M/s Toolcomp Systems Private Limited, #14-B, KIADB Industrial Area, 2nd Phase, Kumbalagodu, Kengeri Hobli, Bangalore - 560 074 (GSTIN 29AACCT2521L1Z8)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 13 / 2019, Date: 16-07-2019 Dated **16.07.2019**

Q Questions Before the Authority

- What is the GST treatment of the tool amortisation cost (transaction value) on capital goods, such as moulds, dies, jigs and fixtures, that a customer supplies free of cost on a returnable basis for parts production and supply, particularly where the principal manufacturer provides these tools to the supplier for use in manufacturing?

F Facts

The applicant makes plastic moulds, press tools, jigs, fixtures, gauges, injection moulded parts and design services to customer orders. For injection moulded parts, the tool is either made by the applicant or supplied by the customer free of cost on a returnable basis, and the applicant does not charge the customer any part of the tool cost. The applicant's customer, Tata Autocomp Systems Ltd., supplies the tools under a purchase order whose condition 32 provides for the tools to be supplied or paid for by the purchaser, remain its property, and be returned after supply.

H Ruling

Whether the amortised cost of moulds, dies, jigs, fixtures or tools supplied free of cost by the OEM on a returnable basis must be added to the value of parts supplied by the applicant	****No. Not required to be added to the value of parts, so not liable for GST.****	Applies in the situations discussed in paras 11 and 14, where the applicant is not under contractual obligation to provide its own tools and the terms match the contract placed before the authority.

The authority held that the cost of tools supplied by the OEM free of cost, in the situations discussed in paras 11 and 14, is not required to be added to the value of the parts supplied by the applicant. **That value is therefore not liable to GST.** The ruling rests on the applicant not being under any obligation to use its own tools for the components.

R Reasoning

The authority found that condition 32 of the purchase order is generic and does not show whether the tools were supplied free of cost or whether the applicant had to procure them, so it examined the particulars in the application. It read the arrangement as one where the OEM supplies the tools free of cost and the applicant must return them, so the applicant is not contractually bound to supply the tools. It relied on CBIC Circular No.

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

47/21/2018-GST dated 08.06.2018, which says that OEM-owned moulds and dies given free of cost to a component manufacturer are not a supply and their value is not added. The circular adds that the amortised cost is added only where the component manufacturer is contractually obliged to provide the moulds but the OEM supplies them free of cost. The authority held that the issue falls under Issue No. 1 and Clarifications 1.1 and 1.2 of the circular.

P Provisions Relied On

- Section 98(4) of the Central Goods and Services Tax Act, 2017
- Section 98(4) of the Karnataka Goods and Services Tax Act, 2017
- Section 97 of the CGST Act, 2017 and KGST Act, 2017 (application for advance ruling, as recited)
- Rule 104 of the CGST Rules, 2017 and KGST Rules, 2017 (as recited)
- CBIC Circular No. 47/21/2018-GST dated 08.06.2018, Issue No. 1 and Clarifications 1.1 and 1.2

! For the Practitioner

A component or parts manufacturer that receives customer-owned tools free of cost on a returnable basis can rely on this ruling to exclude the amortised tool cost from the GST value of parts, provided its contract matches the terms reviewed here. The order makes clear it applies to other contracts only where their terms are the same as the Tata Autocomp purchase order. It does not decide cases where the supplier is contractually bound to provide its own tools, where the tools are charged to the customer, or the position of tools the supplier itself manufactures.

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 -> krntk_aar_13_2019_tcspl_14.07.2019.pdf

Prepared 05-11-2026.

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