

**GIB/KN/TOOLCOMP/16.07.2019/AAR-196**

**Advance Ruling Category :** Taxability

**State :** Karnataka

**Order No.:** GIB/KN/TOOLCOMP/16.07.2019/AAR-196

**Name of Entry :**

Toolcomp Systems Private Limited

**Date :** 16-07-2019

**Breif Issue :**

**Issue & Fact of the Case:**

The applicant is M/s Toolcomp Systems Private Limited is a company registered in GST involved in the manufacture and sale of Plastic moulds, press tools, jigs/Fixtures/Gauges, Injection moulded parts and design services, as per the specific orders & requirements of their customers. The applicant seeks advance ruling for clarification regarding applicability of Tool Amortisation Cost (Transaction Value) in GST Regime on capital goods received freely on returnable basis from the recipient (Customer) for Parts production and supply. This reference particularly where the principal manufacturer provides moulds, dies, jigs and fixtures or tools to the supplier for using manufacturing process.

Such tools , patterns , jigs, fixtures supplied or paid by the purchaser will always remains the property of the purchaser and the vendor should use the same exclusively for the purchaser parts and maintain the same at vendors cost and will return the same to the purchaser after completing the supply or as instructed by the purchaser .

The CBIC in its circular no. **47/21/2018-GST** dated 8-6-2018 has clarified that moulds and dies (tools) owned by OEM that are provided to a component manufacturer on FOC Basis do not constitute a supply as there is no consideration and in such cases, the value of goods provided on FOC basis shall not be added to the value of supply of components .It is apparent that the issue raised by the applicant is covered under Circular no. **47/21/2018-GST**.

**Decision of Advance Ruling Authority :**

**Decision:**

The cost of the tool/s supplied by the OEM on FOC basis to the applicant is not required to be added to the value of the parts supplied by the applicant and hence the said value is not liable for GST. This ruling is based on examination of the contact/purchase order furnished by the Applicant in the case of their customer M/s Tata Autocomp Systems Ltd. (OEM) where the applicant is not under any obligation to use their own tools/moulds for manufacture of the components and the same are

supplied to them free of cost and on returnable basis.