



KEY HIGHLIGHTS OF JOB WORK IN RESPECT TO CIRCULAR NO. 38/12/2018 DATED 26TH MARCH, 2018

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Job work sector is a significant part in Indian economy. The parties involved in job works are usually Micro & Small Enterprises in India, providing outsourced services of further processing of inputs/semi-finished goods/Capital goods sent by principal manufacturer (Owner of the goods) to job workers.

GST makes the Principal (owner of goods) to take care for compliance on behalf of the job-worker, considering the fact that Job-workers are often Micro & Small sector and it may be difficult for them to comply with the structure of GST.

In view of the difficulties being faced by the taxpayers in Job Work, circular No. 38/12/2018 issued by the Government to clarify various issues.

Following are the key highlights of the Circular for your easy reference:

Scope of Job work:

It is mentioned that the job worker is expected to work on the goods sent by the principal and whether any activity is covered within the scope of job work or not shall be determined on the basis of facts and circumstances of each case. Further, it is clarified that the job worker **can also use his own goods for performing the services of job work** in addition to the goods received from the principal. **If a Job worker is registered**, he can also take input credit of GST he has paid on the purchase of goods/input services for performing of Job Work.

Requirement of registration for the job worker:

Though, Clause (i) of Section 24 of the CGST Act, 2017, makes it necessary for the registration for making inter-state taxable supply irrespective of threshold limit, **but Notification No. 10/2017 – Integrated Tax dated October 13, 2017 makes inter-state supply of services exempt from registration if threshold limit of supply of services, on all India basis, does not exceed Rs. 20 Lakhs/ (Rs. 10 Lakhs in special category of states) in a financial year.**

(Also refer Notification No. 7/2017 – Integrated Tax dated September 13, 2017 which clarifies that job workers shall require to be registered if making supply of services in relation to jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71))

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 or dealing in jewellery, goldsmiths' and silversmiths' wares and other articles of chapter 71. Principal (owner of goods) and the job worker may be located in the same State or in different States.

Where Principal supplies goods from the place of job worker:

If Principal supplies (sell) goods from the place of business / premises of the job worker, it will be regarded as supply by the principal and not by the job worker as specified in section 143(1)(b) of the CGST Act.

(See the provision of section 143 below)

Documents required to be issued for sending the goods:

- i) **Where Goods sent by the principal to the job worker** – The principal shall send goods with delivery challan in triplicate, two copies of which may be sent to the job worker along with goods/capital goods. The job worker should send back goods/capital goods to the principal with one copy of the said delivery challan. The principal is also required to **file FORM GST ITC-04** every quarter stating the said details.

- ii) **Where goods sent from one job worker to another job worker** – In such cases, the Goods may be sent with 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 therein the quantity and description of goods being sent. The same process may be repeated for subsequent movement of the goods to other job workers.
- iii) **Where Goods Returned from Job-worker to principal** – The job worker should send one copy of the challan received by him from the principal.
- iv) **Where the goods are sent directly by the supplier to the job worker on behalf of buyer (i.e principal)** - Goods may be sent directly to the place of business/premises of the job worker with a copy of the invoice issued by the supplier on behalf of the buyer (i.e. the principal) wherein job worker and his address is mentioned as consignee. The buyer (i.e., the principal) shall issue the challan and send the same to the job worker directly
- v) **Where the goods imported by the principal and sent directly from custom station to the job worker** - If goods are imported by the principal and supplied directly from the customs station of import to the place of business / premise of Job Worker then the goods may be sent **with a copy of the Bill of Entry** from the customs station of import to the place of business/premises of the job worker **and** the principal shall issue the challan in triplicate and send two copies of the same to the job worker directly.
- vi) **Where goods are returned In piecemeal by the job worker** - In case the goods after carrying out the job work, are sent in piecemeal quantities (i.e in partial quantities at various times) 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.
- vii) **Submission of intimation:** FORM GST ITC-04 will serve as the intimation and shall be furnished by 25th day of every quarter of the succeeding month. It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return there from.

