M/s. Specsmakers Opticians Private limited

Authority for Advance Ruling — Tamil Nadu

ORDER No. 27 /AAR/2019 DATED: 24.06.2019 Dated **24.06.2019**

Q Questions Before the Authority

- What value is to be adopted in respect of transfer of goods (lenses, frames, sun glasses, contact lenses, reading glasses, complete spectacles) to the applicant's branches located outside Tamil Nadu?

F Facts

The applicant, a Chennai-based retailer, imports and locally procures lenses, frames, sunglasses, contact lenses, reading glasses and complete spectacles for resale. It transfers these goods to its branches outside Tamil Nadu, which sell them to ultimate customers. The applicant contended that under the second proviso to Rule 28 it could declare a transfer value in the invoice, such as its cost price, without applying the open market value test.

H Ruling

Value to be adopted for transfer of goods to branches located outside Tamil Nadu	**Open market value under Rule 28(a) of the CGST Rules 2017 (and TNGST Rules), read with Explanation (a) to Chapter IV and Section 15. Alternatively, 90 per cent of the price charged by the recipient to its unrelated customer.**	The 90 per cent option is available only where the goods are intended for further supply as such by the recipient. Where the recipient is eligible for full input tax credit, the invoice value under that option is deemed to be the open market value.

The Authority held that supplies to the out-of-state branches, which are distinct persons, must be valued at open market value under Rule 28(a). The 90 per cent option in the first proviso is available only where the goods are intended for further supply as such by the recipient. The two provisos must be read together and not independently, so the applicant cannot rely on the second proviso alone to declare any value.

R Reasoning

The Authority treated the out-of-state branches as distinct persons under Section 25(4) of the CGST Act and as related persons under the Explanation to Section 15. Section 15(4) and Rule 28 therefore govern valuation. Rule 28(a) requires open market value, which the Authority found was available because the same goods were sold to unrelated customers in Tamil Nadu at the same time, so Rules 28(b) and (c) were not reached. The first proviso's 90 per cent option, and the further proviso on full input tax credit, were held to operate together and not as alternatives chosen at will. Reading the provisos independently would allow any value to be declared and defeat the rule that the value 'shall' be the open market value.

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

P Provisions Relied On

- Section 25(4) of the CGST Act 2017 (distinct persons)
- Section 15(1), 15(4) and 15(5) of the CGST Act 2017 (value of supply)
- Explanation (a) to Section 15 (related persons)
- Rule 28(a), (b) and (c) of the CGST Rules 2017 (value between distinct or related persons)
- First and further provisos to Rule 28 of the CGST Rules 2017
- Rules 30 and 31 of the CGST Rules 2017 (referred to in Rule 28(c))
- Explanations (a) and (b) to Chapter IV of the CGST Rules 2017 (open market value; like kind and quality)
- Rule 104(1) of the CGST and TNGST Rules 2017 (application fee)
- Section 100(1) of the CGST/TNGST Act 2017 (appeal period, noted in the order)

! For the Practitioner

This ruling helps Tamil Nadu businesses that transfer stock to distinct-person branches in other states, since it confirms that open market value is the default and that the 90 per cent alternative cannot be combined with the full-ITC proviso to declare an arbitrary invoice value. It is only a non-binding advance ruling, and it does not settle how open market value is to be proved where no comparable sale exists, or how the 90 per cent computation applies where the recipient's sales are not of like kind and quality. Practitioners should read the full order and consider the 30-day appeal period under Section 100 if relying on or contesting it.

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 -> tn-27-aar-2019-sopl.pdf

Prepared 04-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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

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

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

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

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

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