 Crores from DEF Bank. The guarantee is valid for different durations: **3 months, 6 months, and 9 months**, with varying agreed considerations.

1. How is the value of supply determined for corporate guarantees provided for durations of 3, 6, and 9 months?
2. Compute the GST liability in each scenario, considering the higher of **proportionate 1% of the guarantee amount** or the **actual consideration**.

### Scenario 1: 3-Month Guarantee

1. **Details:**

- o **Corporate Guarantee Amount:** ₹10 Crores
- o **Duration:** 3 months (0.25 year)
- o **Agreed Consideration:** ₹2 Lakhs

2. **Value of Supply Calculation:**

- o **Proportionate 1% Rule:**  
1% of ₹10 Crores = ₹10 Lakhs per year  
For 3 months: ₹10 Lakhs × (3/12) = ₹2.5 Lakhs
- o **Actual Consideration:** ₹2 Lakhs

3. **Value of Supply** = Higher of ₹2.5 Lakhs (proportionate 1% rule) or ₹2 Lakhs (actual consideration) = ₹2.5 Lakhs

4. **GST Liability:**

- o **GST** = ₹2.5 Lakhs × 18% = ₹45,000

### Scenario 2: 6-Month Guarantee

1. **Details:**

- o **Corporate Guarantee Amount:** ₹10 Crores
- o **Duration:** 6 months (0.5 year)
- o **Agreed Consideration:** ₹3 Lakhs

2. Value of Supply Calculation:

o Proportionate 1% Rule:

1% of ₹10 Crores = ₹10 Lakhs per year

For 6 months: ₹10 Lakhs × (6/12) = ₹5 Lakhs

o Actual Consideration: ₹3 Lakhs

3. Value of Supply = Higher of ₹5 Lakhs (proportionate 1% rule) or ₹3 Lakhs (actual consideration) = ₹5 Lakhs

4. GST Liability:

o GST = ₹5 Lakhs × 18% = ₹90,000

Scenario 3: 9-Month Guarantee

1. Details:

o Corporate Guarantee Amount: ₹10 Crores

o Duration: 9 months (0.75 year)

o Agreed Consideration: ₹6 Lakhs

2. Value of Supply Calculation:

o Proportionate 1% Rule:

1% of ₹10 Crores = ₹10 Lakhs per year

For 9 months: ₹10 Lakhs × (9/12) = ₹7.5 Lakhs

o Actual Consideration: ₹6 Lakhs

3. Value of Supply = Higher of ₹7.5 Lakhs (proportionate 1% rule) or ₹6 Lakhs (actual consideration) = ₹7.5 Lakhs

4. GST Liability:

o GST = ₹7.5 Lakhs × 18% = ₹1.35 Lakhs

Clarification

One-year guarantee with renewals:

Question.

If a corporate guarantee is issued for one year and renewed annually for n numbers of years

GST shall be payable each year based on

1% of the amount guaranteed or the actual consideration, whichever is higher, at the time of each renewal

XYZ Ltd. secures a loan of ₹30 Crores from ABC Bank. LMN Ltd. provides a corporate guarantee for 1 year, which is renewed annually for 3 years. The agreed consideration for each year is ₹10 Lakhs per year. Analyze the GST implications based on the rule that GST is payable annually at the time of each renewal.

1. How is the value of supply determined for a one-year corporate guarantee with annual renewals?

2. Compute the GST liability for each year based on the following:

o The value of supply is the higher of 1% of the amount guaranteed or the actual consideration per year.

3. What will be the total GST liability over the 3 years?

Answers:

1. Value of Supply Calculation:

o Corporate Guarantee Amount: ₹30 Crores

o Duration: 1 year (renewed annually for 3 years)

o 1% of the Guarantee Amount: ₹30 Crores × 1% = ₹30 Lakhs per year

o Agreed Consideration: ₹10 Lakhs per year



2. Value of Supply (per year) = Higher of ₹30 Lakhs (1% rule) or ₹10 Lakhs (actual consideration) = ₹30 Lakhs

GST Liability for Each Year:

- o Value of Supply (per year): ₹30 Lakhs
- o GST Rate: 18%
- o GST Payable (per year): ₹30 Lakhs × 18% = ₹5.4 Lakhs

3. GST for Each Year = ₹5.4 Lakhs

Total GST Liability for 3 Years:

- o GST for 3 Years = ₹5.4 Lakhs × 3 = ₹16.2 Lakhs

Conclusion:

- GST is payable annually at the time of each renewal.
- The value of supply is determined as 1% of the guaranteed amount (₹30 Lakhs per year) since it is higher than the agreed consideration (₹10 Lakhs per year).
- The total GST liability over 3 years is ₹16.2 Lakhs.

In cases involving the supply of service of corporate guarantees provided between related persons, where full input tax credit is available to the recipient of services, the value declared in the invoice shall be deemed to be the value of supply of the said service.

**Clarification**

In cases involving the supply of service of corporate guarantees provided between related persons, where full input tax credit is available to the recipient of services, the value declared in the invoice shall be deemed to be the value of supply of the said service.

Question

ABC Ltd. (Parent Company) provides a corporate guarantee to its wholly-owned subsidiary, XYZ Ltd., to secure a loan of ₹50 Crores from PQR Bank. Since ABC Ltd. and XYZ Ltd. are related persons, the value declared in the invoice will be deemed to be the value of supply if full input tax credit (ITC) is available to XYZ Ltd.

Questions:

1. How is the value of supply determined when corporate guarantees are provided between related persons?
2. If the invoice declares a value of ₹20 Lakhs for the service, and XYZ Ltd. is eligible for full ITC, compute the GST liability and ITC availability.

