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## JOB WORK

### Introduction

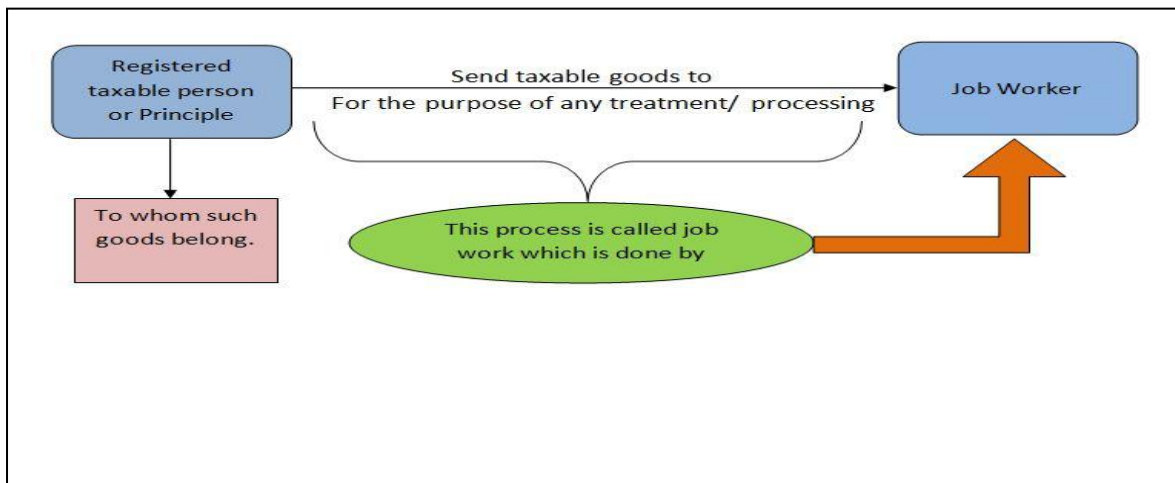
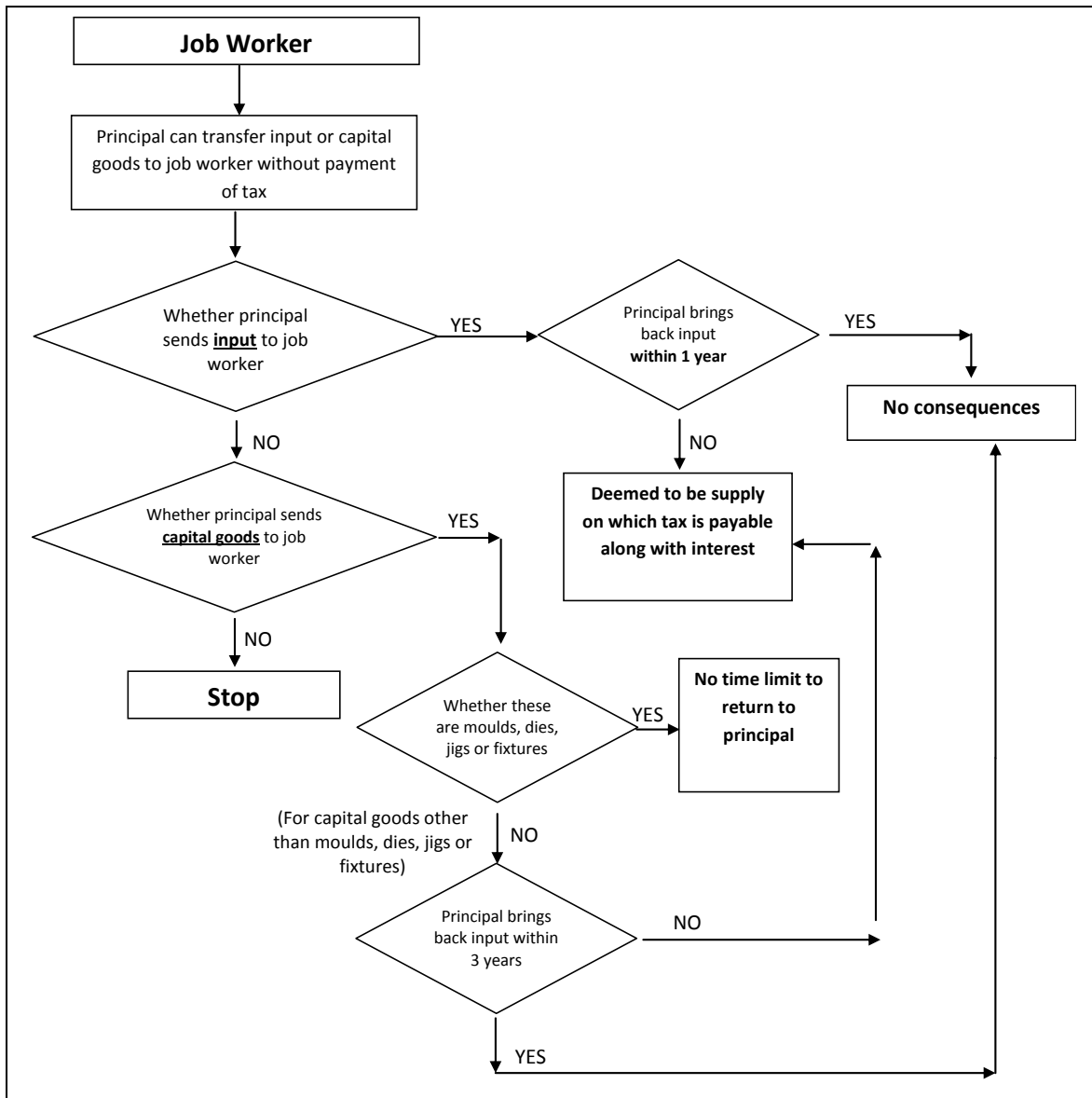
Treatment or process being applied to another person's goods (job work) is regarded as service in Schedule II of CGST Act, 2017 (Reader is requested to recall Schedule II which is guiding on whether a supply is supply of goods or supply of service). Consider an instance, where Kartik Furniture House supplies furniture as its primary business, however, it also undertakes maintenance, repair, polishing and refurbishing of the furniture on behalf of another Rupanshi Furniture House. All these activities are services in GST law.

