



JUDGEMENT

Free Materials Supplied by Contractee Cannot Automatically Form Part of Taxable Value Under GST

Issued By:	Andhra Pradesh High Court
In Case Of:	M/s. Balaji Ready Mix Concrete Pvt. Ltd.
Order Date:	05th Feb 2026
Order No:	WP No. 11644 of 2023

FACTS & OBSERVATIONS

- The petitioner was engaged in supplying Ready-Mix Concrete (RMC) for infrastructure works where the **contractee provided certain key materials such as cement and other inputs free of cost for use in the manufacturing process.**
- During assessment proceedings, the **GST department took the view that the value of materials supplied free by the contractee should be added to the taxable value** of the RMC supplied by the petitioner.
- Based on this view, the **department issued a demand order enhancing the value of supply**, treating the free materials as part of consideration linked to the supply of concrete.
- The **petitioner challenged the demand before the High Court, contending that materials supplied free by the recipient cannot automatically form part of the transaction value**, particularly when no payment or contractual consideration was attributable to them.

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- The Court examined the valuation framework under Section 15 of the CGST Act, which provides that **GST is payable on the transaction value, being the price actually paid or payable for the supply of goods or services.**
- It observed that **additional amounts can be included in taxable value only where they qualify as consideration for the supply** and have a clear nexus with the transaction between the supplier and recipient.
- In the present case, the **Court noted that the materials were supplied by the contractee independently and not as part of the price payable** to the supplier for the RMC supplied.
- Accordingly, the **Court held that the value of free-supplied materials could not be automatically included in the taxable value**, and the demand order passed by the department was set aside.

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