

VALUE OF SUPPLY



The section numbers referred to in the Chapter pertain to the CGST Act, 2017, unless otherwise specified. Examples/illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2026.

LEARNING OUTCOMES

After studying this Chapter, you will be able to-

- ☐ comprehend what constitutes the value of a taxable supply of goods / services when the supply is made to an unrelated person and price is the sole consideration for the supply
- ☐ identify the various inclusions in/exclusions from the value of supply
- ☐ pinpoint the situations when discount will be included /not included in the value of supply
- ☐ ascertain who are related persons
- ☐ compute the value of taxable supply when price is the sole consideration for the supply and the supplier and recipient are not related

CHAPTER OVERVIEW



VALUE OF SUPPLY

Value of supply made to unrelated person with price as the sole consideration

Inclusions in/exclusions from value of supply

Discount

1. INTRODUCTION

GST is payable (i) on supply of goods or services or both for a consideration in the course of or furtherance of business; (ii) on certain supplies made without a consideration as specified in Schedule I to the CGST Act.

As GST is an *ad valorem* levy, i.e. it is levied as a percentage of the **value of supply** of goods or

services or both, it becomes important to know how to arrive at the value on which tax

Value of Supply

is to be paid. Provisions relating to 'value of supply' set out the mechanism to compute such value basis on which CGST and SGST/UTGST (intra-State supply), or IGST (inter-State supply) should be paid.

Section 15 of the CGST Act supplemented with CGST rules given under Chapter IV of the CGST Rules: Determination of Value¹ prescribes the provisions for determining the value of supply of goods and services. There are common provisions for determining the value of the supply of goods and services.



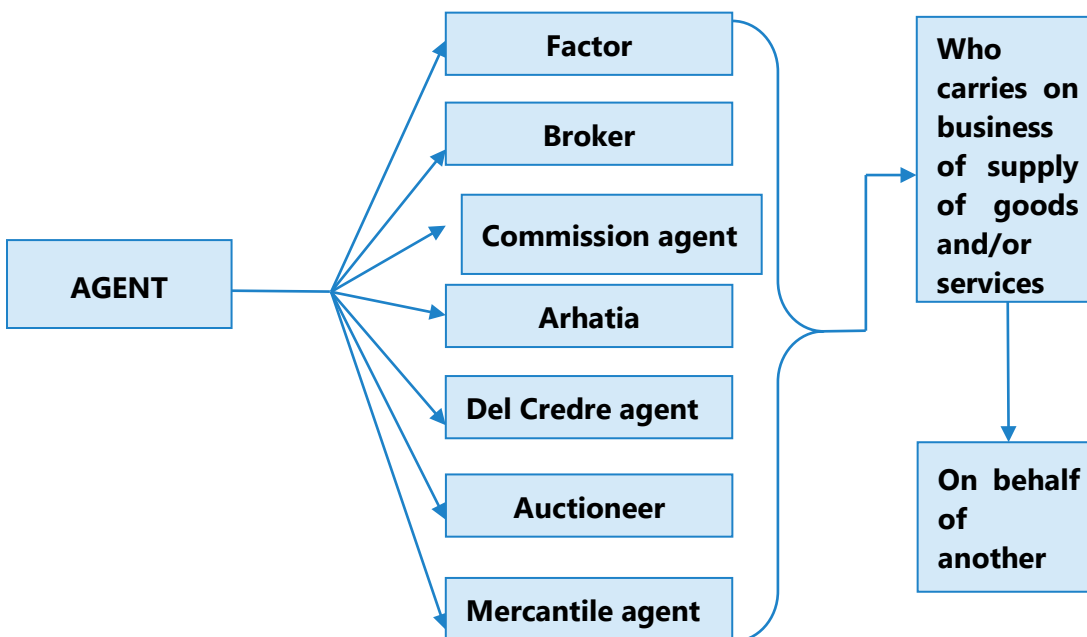
¹ Chapter IV: Determination of Value of Supply of the CGST Rules will be discussed at the Final level.

Sub-section (1) of section 15 provides the mechanism for determining the value of a supply which is made between unrelated persons and when price and only the price is the sole consideration for the supply. When value cannot be determined under section 15(1) as also in certain specific cases, the same is determined using Chapter IV: Determination of Value of Supply of CGST Rules.

Provisions of value of supply under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

2. RELEVANT DEFINITIONS

- ❑ **Agent:** means a person, **including** a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

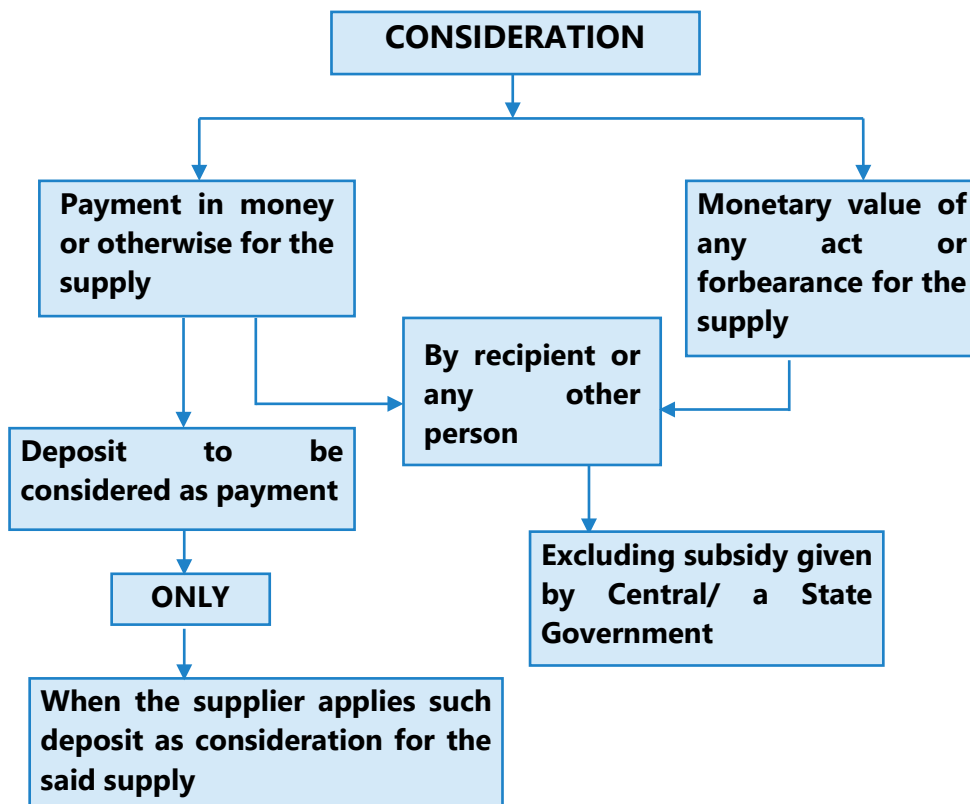


- ❑ **Cess:** shall have the same meaning as assigned to it in the Goods and Services Tax (Compensation to States) Act [Section 2(22)].

❑ **Consideration:** in relation to the supply of goods or services or both **includes –**

- (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- (b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

