



JOB WORK UNDER GST ACT 2017

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Meaning of Job Work.

Job work means “Any treatment or process under taken by a person on goods belonging to another registered person”. Consequently job worker is a person (Registered and Unregistered) who is processing or treating the goods of another registered person and the owner of the goods is called Principal manufacture.

The job worker plays a major part in the Indian Economy due to involvement in the processing of input or semi-finished goods. GST makes the Principal (The owner of the Goods) take care of compliance.

Hence, for treating anything as Job work there ought to be :- (sentence to be changed)

- 1) Two persons,
- 2) Goods must be belong to another person
- 3) Treatment or process to be undertaken on the said goods shall be by the Job worker, whether registered or not

The definition of job work also contemplates that the person i.e principal should be a registered person. Thus, if some treatment or process is undertaken by a job worker on goods belonging to an unregistered person, it will not be considered as job work as per the above definition. Therefore, in a case where the principal is not a registered person, the activity may not qualify as job work and may be classified as residual category, if there is no specific rate prescribed, which may attract a different rate of tax. As per Schedule II Entry No. 3 which reads “Any treatment or process which is applied to another person’s goods is a supply of services.”

Nature of Supply:

As mentioned above as per entry 3 to Schedule II, any treatment or process which is applied to another person's goods is a supply of services.

Hence, for the purposes of determining the value of the job work charges as per explanation (ii) to section 22 of CGST Act, 2017, the value of the goods supplied by the principal shall not be included in the aggregate turnover of the registered job worker. This means that as the liability to discharge tax under Section 143 would lie on the principal, the job worker would not include the same in his value for the purpose of calculating the threshold limits.

But in a case where an unregistered job-worker receives goods from an unregistered principal then this benefit will not be available to him and value of the supply of goods of unregistered principal, after completion of job work, by the job-worker shall be treated as the supply of goods by him and the value of such goods shall be included in the aggregate turnover of the job worker. As a result, the job-worker's aggregate turnover may cross the threshold and become liable to be registered.

Procedure for supplying goods to Job worker

1. Section 143 of the CGST Act, 2017 deals with job work procedure. The principal may under intimation send any inputs, semi-finished goods or capital goods without payment of tax to a job worker for job work and from there subsequently send to another job worker and likewise. The principal is required to file Form GST ITC-04 by the 25th day of the month succeeding the quarter. The said form will serve as intimation as envisaged under section 143 of the CGST Act, 2017. Further, this requirement of filing Form GST ITC-04 has been withdrawn vide Notification 38/2019 Central Tax dated August 31, 2019, for the period July 2017 to March 2019. At the same time, the Form GST ITC-04 for the period April 2019 to June 2019 shall be filed with document-wise details of opening balance of goods available with the Job worker.

2. As per Rule 45 of the CGST Rules, 2017, the principal can send goods for job work purpose without payment of GST under the cover of delivery challan and it shall contain the details as specified in Rule 55 of the CGST Rules, 2017.

Documents required to be issued for sending the goods:

i) By principal to the job worker – The principal shall prepare delivery challan in triplicate, two copies of which may be sent to the job worker along with goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal.

ii) From one job worker to another job worker – Goods may move under the cover of a challan issued either by the principal or the job worker. Alternatively, the challan issued by the principal may be endorsed by the job worker indicating the quantity and description of goods being sent.

iii) From the job worker back to the principal – The job worker should send one copy of the challan received by him from the principal.

iv) In piecemeal by the job worker – The challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

3. As per third proviso to Rule 138 of the CGST Rules, 2017 it is compulsory that when the principal and the job worker are situated inter-state, job work transactions, e-way bill must be generated for inter-state movement of goods irrespective of the monetary limit.

4. For E-way Bill provisions relating to movement of goods Outward and Inward on account of job work, readers may refer Handbook on E-way Bill under GST.

