

GKB Lens Pvt Ltd

Authority for Advance Ruling — West Bengal

07/WBAAR/2018-19

Dated 30.05.2018

Q Questions Before the Authority

- Whether goods supplied to the branches in states other than West Bengal can be valued in terms of the Cost Price under the Second Proviso to Rule 28 of CGST Rules, 2017, instead of 90% of MRP as required under the First Proviso of the same Rule.
- Clarification regarding the phrase "eligible for full input tax credit" especially in the context of the fact that apart from trading goods, non-trading stock like stationery and office equipment are transferred to branches.

F Facts

The Applicant is a reseller and importer of optical lenses, frames, and accessories with its Head Office in West Bengal. It transfers goods to its independently registered branches located in other states, which qualify as distinct persons under GST law. The Applicant sought an advance ruling on whether inter-state stock transfers to branches can be valued under the Second Proviso to Rule 28 (invoice value) instead of 90% of MRP under the First Proviso, and the legal meaning of recipient being eligible for full input tax credit.

H Ruling

Valuation of stock transfers to distinct branches in other states under Rule 28

Eligible to value goods by applying the terms of the Second Proviso to Rule 28

Supplier has full discretion whether or not to exercise option under the First Proviso

Meaning of expression 'eligible for full input tax credit' under Second Proviso to Rule 28

Recipient branch is eligible to take full credit of tax paid as mentioned in the supplier's invoice

Must be supported by a valid tax document under Section 16(2)(a) and used for business purposes

The Authority held that the Applicant has the option not to value goods under the First Proviso to Rule 28 and **is eligible to value branch supplies under the Second Proviso to Rule 28**. It further held that the expression eligible for full input tax credit means the recipient branch is entitled to claim full ITC of the tax amount shown on the invoice or valid document issued under Section 16(2)(a) of the GST Act.

R Reasoning

The Authority observed that separate registrations in different states render HO and branches distinct persons under Section 25, making Rule 28 applicable for supply valuation. The First Proviso to Rule 28 gives an option to value goods at 90% of the price charged to unrelated end customers, but availing this option is strictly at the supplier's sole discretion. Under the Second Proviso to Rule 28, where the recipient is eligible for full input tax

credit, the value declared in the invoice is deemed to be the open market value. Reading Section 16(2)(a) and Section 17(1) together, as long as the branch receives a valid tax invoice for business purposes, it is eligible for full ITC, making the invoice value legally acceptable regardless of cost or retail price.

P Provisions Relied On

Section 16	Section 16(2)(a)
Section 17(1)	Section 25
Section 97(2)(c)	Rule 28 of CGST Rules, 2017

! For the Practitioner

This ruling establishes that **suppliers are not bound to adopt 90% of retail price** for inter-state branch transfers under Rule 28. Businesses can freely determine declared invoice values under the Second Proviso as long as the recipient distinct person can claim full ITC. It does not validate or decide on zero-value transfers without an invoice.

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 -> [wbaar-07 2018-19 dt 30-05-18 gkb lens.pdf](#)

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com