



JOB WORK

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➤ Introduction

Job work is an integral feature of the manufacturing industry. Manufacturers usually outsource a portion of their activities to a third person. This turns out to be cost-efficient and helps them to be more productive by focusing on their core activities.

A large number of industries find it difficult to complete the entire process of production or manufacturing activity on their own therefore, the industry depends on outside support for many things, like, testing, various intermediate processes on raw material etc., for completing/intermediating the manufacturing process. The concept of job-work already exists in erstwhile law of Central Excise, VAT and Service Tax. Under these regulations, concession was given to the job workers and the principal was made responsible for tax compliance on behalf of the job worker. Under GST as well, special provisions have been provided for removal of goods for job-work and receiving back the goods after processing from the job-worker without the payment of GST. The benefit of these provisions shall be available both to the principal and the job worker. However, responsibility of tax compliance lies with the 'principal'.

➤ Definition of Job Work

As per Section 2(68) of the CGST Act, 2017 job work means "Any treatment or process undertaken by a person on goods belonging to another registered person". Therefore, job-worker is the person (registered or unregistered) who is processing or treating the goods of another registered person and the owner of the goods is called the Principal in this respect.

Section 19 of the CGST Act, 2017 explains the definition of the Principal as 'a person supplying goods to the job-worker.'

The definition of job work 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 of service which may attract higher rate of tax.

➤ Registration

Job worker would be required to obtain registration if his aggregate turnover exceeds the prescribed limit.

Note: - The goods of principal, directly supplied from job worker's premises will be included in the aggregate turnover of the principal.

However, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker.

➤ Procedure for supplying goods to job worker

- Principal can send goods (inputs / Capital Goods) for job work purpose without payment of GST under the cover of delivery Challan.
- As per Sections 19(2) and 19(5) 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.
- On the job work charges, GST will be charged by the job worker if the job worker is registered. Credit of the same can be availed by the principal.
- The inputs or capital goods sent to a job worker are required to be received back to the principal manufacturer within the particular period:

Input Goods	- 1 year
Capital Goods	- 3 years

Moulds and dies, jigs and fixtures or tools- no time limit

Effective dates of being goods sent out or acquired by the job worker, it totally depends on the place of business from where goods are sent out.

- If in case capital and input goods are not received within 3 years and 1 year respectively. These goods will be considered as supply on the day when the said inputs were sent out and the tax will be applicable on such deemed supply.

- After processing of goods, the job worker may clear the goods to-
 - i) Another Job Worker for further processing
 - ii) Despatch the goods to any of the place of business of the principal without payment of tax
 - iii) Remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of condition.

➤ **The Responsibilities of the Principal**

- Principal can send goods for job work purpose without payment of GST under the cover of delivery Challan.
- Maintaining the accounts of input and capital goods
- Intimate the jurisdictional officer for the detailing of the intended input goods and the nature of the processing being delivered by the job-worker
- Declare the premise of job-worker as additional place of his business in case of export the goods to the third party directly and the job-worker is not registered under GST.

➤ **Waste and Scrap**

Waste & Scrap 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 / scrap
- ii) If he is not registered, then the waste / scrap generated should be returned to the principal along with the goods and such waste / scrap would be supplied by the principal on payment of tax. Alternatively, the principal may supply waste / scrap directly from premises of job worker under his invoice on payment of tax.

The principal should also maintain proper records of clearance of waste / scrap from the premises of the job worker.

As per Section 143(5) of the CGST Act, 2017, waste generated at the premises of the job worker may be supplied directly by the registered job worker from his place of business on payment of tax or such waste may be cleared by the principal, in case the job worker is not registered.

➤ **Input Tax Credit in case of Job-work**

- i) 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.
- ii) 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 job worker.

➤ **Documents**

(a) **Challan**

- All goods sent for job work must be accompanied by a challan.
- The challan will be issued by the principal.
- It will be issued even for the inputs or capital goods sent directly to the job-worker.
- The details of challans must be shown in FORM GSTR - 1.
- Details of challans must also be filed through Form GST ITC - 04.

The challan issued must include the following particulars:

1. Date and number of the delivery challan
2. Name, address and GSTIN of the consigner and consignee
3. HSN code, description and quantity of goods
4. Taxable value, tax rate, tax amount- CGST, SGST, IGST, UTGST separately
5. Place of supply and signature

(b) **E way Bill:**

Where goods are sent by a principal located in one State to a job worker located in any other State, the e-way bill shall be generated by the principal irrespective of the value of the consignment. In other words, for every inter-state supply of goods to job worker, generation of e-way bill is mandatory even if value of consignment is less than ₹50,000/-.

Transitional Provisions For Job-work Under CGST

This applies for items removed for job work before GST and returned on or after GST implementation.

No tax will be payable if the following conditions are satisfied:

- The goods are returned to the factory within 6 months from 1st July (i.e. by 31st Dec 2017) (extendable for a maximum period of 2 months).
- Goods held by job worker is declared in Form TRAN-1
- The principal manufacturer can sell off the items under job work only after paying required taxes (Excise & VAT if before GST. If he sells after 1st July 2017, then GST applies). This rule does not apply to goods exported out of India within 6 months from the appointed date (extendable by not more than 2 months).

If the goods are not returned within the time period then ITC will be recovered from the principal manufacturer.

Both the registered person who has dispatched the goods as well as the job worker are required to file details of stock with them as on 1.7.2017 within 90 days in form GST TRAN 1.

Conclusion:-

Implications under GST law on the aspects related to job-work transactions are very crucial having regard to the above analysis.