5. As per Sections 19(2) (Inputs) and 19(5) (Capital Goods) of CGST Act, 2017, the principal can also send goods directly to the place of job worker without receiving the said goods in his premises first and Input Tax Credit can also be availed in such cases though the principal has not received the goods.

6. It is clarified by Circular No. 38/12/2018, that goods may be moved from the place of business of the supplier to the place of business/premises of the job worker with a copy of the invoice issued by the supplier in the name of the principal wherein the job worker's name and address should also be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules, 2017. The buyer (i.e., the principal) shall issue the challan under rule 45 of the CGST Rules, 2017 and send the same to the job worker directly as mentioned above. In case of import of goods by the principal, which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly.

7. On the job work charges, GST will be charged by the job worker if the job worker is registered. Input Tax Credit of the same can be availed by the principal.

Removal of inputs/semi-finished goods/ capital goods by Principal to a Job Worker:

(I) Inputs/ Semi-finished goods

a) The principal can send inputs (including intermediate goods) for job work purpose without payment of GST but the same should be received back within 1 year of goods being sent out. Further, Inputs after job work activities can be received back at any of the place of business of the principal. Therefore, inputs can be received back at the principal place of business or even at any of the place registered as an additional place of business.

b) In case the inputs are sent directly to a job worker, the period of 1 year shall be counted from the date of receipt of inputs by the job worker. The bill to ship module be followed.

- c) When such inputs are further sent by one job worker to another then the entire process of job work from more than one job worker shall be considered for computing the period of 1 year.
- d) The period of 1 year shall, on sufficient cause being shown, be extended by Commissioner for a further period of 1 year.
- e) If the inputs are not received back within 1 year, then the same shall be treated as “supply” from the date the said inputs were sent out. The said supply shall have to be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Capital Goods.

- a) The principal can send capital goods for job work purpose without payment of GST but the same should be returned within 3 years of their being sent out. Capital Goods can be received back at any of the places of business of the principal. Therefore, capital goods can be received back at the principal place of business or even at any of the places registered as additional place of business.
- b) In case the capital goods are sent directly to a job worker, the period of 3 years shall be counted from the date of receipt of capital goods by the job worker.
- c) When such capital goods are further sent by one job worker to another, then the entire process of job work from more than one job worker shall be considered for computing the limit of 3 years.
- d) The period of 3 years shall, on sufficient cause being shown, be extended by Commissioner for a further period of 2 years.
- e) If the capital goods are not returned within 3 years, then the same shall be treated as “supply” from the date the said capital goods were sent out. The said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Moulds and dies, jigs and fixtures, or tools.

- a) The principal can send moulds and dies, jigs and fixtures, or tools for job work purpose without payment of GST.
- b) The above time limit of 1 year / 3 years for receiving back the said goods will not apply to moulds and dies, jigs and fixtures, or tools.

Return of goods by Job Worker:

1. After completion of the job work, the job worker shall return the said goods to the principal's premises under delivery challan and prepare his invoice for job work charges.
2. While returning the goods after completion of job work, to the principal, the job worker should send one copy of the challan received by him from the principal. If the goods are sent in piecemeal quantities by a job worker to another

job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

3. Further, after the completion of job work, such goods can be directly supplied from the place of the job worker to the customer if :-

- a) the job worker is registered or
- b) the job worker is not registered but his place of business is declared as additional place of business by the principal.

4. The supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal and the value of such goods shall not be included in the aggregate turnover of the registered job worker.

5. The job worker can further send such inputs or capital goods, without payment of tax, to another job worker under the cover of delivery challan or by endorsing the challan issued by the principal as per Rule 55 of the CGST Rules, 2017.

a. In case where inputs, semi-finished goods and capital goods are not returned to principal as per prescribed time limit, the same will be treated as supply of the principal. It is clarified in the Circular No.

6. 38/12/2018 that the principal would issue invoice for the same and declare such supplies in his return for that particular month in which the time period of one year / three years or extended period has expired. The principal is required to pay GST along with interest considering the supply was made by the principal to the job worker when the principal had sent the goods first for job work.