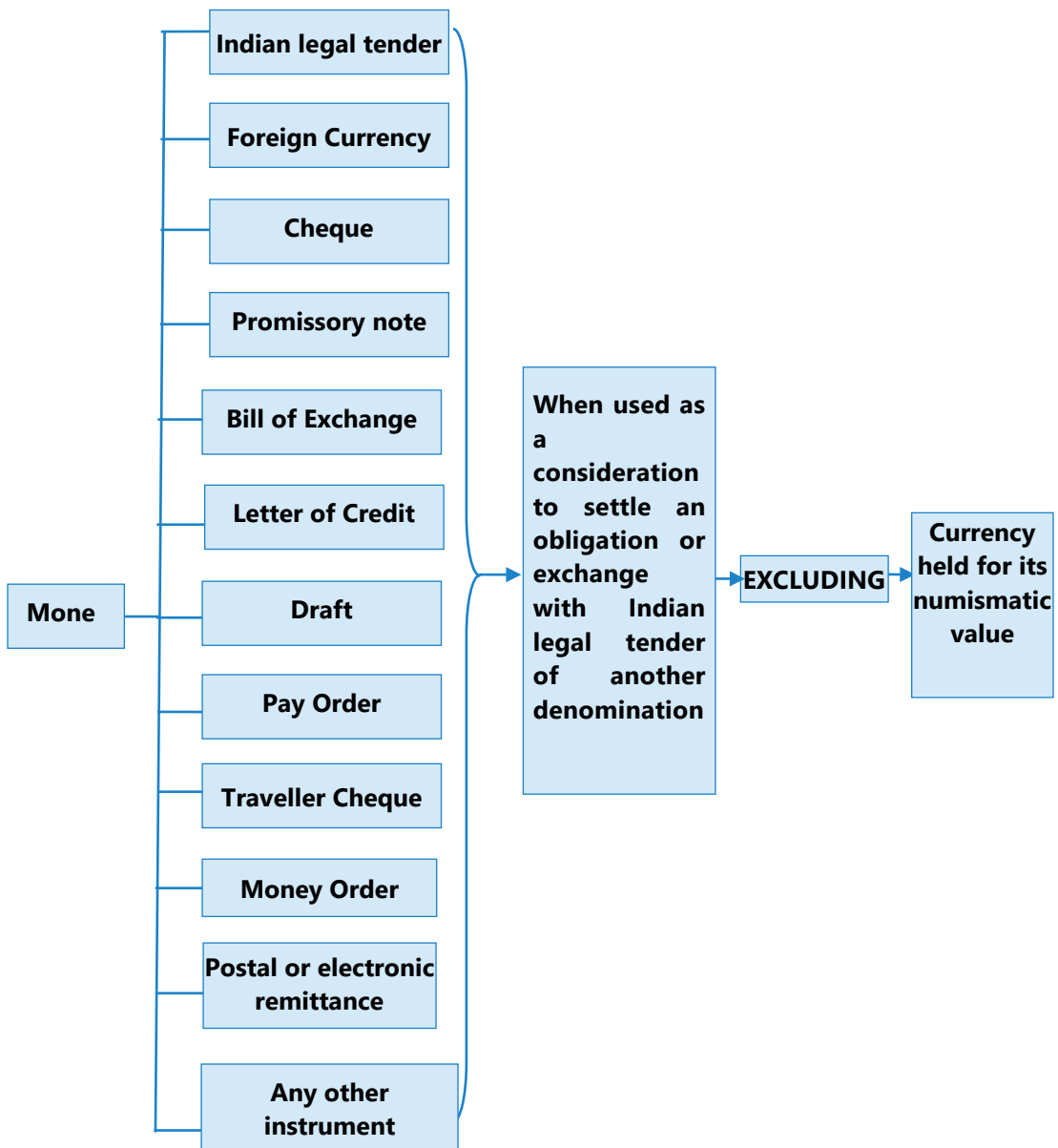
Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply [Section 2(31)].



□ **Person includes-**

- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
- (g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in section 2(45) of the Companies Act, 2013;
- (h) any body corporate incorporated by or under the laws of a country outside India;
- (i) a co-operative society registered under any law relating to cooperative societies;
- (j) a local authority;
- (k) Central Government or a State Government;
- (l) society as defined under the Societies Registration Act, 1860;
- (m) trust; and
- (n) every artificial juridical person, not falling within any of the above [Section 2(84)].

□ **Money: means** the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value [Section 2(75)].

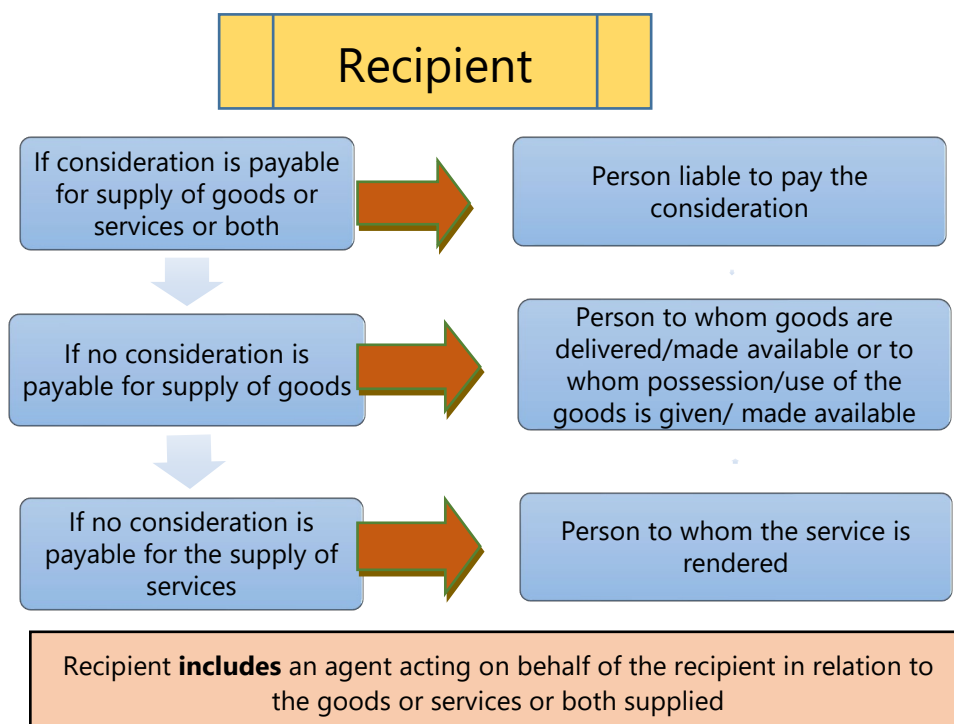


❑ **Recipient** of supply of goods or services or both, **means—**

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].



□ **Supplier** in relation to any goods or services or both, shall **mean** the person supplying the said goods or services or both and shall **include** an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

However, a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims [Section 2(105)].



3. VALUE OF SUPPLY [SECTION 15]



STATUTORY PROVISIONS

Section 15		Value of taxable supply
Sub-section	Clause	Particulars
(1)		The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.
(2)		The value of supply shall include-
	(a)	any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
	(b)	any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;
	(c)	incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;
	(d)	interest or late fee or penalty for delayed payment of any consideration for any supply; and
	(e)	subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.

	Explanation. —For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.		
(3)	The value of the supply shall not include any discount which is given		
	(a)	before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and	
	(b)	after the supply has been effected, if—	
		(i)	such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
		(ii)	input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.
(4)	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.		
(5)	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.		
Explanation—For the purposes of this Act,—			
(a)	persons shall be deemed to be “related persons” if—		
	(i)	such persons are officers or directors of one another's businesses;	
	(ii)	such persons are legally recognised partners in business;	
	(iii)	such persons are employer and employee;	
	(iv)	any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;	

	(v)	<i>one of them directly or indirectly controls the other;</i>
	(vi)	<i>both of them are directly or indirectly controlled by a third person;</i>
	(vii)	<i>together they directly or indirectly control a third person; or</i>
	(viii)	<i>they are members of the same family;</i>
(b)	<i>the term "person" also includes legal persons;</i>	
(c)	<i>persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related</i>	