Since 'job work' is a taxable service, the job worker would be required to obtain registration if his aggregate turnover in F.Y. exceeds the prescribed threshold (i.e. Rs.20 lakh / Rs.10 lakh).

### Welcome Process

<b>Is Job Work Supply of goods or supply of service?</b>	<ul style="list-style-type: none"><li>• Supply of service.</li></ul>
<b>Can Principal supply input to unregistered job worker's place of business without payment of tax ?</b>	<ul style="list-style-type: none"><li>• Yes</li></ul>
<b>Who has to maintain accounts related to job work ?</b>	<ul style="list-style-type: none"><li>• It is the responsibility of the principal only .</li></ul>

## Job Work: At a Glance



## Important Definitions

Term	Sec of CGST Act	Content	Example
Job Work And Job Worker	2 (68)	<p>“Job work” means</p> <ul style="list-style-type: none"> <li>any treatment or process undertaken by a person</li> <li>on goods belonging to another registered person and</li> <li>the expression “job worker” shall be construed accordingly;</li> </ul> <p><b>Note:</b> Job-working must not be confused with repair or maintenance. Job-working creates the functionality of an article but repair or maintenance restores or improves the functionality already created and possessed by that article or thing.</p>	<p>1) Karigar (Goldsmith) is the example of job worker when he is outsourced the work to be performed on biscuit of Gold to make the jewellery.</p> <p>2) The person who gives such task to Karigar is the Principal.</p>
Principal	2 (88)	<p>“Principal” means</p> <ul style="list-style-type: none"> <li>a person on whose behalf</li> <li><b>an agent</b> carries on the business of</li> <li>supply or receipt of goods or services or both;</li> </ul>	

