

The Institute of Cost Accountants of India
(Statutory Body under an Act of Parliament)



Various Processes under GST

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Coverage

Departmental Audit.

Job Work- Theory in Details.

Works Contract- Theory in details.

ITC 04 – ITC on goods sent to Job Worker (Theory and Practical).

Difference between Job Work and Works Contract



Department Audit



Objects of Audit by Tax Authorities – Rule 101 of CGST Rules 2016

To verify correctness of:

Turnover declared by the supplier;

Taxes paid by the supplier;

Refund claimed by the supplier;

Input tax credit availed by the supplier;

Classification of goods or service by the supplier.

Modalities of Audit by Tax Authorities

The audit will be conducted at the place of business of the registered person or office of tax authorities.

Intimation of audit is to be issued to the registered person at least 15 working days in advance in accordance with Rule 101(2) in Form GST ADT-01 and the audit is to be completed within 3 months from the date of its commencement , which may be extended by the Commissioner, where required, by a further period not exceeding 6 months.

Commencement of Audit

Date on which the records and other documents called for by tax authorities are made available by registered person

OR Actual institution of audit at the place of business

Whichever is later

Preparation for Audit by Tax authorities

Understand the GST law and rules. The first step is to make sure that the taxpayer understand the GST law and rules. This will help the taxpayer to identify any potential areas of concern and ensure that the taxpayer is compliant with the law provisions.

Maintain proper records. It is important to maintain proper records of all GST transactions. This includes invoices, receipts, and other supporting documents.

Get books audited / verified by a qualified accountant. A qualified accountant can help to identify any potential errors or omissions in GST returns and the relevant records and in making preparation for an audit by the tax authorities.

Be proactive. Don't wait for the tax authorities to approach the taxpayer. If taxpayer has any concerns about your GST compliance, it is advisable to contact the jurisdictional tax authorities proactively. This will show that the taxpayer is taking the audit seriously and that the taxpayer is committed to compliance.

Preparation for Audit by Tax authorities

Be cooperative. During Audit, the taxpayer needs to be cooperative with the tax authorities. Answer their questions truthfully and promptly. This will help to resolve any issues quickly and efficiently.

Keep relevant records organized and accessible. The tax authorities may request to see records of the taxpayer, so it is important to keep them organized and accessible. This will make it easier for the taxpayer to find the information they need.

Be familiar with the audit process. The tax authorities will follow a specific process when conducting an audit. It is important to be familiar with this process so that the taxpayer know what to expect.

Get legal advice. If the taxpayer has any questions about the audit process or GST compliance, it is a good idea to get legal advice. A lawyer or practitioner can help to understand the rights and obligations and can represent the taxpayer in the event of special circumstances during an audit process.

Chapter XIII – Audit – Section 65 – Audit by Tax Authorities

(1) The Commissioner or any officer authorised by him, **by way of a general or a specific order**, may undertake audit of any registered person **for such period**, at **such frequency** and in such manner as may be prescribed.

(2) The officers referred to in sub-section (1) may conduct audit **at the place of business of the registered person or in their office**.

(3) The registered person shall be informed by way of a **notice not less than fifteen working days** prior to the conduct of audit in such manner as may be prescribed .

(4) The audit under sub-section (1) shall be completed **within a period of three months** from the date of commencement of the audit:

Provided that where the Commissioner is satisfied that audit in respect of such registered person cannot be completed **within three months**, he may, for the reasons to be recorded in writing, **extend the period by a further period not exceeding six months**.

Explanation .- For the purposes of this sub-section, the expression "**commencement of audit**" shall mean the **date on which the records and other documents**, called for by the tax authorities, are **made available** by the registered person or **the actual institution of audit at the place of business, whichever is later**.

