KANSAI NEROLAC PAINTS LIMITED

Authority for Advance Ruling — Maharashtra

NO.GST-ARA- 84/2018-19/B- 30, Mumbai, dt. 19/03/2019 Dated **19.03.2019**

Q Questions Before the Authority

- Whether supply of goods by one distinct entity (factory/depot) as defined under sec 25(4) of the CGST Act 2017, as amended, to another distinct entity having the same PAN (factory/depot) can be valued at the price declared on the invoice under the second proviso to Rule 28 of the CGST Rules 2017 (original question, as filed).
- Whether value of supply of goods by one distinct entity (factory/depot) as defined under sec 25(4) of the CGST Act 2017, as amended, to another distinct entity (factory/depot) can be determined on the basis of the applicant's cost of production, which depends mainly on the cost of inputs and input services and so fluctuates with their prices (reframed question, which the order answers).

F Facts

The applicant manufactures and sells decorative and industrial paints across India from its factories and depots. Goods, raw materials and capital goods move between factories and depots to keep depot inventory stocked, and all these units share one PAN but hold separate GST registrations and are treated as distinct persons under section 25(4). The applicant currently values these inter-unit transfers at 110% of manufacturing cost under Rule 30 and wants to instead declare a value on the invoice and rely on the second proviso to Rule 28.

H Ruling

Valuation of inter-unit supply of goods between distinct entities (factory/depot) having the same PAN, under sec 25(4) CGST Act	**Applicant can apply Rule 28 of the CGST Rules 2017 to determine the value of supply**	The order does not expressly endorse a cost-based value. It rests on the second proviso to Rule 28 and on the applicant's statement that recipients are eligible for full input tax credit.

The authority held that the applicant can apply Rule 28 of the CGST Rules 2017 to determine the value of supply of goods between distinct entities having the same PAN. Under the second proviso to Rule 28, where the recipient is eligible for full input tax credit, the invoice value is deemed to be the open market value. The authority found no breach in the applicant changing its valuation method from Rule 30 to Rule 28.

R Reasoning

The authority held that factories and depots with separate GST registrations are distinct persons under section 25(4), so their transfers fall within Rule 28. Rule 30 applies only where the value is not determinable under Rules 27 to 29, and Rule 28 governs supplies between distinct or related persons. The second proviso to Rule 28 deems the invoice value to be the open market value where the recipient is eligible for full input tax credit. The applicant had stated that the recipients are so eligible, and on that basis the authority saw no bar to the change of

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

method.

P Provisions Relied On

Section 25(4) of the CGST Act 2017 (distinct persons)

Section 97 and Section 98 of the CGST Act 2017 and MGST Act 2017 (advance ruling)

Rule 28 of the CGST Rules 2017 (value between distinct or related persons), including its second proviso

Rule 29 of the CGST Rules 2017 (supply through an agent), as reproduced

Rule 30 of the CGST Rules 2017 (value based on cost, 110%)

Rule 31 of the CGST Rules 2017 (residual method)

! For the Practitioner

This ruling helps multi-registration manufacturers that move goods between units sharing a PAN. It confirms that Rule 28, not Rule 30, may be used for such transfers, and that the invoice value can be treated as open market value where the recipient gets full input tax credit. It does not decide what value a cost-based declaration should carry, does not test whether the recipient units actually qualify for full credit, and binds only the applicant. The order is appealable to the Maharashtra Appellate Authority for Advance Ruling within 30 days.

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 -> ara_order_84_2018_maharashtra_knpl.pdf

Prepared 01-11-2026.

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