## Registration

Provision	Type of Registration	Detail	Remarks
25(3) of CGST Act	Voluntary	A person, though not liable to be registered under section 22 or section 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered person, shall apply to such person.	
22(1)	Mandatory	<p><b>Every supplier</b></p> <ul style="list-style-type: none"> <li>shall be liable to be <b>registered</b> under this Act <b>in the State</b> or Union territory, other than special category States,</li> <li>from where he makes a taxable supply of goods or services or both,</li> <li>if his <b>aggregate turnover</b> in a F.Y. &gt;INR <b><u>20 lakhs</u></b>.</li> </ul>	For special category states, Job worker shall be liable to be registered if his <b>aggregate turnover</b> in a F.Y. >INR <b><u>10 lakhs</u></b> .
24(i)		Persons making any inter-State taxable supply	But now job worker is exempted from registration even if he makes interstate supply. Kindly read <b>Note-1</b> for detailed study of this exemption.
<b>Note</b>	<p><b>Notification No. 7/2017 – Integrated Tax</b></p> <p>The notification provides that job worker is exempted from registration even if he</p>		

	<p>makes interstate supply. But exemption to job worker for registration on interstate supply would not apply in following cases ☹ [Means Job worker shall be liable to be registered]</p> <p>(i) Where the aggregate turnover of the job worker in a financial year exceeds INR 20 Lakhs in a non special category state or INR 10 Lakhs in a special category state.</p> <p>(ii) Where the job worker has taken a voluntary registration. Because once registered voluntarily, all provisions of the GST law apply.</p> <p>(iii) Job worker who is involved in making supply of services in relation to the goods mentioned against serial number 151 in the Annexure to rule 138 of the CGST Rules, 2017 i.e. rendering services in relation to jewellery, goldsmiths and silversmiths wares and other articles (chapter 71).</p>
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### Provisions for Job Work

**Fast Forward:** Here a tabular presentation is provided to you where in 1<sup>st</sup> basis of bifurcation is provided for the procedure of job work given u/s 143 of CGST Act and 2<sup>nd</sup> basis of bifurcation in table is giving you the impact on ITC due to transaction made to/ by with job work. Principal (Registered) will **not be liable to pay tax** on transferring goods to job worker and moreover even if goods are **directly sent** to job worker by 3<sup>rd</sup> party on behalf of principal, still principal will be **eligible to get ITC** if **Conditions and restrictions** Rule 45 are satisfied. One may simply refer the flow chart given in this chapter to get the quick view of this topic. Readers are requested to read the language keenly to get the final interpretation for the business decision.

Governing Provision on GST		Provisions covering effect on ITC			
Sec	Content	Sec	Content	Rule	Conditions and restrictions in respect Of Inputs And Capital Goods sent to Job Worker.
143 (1)	<p>(1) A registered person ( "principal") may under intimation and subject to such conditions as may be prescribed, send any inputs or capital goods, <b>without payment of tax</b>, to a job worker for job work and from there subsequently send to another job worker and likewise, and shall, -</p> <p>(a) bring back inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, <b>within 1 year and 3 years</b>, respectively, of their being sent</p>	19	<p>Principal shall be entitled to take ITC <b>on inputs</b> even if the <b>inputs and capital goods are directly sent</b> to a job worker for job work without being first brought to his place of business if conditions and restrictions as mentioned in rule 45 are complied with. (Read in next column.)</p> <p><b>Note:</b> Though goods have not been actually received by Principal, rather Job worker has received directly; still Principal shall be eligible to get the ITC on it.</p>	45	<p>The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a <b>challan</b> issued by the principal, <b>including where such goods are sent directly to a job-worker</b> by another one on behalf of principal.</p> <p>(2) The challan shall be issued by the principal to the job worker (Delivery Challan is detailed in separate chapter 'Tax Invoice, Debit Note and Credit Note').</p> <p>(3) The details of challans in respect of goods dispatched to a job worker or received from a job worker or</p>