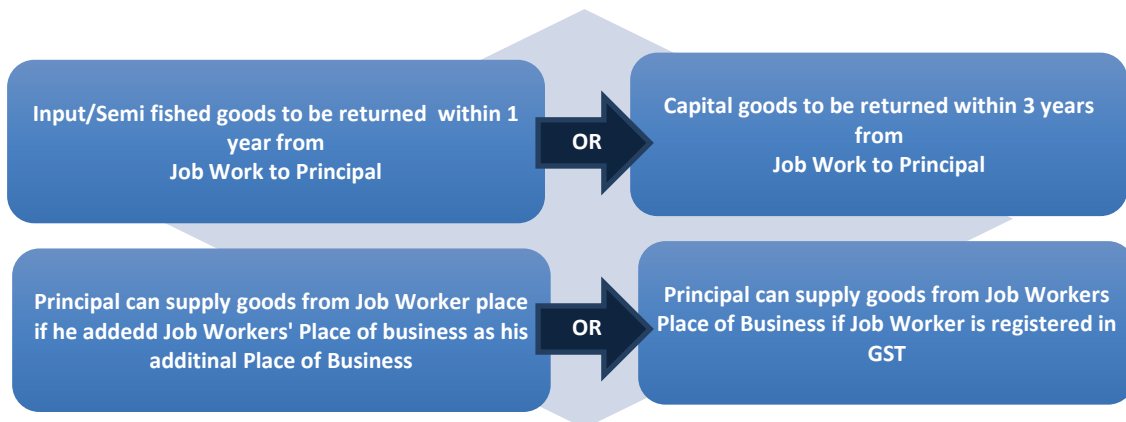
Valuation of job worker services: If the Job worker is registered, he shall issue an invoice at the time of supply. The value of job work services would be determined in terms of Section 15 of the CGST Act, 2017, and would include not only the service charges of job work but also the value of any goods or services used by him for performing the job work services, **if recovered from the principal. i.e Value of Job Work Service = Charges for Job Work + Value of Goods/Services used in performing Job work +Free of cost material or component Provided by the principal+amortized cost moulds, dies jigs & fixtures or tools provided by the principal.**

Free of cost component, material, **moulds and dies, jigs and fixtures or tools** given by the principal to perform job work may not be included in the value of job work if while determining value of services provided by job worker , cost of these has been included.

Supply of goods by the principal from the place of Business/premises of job worker:

Section 143 of the CGST Act says that the principal may supply inputs after completion of job work or capital goods (other than moulds and dies, jigs and fixtures or tools) within one year or three years respectively, from the place of business / premises of a job worker. This facility is available to the principal only if he declares the job worker’s place of business / premises as his additional place of business or if the job worker is registered.

Further commissioner has power to notify certain goods which principal cannot supply from the place of business of job worker.



Determination of Time, value and place of supply if goods supplied by principal from the place of business/premises of job worker:

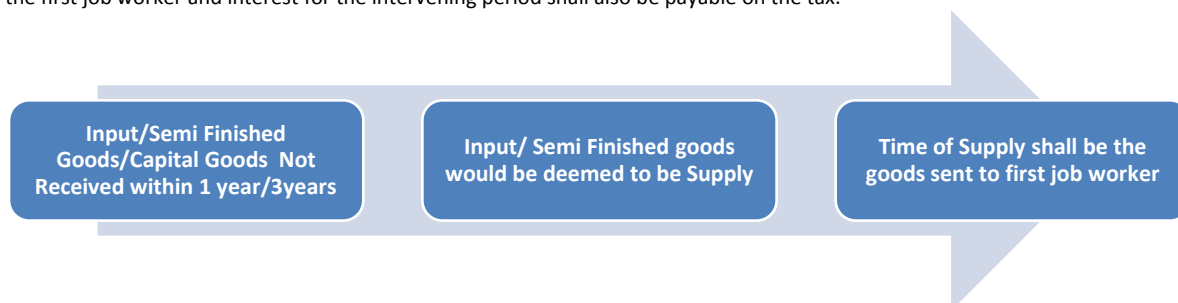
- Since the supply is being made by the principal, it is clarified that the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises as the owner of goods is principal.
- The invoice would have to be issued by the principal.
- In case of exports directly from the job worker's place of business/premises, the LUT/Bond shall be executed by the principal.