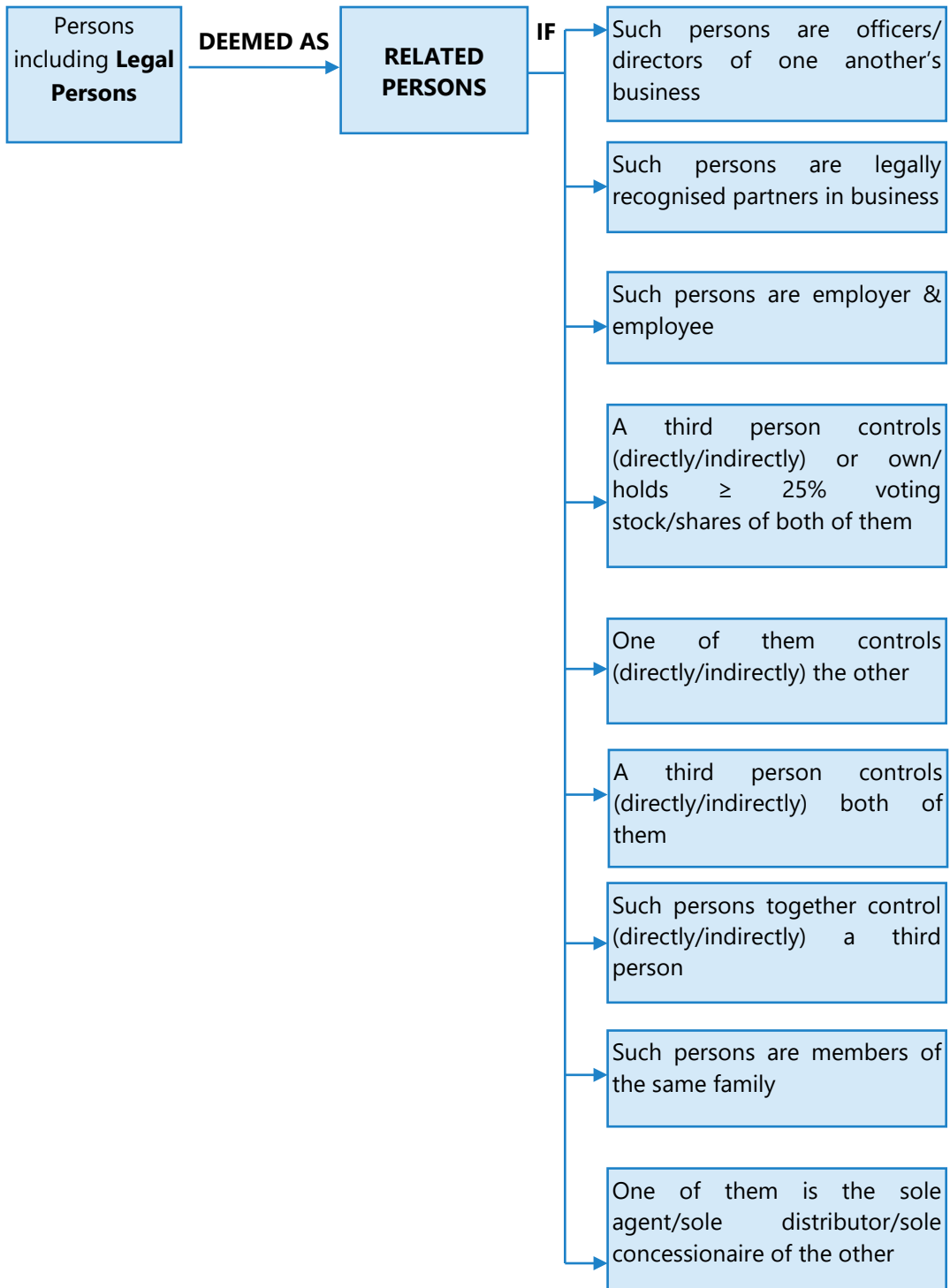


ANALYSIS

The CGST law has different provisions for determining the value of a supply of goods or services or both in the following situations:

- ➔ Supplies made solely for a price in money (monetary consideration), to unrelated persons → Sub-section (1) of section 15;
- ➔ Supplies made solely for non-monetary consideration, or for part monetary consideration and part non-monetary consideration, or involving additional consideration, or to related persons, or for specific classes of supply → Sub-sections (4) and (5) of section 15 read with the Chapter IV: Determination of Value of Supply of CGST Rules.

The definition of '**related person**' under the explanation to section 15 covers various situations of control, including sole agent, sole distributor and sole concessionaire. The concept of related person has been presented in a diagram given on next page.

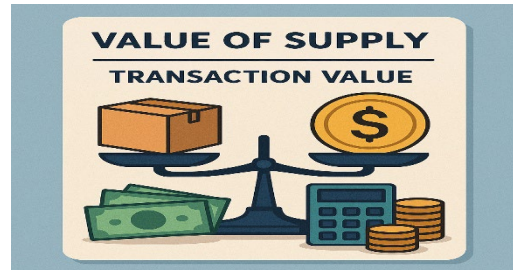
Related persons [Explanation to section 15]

A. Supplies to unrelated persons where price is the sole consideration

(i) Transaction value [Section 15(1)]

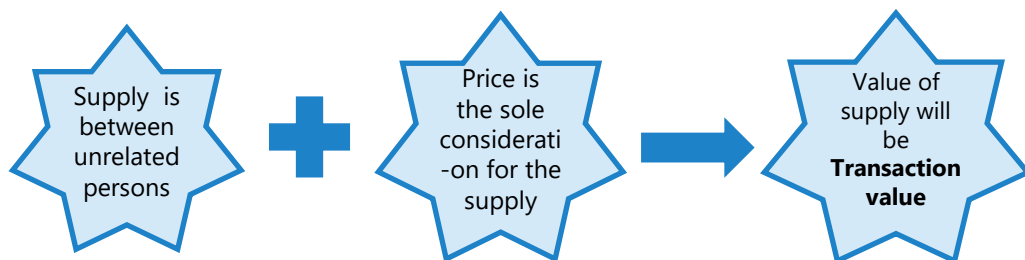
When a transaction of supply of goods or services or both is made

- between two persons (see definition of "person") who are not related to each other (see definition of "related person" in 'Explanation' to section 15), and
- price is the sole consideration (see definition of consideration) for the supply,



the value of supply is the

"transaction value".



Under section 15(1), the transaction value which is applicable between unrelated persons where price is the sole consideration for the supply is -

the price actually paid or payable for the said supply of goods or services

or both.

This is the price for the specific supply that is being valued. It includes the amount already paid at the time the supply is being valued for tax, as well as the amount payable and not yet paid at that time. The word 'payable' refers to price that is agreed to be paid for the goods / services.



(1) Wholesale price for 1 MT of cement sold by X Ltd. in the ordinary course of business: ₹ 7,000. Price of 1 MT of cement sold by X Ltd. to unrelated customer Y: ₹ 6,700.

Value of supply made by X Ltd. to Y is ₹ 6,700 which is the **price actually paid or payable and not the wholesale price.**



★ **The value of taxable supply of goods and services shall ordinarily be the 'transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration. Section 15 further elaborates various inclusions and exclusions from the ambit of transaction value. For example, the transaction value shall not include discount allowed subject to certain conditions.**

(ii) Inclusions in value [Section 15(2)]

The value of supply **includes** certain elements which are enumerated and discussed below.

- ☐ Taxes, duties, cesses, fees and charges other than CGST, SGST, UTGST, GST Compensation Cess, if charged separately
- ☐ Payments to third parties → Any amount that the supplier is liable to pay in relation to supply but which has been incurred by the recipient of the supply and not already included in the price.
- ☐ Incidental expenses, such as, commission and packing, charged by the supplier to the recipient of a supply
- ☐ 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 goods /supply of services.
- ☐ Interest or late fee or penalty for delayed payment of consideration
- ☐ Subsidies, directly linked to the price, other than subsidies given by the Central Government or State Governments

The above elements are discussed below.

Taxes other than GST & GST Compensation Cess [Section 15(2)(a)]

Any taxes, duties, cesses, fees and charges levied under any law for the time being in force except the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier, are includible in the value of supply. In the case of inter-State supply liable to IGST, the value of supply will include taxes other than IGST and the GST Compensation Cess in terms of **third proviso to section 20 of IGST Act. In**

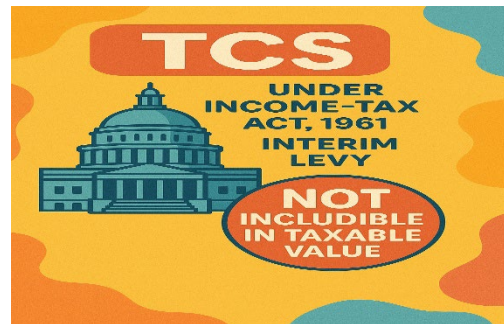
effect, all the taxes, duties etc. which are not subsumed in GST form part of the taxable value for the purpose of levying GST.

For instance, if a supplier of goods pays municipal tax in relation to the goods being supplied and charges the same separately, such tax will form part of the value of supply.

TCS under Income-Tax Act, 1961 not includible in the taxable value for the purpose of GST: The CBIC vide *Circular No. 76/50/2018 GST dated 31.12.2018* (amended vide corrigendum dated 7.03.2019) has clarified that for the purpose of determination of value of supply under GST, **tax collected at source (TCS) under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax.**

Payments made to third parties by the recipient on behalf of the supplier in relation to the supply [Section 15(2)(b)]

A supplier may need to incur various expenses to make a particular supply of goods/services. In the normal course, he would pay these amounts and they would form part of the price that he charges from the customer (recipient of supply). However, even if the customer makes direct payment of some of such liabilities (of the supplier) to the third parties, and the supplier does not include this amount in his bill, it will still form part of the value of the supply.



A point to note here is that amount paid by the recipient to third parties will be added to the value under this clause only when the **supplier is under contractual liability** to make payment to such third parties and the said payment is in relation to such supply.



(2) Grand Biz contracts with ABC Co. to conduct a dealers' meet. In furtherance of this, Grand Biz contracts with vendors to deliver goods / services, like water, soft drinks, audio system, projector, catering, flowers etc. at the venue on the stipulated dates at the stipulated prices. Grand Biz is liable to make these payments as contracted.