Answer:

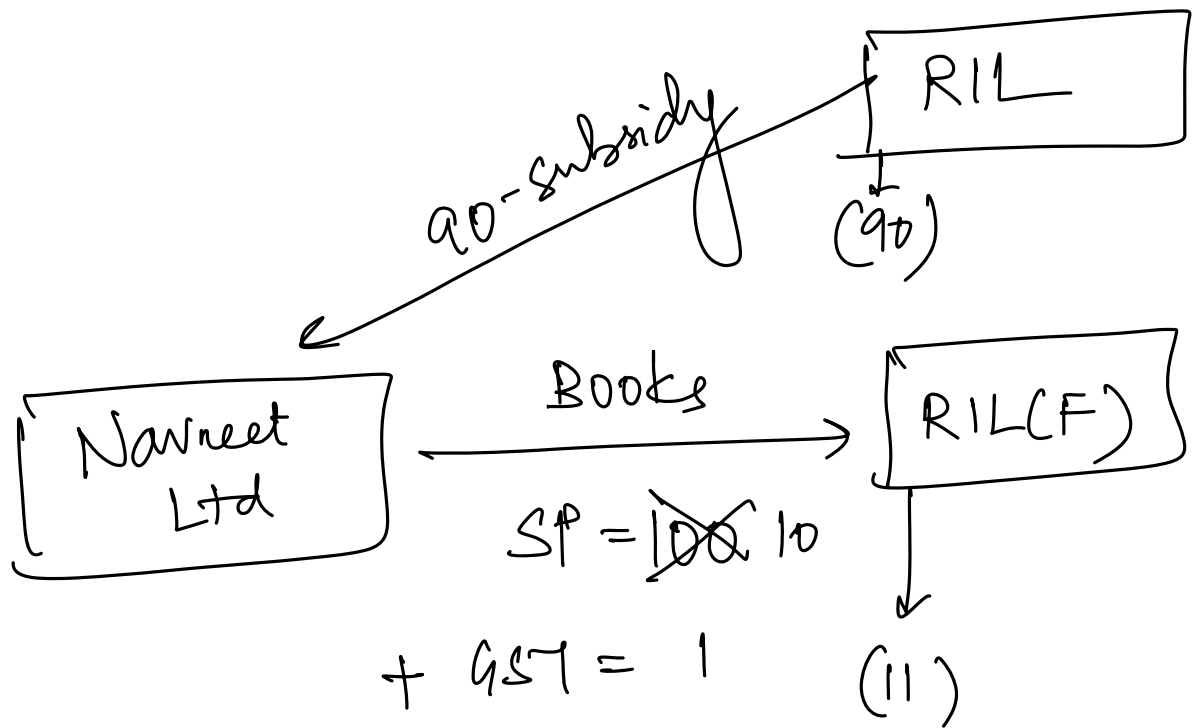
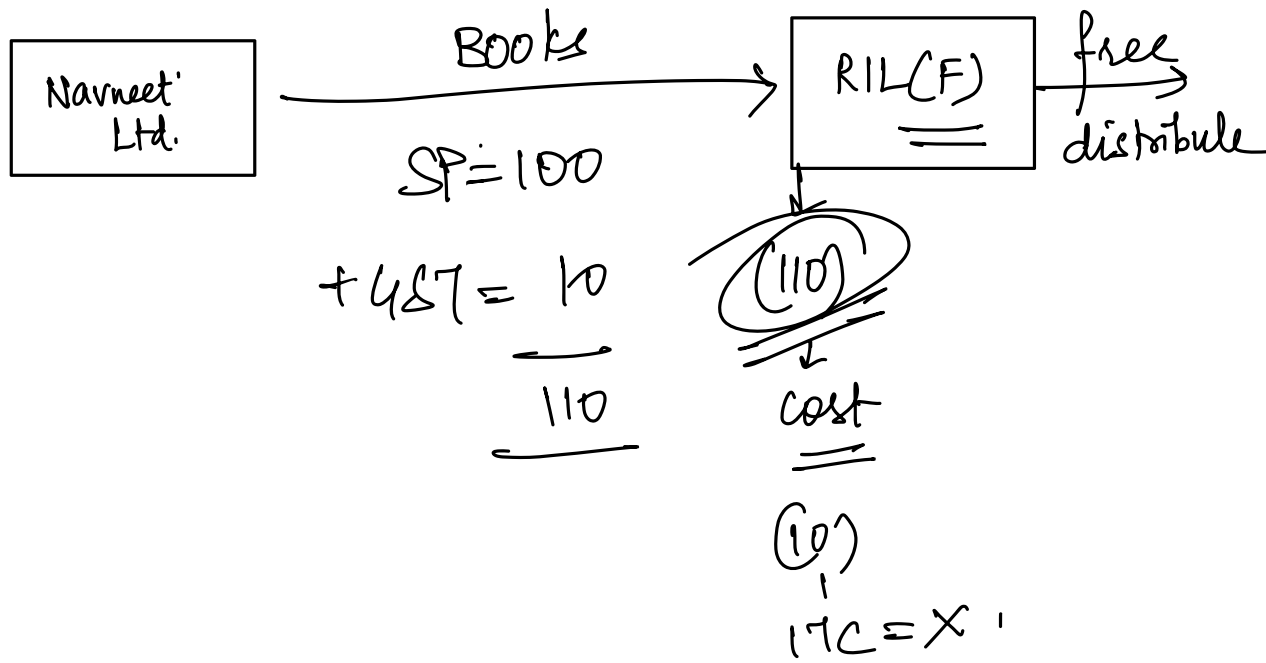
1. Determination of Value of Supply:

- o When corporate guarantees are provided between related persons, and the recipient is eligible for full ITC, the value declared in the invoice will be deemed to be the value of supply.
- o This eliminates the need to compare the declared value with 1% of the guaranteed amount.

