

The Institute of Cost Accountants of India

Goods and Service Tax:

Job Work under GST

(Wednesday, 16 June, 2021)

R.K. Khurana

FCS, FCMA, EMIB, LLB

Advocate

Taxation and Corporate Laws Adviser

The presentation covers:

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Chapter V: Input Tax Credit	
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Rule 55	Transport of goods without issue of invoice

Introduction to Job Work

1. Job work is processing of goods – inputs, semi finished goods supplied by the principal, for further processing.
2. Job-work sector constitutes a significant industry in Indian economy.
3. It includes outsourced activities that may or may not culminate into manufacture.

Introduction to Job Work

4. Many **facilities, procedural concessions** have been given to the job workers and principals, who send goods for job-work.
5. The principal is responsible for meeting compliances on behalf of the job-worker;
6. The **job-workers are small persons who are unable to comply** with the GST law.

Introduction to Job Work

7. The GST law makes **special provisions with regard to removal of goods for job-work and receiving back those goods** without the payment of GST.
8. This benefit is available both to the principal and the job worker.

Job Work under Central Excise Act, 1944

Job Work under Central Excise Act, 1944

Prior to introduction of GST, the word **job work was defined** Notification No. 214/86 dated 25 March 1986 and Rule 2(n) of the Cenvat Credit Rules, 2004.

Definition of Job Work under Central Excise Act, 1944

Job Work means processing or working upon raw materials or semi-finished goods supplied to the job worker so as to complete a part or whole of the process resulting in the manufacture, which is essential for the aforesaid process.

Job Work under Central Excise Act, 1944

In Job Work, the material have to be supplied by Principal manufacturer.

Sec 2(68): Definition of Job Work under CGST Act

“Job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly.

Sec 2(68): Definition of Job Work under CGST Act

Exp to Sec 143: For the purposes of job work, input includes intermediate goods

arising from any treatment or process carried out on the inputs by the principal or the job worker.

Definition of Manufacture under The CGST Central Excise Act, 1944

Section 2(f) of the **Central Excise Act, 1944** defines "**manufacture**" as to include includes any process:

- (i) incidental or ancillary to the completion of a **manufactured** product;
- (ii) which is specified in relation to any goods in the Section or Chapter notes of the First Schedule to the **Central Excise Tariff Act**.

Sec 2 (72): Definition of Manufacture under The CGST Act, 2017

Manufacture means processing of raw material or inputs in any manner **that results in emergence of a new product having a distinct name, character and use** and the term —manufacturer shall be construed accordingly;

Thin Line/Distinction between Job Work and Manufacturing

- i. In Prestige Engineering India Ltd Vs CCE Meerut – 1994(9) TMI 66, the SC held that when the **job worker contributed his own material to the goods** supplied by the customer and engaged in manufacturing, **the activity was not a job work.**
- ii. However, minor additions by the job worker would not take away the fact that the activity was one of job work.

Thin Line/Distinction between Job Work and Manufacturing

**PRODAIR AIR PRODUCTS INDIA (P)
LTD. [2018 (18) G.S.T.L. 817 (Maha
A.A.R. - GST)**

The application of minor items by the job worker would not detract it being a job work.

Thin Line/Distinction between Job Work and Manufacturing

The job worker is expected to work on the goods sent by the principal and whether the activity is covered within the scope of job work or not would have to be determined on the **basis of facts and circumstances of each case.**

Thin Line/Distinction between Job Work and Manufacturing

The job worker, in addition to the goods received from the principal, **can use his own goods** for providing the services of job work

Sec 2(88): Definition of Principal under CGST Act

Principal means a person on whose behalf an agent (**Job worker**) carries on the business of supply or receipt of goods or services or both.

Sec 143: Provision of GST laws relating to job work

Sec 143(1): Sending goods for job work

A registered person (Principal) can send inputs/ capital goods **under intimation** and subject to certain conditions **without payment of tax** to a job-worker and from there to another job-worker and after completion of job-work bring back such goods **without payment** of tax.

Sec 143(1): Intimation to commissioner

Principal to furnish the details of challans in respect of goods sent to a job worker or received from a job worker or

sent from one job worker to another job worker during a quarter in

FORM GST ITC-04 by the 25th day of the month succeeding the quarter.