Chapter XIII – Audit – Section 65 – Audit by Tax Authorities

(5) During the course of audit, the authorised officer may require the registered person, -

*(i) **to afford him the necessary facility** to verify the books of account or other documents as he may require;*

*(ii) **to furnish such information** as he may require and **render assistance** for timely completion of the audit.*

*(6) On conclusion of audit, the proper officer shall, **within thirty days**, inform the registered person, whose records are audited, **about the findings**, his rights and obligations and the reasons for such findings.*

*(7) Where the audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer **may initiate action under section 73 or section 74** .*

Chapter XIII – Audit – Section 66 – Special Audit

(1) If at any stage of **scrutiny, inquiry, investigation or any other proceedings** before him, any officer not below the rank of **Assistant Commissioner**, having regard to the **nature and complexity of the case** and the **interest of revenue**, is of the opinion that the **value has not been correctly declared or the credit availed is not within the normal limits**, he may, with the **prior approval of the Commissioner**, direct such registered person by a communication in writing to get his records including books of account examined and audited **by a chartered accountant or a cost accountant** as may be **nominated by the Commissioner**.

(2) The **chartered accountant or cost accountant** so nominated shall, within the **period of ninety days**, submit a report of such audit duly signed and certified by him to the said Assistant Commissioner mentioning therein such other particulars as may be specified:

Provided that the Assistant Commissioner may, on an application made to him in this behalf by the registered person or the chartered accountant or cost accountant or for any material and sufficient reason, **extend the said period by a further period of ninety days**.

Chapter XIII – Audit – Section 66 – Special Audit

(3) *The provisions of sub-section (1) shall have effect **notwithstanding that** the accounts of the registered person **have been audited** under any other provisions of this Act or **any other law for the time being in force**.*

(4) *The registered person **shall be given an opportunity of being heard** in respect of any material gathered on the basis of special audit under sub-section (1) which is proposed to be used in any proceedings against him under this Act or the rules made thereunder.*

(5) *The expenses of the examination and audit of records under sub-section (1), including the **remuneration of such chartered accountant or cost accountant**, shall **be determined and paid by the Commissioner** and such **determination shall be final**.*

(6) *Where the special audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer **may initiate action under section 73 or section 74**.*

Rule 101 - Audit

(1) The period of audit to be conducted under sub-section (1) of section 65 shall be a **financial year or part thereof or multiples thereof**.

(2) Where it is decided to undertake the audit of a registered person in accordance with the provisions of section 65 , the proper officer shall issue a notice in **FORM GST ADT-01** in accordance with the provisions of sub-section (3) of the said section.

(3) The proper officer authorised to conduct audit of the records and the books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the rules made thereunder, the **correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of the supply of goods or services or both, the input tax credit availed and utilised ,refund claimed, and other relevant issues and record the observations in his audit notes.**

(4) The proper officer may inform the registered person of the **discrepancies noticed**, if any, as observed in the audit and the said person may file his reply and the proper officer shall finalise the findings of the audit after due consideration of the reply furnished.

(5) On conclusion of the audit, the proper officer shall inform the findings of audit to the registered person in accordance with the provisions of sub-section (6) of section 65 in **FORM GST ADT-02** .

Rule 102 – Special Audit

(1) Where special audit is required to be conducted in accordance with the provisions of section 66 , the officer referred to in the said section shall issue a direction in **FORMGST ADT-03** to the registered person to get his records audited by a **chartered accountant or a cost accountant** specified in the said direction.

(2) On conclusion of the special audit, the registered person shall be informed of the findings of the special audit in **FORM GST ADT-04** .

JOB WORK UNDER GST



Job Work



The Institute of Cost Accountants of India
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Important Definitions

Section 2(68) of CGST Act – Job Work

*"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.*

Section 2(52) of CGST Act - Goods:

*"**goods**" means every kind of **movable property** other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.*

Section 2(19) of CGST Act – Capital Goods:

*"**capital goods**" means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;*

Important Definitions

Section 2(88) of CGST Act – Principal:

"principal" means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both;

Section 2(94) of CGST Act – Registered Person:

"registered person" means a person who is registered under section 25 but does not include a person having a Unique Identity Number;

Procedure for supplying goods to job worker

- Section 143 of the CGST Act, 2017 deals with job work procedure. The principal may under intimation send any inputs, semi-finished goods 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.
- The principal is required to file Form GST ITC-04 by the 25th day of the month succeeding the quarter. The said form will serve as intimation as envisaged under section 143 of the CGST Act, 2017.
- As per Rule 45 of the CGST Rules, 2017 Principal can send goods for job work purpose without payment of GST under the cover of delivery challan and it shall contain the details specified in rule 55 of the CGST Rules, 2017.