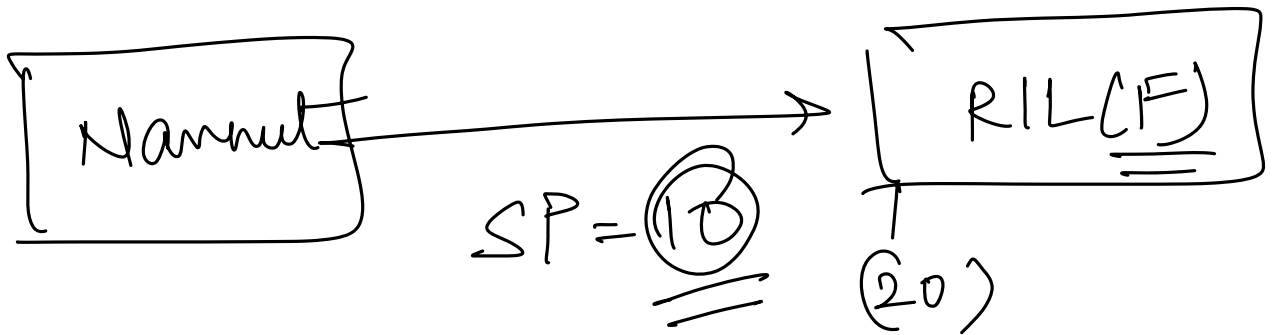
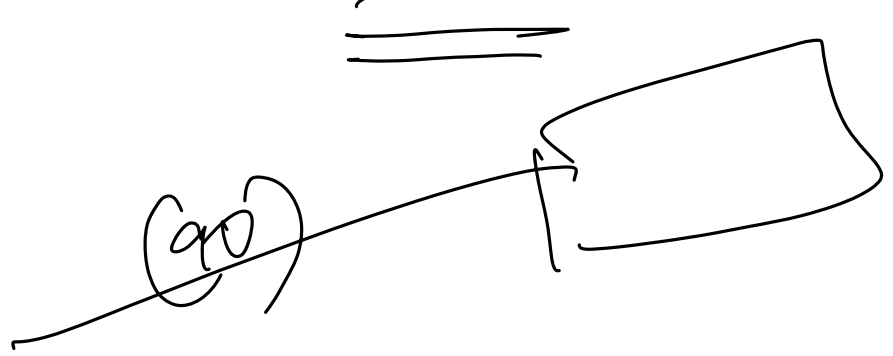
2. GST Liability and ITC Availability:

- o Declared Value in Invoice: ₹20 Lakhs
- o GST Rate: 18%
- o GST Payable by ABC Ltd.: ₹20 Lakhs × 18% = ₹3.6 Lakhs
- o ITC for XYZ Ltd.: Since XYZ Ltd. is eligible for full ITC, it can claim the entire GST of ₹3.6 Lakhs paid by ABC Ltd.

# Aagaz - Value of supply



$$90 + 11 = \boxed{101}$$

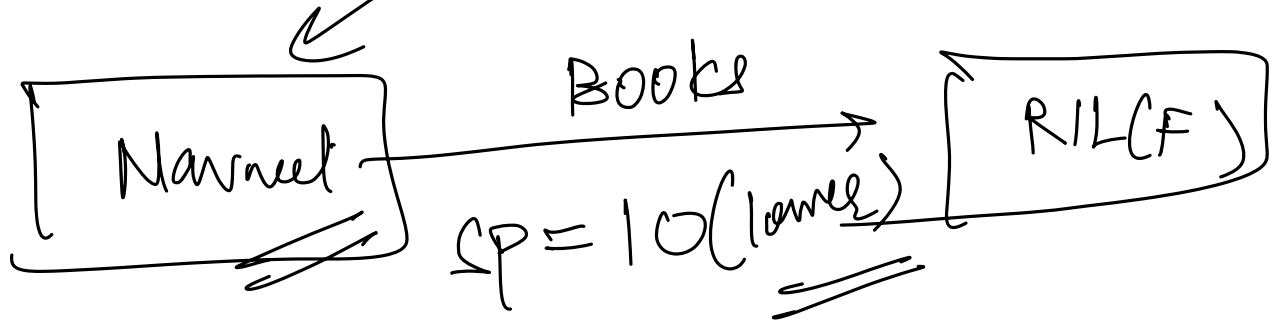


$$+ \text{GST} = \frac{10}{20}$$

$$\left[ \frac{10}{\text{TV}} + \frac{90}{\text{subsidy}} \right] = 100 \times 10\%$$

given  
other cl/sr  
15(2)(e)

subsidy = 90 cl/sr

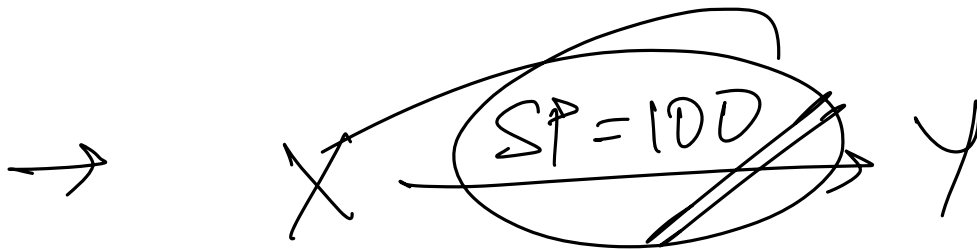


+ GST = 11

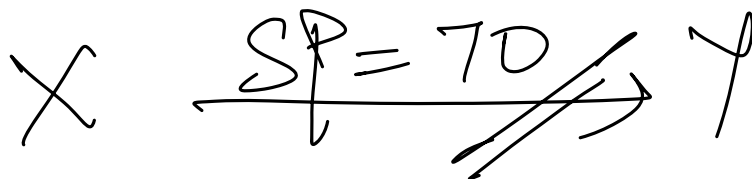
(TV-10)

~~90~~

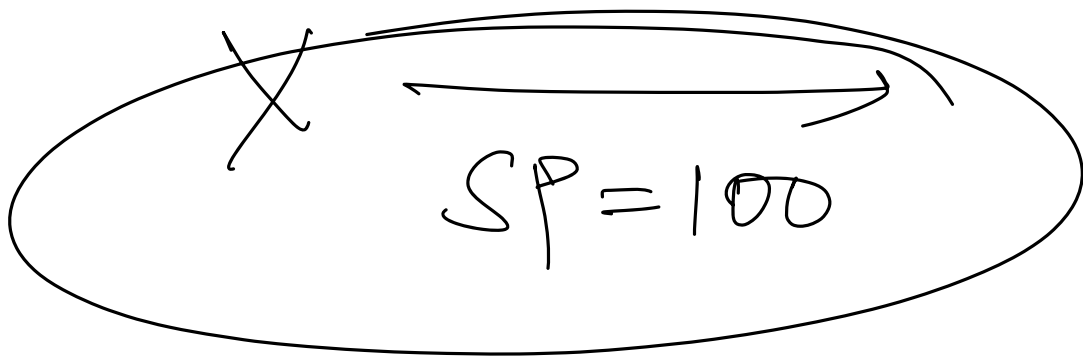
Subsidy directly linked to P



After X recvd subsidy = 30% 30%



continues to quote



(S) Not linked (Price)

Q.