Circular 38/2018 dated: 26.03.2018

Procedure for sending goods

1. The principal shall prepare in triplicate, the challan for sending the goods to a job worker.
2. Two copies of the challan may be sent to the job worker along with the goods.
3. The job worker should send one copy of the said challan along with the goods, while returning them to the principal

Rule 55: Transport of goods without Tax Invoice

The consigner may issue delivery challan:

1. Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
2. **Transport of goods for job work**
3. Transport of goods for reasons other than by way of supply, or
4. Such other supplies as may be notified by the Board

Rule 55: Conditions of delivery challan

Delivery challan should be serially numbered not exceeding **sixteen characters**, in one or multiple series in lieu of invoice at the time of removal of goods for transportation.

Rule 55: Contents of delivery challan

1. Date and number of the delivery challan;
2. Name, address and GST Identification Number of the consigner, if registered;
3. Name, address and GSTIN or UID of the consignee, if registered;
4. HSN code and description of goods;
5. Quantity (provisional, where the exact quantity being supplied is not known);
6. Taxable value

Rule 55: Contents of delivery challan

7. Tax rate and tax amount – central tax, State tax, integrated tax, UT tax or cess, where the transportation is for supply to the consignee;
8. Place of supply, in case of inter-State movement; and
9. Signature.

Sec 143: Return of goods after job work

After processing of goods, the job-worker may clear the goods to-

- i. another job-worker for further processing, or
- ii. dispatch the goods to any of the place of business of the principal without payment of tax.

Movement of goods from one job worker to another

1. Goods may be further moved to another job worker either by the principal or the job worker with challan.
2. The challan issued by the principal may be endorsed by the job worker for sending the goods to another job worker.
3. The same process may be repeated for subsequent movement of the goods to other job workers.

Return of goods in piece meal to Principal

In case the goods after carrying out the job work, are sent back 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 may be issued by the job worker.

Sec 143(1): After completion of job work

The principal may **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.

Sec 143(1): After completion of job work

(b) The Principal may supply such inputs, after completion of job work, 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, or with or without payment of tax for export.

Sec 143(1) Provisio: Condition for supply from place of job worker

The principal shall not supply the goods from the place of business of a job worker 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:

Sec 143(1): Power of Commissioner to extend of the period of return

The period of one year and three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding **one year** and **two years** respectively.

No reversal of ITC by Principal.

1. The principal is not required to reverse the ITC availed on inputs or capital goods dispatched to job-worker.
2. The Principal can also send inputs/capital goods **directly** to the job-worker without bringing them to his premises and **can still avail the credit of tax** paid on such inputs or capital goods.

Sec 143: Returning inputs and capital goods to principal

Inputs and/or capital goods [other than moulds and dies, jigs and fixtures, or tools] sent to a job- worker are required to be returned to the principal within 1 year and 3 years respectively,
from the date of sending such goods to the job-worker.

Sec 143: Return of moulds, dies, jigs and fixture not necessary

4. The return of moulds and dies, jigs and fixtures or tools supplied by the principal to job worker not necessary.

Sec 143: Supply of goods directly from job worker's place of business/premises

After processing of goods, the principal has the option to:

clear the goods, directly from job-worker's premises, on payment of tax within India or without payment of tax for export outside India on fulfilment of conditions.

Sec 143 (3): Consequences for non return of Inputs and capital goods.

Where the inputs sent for job work are not received back after completion of job work or otherwise within one/three years or

are not supplied from the place of business of the job worker

it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

Sec 143 (5): Treatment of waste and scrap

1. Any waste and scrap generated during the job work may be supplied by the job worker directly from his place of business **on payment of tax**, if such job worker is registered, or
2. by the principal, if the job worker is not registered.

Sec 143 (1): Responsibility of Principal Officer

The responsibility for keeping proper accounts for the inputs or capital goods is that of the Principal.

Sec 19: Taking input tax credit in respect of inputs and capital goods sent for job work.

Sec 19: Taking input tax credit in respect of inputs and capital goods sent for job work.

The principal shall, subject to such conditions and restrictions as may be prescribed,

be allowed input tax credit on inputs sent to a job worker for job work.

Sec 19 (2): Taking input tax credit in respect of inputs and capital goods sent for job work.

The principal shall be entitled to take credit of inputs **even if the inputs are directly sent to a job worker** for job work without being first brought to his place of business.