Illustration: The principal is located in State A, the job worker in State B and the recipient in State C. In case the supply is made from the job worker's place of business / premises, the invoice will be issued by the supplier (principal) located in State A to the recipient located in State C. The said transaction will be an inter-State supply. In case the recipient is also located in State A, it will be an intra-State supply.

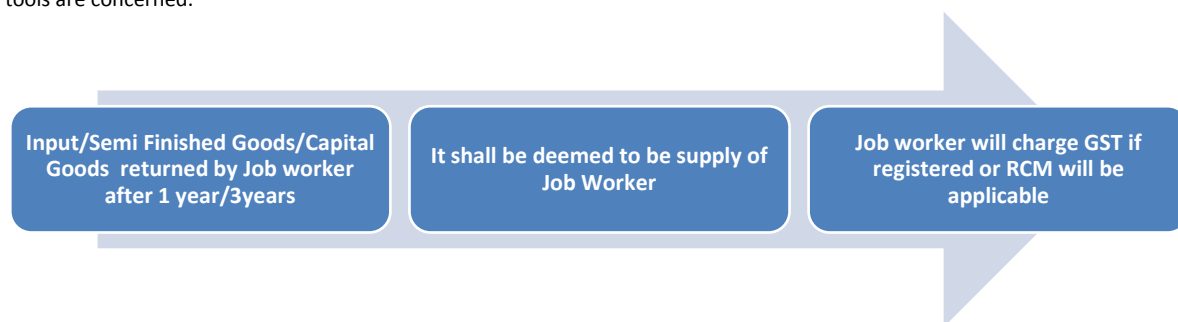
Violation of conditions laid down in section 143:

As per the provisions contained in section 143 of the CGST Act, if the inputs or capital goods (other than moulds and dies, jigs and fixtures or tools) are neither received back by the principal nor supplied from the job worker's place of business within the specified time period, the inputs or capital goods would be deemed to have been supplied by the principal to the job worker on the day when such inputs or capital goods were sent out to the first job worker.

The principal would issue an invoice for the same and declare such supplies in his return in the month in which the time period of one year/Three year expired. The date of supply shall be the date on which such inputs or capital goods were initially sent to the first job worker and interest for the intervening period shall also be payable on the tax.



If such goods are returned by the job worker after the stipulated time period, the same would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is liable for registration. If the job worker is not registered, GST would be payable by the principal on reverse charge basis. Further, there is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned.



Availability of input tax credit to the principal and job worker:

As per provisions contained in clause (b) of sub-section (2) of section 16 of the CGST Act, the input tax credit of GST would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker for processing or whether they are directly received at the job worker's place of business/premises, without being brought to the premises of the principal.

In other words, principal is the real owner of the goods, so principal shall be eligible to take input tax credit of GST on purchase of goods regardless of the fact whether goods are received at the business place of principal or job worker.

It is also clarified that the job worker is also eligible to avail ITC on inputs used by him in supplying the job work services if he is registered.

Provision of Section 143:

Section 143 (1) **A registered person** (hereafter in this section referred to as the “principal”) may under intimation and subject to such conditions as may be prescribed, **send any inputs 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, and shall,-

(a) **bring back inputs**, after completion of job work or otherwise, or **capital goods**, other than moulds and dies, jigs and fixtures, or tools, within **one year** and **three years**, respectively, of their being sent out, **to any of his place of business, without payment of tax;**

(b) **supply** such inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, within one year and three years, respectively, of their being sent out **from the place of business of a job worker** on payment of tax within India, or with or without payment of tax for export, as the case may be:

Provided that the principal shall not supply the goods from the place of business of a job worker in accordance with the provisions of this clause unless the said principal declares the place of business of the job worker as his **additional place of business** **except** in a case—

(i) where the job worker is **registered** under section 25; or

(ii) where **the principal is engaged in the supply of such goods as may be notified by the Commissioner.**

Section 143 (2) **The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.**