Tata Salt = 10Rs/kg

Effect of S is not included

Delhi SG subsidy to Tata Salt = 3Rs/kg

Tata Salt = 7Rs/kg

Effect of subsidy is included

Q. list price of goods = 10L

subsidy by CGT = 1L (No)

CGT = (included in price)

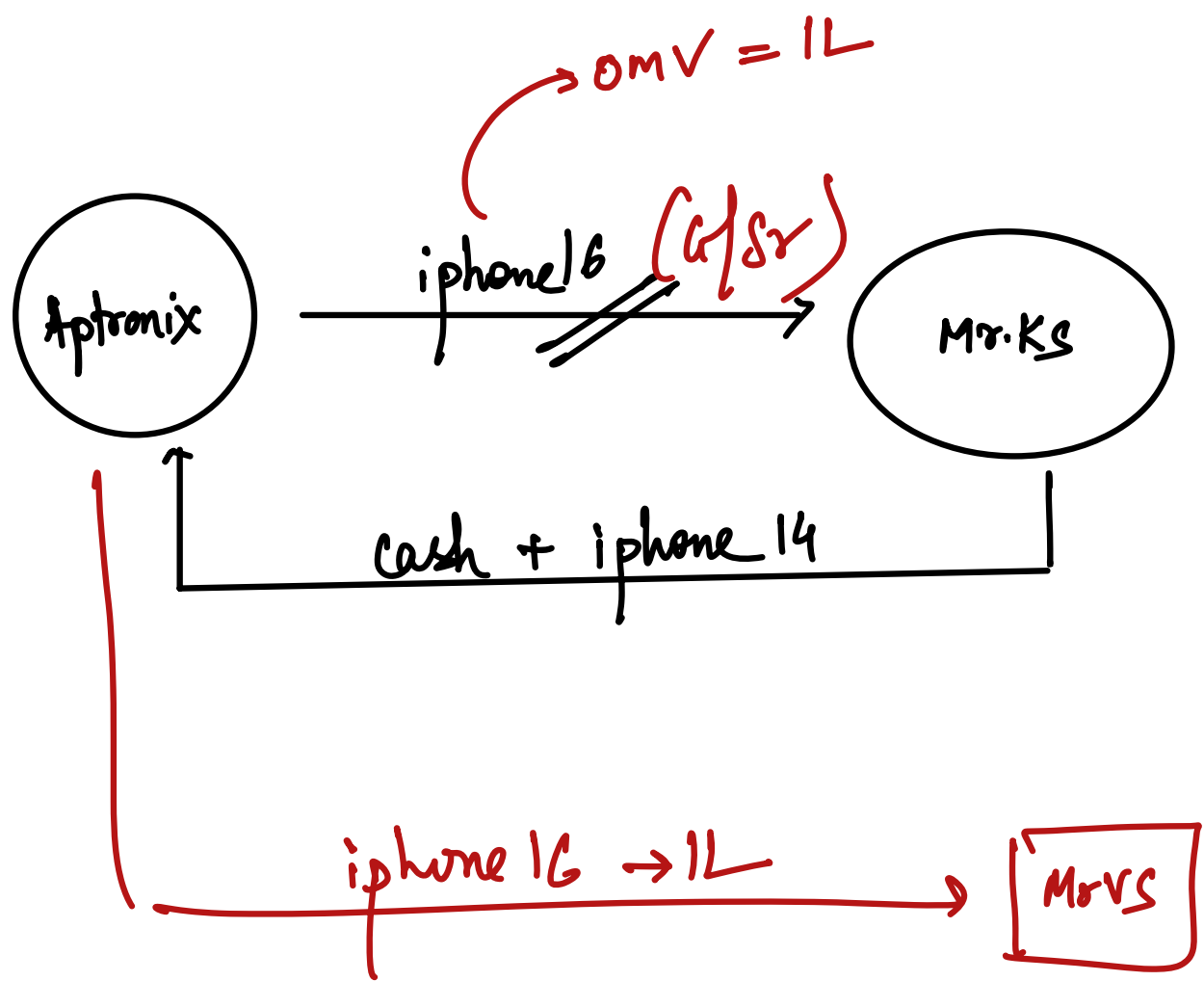
effect of

subsidy by HVL = 2L (+)  
(incl in price)

effect of

subsidy by Delhi SG = 3L (-)  
(not incl in price)

subsidy by RIL = 4L (NO)  
(not incl in price)



OMV =

iphone 16 = OMV = X

↓

= Cash + iphone 14 (OMV)

= 70,000 + 20,000

vol = 90,000

iphone 16  
↓

like kind/quality

$$\text{Price} = 90,000$$

$$\underline{\underline{\text{VOS} = 90,000}}$$

iphone 16 (supply)

$$= \underline{\underline{\text{Cost} \times 110\%}}$$

$$= 60,000 \times 110\%$$

$$\underline{\underline{\text{VOS}}} = \underline{\underline{\boxed{66,000}}}$$



rule 30!

