

Assistant Commissioner, CGST & CX, Tollygunge Division, Kolkata South Commissionerate

Appellate Authority for Advance Ruling — West Bengal

Appeal Case No. 05/WBAAAR/2018 dated 27.09.2018

Q Questions Before the Authority

- whether the transfer of goods (optical lenses and frames for spectacles and accessories) from Head Office in West Bengal to its branches in other states, can be done at cost price, by applying the second proviso to Rule 28 of CGST Rules, 2017 (instead of 90 % of MRP as required under the First Proviso to Rule 28 of CGST Rules, 2017)
- what is meant by the expression "where the recipient is eligible for full input tax credit" as used in the second proviso to Rule 28 of CGST Rules, 2017.

F Facts

The respondent, M/s GKB Lens Pvt. Ltd., is a reseller and importer of optical goods. They sought an advance ruling regarding the valuation of stock transfers from their Head Office in West Bengal to branches in other states. The appellant challenged the original ruling, arguing that it created an impression that input tax credit would be available even if the supplier paid tax on a zero-value supply.

H Ruling

Valuation of stock transfer at cost price	Permissible under the second proviso to Rule 28	Subject to the condition that the recipient is eligible for full input tax credit
Meaning of 'eligible for full input tax credit'	Recipient is eligible to take full input tax credit of the amount of tax paid by the supplier	No input tax credit is available for supply of goods/services at Zero Value

The Appellate Authority modified the original ruling to clarify that no input tax credit is available if the value declared in the invoice is zero. It affirmed that for a recipient to be eligible for input tax credit, the supplier must issue a tax invoice or debit note with a non-zero value. Consequently, the original ruling was modified to explicitly state that no input tax credit is available for supplies at zero value.

R Reasoning

The authority relied on Section 16 of the CGST Act, which mandates that input tax credit is only available when the recipient is in possession of a tax invoice or debit note issued by a registered supplier. Since the value declared in an invoice for a supply between distinct persons is deemed to be the open market value, a zero-value invoice results in no tax being paid. Therefore, the authority concluded that **no input tax credit is available** if the

value declared in the invoice is zero. The ruling was modified to remove any ambiguity regarding the **non-admissibility of credit** for zero-value supplies.

P Provisions Relied On

Section 16 of the CGST Act, 2017

Section 100(1) of the CGST Act, 2017

Rule 28 of the CGST Rules, 2017

! For the Practitioner

This ruling clarifies that while stock transfers between distinct persons can be valued at cost under the second proviso to Rule 28, this is contingent upon the recipient being eligible for full input tax credit. It explicitly settles that **no input tax credit is available** for supplies made at zero value. Practitioners should note that this order prevents taxpayers from claiming credit on stock transfers where no tax liability is discharged by the supplier.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [wbbaar_appeal_no.05_2018_dt._27_09_2018.pdf](#)

Prepared 13-10-2026.

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