M/s Hical Technologies Pvt. Ltd.

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 25/2019, Date: 12-09-2019 Dated **12.09.2019**

Q Questions Before the Authority

- Whether the value of free of cost supplies by the principal is included in the value of supply by the job worker?
- Whether the work done by the applicant is a job work or a composite supply of services and goods?
- What is the value of such supply?

F Facts

The applicant, a job worker, proposes to assemble, integrate and test converters for M/s Woodward India Pvt. Ltd. (WIPL) under purchase orders. WIPL will import and supply critical components on a free of cost basis under a job work challan, while the applicant procures and adds non-critical components and charges job charges for labour and those ancillary components. The applicant's own description of its contract is that the final product, a wind power converter, is dispatched to WIPL and a tax invoice is raised for job work charges.

H Ruling

Nature of the applicant's supply (job work or composite supply)	**One composite supply of manufacturing service on physical inputs owned by others (SAC 9988), taxable at 18%**	The principal supply is the manufacturing service of assembly, integration and testing. The supply of non-critical components is a supply naturally bundled with it. This holds on the contract as described in the application; a contract for finished goods priced inclusive of WIPL's components would be treated differently (see reasoning).
Whether the value of goods (critical components) supplied free of cost by WIPL forms part of the value of supply by the applicant	**No. The value of goods provided by WIPL does not form part of the value of supply**	The goods must be excluded while valuing the supply. The authority relied on the free of cost supply not being a non-monetary consideration flowing to the applicant.

The authority held that the activity is a **composite supply** of manufacturing services on goods owned by others (SAC 9988), with the manufacturing service as the principal supply, taxable at 18%. The value of the goods supplied free of cost by WIPL does not form part of the value of the supply and must be excluded.

R Reasoning

The authority accepted that the arrangement is job work under the definition in section 2(68) of the CGST Act, but treated the contract as the supply of a manufactured product and not mere processing. It held that the applicant's service and the non-critical components are bundled, so the manufacturing service is the principal supply under section 2(27). On valuation, it relied on section 15(1) and 15(2)(b): WIPL is not a related person, WIPL was not liable to pay for the components under the contract, and the goods are not consideration for the supply, since they

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

are not provided at the applicant's desire and remain WIPL's property. It also relied on Bhayana Builders (Tribunal Larger Bench, 2013, upheld by the Supreme Court in 2018) and later tribunal decisions on free of cost supplies in works contracts, together with the omission of the earlier draft Model GST provision that would have included such supplies.

P Provisions Relied On

- Section 97 and Section 98(4) of the CGST Act 2017 and KGST Act 2017
- Rule 104 of the CGST Rules 2017 and KGST Rules 2017
- Section 2(27) of the CGST Act (composite supply)
- Section 2(28) of the CGST Act (job work, as quoted in the order)
- Section 2(31) of the CGST Act (consideration)
- Section 2(68) of the CGST Act (job work, as quoted in the order)
- Section 15(1) of the CGST Act (transaction value)
- Section 15(2)(a) and 15(2)(b) of the CGST Act (inclusions in value of supply)
- Section 19 of the CGST Act read with Rule 45 of the CGST Rules (intimation of goods sent to a job worker)
- Section 2(d) of the Indian Contract Act, 1872 (consideration)
- Circular No. 38/12/2018-GST dated 26 March 2018, paras 5 and 9.4 (scope of job work and value)
- Bhayana Builders Ltd v. CST, 2013 (32) STR 49 (Tri-LB), upheld in Commissioner of Service Tax v. Bhayana Builders (P) Ltd…
- Ku. Sonia Bhatia v. State of U.P., AIR 1981 SC 1274 (consideration)

! For the Practitioner

This ruling is useful to job workers and principals in the wind and engineering sectors where principals supply critical components free of cost, because it supports taxing only the job charges and non-critical components, not the value of free of cost goods. It is an advance ruling binding only on the applicant and the parties to it, and it does not bind other taxpayers. The order also states that a contract priced for finished goods inclusive of the principal's components would be a different supply, so the conclusion depends on the contract terms, which the applicant had not yet finalised.

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_aar_25_2019_htpl_12.09.2019.pdf

Prepared 08-11-2026.

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

Patron Accounting LLP