The soft drinks supplier wants payment upon delivery; ABC Co. agrees to pay the bill raised by the soft drinks vendor on Grand Biz, on receiving the crates of soft drinks. This amount is not billed by Grand Biz to ABC Co. However, it would be added to the value of supply provided by Grand Biz to ABC Co. for payment of GST.



Yogrishi rents out a commercial building owned by him in Sanskriti Society, Noida, U.P. to Bhaarat for a monthly rent of ₹ 1,00,000. He pays municipal tax of ₹ 20,000 which he has not recovered from Bhaarat. Yogrishi also pays the maintenance charges of ₹ 5,000 (reimbursed to him by Bhaarat) for the month as charged by the Society. The value of supply for the month of January is _____. All the amounts given hereunder are exclusive of GST.

(a) ₹ 1,00,000

(b) ₹ 1,20,000

(c) ₹ 1,25,000

(d) ₹ 1,05,000

Incidental expenses [Section 15(2)(c)]

Incidental expenses, such as commission and packing charged by the supplier or anything else done by the supplier in relation to the supply **at the time of or before delivery of goods or supply of services** must be added to value.



(3) Commission: This may be paid to an agent and recovered from the buyer of the goods / services; this is part of the value of the supply.

(4) Packing, if charged by the supplier to the recipient, is similarly part of the value of the supply.

(5) Inspection or certification charges is another element that will be added to the value, if incurred before/at the time of supply and billed to the recipient of supply.

(6) **Installation and testing charges** at the recipient's site will also be added, being an amount charged for something done by the supplier in respect of the supply, at the time of making the supply.

(7) **Weighment charges, loading charges, designing charges etc. incurred before/at the time of supply** will be added to the value, if billed to the recipient of supply.



Sapiant Ltd., registered under GST, supplies machinery used for making bottle caps to Chandra Ltd. at a price of ₹ 42,00,000 (excluding all taxes and other expenses). Apart from the price of the machinery, Sapiant Ltd. charges from the customer the associated handling and loading charges of ₹ 10,000 and installation and commissioning charges of ₹ 1,00,000. The value of supply of machinery is _____.

(a) ₹ 42,00,000

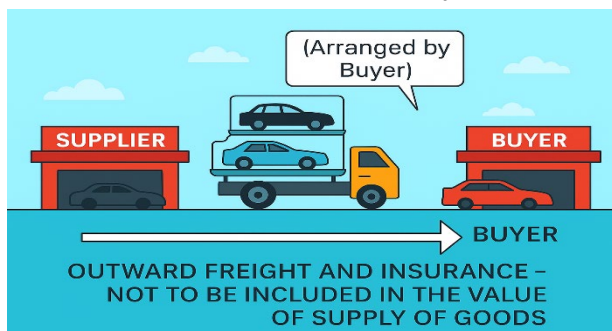
(b) ₹ 43,10,000

(c) ₹ 43,00,000

(d) ₹ 42,10,000

Outward freight, transit insurance

Where the supplier agrees to deliver the goods at the buyer's premises and arranges for transport and insurance, the contract of supply becomes a **composite supply; the principal supply being the supply of goods**. Therefore, outward freight and transit insurance become part of the value of the composite supply and GST is payable thereon at the same rate as applicable for the relevant goods. However, if the contract for supply is on ex-factory basis where buyer pays the outward freight and insurance, the same will not be included in the value of supply of goods.



Interest, late fee or penalty for delayed payment [Section 15(2)(d)]

The value for a supply will include not only the base price but also the charges for delay in payment.



(8) A supply priced at ₹ 2,000 is made, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable. The payment is received after the lapse of two months from the date of supply. The amount of interest @ 12% p.a. (i.e. 1% per month) on ₹ 2,000 for one month after the free credit period of one month, is ₹ 20. Such interest will be added to the value and thus, the value of supply will work out to be ₹ 2,020, assuming the interest to be exclusive of GST.



★ **Time of supply for such interest/ late fee/ penalty is the date when such amount is received by the supplier. Further, since such charges are an addition in the value of supply, same rate of tax as applicable on the main supply of goods/ service are applicable on such charges as well.**



**Quiz
Time!**

3

Bhoora Ltd., a registered supplier in Surat, Gujarat sold goods to Kaala Ltd. of Delhi on 5th April for ₹ 5,00,000 (excluding GST) with a condition that if Kaala Ltd. failed to make payment within 30 days of the delivery of the goods, interest @ 2% per month on said price of ₹ 5,00,000 will be charged for the period of delay. Goods were delivered and the invoice was issued, on 5th April. Kaala Ltd. paid the consideration for the goods on 20th May along with applicable interest. Kaala Ltd. refused to pay any tax payable on the interest amount. Applicable rate of GST in this case is 18%. The value of supply, in the given case, is _____.

(a) ₹ 5,00,000

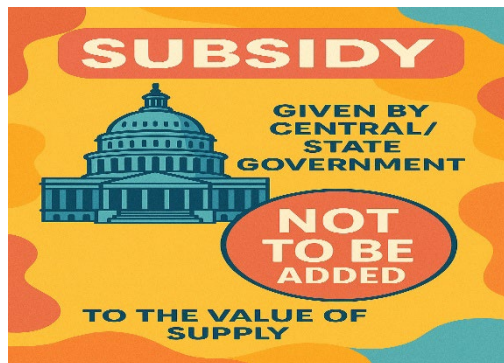
(b) ₹ 5,05,000

(c) ₹ 5,04,237

(d) ₹ 5,95,900

Subsidies linked with price [Section 15(2)(e)]

Subsidy is a sum of money given to keep the price of a service or commodity low. The subsidy is added to the value of supply of the supplier who receives the subsidy. It must be noted that only subsidies directly linked to the price of goods/services are added to the value. Blanket subsidy/donation received are not includible in the value. Note that if the subsidy is given by the State or Central Government, it is not to be added to the value of supply.



(9) The selling price of a notebook is ₹ 50. For notebooks sold to students in Government schools, a company receives price linked subsidy of ₹ 30 per notebook from an NGO, so that the students pay only ₹ 20 per notebook. The value of the notebook will be ₹ 50, as this is a non-government subsidy. If the same subsidy is given/granted by the Central Government or State Government, the value of the notebook would be ₹ 20.



Dhara Private Ltd. is engaged in supply of taxable goods. In the current month, it supplied 1,000 units of such goods to Jal & Co. at a unit price of ₹ 250 & 5,000 units to Vayu & Co. at a unit price of ₹ 230. It has received a subsidy of ₹ 1,00,000 from a NGO, Urja, for the current month for the energy conserved by during the month. The value of supply of goods to Jal & Co. and Vayu & Co. is _____ and _____ respectively.

(a) ₹ 2,50,000;
₹ 11,50,000

(b) ₹ 2,50,000;
₹ 12,50,000

(c) ₹ 3,50,000;
₹ 11,50,000

(d) ₹ 3,00,000;
₹ 12,00,000

(iii) Exclusion of discounts from value [Section 15(3)]

Discounts are a common phenomenon for businesses. Numerous kinds of discounts are given by the suppliers to their customers, namely, trade

discounts, cash discounts, quantity/volume/performance discounts etc. Such discounts are reduced from the sale price of the supply. Since the value of a taxable supply is the transaction value, GST is leviable on the value after deducting the discounts.

However, not all discounts offered by the supplier to their customers are allowed as a deduction from the value. Only such discounts which satisfy the conditions prescribed in section 15(3), are allowed as deduction from the value. The **essence** of the conditions prescribed in section 15(3) is that the price as established at the time of supply should form the basis of value. The discounts which do not fulfill the conditions specified in section 15(3) are not deductible from the value, i.e. GST in such a case is levied on the gross value of the supply without considering the discount.

Discounts that are allowed as deduction from the value are as follows:

- (a) **Discounts given before or at the time of supply and shown in the tax invoice**– Example for such discount can be discounts that are offered for making the payment at the time of supply itself. Such discounts are thus, recorded in the invoice and thus, GST is charged on the gross value less discount duly recorded in the invoice.
- (b) **Post supply discounts**- It is not always commercially feasible to determine all discounts before or at the time of supply or record them in the invoice. For instance, cash discount given for making the payment within a stipulated time.

Even though the discount is established before/at the time of supply, the supplier cannot record such discount in the invoice as he does not know if the buyer will make the payment within the stipulated time.

Likewise, in case of quantity/volume/performance discount also, the supplier is not aware before/at the time of supply as to whether the buyer would purchase the requisite



quantity within the stipulated time. Therefore, in this case also, the discount cannot be recorded in the invoice.

