

Process undertaken Covered under Job Work If No New Product comes into existence, 12% GST payable: The AAR, Maharashtra

Fact of the Case

The applicant, Fine Electro Coating is engaged in rendering premium CED Coating and Powder Coating services. The firm also undertakes metal finishing coating services for various products and further offers (a) CED Coating for Metallic Components & auto parts (h) Coating on General Industrial equipment etc.

The applicant's activity is rendering of premium CED Coating, Powder Coating and metal finishing coating services for various products belonging to its clients. Applicant also offers (a) CED Coating for Metallic Components & auto parts (b) Coating on General Industrial equipment etc. The applicant has submitted that all products received by it, whether for CED Coating or for Powder Coating are received through Delivery challan only and goes through Phosphating Treatment, which helps mainly clean the part and then it goes through either Cathodic Electro Deposition (CED Line) for final coating or Powder coating gun Machine. In Cathodic Electro Deposition (CED Line) the basic raw materials used are various types of Paints and use of consumables and for Powder coating gun Machine, the main raw material consist of Powder which is type of paint.

The applicant has sought the advance ruling on the issue whether the process followed will be treated as a Service as per Schedule II – Point No. 3 and the activity to be treated as Job Work and whether Notification No. 20/2019 Central Tax (Rate) New Delhi, 30th September, 2019 – where GST Rate on Job work is reduced to 6% from 9% is applicable to the firm.

Decision of the Case

Job work is just a process undertaken by a job worker on goods belonging to a principal. Job work may or may not amount to manufacturing. Further, a job worker may or may not use some portion of his material. Job work has been defined under section 2(68) of the CGST Act, 2017 to mean 'any treatment or process undertaken by a person on goods belonging to another registered person and the expression 'job worker" shall be construed accordingly'.

The Coram ruled that since no new product comes into existence after the process conducted by the applicant on the goods supplied by its principals, therefore the process undertaken will come under the purview of jobwork as defined under Section 2 (68) of the GST Act, 2017. Thus, the applicant is only a job worker and as a job worker, carries out processes on goods supplied by its principals.

The Authority further said that Notification No. 20/2019- Central Tax (Rate) dt. 30.09.2019 where GST Rate on Job work is reduced to 6% from 9% is applicable to the firm. Subscribe Taxscan AdFree to view the Judgment.

The Maharashtra Authority of Advance Ruling (AAR) held that the Process undertaken is covered under job work if no new product comes into existence and 12% GST is payable on job work.