Documents required to be issued for sending the goods:

By principal to the job worker: The principal shall prepare Delivery Challan in triplicate, two copies of which may be sent to the job worker along with goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal.

From one job worker to another job worker: Goods may move under the cover of a 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 the quantity and description of goods being sent.

From the job worker back to the principal: The job worker should send one copy of the challan received by him from the principal.

In piecemeal by the job worker: The challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

As per third proviso to Rule 138 of the CGST Rules, 2017 it is compulsory where principal and job worker are situated inter-state, then in case of job work transactions, e-way bill must be generated for inter-state movement of goods without any monetary limit.

Movements of Goods

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.

It is clarified by the Circular dated 26/03/2018 the goods may be moved from the place of business of the supplier to the place of business/premises of the job worker with a copy of the invoice issued by the supplier in the name of the principal wherein the job worker's name and address should also be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules.

The buyer (i.e., the principal) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly. In case of import of goods by the principal which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly.

Movements of 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.
- In case the job worker is not registered, GST would be payable by the principal as procurement from unregistered dealer (URD supply) in terms of section 9(4) of the CGST Act, 2017 but, application of section 9(4) is deferred for the time being.

Removal of inputs and semi-finished goods by Principal to a Job Worker

The principal can send inputs (including intermediate goods) for job work purpose without payment of GST but the same should be received back within ONE year (**can be extended for a further period of one year**) of goods being sent out.

Inputs after job work activities can be received back at **any of the place of business of the principal**. Inputs can be received back at the principal place of business or even at any of the place registered as an additional place of business.

In case the inputs are sent directly to a job worker, the period of one year (**can be extended for a further period of 1 year**) shall be counted from the date of receipt of inputs by the job worker.

When such inputs are further sent by one job worker to another, then the entire process of job work from more than one job worker shall be considered for computing the period of one year (**can be extended for a further period of 1 year**).

If the inputs are not received back within one year (or the extended period of further one year), then the same shall be treated as “supply” from the date the said inputs were sent out.

The said supply shall have to be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.



Removal of Capital Goods by Principal to a Job Worker

- The principal can send capital goods for job work purpose without payment of GST but the same should be returned back within three years of their being sent out (**can be extended for a further period of two years**). Capital Goods can be received back at **any of the place of business of the principal**. Capital goods can be received back at the principal place of business or even at any of the place registered as additional place of business.
- In case the capital goods are sent directly to a job worker, the period of three years (**can be extended for a further period of two years**) shall be counted from the date of receipt of capital goods by the job worker.
- When such capital goods are further sent by one job worker to another, then the entire process of job work from more than one job worker shall be considered for computing the limit of three years (**can be extended for a further period of two years**).
- If the capital goods are not returned back within the prescribed period, then the same shall be treated as “supply” from the date the said capital goods were sent out. The said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Removal of Moulds, Dies, Jigs and fixtures or tools by Principal to a Job Worker

The principal can send moulds and dies, jigs and fixtures, or tools for job work purpose without payment of GST.

The prescribed period of receiving back the said goods will not apply to moulds and dies, jigs and fixtures, or tools.

Return of Goods by Job Worker

After completion of the job work, the job worker shall return the said goods to the principal's premises under delivery challan and prepare his invoice for job work charges.

While returning the goods after completion of job work, to the principal the job worker should send one copy of the challan received by him from the principal. If the goods are sent 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 is required to be issued by the job worker.

Further, after the completion of job work, such goods can be directly supplied from the place of the job worker to the customer if: -

- a. the job worker is registered; and
- b. the job worker is not registered but his place of business is declared as additional place of business by the principal.

The supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal and the value of such goods shall not be included in the aggregate turnover of the registered job worker.

Return of Goods by Job Worker

The job worker can further send such inputs or capital goods, without payment of tax, to another job worker under the cover of delivery challan or by endorsing the challan issued by the principal as per Rule 55 of the CGST Rules, 2017.

In case where inputs, semi-finished goods and capital goods are not returned to principal as per prescribed time limit then the same will be treated as supply of the principal. It is clarified in the circular mentioned above that the principal would issue invoice for the same and declare such supplies in his return for that particular month in which the time period of one year / three years has expired. Principal is required to pay GST along with interest considering the supply was made by principal to the job worker when Principal had sent the goods first for job work.