In such cases, initially the GST is paid on the gross value indicated in the invoice without considering the discount. The supplier, however, passes the discount to the buyers subsequently by issuing credit notes.

Post supply discounts, i.e. the discounts that are given after supply is made, are allowed as a deduction from the value of supply if the following two conditions are satisfied:

- ✓ Discount is in terms of an agreement that existed at the time of supply and can be worked out invoice-wise²; and
- ✓ Proportionate input tax credit is reversed by the recipient - The buyer would have availed input tax credit (ITC) of GST payable on the gross value specified in the invoice.

Thus, when a credit note³ is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

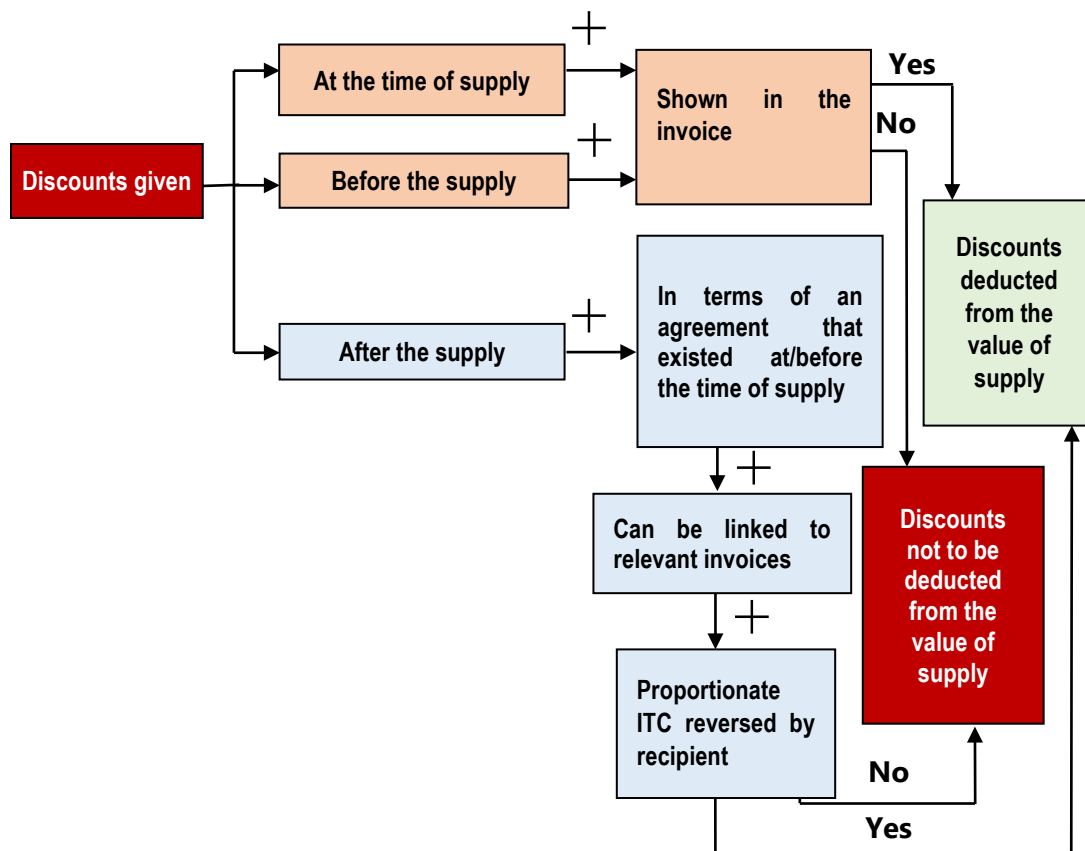
If any of the above conditions are not satisfied, the GST liability of supplier cannot be reduced. The supplier, however, can issue a commercial credit note⁴ for the value of discount. In such a scenario, the buyer will not be required to reverse any input tax credit.

² Students may note that conditions for availing post supply discount are proposed to be amended by the Finance Act, 2026. Consequently, when said amendment comes into effect, it will no longer be necessary for post supply discount to be in terms of an agreement existing at the time of supply and capable of being linked invoice-wise. Such discount will be excluded from the value of supply if the supplier issues a credit note and the recipient reverses the proportionate input tax credit.

³ Credit notes governed under GST law are issued under section 34. Provisions of section 34 are discussed in Chapter 10: Tax Invoice; Credit & Debit Notes in Module 2 of this Study Material.

⁴ A commercial credit note is not governed under GST law and is issued only for the value of discount/reduction in value of the supply, without any GST.

The provisions relating to allowability of discount as a deduction from the value have been depicted by way of a diagram given in the next page.



Allowability of certain specific types of discounts offered by the suppliers as clarified vide Circular No. 92/11/2019 GST dated 07.03.2019

- (i) **Staggered discounts ('Buy more, Save more' offers):** In case of staggered discounts, rate of discount increases with increase in purchase volume. For example – One may get 10 % discount for purchases above ₹ 5,000/-, 20% discount for purchases above ₹ 10,000/- and 30% discount for purchases above ₹ 20,000/-. Such discounts are shown on the invoice itself.

Such discounts are excluded to determine the value of supply.

- (ii) **Periodic/year ending discounts/volume discounts:** These discounts are offered by the suppliers to their stockists, etc. For example- Get additional discount of 1% if you purchase 10,000 pieces in a year, get

additional discount of 2% if you purchase 15,000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as “volume discounts”. Such discounts are passed on by the supplier through credit notes.



Such discounts are excluded to determine the value of supply provided they satisfy the parameters laid down in section 15(3), including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document(s) issued by the supplier.

- (iii) **Secondary discounts:** These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10,000 packets of biscuits to M/s B at ₹ 10/- per packet. Afterwards, M/s A re-values it at ₹ 9/- per packet. Subsequently, M/s A issues credit note to M/s B for ₹ 1/- per packet.

Such secondary discounts shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and the conditions laid down in section 15(3)(b) are not satisfied.

It may be noted that financial / commercial credit note(s) can be issued by the supplier even if the conditions mentioned in section 15(3)(b) are not satisfied. Such credit notes do not include GST, and do not have any impact on value of supply for the purposes of GST.



Examples of discount deductible from value of supply

(10) Royal Biscuit Co. gives a discount of 30% on the list price to its distributors. Thus, for a carton of Spice biscuit, in the tax invoice the list price is mentioned as ₹ 200, on which a discount of 30% is given to arrive at

the final price of ₹ 140. The value is ₹ 140, as the discount is allowed at the time of supply and shown in the invoice.

Post supply discounts



(11) The agreement of Raju Electrical Appliances with its dealers is that purchase of rice cookers over 1000 pieces in the Diwali month will entitle them to discount of 5% per cooker. Therefore, the quantum of discount can be determined only at the end of Diwali month. However, since the agreement relating to discount was in existence at the time of supply, and the discount can be worked out for each invoice, such post supply discount shall be allowed as a deduction from the value of supply of rice cookers.

Raju Electrical Appliances can issue credit note for discount of 5% of the value of goods **along with GST and claim adjustment of excess tax paid**. The dealer **must reverse the proportionate input tax credit** on the relevant stock to bring it in line with the reduced tax.

(12) Pink and Blue Pvt. Ltd. (PBPL) sold goods to Orange Pvt. Ltd. (OPL) on 15th January at ₹ 50,000 (exclusive of taxes and discounts) and charged ₹ 9,000 as IGST @ 18%. The terms of supply stipulated that discount @ 2% will be given to OPL if it makes the payment within one month of the supply. OPL avails the input tax credit of ₹ 9,000 in the month of January and makes the payment for the goods on 10th February. PBPL issues credit note for ₹ 1180 [₹ 1,000 for value of discount and ₹ 180 for proportionate IGST leviable thereon] to OPL on 11th February. After receiving credit note, OPL reverses the input tax credit of ₹ 180 attributable to the discount given by the PBPL. PBPL can reduce its GST liability of the month of February by ₹ 180. OPL would have paid ₹ 57,820 (₹ 50,000 + ₹ 9,000 - ₹ 1,000 - ₹ 180) to PBPL on 10th February.



Examples of discount not deductible from value of supply

(13) In the above example, if the **terms of supply did not provide for discount** @ 2% for payment within one month but PBPL offers such discount to OPL at the time of payment after negotiation, the discount will not be allowed as a deduction from the value. PBPL will issue a **commercial credit note for only the value of discount, i.e. for ₹ 1,000**. OPL will not reverse any input tax credit and PBPL will also not be able to reduce its GST

liability for the month of February. In this case, OPL would pay ₹ 58,000 (₹ 50,000 + ₹ 9,000 - ₹ 1,000) to PBPL on 10th February.