## Online money Gaming

Rule 31B

① Virtual Racing Game

$$\text{GST} = 10,000 \times \frac{28}{128} = \text{2188}$$

liab

② wrestling

$$\text{GST} = 11,000 \times 28\%$$

$$\text{liab} = \text{3080}$$

Player A → B A/C

Wallet (Deposit) = 10,000

↳ (Incl of GST) = (2188)

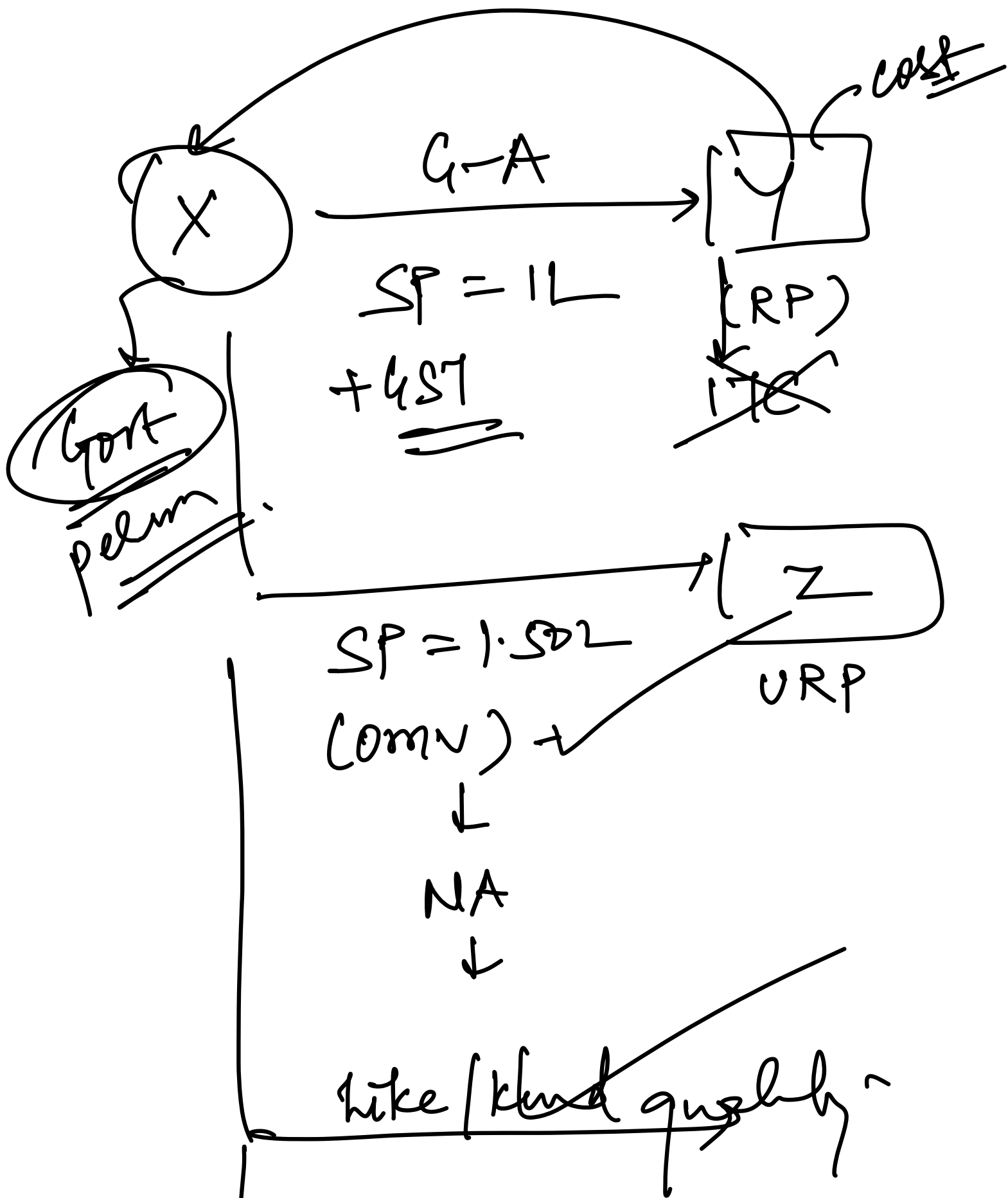
$$\frac{10,000}{128} \times 28$$

(+) ~~winnings~~ = +10,000

↳ Bet on west = (14080)

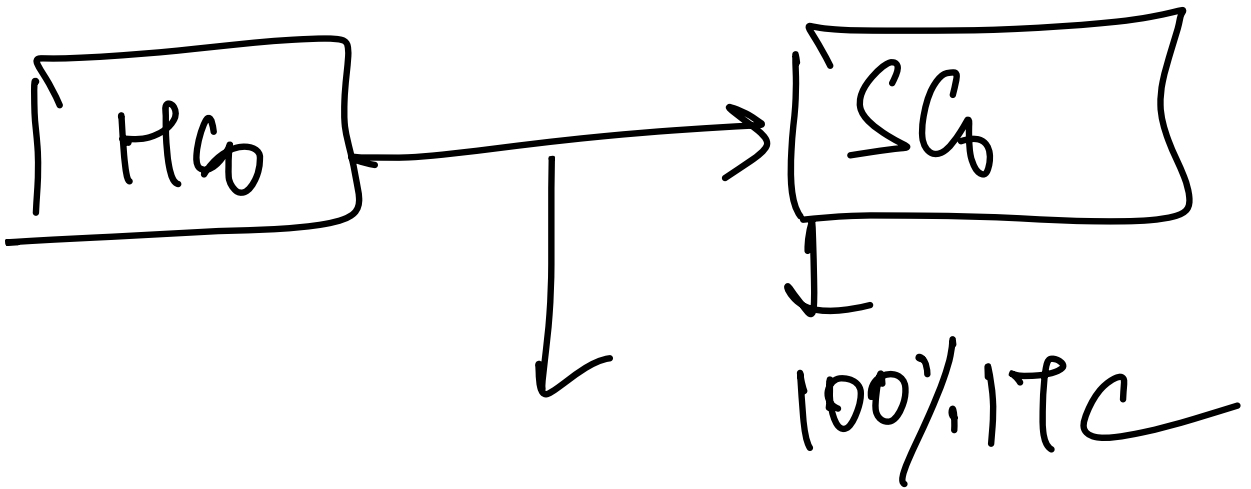
(11,000 + 3080)