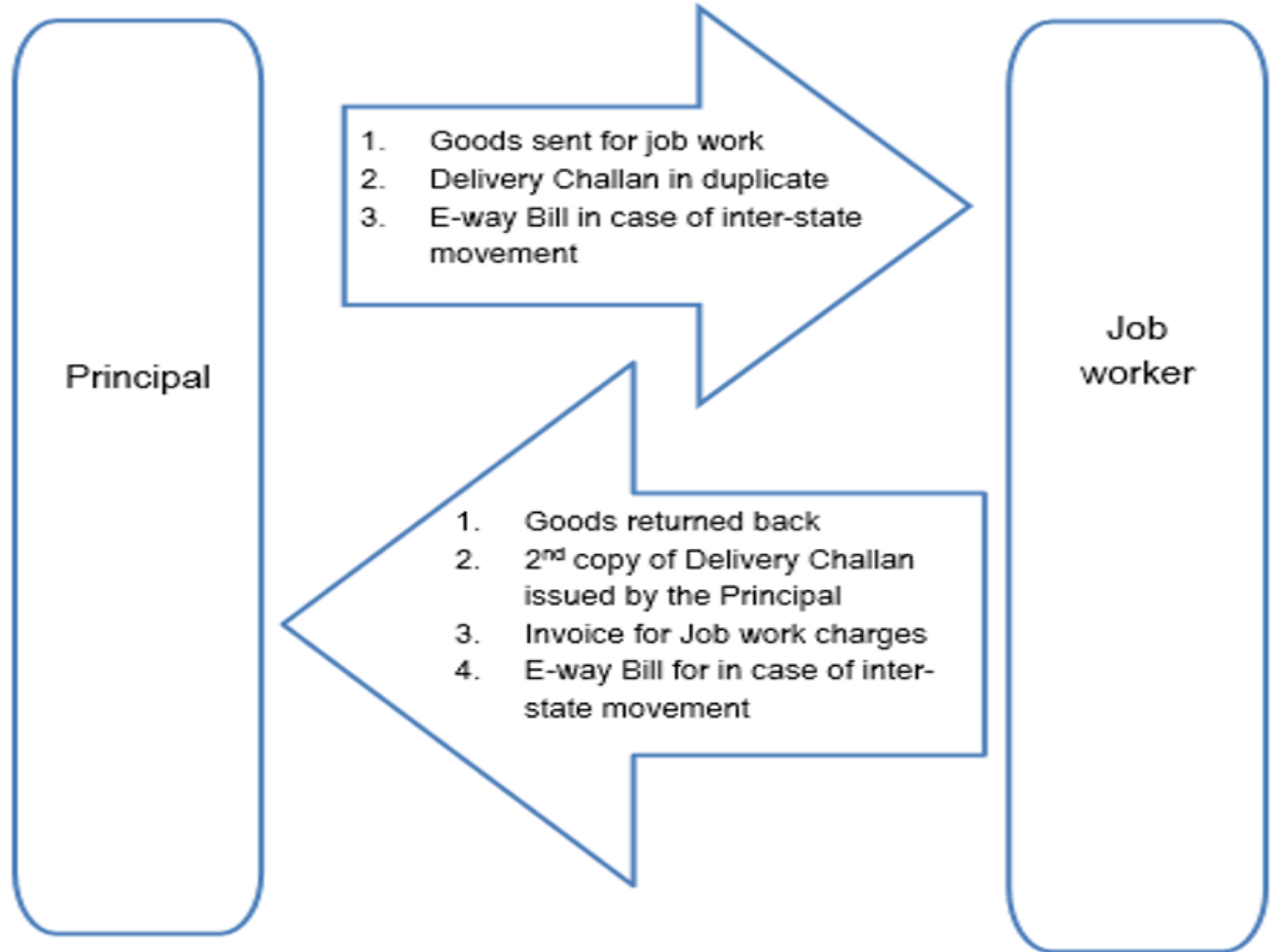
Value of such deemed supply will be the value declare in the challan by principal while sending the goods to job worke, that is without including cost of transportation and job work charges.