Sec 19 (3): Consequences for non receipt of goods by the Principal

Where the inputs sent for job work are:

- i. not received back by the principal after completion of job work or otherwise or
- ii. are not supplied from the place of business of the job worker in accordance with Sec 143 (1) (a) or (b) of CGST **within one year of being sent out,**

it shall be **deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.**

Sec 19 (3) Provisio: Inputs directly sent to Job worker

Provided that where the inputs are sent directly to a job worker,
the period of one year shall be counted from the date of receipt of inputs by the job worker.

Sec 19 (4): ITC on capital goods sent for job work.

The principal shall, subject to such conditions and restrictions as may be prescribed,

be allowed ITC on capital goods sent to a job worker for job work.

Sec 19 (5) :Taking input tax credit in respect of inputs and capital goods sent for job work.

The principal shall be **entitled to take credit of input tax** on capital goods even if the capital goods are **directly sent to a job worker** for job work without being first brought to his place of business.

Sec 19 (6): Consequences of capital goods not received back from job work

Where the capital goods sent for job work are not received back by the principal within a period of **three years of being sent out**, it shall be **deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out**:

Sec 19 (6) Provisio: Counting the period of three years

Where the capital goods are sent directly to a job worker,
the period of three years shall be counted from the date of receipt of capital goods by the job worker.

Sec 19 (7): Receiving back of goods/capital goods not applicable to:

Provision on the receiving back not applicable to **moulds and dies, jigs and fixtures, or tools** sent out to a job worker.

Levy of GST on Job Worker

The job worker, as a supplier of services, is liable to pay GST, if he is liable to be registered.

Rates of GST

For diamond related services

Vide Notificaation No. 20/2019-CT ® dated 30 Sept 2019.

Change is effective from 1st October 2019.
Changes in Rates are as follows:-

Rate of GST reduced **from 5% to 1.5%** on supply of job work services in relation to diamonds.

The rate of GST reduced from 18% to 12% on supply of machine job work such as in engineering industry

Job Worker	Principal	GST Rate *	Remarks
Registered	Registered	12%	W.e.f. 1st Oct 2019 as per Notification No. 20/2019 dated 30.09.2019
Unregistered	Registered	18%	The benefit of Notification No-20/2019- CT (R) not available as not covered by definition of Job work# under GST
Unregistered	Unregistered	NA	GST is not applicable as Job worker is not liable for registration

Invoice by job worker

Job worker shall issue an invoice at the time of supply of the services as determined in terms of section 13 (**Time of supply rule**) read with section 31 (**Time of issue of invoice**) of the CGST Act.

Value of supply by Job Worker

The value of services would be determined in terms of section 15 of the CGST Act and

would include not only the service charges, but also the value of any goods or services used by him

for supplying the job work services, if recovered from the principal.

Value of supply by Job Worker

The question may arise whether value of moulds and dies, jigs and fixtures or tools which have been provided by the principal to the job worker and have been used by the latter for providing job work services would be included in the value of job work services ?

Value of supply by Job Worker

Section 15(2)(b) of the CGST Act (Value of Supply] stipulates that any amount that the **supplier is liable to pay in relation to the supply but**

which has been incurred by the recipient will form part of the valuation for that particular supply,

provided it has not been included in the price for such supply.

Who will pay GST in respect of Job Work ?

If the job worker is registered, the GST shall be leviable by the job worker.

Requirement to generate e-way bill

In case of job work, e-way bill shall be generated either by the principal or by the registered job worker

irrespective of the value of the consignment,

where goods are sent by a principal located in one State/UT to a job worker located in any other State/UT.

Requirement to generate e-way bill

The e-way bill shall be generated by the principal, wherever required, in case the job worker is unregistered.

Registration requirement of Job worker

Where the principal and the job worker are located in different States, the requirement for registration flows from section 24(i) of the CGST Act, which provides for **compulsory registration** of suppliers making any inter-State supplies.

Exemption from registration of Job worker

Exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed 20 lakh or Rs 10 lakh in case of Special Category States, except Jammu & Kashmir in a financial year vide Notification No. 10/2017 IT dated 13.10.2017.

Exemption from registration of Job worker

A job worker, being a supplier of service,
**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 States.

Thank you very much.

Have a nice evening!

R.K. Khurana

Advocate