Net Balance = 1732



~~Rule 31 110% x cost~~

Rule 31 - Reasonable

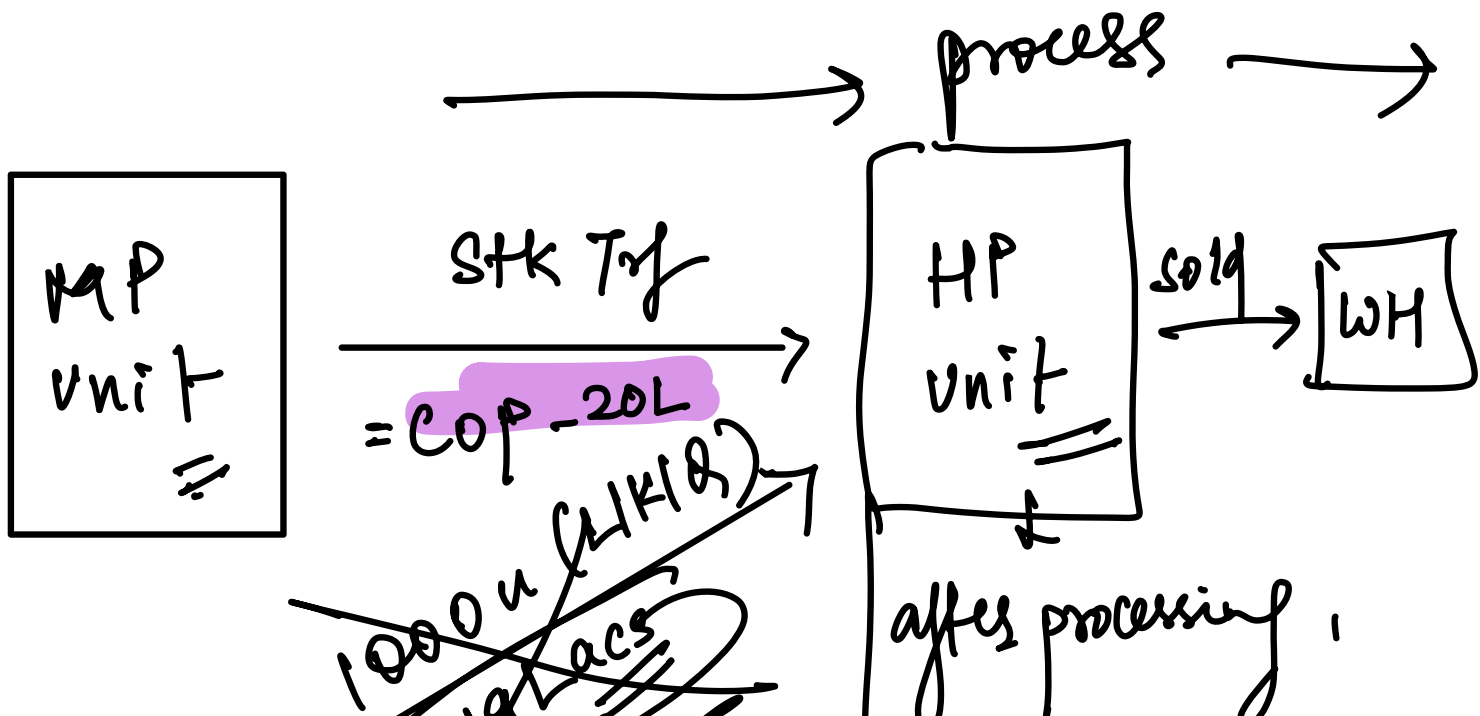
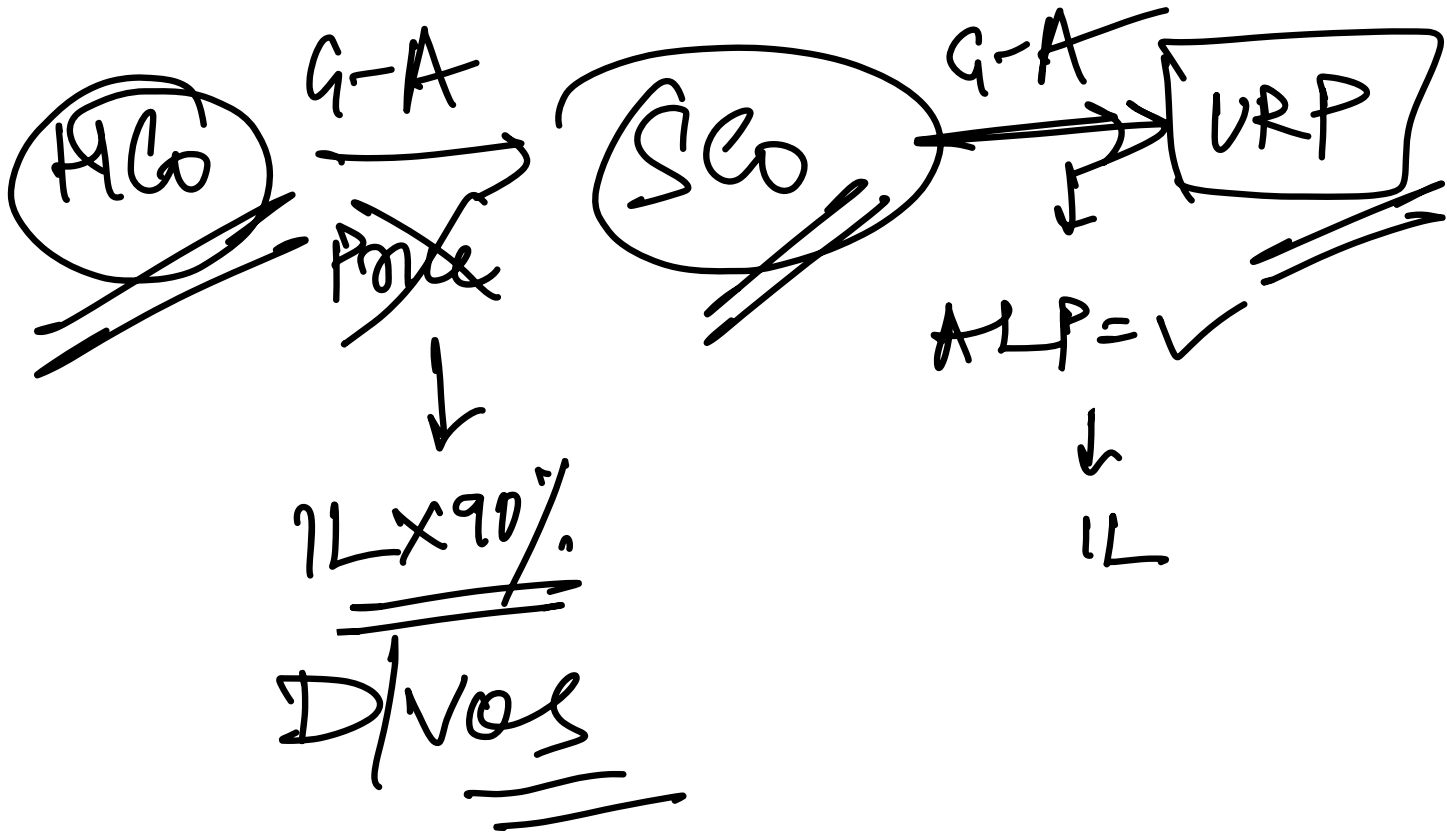