Where goods are sent to job worker and same are lost/ destroy due to some unavoidable circumstances, goods will not be returned by the job worker. If goods are lost, whether principal is required to reverse credit under section 17(5)(h) or it will be deemed supply as per section 19(3) is moot question. Since goods are lost or destroyed section 17(5) (h) will be applicable and principal is required to reverse the credit on inputs or capital goods and it will not be treated as deemed supply.

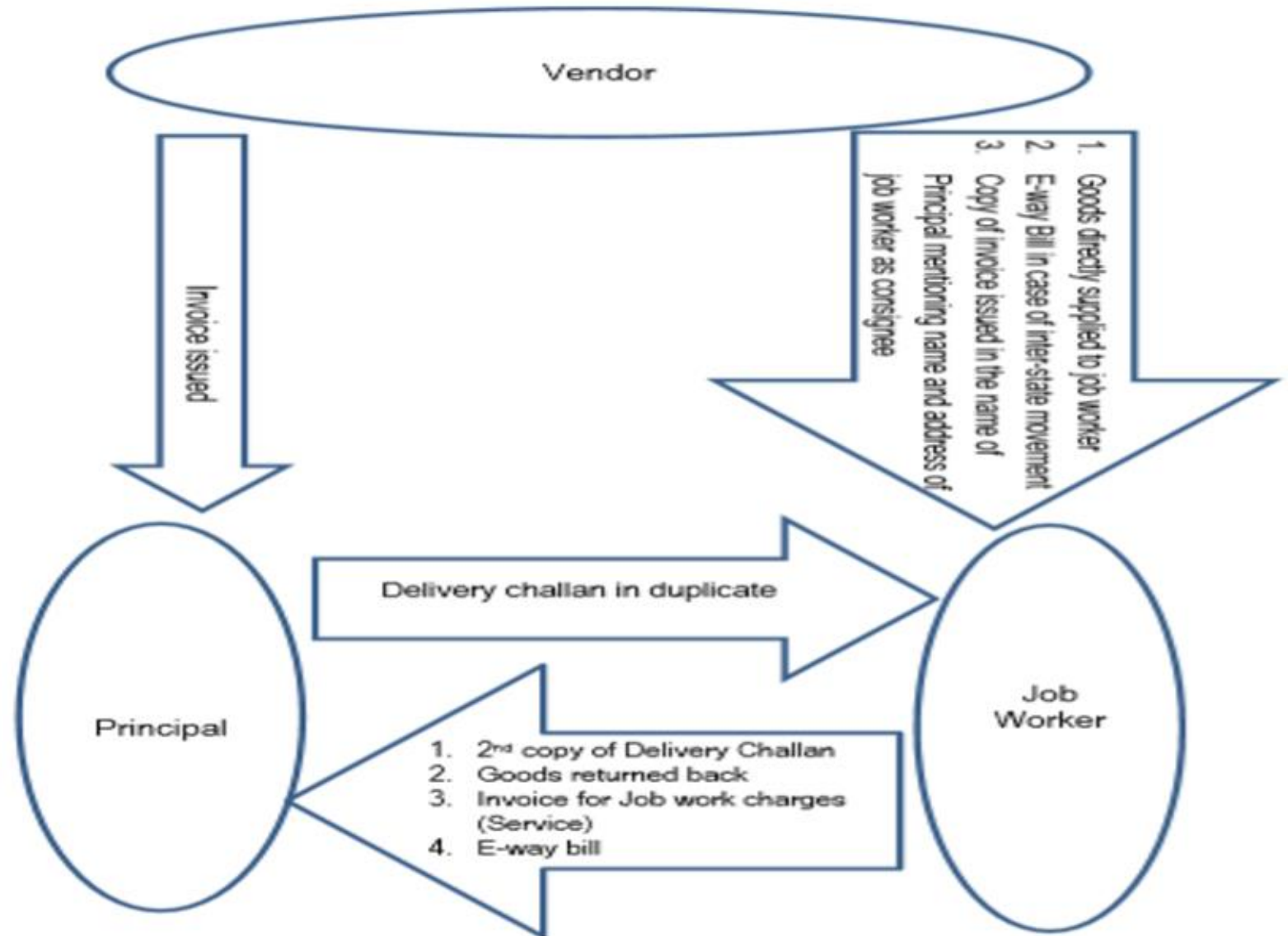
Waste and Scrap

- 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.
- 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.