(14) A company announces **turnover discounts** after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods. Hence, the company will not be able to adjust excess tax paid from its tax liability.

Clarification on various doubts related to treatment of secondary or post-sale discounts under GST

Circular No. 251/08/2025 GST dated 12.09.2025 has clarified as follows:

Issue:

Whether a post-sale discount offered by a manufacturer to its dealer/distributor would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer as a monetary value of the inducement to supply of goods manufactured by him to the end customer?

Clarification:

Section 2(31) defines consideration as to include the monetary value of any act for the inducement of the supply of goods or services, whether by the recipient or by any other person. In cases where there is no agreement between the manufacturer and the end customer, there are two independent sale transactions, one from the manufacturer to the dealer and the other from the dealer to the end customer.

The essence of the matter is that in a contract of sale, the sale is completed on the transfer of title to the goods to the buyer. Once this happens, the buyer becomes the owner of the goods, and the seller has no vestige of the title or claims therein. The dealer takes ownership of the goods purchased from the manufacturer and subsequently sells them to the end customer and transaction between the manufacturers to dealer operates on a principal-to-principal basis.

These discounts are simply given for competitive pricing to push sales and merely reduce the sale price of the goods and are not linked to any

independent activity rendered to the manufacturer. Therefore, it is clarified that such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods.

However, in cases where the manufacturer has some agreement with an end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer. Therefore, it is clarified that such a post-sale discount, given by the manufacturer to the dealer for supplying goods to the end customer at a discounted rate, should be included in the overall consideration as it is an inducement towards the supply of goods by the dealer to the end customer.

Issue:

Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?

Clarification:

When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. Therefore, it is clarified that post-sale discounts offered by manufacturers to dealers in such cases shall not be treated as consideration for a separate transaction of supply of services.

However, GST would be leviable in cases where a dealer undertakes specific sales promotional activities, such as advertising campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply. In such cases, the dealer provides a distinct service to the supplier, and accordingly, GST would be chargeable.

No Claim Bonus permissible as deduction under section 15(3)(a) for the purpose of calculation of value of supply of the insurance services provided by insurance company to insured

The issue which arose for clarification was whether 'No Claim Bonus' (NCB) provided by the insurance company to the insured can be considered as an admissible discount for the purpose of determination of value of supply of insurance service provided by the insurance company to the insured.

The insurance companies make the disclosure of the fact of availability of discount in form of NCB, subject to certain conditions, to the insured in the insurance policy document itself and also provide the details of the NCB in the invoices also. The pre-disclosure of NCB amount in the policy documents and specific mention of the discount in form of NCB in the invoice is in consonance with the conditions laid down for deduction of discount from the value of supply under section 15(3)(a).



Since as per section 15(3)(a), value of supply shall not include any discount which is given before or at the time of supply if such discount has been duly recorded in the invoice issued in respect of such supply, it is, therefore, clarified that NCB is a permissible deduction under said section for the purpose of calculation of value of supply of the insurance services provided by the insurance company to the insured.

Accordingly, where the deduction on account of NCB is provided in the invoice issued by the insurer to the insured, GST shall be leviable on actual insurance premium amount, payable by the policy holders to the insurer, after deduction of NCB mentioned on the invoice⁵.

⁵ Circular No. 186/18/2022 GST dated 27.12.2022



Sapiant Ltd., registered under GST, supplies machinery used for making bottle caps to Chandra Ltd. at a price of ₹ 40,00,000 (excluding all taxes and other expenses). A cash discount of 2% on the above price of the machinery is offered at the time of supply since Chandra Ltd. agrees to make the payment within 15 days of the receipt of the machinery at its premises. Sapiant Ltd. receives a price linked subsidy of ₹ 2,00,000 from its holding company Diligent Ltd. The value of supply of machinery is _____.

(a) ₹ 39,20,000

(b) ₹ 42,00,000

(c) ₹ 41,60,000

(d) ₹ 41,20,000

B. Supplies where value cannot be determined u/s 15(1) and notified supplies [Sub-sections (4) and (5) of section 15]

Section 15(4) lays down that where sub-section (1) is not applicable, that is, if the **transaction is with a related party**, and/or **price is not the sole consideration** for the supply of goods / services, then the value will be determined in the manner as prescribed, which means as stipulated in the rules for valuation [See the definition of 'prescribed']. Further, section 15(5) lays down that **in respect of certain notified supplies also**, the value will be determined in the manner as stipulated in the rules for valuation. **As stated earlier, these rules will be discussed at the Final level.**

ILLUSTRATION 1

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received ₹ 2,000 as a price linked subsidy from an NGO on sale of such goods. The price of ₹ 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Black and White Pvt. Ltd.

ANSWER**Computation of value of taxable supply**

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body and directly linked to price, the same is included in the value in terms of section 15(2)(e)]	<u>2,000</u>
Total	58,000
Less: Discount @ 2% on ₹ 50,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15(3)(a)]	<u>1,000</u>
Value of taxable supply	57,000

ILLUSTRATION 2

Samriddhi Advertisers conceptualised and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of ₹ 5,00,000. Samriddhi Advertisers owed ₹ 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest. Assume the rate of GST to be 18%. Determine the value of taxable supply made by Samriddhi Advertisers.

ANSWER**Computation of value of taxable supply**

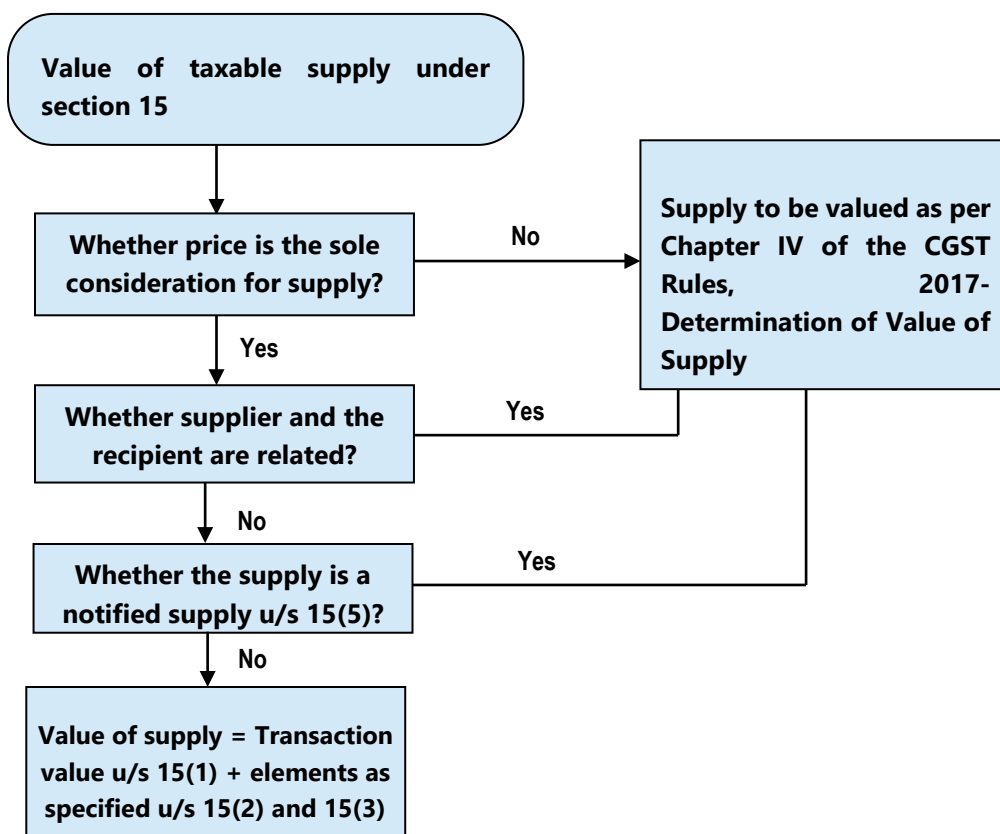
Particulars	₹
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000

Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) [Refer note below] [₹15,000 × (100/118)] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back calculations

