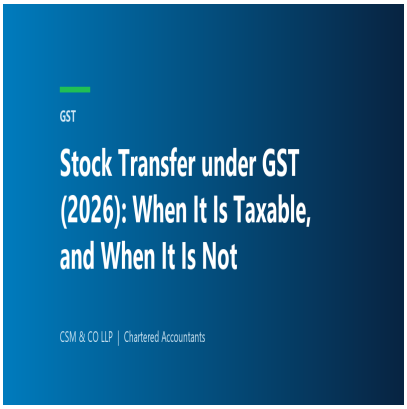

Stock Transfer under GST (2026): When It Is Taxable, and When It Is Not

Description

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Quick summary

- Stock transfer means moving goods between locations of the same business - a factory to its own branch, warehouse or depot - usually without any sale price changing hands.
- Whether GST applies turns entirely on registration, not on the State border: a transfer is taxable only between two separate GSTINs that the law treats as “distinct persons,” never between locations covered by the same single registration.
- Two separate registrations of the same PAN count as distinct persons under section 25(4) and (5) of the CGST Act, whether those registrations sit in different States or in the same State (a business can opt for a separate registration per place of business within one State).
- Since a stock transfer usually has no price, its GST value is not the invoice amount - it falls back to the open market value, or the value of similar goods, under the CGST Valuation Rules.
- Free samples and promotional stock sent between distinct persons are taxed the same way as any other stock transfer between them - “no consideration” does not mean “no GST” once Schedule I applies.

A business moving its own stock from a factory to a branch, a warehouse, or a depot is not “selling” anything in the ordinary sense - usually no invoice, no price, no third-party buyer. Whether this still attracts GST is one of the most commonly misunderstood questions in day-to-day compliance, and the answer has nothing to do with distance or State borders - it turns entirely on **registration**.

New to terms such as “distinct persons” or “open market value”? See the technical terms explained in simple words further down.

What a stock transfer is

Moving goods from one location of a registered business to another location of the **same** business - typically without any consideration (price) changing hands. A factory moving inventory to its own branch or warehouse is the standard example.

The only question that decides taxability: is it between “distinct persons”?

Under section 25(4) of the CGST Act, 2017, a person who holds, or is required to hold, **more than one GST registration** - whether in one State/Union Territory or across several - is treated as a **distinct person** in respect of each registration. Section 25(5) extends the same treatment where a registered establishment has another establishment in a different State or Union Territory.

Combined with Schedule I, which treats a supply between distinct persons in the course of business as a supply even **without consideration**, this gives the real rule:

Scenario	Taxable?
Goods move between two locations covered by **the same single GST registration**	**No** - this is purely an internal movement, not a supply at all, regardless of distance within the State
Goods move between **two separate registrations in different States**	**Yes** - the two registrations are distinct persons
Goods move between **two separate registrations within the same State** (a business can opt for a separate registration per place of business in one State, under section 25(2))	**Yes** - still distinct persons, even though there is no State border crossed

This is why “intra-State transfers are never taxed” is **not** a safe rule of thumb. A business that has voluntarily taken separate registrations for different units within one State will find stock transfers between those units are taxable, exactly as if they were in different States.

Valuing a stock transfer when there is no price

Section 15’s ordinary **transaction value** rule cannot apply to most stock transfers, because there is usually no price paid or payable at all. The CGST Valuation Rules instead fall back, broadly in this order, to:

1. The **open market value** of an identical or similar supply made around the same time.
2. The value of **goods of like kind and quality**, where open market value cannot be determined.
3. A **computed value** - cost of production or acquisition, plus general expenses and an appropriate profit margin - where neither of the above is available.

Input tax credit on a stock transfer

Where the receiving location uses the transferred goods to make further taxable supplies, the GST paid on the stock transfer is available as **input tax credit** in the ordinary way - it is treated like any other inward supply for credit purposes.

e-Way bill requirement

Both inter-State and intra-State stock transfers need an **e-way bill** once the consignment value crosses the prescribed threshold - including intra-State transfers between distinct persons, since those are taxable supplies in exactly the same way as a transfer across a State border.

Free samples and promotional stock

Since Schedule I already treats a supply between distinct persons as taxable even **without consideration**, sending free samples or promotional material between two separately-registered branches of the same business is taxed the same way as any other stock transfer between them - “it was free” does not take it outside GST once the distinct-persons test is met. Businesses with a large promotional footprint across multiple registrations (FMCG, pharma, and similar) should budget for this when planning sample distribution.

How CSM & Co LLP can help

The distinct-persons test is easy to get wrong in practice, especially for businesses with multiple registrations in one State or complex branch structures - please reach out to our team and we will be happy to assist with stock transfer structuring, valuation, and input tax credit planning.

Technical terms explained in simple words

Term	What it means
Distinct persons	Two separate GST registrations of the same legal entity, treated as if they were two different “persons” for GST purposes - whether the registrations are in different States or within the same State.
Consideration	Anything of value - money or otherwise - given or promised in return for a supply.
Open market value	The full value a supply would fetch between unrelated parties dealing at arm’s length - used as a valuation benchmark when no real price exists.
Computed value	A fallback valuation method based on the cost of making or acquiring the goods, plus general expenses and a reasonable profit margin.
Business vertical	A distinguishable, separately-managed component of a business, which a company could (before a 2018 amendment) register separately within one State - replaced since then by a simpler “any place of business” option.

Frequently asked questions

Is every stock transfer taxable under GST?

No. It is taxable only between two separate GST registrations that the law treats as “distinct persons” - never when goods simply move between locations covered by one single registration, which is an internal movement, not a supply at all.

Who counts as “distinct persons” for a stock transfer?

Under section 25(4) and (5) of the CGST Act, any person who holds, or is required to hold, more than one GST registration - whether those registrations are in different States or more than one registration within the same State - is treated as a distinct person in respect of each registration.

Does an intra-State stock transfer ever attract GST?

Yes, if the sending and receiving locations hold separate GSTINs within the same State (a business can opt for a separate registration per place of business in one State under section 25(2)). If both locations share the same single registration, there is no GST either way, regardless of distance.

How is a stock transfer valued for GST, since there is usually no sale price?

Transaction value under section 15 cannot apply because there is no price paid or payable. The value instead falls back, in order, to the open market value of the goods, the value of goods of like kind and quality, or a computed value (cost plus profit) under the CGST Valuation Rules.

Does GST apply to free samples sent between a company’s own branches?

Yes, if the branches are distinct persons. Under Schedule I of the CGST Act, a supply between distinct persons in the course of business is treated as a supply even without any consideration, so sending free promotional stock between two separately-registered branches is still taxable.

Is input tax credit available on goods sent as a stock transfer?

Yes, where the receiving location uses the goods for making further taxable supplies - the GST paid on the stock transfer is available as input tax credit in the ordinary way, the same as any other inward supply.

Official sources

- CBIC Tax Information Portal - Section 25, CGST Act, 2017 (Procedure for registration)
- CBIC Tax Information Portal - Schedule I, CGST Act, 2017
- GST Portal

Related reading

- Simplified GST Registration for E-commerce Sellers (2026): Rule 14B, ECO Consent and Warehouse as PPoB

- How to Cancel GST Registration (2026): Form GST REG-16, Auto Acceptance and Revocation

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