M/s. Nash Industries (I) Pvt Ltd (appellant; the listing gives 'Nash Industries(I) Pvt Ltd')

Appellate Authority for Advance Ruling — Karnataka

ORDER NO.KAR/AAAR/07/2018-19, DATE: 01/03/2019 Dated **01.03.2019**

Q Questions Before the Authority

- Whether the amortized cost of the tools is to be added to arrive at the value of the goods supplied for the purpose of GST under Section 15 of the CGST Act read with Rule 27 of CGST Rules.

F Facts

The appellant manufactures sheet metal pressed components for industrial customers, including Daimler India Commercial Vehicles Pvt Ltd (DICV). The tools needed to make these components were designed and manufactured by the appellant and billed to the customer, which paid for them, but the appellant retained them for manufacturing. The Advance Ruling Authority had held that the amortised cost of tools re-supplied free of cost must be added to the value of the components. The order records that the DICV contract provides that title to DICV-paid tools passes to DICV, while the appellant holds them only temporarily, and that some non-DICV tools are held by way of security.

H Ruling

Whether amortised cost of tools supplied free of cost by the customer must be added to the value of components supplied, under Section 15 CGST read with Rule 27 CGST Rules	**No. The cost of tools supplied by the OEM customer free of cost is not required to be added to the value of components supplied by the appellant. The Advance Ruling was set aside.**	The order does not contain a separately labelled RULING section; this answer is taken from paragraphs 16 and 17. The conclusion is limited to contracts whose terms match the DICV contract examined.

The Appellate Authority set aside the Advance Ruling and held that the cost of tools supplied by the OEM customer free of cost is **not required to be added** to the value of the components supplied by the appellant. The ruling is confined to the contract and purchase orders placed before it, and applies to other contracts of the appellant **only if their terms are the same** as the DICV contract.

R Reasoning

The Authority examined whether the customer's payment was the sole consideration for the supply under Section 15 and whether any amount the supplier was liable to pay had been incurred by the recipient on its behalf under Section 15(2)(b). It relied on CBIC Circular No. 47/21/2018-GST dated 08.06.2018, which says free-of-cost moulds and dies owned by the OEM are not added to the value, but the amortised cost is added where the

component manufacturer was contractually bound to provide the tools. Reading the DICV general terms (para 16.2) and the Daimler India Special Terms (paras 1.4, 2.1, 2.4 and 3), the Authority found no contractual obligation on the appellant to provide the tools, since DICV bore that responsibility and took title on payment. It also noted that the Central Excise Valuation Rules 2000 (Rule 6), which required amortisation, have no GST equivalent.

P Provisions Relied On

Section 99 of the CGST Act and Section 99 of the KGST Act (constitution of the Appellate Authority)

Section 100 of the CGST Act and KGST Act (appeal)

Section 101 of the CGST Act and KGST Act (proceedings)

Section 98 of the CGST Act and KGST Act (advance ruling application)

Section 7(1) of the CGST Act (meaning of supply)

Section 9 of the CGST Act and Section 5 of the IGST Act (levy on supply)

Section 15 of the CGST Act (value of taxable supply)

Section 15(2)(b) of the CGST Act (amounts incurred by recipient on behalf of supplier)

Rule 27 of the CGST Rules

Rule 6 of the Central Excise Valuation Rules, 2000 (cited as the earlier regime)

CBIC Circular No. 47/21/2018-GST dated 08.06.2018

Daimler India Special Terms (DIST) paras 1.4, 2.1, 2.4 and 3, and General Terms para 16.2 (contract terms)

! For the Practitioner

A component maker supplying parts made with customer-owned tools can use this order to argue that the tool cost need not be added to the GST value where the customer owns the tools, pays for them, and the maker has no contractual duty to supply them. The order does not decide the point for other contracts, and it does not displace the Circular's rule that amortised cost is added where the component maker is obliged to provide the tools. Any reliance should first compare the actual contract terms with those in the DICV contract, which the order treats as decisive.

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 -> kar_aaar_07-2018-19-nash_ind.pdf

Prepared 30-10-2026.

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