Invoice = ROS = L

IL

FAC7

opt 2 (G)





100 x 1TC = ✓

## Forex Agent

$\frac{VOCE}{\text{upto 1L}}$

$\frac{VDS}{250 \approx 1\% \times VOCE, \text{with}}$

Eg:- 70,000

$$= 70,000 \times 1\% \approx 250$$

$$= \boxed{700} \approx 250, \text{with}$$

> 1L upto 10L = 1000 + 0.5% VOCE > 1L

Eg:-

6,00,000



$$1L$$

$$= 1L \times 1\%$$

$$= 1000$$

$$5L$$

$$5L \times 0.5\%$$

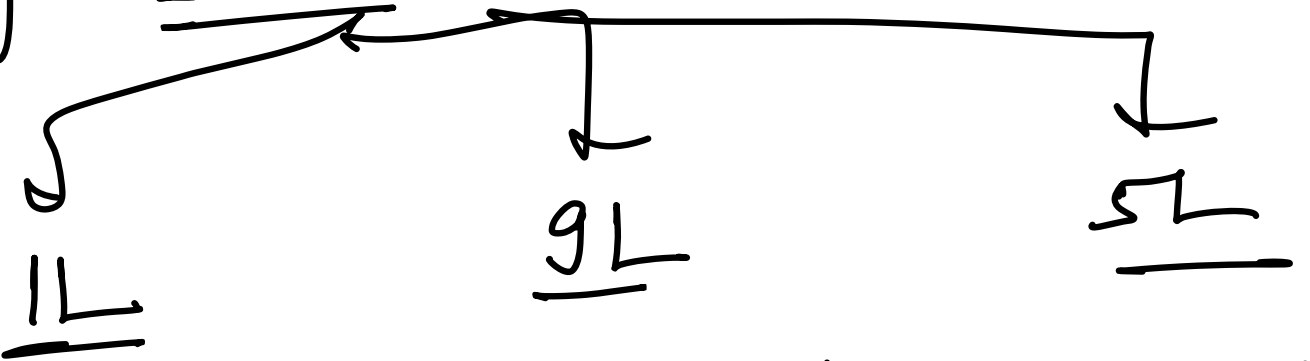
$$2500$$

$$= \boxed{3500}$$

$$\underline{\underline{710L}}$$

$$5500 + 0.1\% \text{ VOCE } \underline{\underline{710L}}$$

Eg:- 15L



$$1L \times 1\%$$

$$9L \times 0.5\%$$

$$5L \times 0.1\%$$

= 1000

4500

500

||

6,000

60,000

=====

=====

Will

Malet's Dealer



Mrs. M



Axis Bank

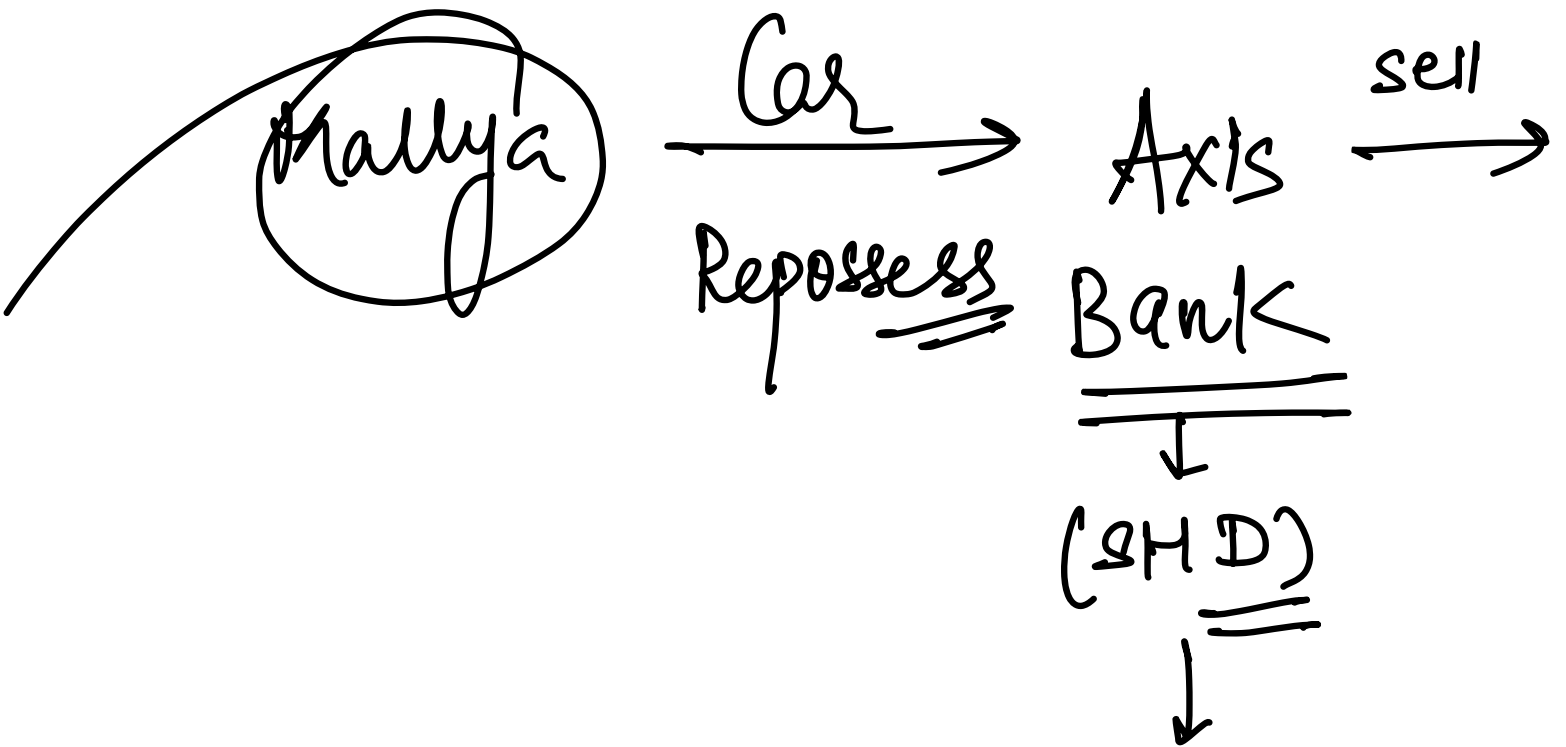
=====



1/4

1/5

1/6 - default



= S.P ✓ ⇔ ~~P.P~~

PP = Borrower ⇔ S/pe

Provision  
32(5)

17

qtrs  
part

= 10L  $\Rightarrow$  (5% x 3Q)  
= 10L  $\Rightarrow$  15%

8.52 count next day

DOI = 1 | 4 | 25

Date when repossessed

Car was sold = 11 | 26 end day before  
21 | 12

No of qtrs = 3Q

(J'25 / S'25 / D'25 / ~~M'25~~)

= SP ( ) PP

= 9L ( ) 8.52

~~205~~ = 50,000

DOI = 30/6/25

next day

Date

when

R'sold = 31/5/20