7. Value of such deemed supply will be the value declared in the challan by the principal while sending the goods to job worker i.e., without including cost of transportation and job work charges.

8. Where goods are sent to job worker and same are lost/ destroyed due to some unavoidable circumstances, goods will not be returned by the job worker. If goods are lost, whether the principal is required to reverse credit under section 17(5)(h) or it will be deemed supply as per section 19(3) is the moot question. Since goods are lost or destroyed, section 17(5) (h) will be applicable and the principal is required to reverse the credit on inputs or capital goods, and it will not be treated as deemed supply.

9. If due to some dispute between a principal and a job worker, goods are not returned by the job worker as consideration for his job work charges, the issue of valuation arises when the job worker sells the same goods in open market. It is a well settled position in earlier laws that the valuation for the same goods should be considered transaction value by the job worker and not market value of the said goods by the principal.

Registration by Job Worker

The job worker shall be liable to be registered under GST in the State / Union territory, from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds Rs. 20 lakh/Rs. 10 lakh in special category States.

Further, in terms of the Circular No. 38/12/2018 dated March 26, 2018, it has been clarified that though Clause (i) of Section 24 of the CGST Act, 2017, mandates registration for making inter-state taxable supply irrespective of threshold limit, vide Notification No. 10/2017 – Integrated Tax dated October 13, 2017, exemption from mandatory registration was granted in case of supply of services.

Hence, a job worker is required to obtain registration only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit regardless of whether the principal and the job worker are located in the same State or in different State.

Waste and Scarp

Waste & Scarp generated during job work can be supplied as under:-

- i) If the job worker is registered, then it can be supplied by the job worker directly from his place of business, on payment of appropriate tax applicable on the said waste / scarp.
- ii) If he is not registered, then the waste / scarp generated should be returned to the principal along with the goods and such waste / scarp would be supplied by the principal on payment of tax. Alternatively, the principal may supply waste / scarp directly from premises of the job worker under his invoice on payment of tax.
- iii) An issue may arise on the quantum of scarp. It might be possible that during the job work, scarp may be generated in less than normal quantity. In such a case, the department cannot ask for GST on higher value of scarp provided that the principal is not allowing scarp more than what is generated.
- iv) The principal should also maintain proper records of clearance of waste / scarp from the premises of the job worker.

Input Tax Credit (ITC) in case of Job Work

- 1) As per Section 19(1) of CGST Act, 2017, the principal is allowed to take credit on inputs / capital goods sent to the job worker.
- 2) As per Section 19(2) and Section 19(5) of CGST Act, 2017, ITC can be availed by the principal even if such inputs/ capital goods are not being first received by the principal and are directly sent to the job worker.

3) In case goods are not returned in prescribed period and treated as deemed supply as per section 19(3) then question arises as to whether the job worker is eligible for availing credit of the GST paid by the principal by considering the same as deemed supply as per section 19(3) of the CGST Act, 2017.

As per section 16(4) “A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier”.

As mentioned earlier where goods are not returned in prescribed period, the principal has to issue invoice and declare such supplies in his return for that particular month in which the time period of one year/ three years has expired. The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker. Since date of invoice will be of current period, the job worker is eligible to avail the credit of the same. Moreover, as per second proviso to section 16(2) of the CGST Act, 2017 the job worker has to pay the said amount to the principal. The same may be done by way of making payment in cash or returning the said goods as supply of the job worker. For this, the job worker has to raise his own tax invoice stating principal as buyer.

Place of Supply

So far as job work is concerned, supply for job work charges is governed by section 12 (2) of IGST Act, 2017

When the registered job worker and the principal are in different States and goods are removed directly from the place of the job worker:-

- i) If the principal (supplier of the goods) and recipient (buyer of the goods) are in the same State, then SGST and CGST shall be levied, though the job worker is in a different State.
- ii) If the principal and recipient are in different States, then IGST shall be levied, even though the recipient is in the State where the job worker is situated.