	<p>out, to any of his place of business, without payment of tax;</p> <p>(b) supply such inputs, <b>after completion</b> of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, <b>within 1 year and 3 years</b>, 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 <b>payment of tax</b> for export, as the case may be.</p> <p>Principal shall not supply the goods from the place of business of a job worker in accordance with the provisions of this clause <b>unless</b> the said principal declares the place of business of the job worker as his <b>additional place of business</b> except in a case -</p> <p>(i) where the job worker is registered under GST; or</p> <p>where the principal is engaged in the supply of <b>such goods</b> as may be notified by the Commissioner.</p>				<p>sent from one job worker to another during a quarter shall be included in <b>FORM GST ITC-04</b> furnished for that period on or before the 25th day of the month succeeding the said quarter.</p>
143(3)	<p>Where the inputs sent for job work</p> <ul style="list-style-type: none"> <li>are not <b>received back</b> by the principal after completion of job work or otherwise in accordance with the provisions of clause</li> </ul>	19(3)	<p>Where the <b>inputs</b> sent for job work</p> <ul style="list-style-type: none"> <li><b>are not received back</b> by the principal after <b>completion</b> of job work or otherwise or</li> <li>are not supplied from the place of business</li> </ul>	45 (4)	<p>Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall be <b>deemed</b> that such inputs or capital goods had been supplied by the principal to the</p>

	<p>(a) of sub-section (1) or</p> <ul style="list-style-type: none"> <li>are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1)</li> <li><b>within a period</b> of 1 year of their being sent out,</li> <li>it shall be <b>deemed</b> that such inputs had been supplied by the principal to the job worker <b>on the day when the said inputs were sent out.</b></li> </ul>		<p>of the job worker</p> <ul style="list-style-type: none"> <li>in accordance with section 143(1)(a)&amp;(b) <b>within 1 year</b> of being sent out,</li> <li>it shall be <b>deemed</b> that such inputs had been supplied by the principal</li> <li>to the job worker on the day when the said inputs were sent out.</li> </ul> <p>Where the inputs are <b>sent directly</b> to a job worker, the period of 1 year shall be counted from the date of <b>receipt of inputs</b> by the job worker.</p>		<p>job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in <b>FORM GSTR-1</b> and the principal shall be liable to pay the tax along with applicable interest.</p>
		19(6)	<p>Where the <b>capital goods</b> sent for job work</p> <ul style="list-style-type: none"> <li>are <b>not received back</b> by the principal within a period of <b>3 years of being sent out</b>,</li> <li>it shall be deemed that such capital goods had been supplied by the principal to</li> <li>the job worker on the day when the said capital goods were sent out:</li> </ul> <p>Where the capital goods are <b>sent directly</b> to a job worker, the period of 3 years shall be counted from the date of <b>receipt of capital goods</b> by the job worker.</p>		
143(4)	<p>Where the capital goods,</p> <ul style="list-style-type: none"> <li>other than moulds and dies, jigs and fixtures, or tools,</li> <li>sent for job work are not <b>received back</b></li> <li>by the principal in accordance with the provisions of 143(1)(a) or</li> <li>are not supplied from the <b>place of business</b></li> </ul>	19(7)	<p>19(3)&amp;(6) shall not <b>apply</b> to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work, which means <b>time limit</b> of 1 year/ 3 years shall <b>not apply</b> rather it can be brought back even after the above period. No deemed supply shall arise due to non returning of the same.</p>		

	<p>of the job worker in accordance with the provisions of 143(1)(b)</p> <ul style="list-style-type: none"><li>• within a period of <b>3 years</b> of their being sent out, it shall be <b>deemed</b> that such capital goods had been supplied by the principal to the job worker <b>on the day when the said capital goods were sent out.</b></li></ul>				
143(5)	<b>Notwithstanding</b> anything contained in 143(1)&(2) <ul style="list-style-type: none"><li>• any <b>waste and scrap</b> generated during the job work</li><li>• may be supplied by the job worker <b>directly</b> from his place of business <b>on payment of tax</b>,<ul style="list-style-type: none"><li>a) by job worker if such job worker is registered, or</li><li>b) by the principal, if the job worker is not registered.</li></ul></li></ul>	No provisions are in existence with respect to <b>waste and scrap</b> in rules. Here is an attempt to simplify 143(5) as below:			
		<b>Status of Job Worker</b>		<b>Any waste or scrap generated during job work</b>	
		Job worker is registered		<b>may be</b> directly supplied by job worker from his premises on payment of tax	
		Job worker is unregistered		to be supplied by principal	
143(2)	The <b>responsibility</b> for keeping proper accounts for the inputs or capital goods shall lie with the principal				