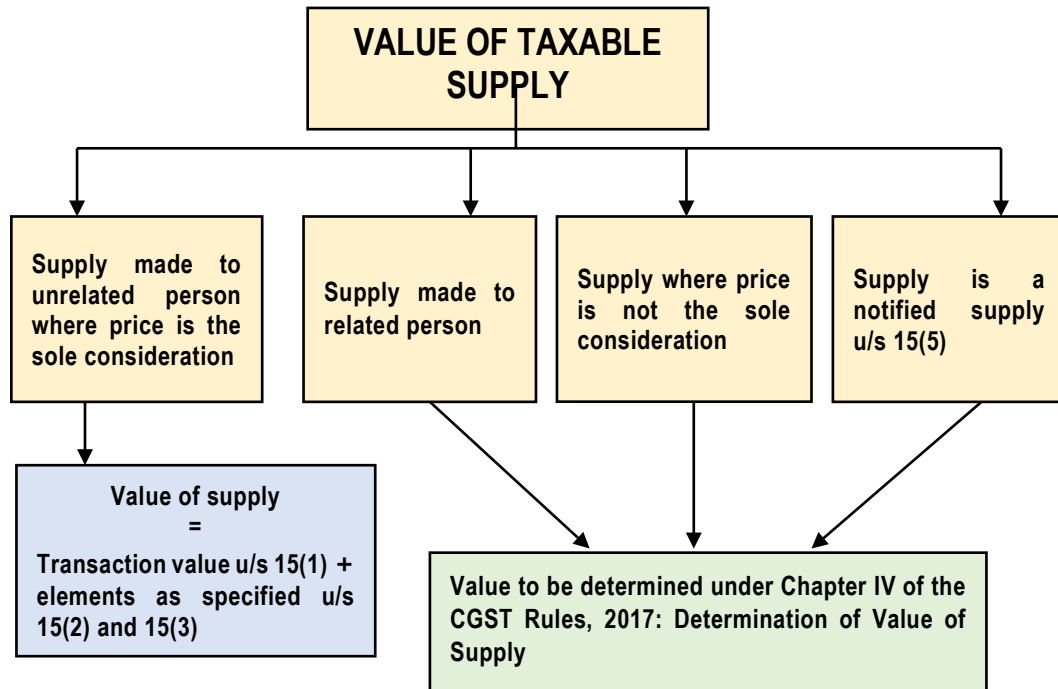
$\left[\frac{\text{Interest}}{100 + \text{tax rate}} \times 100 \right]$. **It is also possible to assume the interest to be exclusive of GST.** In that case, the value of supply will work out to be ₹5,35,000.

The scheme of valuation as provided under section 15 is depicted by way of a diagram given below:





LET US RECAPITULATE



Inclusions in value u/s 15(2)

- ⇒ Taxes other than GST, charged separately
- ⇒ Third party payments made by recipient in relation to supply, which supplier was liable to pay and were not included in the price
- ⇒ Incidental expenses including anything done by the supplier in respect of the supply till delivery of goods/ supply of services, if charged to recipient
- ⇒ Subsidies directly linked to price of supply other than the ones given by Central/State Government
- ⇒ Interest/late fee/penalty for delay in payment of consideration

Exclusions from value u/s 15(2)

- ⇒ Discounts given before or at the time of supply and recorded in the invoice
- ⇒ Post supply discount/incentive, if known till supply & linked to invoices and proportionate ITC reversed by the recipient on the basis of document issued by supplier



TEST YOUR KNOWLEDGE

1. Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.
2. 'Consideration under GST law includes both monetary and non-monetary considerations.'

Discuss the correctness or otherwise of the statement with reference to the definition of term 'consideration' provided under the CGST Act.

3. Sharp Minds Institute provides coaching for engineering entrance examinations. The monthly fee charged by the Institute from a student is ₹ 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost.

The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children.

Determine the value of supply of education services made by Sharp Minds Institute during the month.

4. Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for ₹ 2,00,000 from Furniture Wala. Ms. Leena gets free delivery of the furniture as her residence is located at a distance of 18 km from the showroom. The showroom incurs an expenditure of ₹ 1000 for delivering the furniture at Ms. Leena's residence.

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from the showroom?

5. AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten and specified chemical residues. AKJ Foods Pvt. Ltd. does the testing before the supply and charges

a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the supply as it is a separate activity.

Is the company's argument correct in the light of section 15?

6. Mezda Banners, an advertising firm, gives its customers an interest-free credit period of 30 days for payment. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for a delay of two days.

The Department wants to add interest for two days to the value of supply. Should notional interest be included in the value?

7. Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offered additional discounts on the stock as an incentive to push the sales, without any prior agreement between them for offering such additional discount.

Can this additional discount be reduced from the price at which the goods were sold, and concomitant tax adjustments made?

8. Red Pepper Ltd., Delhi, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii)	Price linked subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Price linked subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000

(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him over and above such amount)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%.

9. M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price.]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

10. Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.:-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the goods supplied.]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

11. Koli Ltd., a registered supplier, has supplied machinery to Ghisa Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (₹)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000

(ii)	Part fitted in the machinery at the premises of Ghisa Ltd. [Amount has been paid by Ghisa Ltd. directly to the supplier. However, it was Koli Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Koli Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	

Determine the value of taxable supply made by Koli Ltd. to Ghisa Ltd.

12. Ajay, a registered person, provided the following details about transactions entered into by him in the month of July:

- (i) He sold 3,000 units of goods to Wellness Pharma @ ₹ 400 each. Under the Income Tax Act, he is required to collect tax (TCS) of ₹ 2,000 from Wellness Pharma. He included ₹ 2,000 as TCS in tax invoice issued to the party.
- (ii) Under a contract with State Government, he sold 1,000 units of goods (unit price is ₹ 400 per unit) @ ₹ 200 per unit to families of Economic Weaker Section (identified by State Government). Balance ₹ 200 per unit will be paid to him by State Government as subsidy.
- (iii) Sold goods to Old Age Home for consideration of ₹ 1,00,000 (Normal sale value is ₹ 2,00,000). SAMVEDNA, an NGO registered under section 12AB of Income Tax Act, 1961 gave them a subsidy of ₹ 30,000 to acknowledge his services to elderly people living in old age home.

Compute the taxable value of supply for the month of July on which Mr. Ajay shall pay GST. Suitable notes and assumptions should form part of your answer. All the amounts stated above are exclusive of GST.

13. XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from an NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt. in relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above) in relation to above supply of goods	2,000

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

14. Precision Tools Ltd. manufactures and sells a customised industrial lathe machine for ₹ 12,00,000. Before delivering the machine, Precision Tools conducts a mandatory quality-testing and calibration process at its own factory (as required under the buyer's purchase specifications) and separately bills the buyer ₹ 40,000 for this testing/calibration, in addition to the machine price.

Is the ₹ 40,000 testing charge included in the value of supply?



ANSWERS

1. No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied cumulatively:

- (i) The discount is in terms of an agreement that existed at or before the time of supply and can be worked out invoice-wise; and
- (ii) Proportionate input tax credit (ITC) is reversed by the recipient - The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.

2. The statement is correct. As per the definition of the term 'consideration' provided under the CGST Act, consideration under the GST law includes both payment in money or otherwise made by the recipient or any other person and also takes within its sweep the monetary value of any act or forbearance, by the recipient or any other person for the supply. Further, it includes within its ambit any deposit which is applied as a consideration for the supply but excludes the subsidies provided by the State or Central Government.

The term 'money' has also been defined under the CGST Act and it not only includes cash (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value. Non-monetary consideration essentially means consideration in kind.

3. As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding subsidies provided by the State Governments and the Central Government.

In the given case, though the subsidy is given by a non-Government body, the same is not includible in the value as it is given in lumpsum and not

directly linked to the price of the supply being valued. Therefore, the value of supply made by Sharp Minds during the month is ₹ 3,00,000.

4. In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket. Therefore, the same should not be added to the value. Hence, the value of supply will be ₹ 2,00,000.

However, the answer will change in the second case when the showroom will charge ₹ 300 for freight $[(50\text{km} - 20\text{ km}) \times ₹ 10]$ from Ms. Leena. In this case, the supply will be a composite supply (principal supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

5. Section 15(2) mandates addition of certain elements in the value of supply. Clause (c) of section 15(2) specifies that the amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in the value of supply.

Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefor will be included in the value of the supply. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be included in the price to arrive at value of supply.

6. This is a supply that is valued as per transaction value under section 15(1) as price is the sole consideration for the supply and the supply is made to unrelated person. The value of a supply includes interest for delayed payment of any consideration for any supply. However, the **time of supply** to the extent it relates to an addition in the value of supply by way of interest for delayed payment of any consideration is the date on which the supplier receives such addition in value. In the given case, the supplier has waived the interest for delayed payment. Consequently, the supplier has not received the interest. Therefore, notional interest for 2 days shall not be included in the value of the supply.
7. The discounts were not known or agreed for at the time of supply of goods to the dealers. Therefore, in terms of section 15(3), such discounts cannot be reduced from the price on which tax had been paid.

8. Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	15,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e)]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value in terms of section 15(2)(e)]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as <u>inclusive</u> of GST] [₹ 6,000 x 100/118] rounded off	<u>5,085</u>
Total value of taxable supplies	15,90,085

9. Computation of value of taxable supply made by M/s. Flo Pro to BP Ltd.

Particulars	Amount (₹)
Price of the machine	25,000

[Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,000
Total	32,000
Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	<u>500</u>
Value of taxable supply	31,500

10. Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

Particulars	Amount (₹)
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a)]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c)]	15,000

Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value in terms of section 15(2)(e)]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	<u>2,000</u>
Value of taxable supply	1,69,000

11. Computation of value of taxable supply made by Koli Ltd. to Ghisa Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ghisa Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b).]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c).]	25,000
Less: Discount @ 2% on the price of machinery [₹ 5,50,000 x 2%]	11,000

[Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a).]	
Value of taxable supply	5,84,000

12. Computation of taxable value of supply on which GST shall be paid by Mr. Ajay for July:

Particulars	Amount (₹)
Goods sold to Wellness Pharma [3,000 units × ₹ 400] [TCS collected under the Income Tax Act, 1961 is not includible as it is an interim levy / not having the character of tax.]	12,00,000
Goods sold to Economic Weaker Section families [1,000 units × ₹ 200] [Subsidy given by the State Government is not includible in the value of supply.]	2,00,000
Sold goods to old age home [Transaction value is the value of supply. Subsidy received from a non-Governmental organisation is includible in the value only if it is directly linked to the price of the goods. Thus, subsidy received from the NGO SAMVEDNA is not includible in value since it is blanket subsidy and not directly linked to the price of the goods]	1,00,000
Value of taxable supply on which GST is to be paid by Mr. Ajay	15,00,000

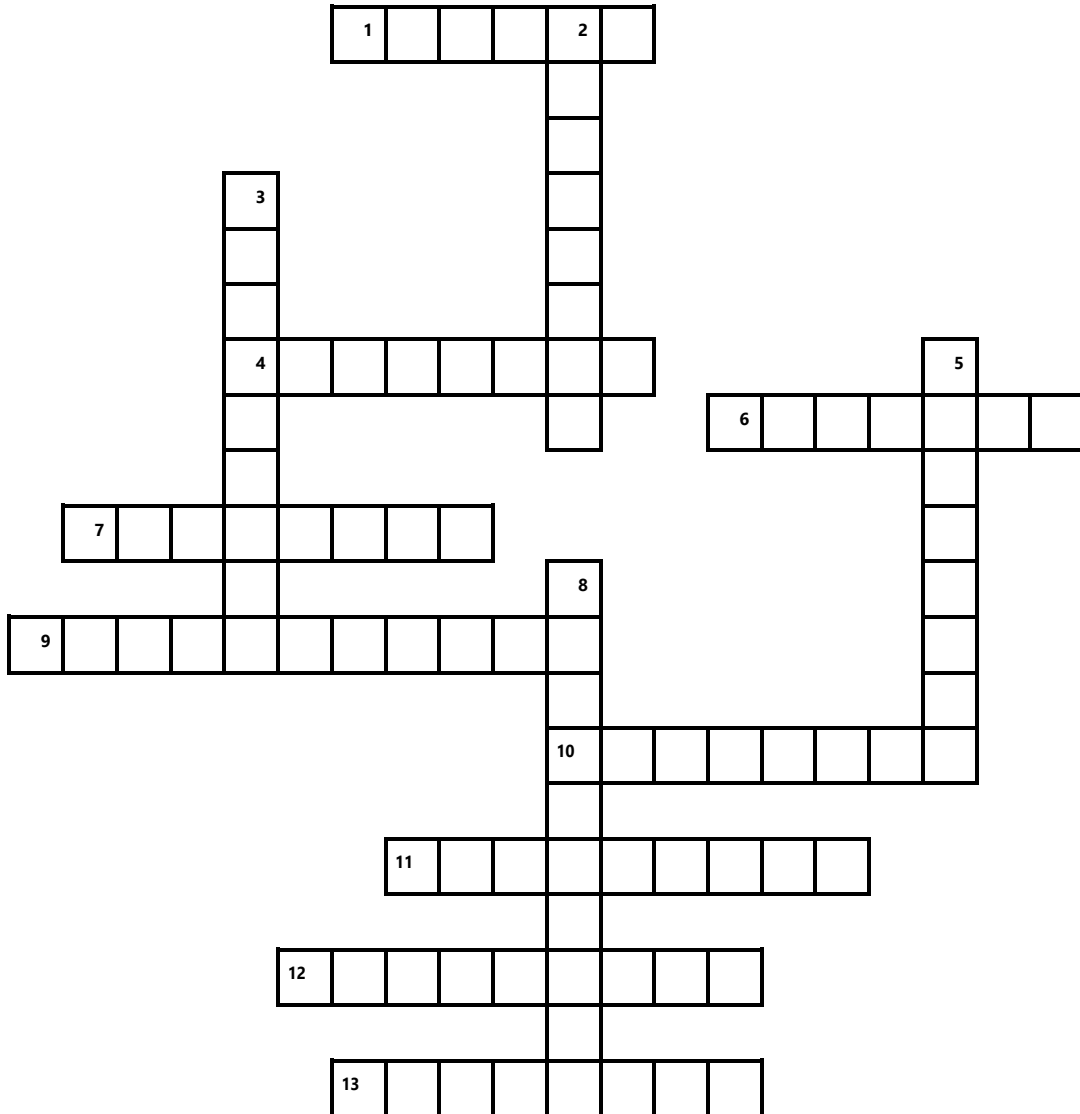
13. Computation of value of taxable supply made by XYZ Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000

Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	64,737

14. Yes. Section 15(2)(c) provides that the value of supply, *inter alia*, includes any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services.

Since the testing/calibration is performed by Precision Tools itself, in relation to the machine, and before its delivery to the buyer, same forms part of the value of supply; the total taxable value being ₹ 12,40,000, regardless of whether it is billed as a separate line item on the invoice.

**ACROSS**

1. Agent includes a factor, _____, commission agent, arhatia, del credere agent.
4. Persons shall be deemed to be related if such persons are employer and _____.

6. The value of supply includes, _____ directly linked to the price, other than that given by the Central Government and State Governments.
7. Persons shall be deemed to be related if one of them, directly or indirectly, _____ the other.
9. Persons shall be deemed to be related if a _____, directly or indirectly, controls both of them.
10. The value of supply includes _____ for delayed payment of consideration.
11. Persons shall be deemed to be related if one of them is the _____ of the other.
12. Persons shall be deemed to be related if such persons are _____ in one another's business.
13. The value of supply includes any amount that the _____ is liable to pay in relation to supply but which has been incurred by the recipient of the supply and not already included in the price.

DOWNWARDS

2. The value of supply _____ CGST, SGST, UTGST, GST Compensation Cess, if charged separately.
3. The transaction value is the value of supply when supply is undertaken between _____ persons and when price is the sole consideration for the supply.
5. The value of supply excludes, _____ given before or at the time of supply and shown in the tax invoice.
8. The value of supply includes _____ expenses, such as, commission and packing, charged by the supplier to the recipient of a supply.

AMENDMENTS MADE VIDE THE FINANCE ACT, 2026

The Finance Act, 2026 has come into force from 30.03.2026. However, most of the amendments made under the CGST Act and the IGST Act vide the Finance Act, 2026 would become effective only from a date to be notified by the Central Government in the Official Gazette. Such a notification has not been issued till 30.04.2026. Therefore, the applicability or otherwise of such amendment for May 2027, September 2027 and/or January 2028 examinations shall be informed by the ICAI by way of an announcement.

In the table given below, the existing provisions of section 15(3)(b) are compared with the provisions as amended by the Finance Act, 2026.

Once the announcement for applicability of such amendments for examination(s) is made by the ICAI, students should read the amended provisions given hereunder in place of the related provisions discussed in the chapter.

Section No.	Existing provisions	Provisions as amended by the Finance Act, 2026	Remarks
15(3)(b)	<i>after the supply has been effected, if—</i> <i>(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and</i> <i>(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.</i>	<i>after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34.</i>	Sub-section (3) of section 15 is to be amended to do away with the requirement of linking the post-sale discount with an agreement and to refer to issuance of credit note under section 34 where the input tax credit is reversed by the recipient.