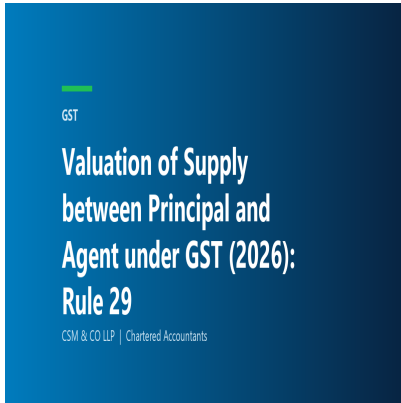




## Valuation of Supply between Principal and Agent under GST (2026): Rule 29

### Description

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#### Quick summary

- A supply of goods between a principal and an agent (or vice versa) is taxable under GST, and Schedule I treats it as a supply even when the agent carries on further supply on the principal's behalf without any separate consideration moving between them.
- Rule 29 of the CGST Rules gives the value in such a case as the open market value, or, at the supplier's option, 90% of the price the agent charges an unrelated customer for goods of like kind and quality - whichever the supplier chooses, where the agent will further supply the goods.
- If neither of those can be worked out, the value falls back to the cost method or the residual method under the general valuation rules.
- An "agent" under GST is defined widely - factor, broker, commission agent, arhatia, del credere agent, auctioneer, or any other mercantile agent carrying on the business of supply or receipt on another's behalf.
- Both the agent and the principal are jointly and severally liable to pay the tax on such a supply.

A dealership arrangement, a commission sale, or any business routed through an agent raises a valuation question GST answers through a dedicated rule, since such a supply is taxable even though it often carries no ordinary sale price between the principal and the agent.

### Who is a principal, and who is an agent

A **principal** is the person on whose behalf an agent carries on the business of supplying or receiving goods or services. A dealership store of an automobile company is a common example of this relationship.

An **agent** is defined widely to include a factor, broker, commission agent, *arhatia* (a term used in local agricultural markets), *del credere agent*, an auctioneer, or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services on another's behalf. A del credere agent additionally guarantees the credit extended to the buyer, acting as both salesperson and guarantor.

## Why this is taxable in the first place

Schedule I of the CGST Act treats a supply of goods between a principal and an agent as a supply even where the agent undertakes to supply (or receive) those goods on the principal's behalf, without separate consideration passing between the two of them. This is why a valuation rule is needed at all - there is often no ordinary transaction price to fall back on.

## Rule 29: the valuation method

Where goods are supplied by a principal to an agent, or by an agent to a principal, and the agent intends to further supply those goods, the value of the supply is, at the supplier's option:

- **The open market value** of the goods, or
- **90% of the price** charged by the recipient (the agent) for goods of like kind and quality, in a supply to their own customer who is not a related person.

If neither of these can be determined, the value falls back to the **cost method** (generally 110% of the cost of production, manufacture or acquisition) or the **residual method** under the general CGST Valuation Rules.

## Worked example

Principal Mr. X supplies groundnuts to his agent, Mr. Y. Mr. Y subsequently sells groundnuts of like kind and quality to his own customers at Rs 5,000 per quintal. An independent, unrelated supplier, Mr. Z, sells groundnuts of like kind and quality to Mr. Y at Rs 4,550 per quintal.

The value of the supply made by Mr. X can be taken as either:

- **Rs 4,550 per quintal** (the open market value, from Mr. Z's independent sale), or
- **Rs 4,500 per quintal** (90% of Rs 5,000, if the supplier exercises that option instead).

## Joint liability

Both the agent and the principal are jointly and severally liable to pay the GST on such a supply - the tax authority is not restricted to recovering it from only one of the two parties.

## How CSM & Co LLP can help

Valuing stock routed through dealers, commission agents or consignment arrangements correctly under Rule 29 avoids disputes over under-valuation - please reach out to our team and we will be happy to assist with structuring and documenting these arrangements.

## Technical terms explained in simple words

| Term      | What it means                                                               |
|-----------|-----------------------------------------------------------------------------|
| Principal | The person on whose behalf an agent supplies or receives goods or services. |

| Term                           | What it means                                                                                                                                                  |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agent                          | A person (factor, broker, commission agent, auctioneer and similar) who carries on the business of supply or receipt of goods or services on another's behalf. |
| Del credere agent              | An agent who also guarantees the buyer's credit to the principal, acting as both salesperson and guarantor.                                                    |
| Open market value              | The full value a supply would fetch between unrelated parties dealing at arm's length.                                                                         |
| Goods of like kind and quality | Goods that are the same as, or closely resemble, the goods being valued, in characteristics, quality and reputation.                                           |
| Residual method                | A fallback valuation approach, applied using reasonable means consistent with the valuation principles, when none of the specific rules can determine a value. |

## Frequently asked questions

### Is a supply of goods between a principal and an agent taxable under GST?

Yes. Schedule I of the CGST Act treats a supply of goods between a principal and an agent, where the agent undertakes to supply such goods on the principal's behalf (or to receive them on the principal's behalf), as a supply even without separate consideration.

### Who counts as an “agent” under GST?

A person, including a factor, broker, commission agent, arhatia, del credere agent, auctioneer, or any other mercantile agent, who carries on the business of supply or receipt of goods or services on behalf of another person (the principal).

### How is the value of a principal-to-agent supply determined?

Under Rule 29 of the CGST Rules, the value is either the open market value of the goods, or, at the supplier's option, 90% of the price the agent charges an unrelated customer for goods of like kind and quality, where the agent intends to further supply those goods.

### What if neither the open market value nor the 90% benchmark can be worked out?

The value then falls back to the cost method (110% of the cost of production, manufacture or acquisition) or the residual method, under the general CGST Valuation Rules.

### Who is liable to pay GST on a principal-agent supply?

Both the agent and the principal are jointly and severally liable to pay the tax on such a supply.

## Official sources

- [CBIC Tax Information Portal – Rule 29, CGST Rules, 2017 \(Value of supply of goods made or received through an agent\)](#)
- [CBIC Tax Information Portal – Schedule I, CGST Act, 2017](#)
- [GST Portal](#)

## Related reading

- [Pure Agent Valuation under GST \(2026\): Excluding Reimbursements under Rule 33](#)

## Disclaimer

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