### Exercise 1: Is a job worker required to take registration?

**Answer 1:** Yes, as job work is a service, the job worker would be required to obtain registration if his aggregate turnover exceeds the limit of 20lakh or 10lakh in special category. (Special category state is listed on 1<sup>st</sup> page in chapter titled as 'Registration').

### Exercise 2: Whether the goods of principal directly supplied from the job worker's premises will be included in the aggregate turnover of the job worker?

**Answer 2:** No. It 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.

### Exercise 3: Whether intermediate goods can also be sent for job work?

**Answer 3:** Yes. The term inputs, for the purpose of job work, includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or job worker.

Nomenclature of GST Form	Description
Form GST ITC-4	Details of goods/capital goods sent to job worker and received back.

#### Rates Rationalised on by the GST Council in the 22nd meeting held on 6th October 2017

S. No	Description of Service	Rate
1	Job work services in relation to all products falling in Chapter 71 (including imitation jewellery)	5%
2	Job work services in relation to food and food products falling under Chapters 1 to 22 of the HS Code (except packing of processed milk into packets)	5%
3	Job work services in relation to products falling under Chapters 23 of the HS Code except dog and cat food put up for retail sale (CTH 23091000)	5%
4	Job work in relation to manufacture of umbrella	12%
5	Job work in relation to manufacture of clay bricks falling under CTH 69010010	5%
6	Services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 5% or Nil [Heading 9988]	5%
7	Services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 12% [Heading 9988]	12%
8	Services by way of printing on job work basis or on goods belonging to others in relation to printing of goods falling under Chapter 48 or 49, other than those covered by (6) and (7) above, [Heading 9988]	18%

#### Brainteasers

##### BT 1: What is aggregate turnover for Job Worker and Principal?

**Ans 1:** The value of goods after completion of job work is not includible in the turnover of the job-worker. It will be treated as supply of goods by the principal and will accordingly be includible in the turnover of the Principal. Though it is clarified that Job charges are includible in the turnover of job worker.

##### BT 2: I have a registered partnership firm and want to start a new service centre (with turnover below Rs. 20 lakh) in my own name. Do I need to register it under GST?

**Ans 2:** If the partnership firm is registered under a separate PAN and if you have your own PAN, so there will be two different assesses from the perspective of GST. If the turnover in your own PAN is below Rs. 20Lakh, then you may not register.

##### BT 3: If the job-worker subsequently registers, should the principal amend his registration by cancelling the job-workers premises as his additional place of business?

**Ans 3:** Yes



**BT 4: Whether the principal is entitled to take input tax credit even when the principal has not received the goods and directly sent to job worker by the vendor?**

**Ans 4:** Yes. Section 19(2) and Section 19 (5) allows the principal to take input tax credit of goods not received by him, if the goods are sent directly to the job workers premises by the vendor.

#### Quick Quiz

Q. N.	Quiz	Options with Answer
1.	The supply of goods after the completion of the Job Work from the registered business place of a Job Worker by declaring it as an additional place of business of the former to the place of the business of the recipient of supply will be a Taxable supply of?	a) The Job Worker <b>b) The Principal or the Dealer who dispatched the goods for job work</b> c) Either of the party d) Deemed Supply of the Job Worker
2.	The goods sent by a Registered taxable Person to a Registered Job Worker is?	a) Supply of Goods b) Deemed Supply of Goods <b>c) Not a Taxable Supply of Goods</b> d) Either a) or b) Above