Xloof Q =  
(S, D, M)

---

"Pure agent" has been defined to mean a person who-

- ✓ (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.

Aug

Aviant  $\xrightarrow{\text{supply}}$  Daffodil

Price of m/c = 40,000,000 = ✓

(+) H/c = 10,000 = ✓

(+) Installation = 1,000,000 = ✓

(+) Subsidy by HCO = 2,000,000 = ✓

(+) Tr. Cost = Nil = ✓

(-) Cash discount @ 2% = (80,000) ✓

(40L x 2%)

VDS = 42,30,000

x 12% GST =

Sept

Dis recovered = 80,000

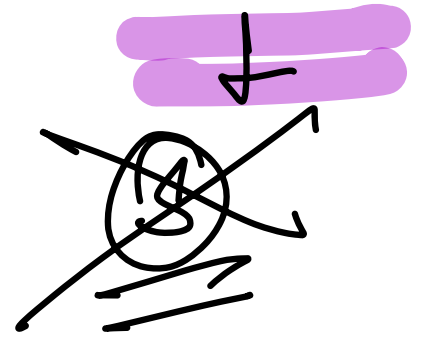
Int received =  $\frac{82,200}{162,200}$   
(Incl of GST)

GST payable =  $\frac{162200}{112} \times 12$

=

10/1000000 x 2000000 x 41.10

$\frac{1}{100} \times 1000000$   
or parentheses



$$= 41,102 \times 2\%$$

$$= \boxed{82,200}$$

Q.11

JC  
—————  
(UK)

AT (Subs Co)  
—————  
Delhi  
=====

↓  
C/A

PD

(Chennai)

JC  $\xrightarrow{\text{OMV } 552}$  PD  $\xrightarrow{\text{60L}}$  ~~URF~~

$$\text{VOS} = \boxed{55L}$$

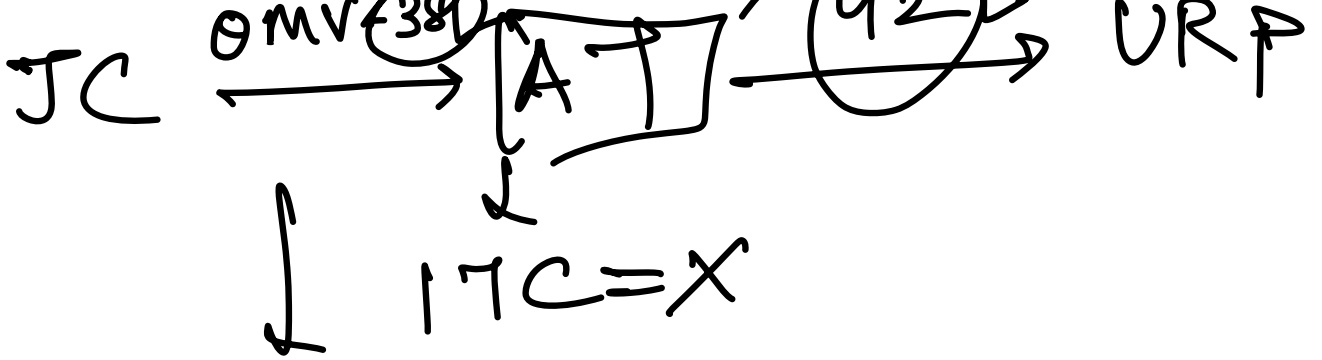
or

$$= 60L \times 90\%$$

} w. i. lower

$$= \boxed{54L}$$





$$= 42L \times 90\%$$

$$= \boxed{37.80L} \checkmark$$

$$= 7,00,000 (6.50L + 50,000)$$

$$= \text{GST } 12\% \rightarrow 1457 \text{ .n}$$



**THANK YOU**