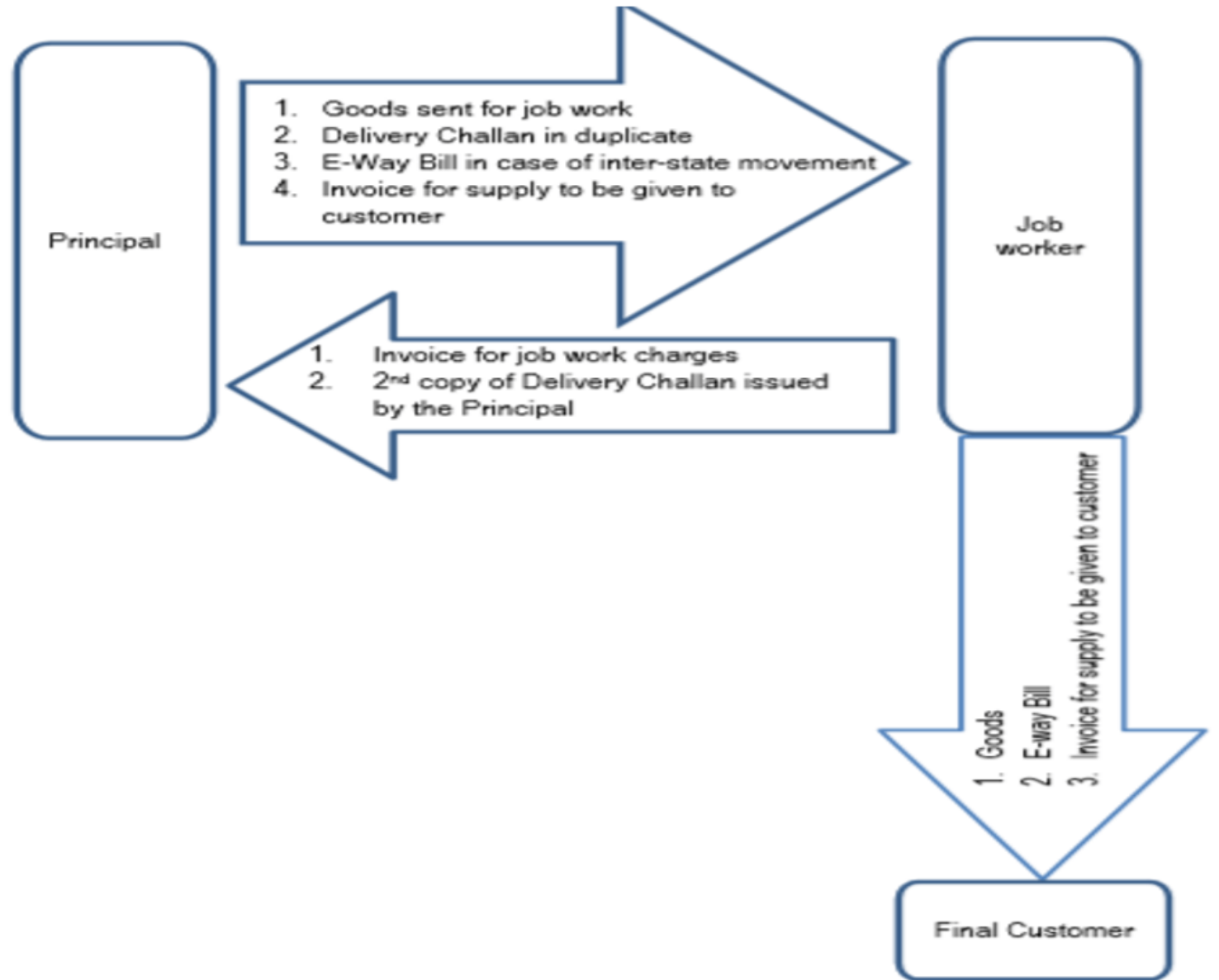
Goods sent for Job work and returned back



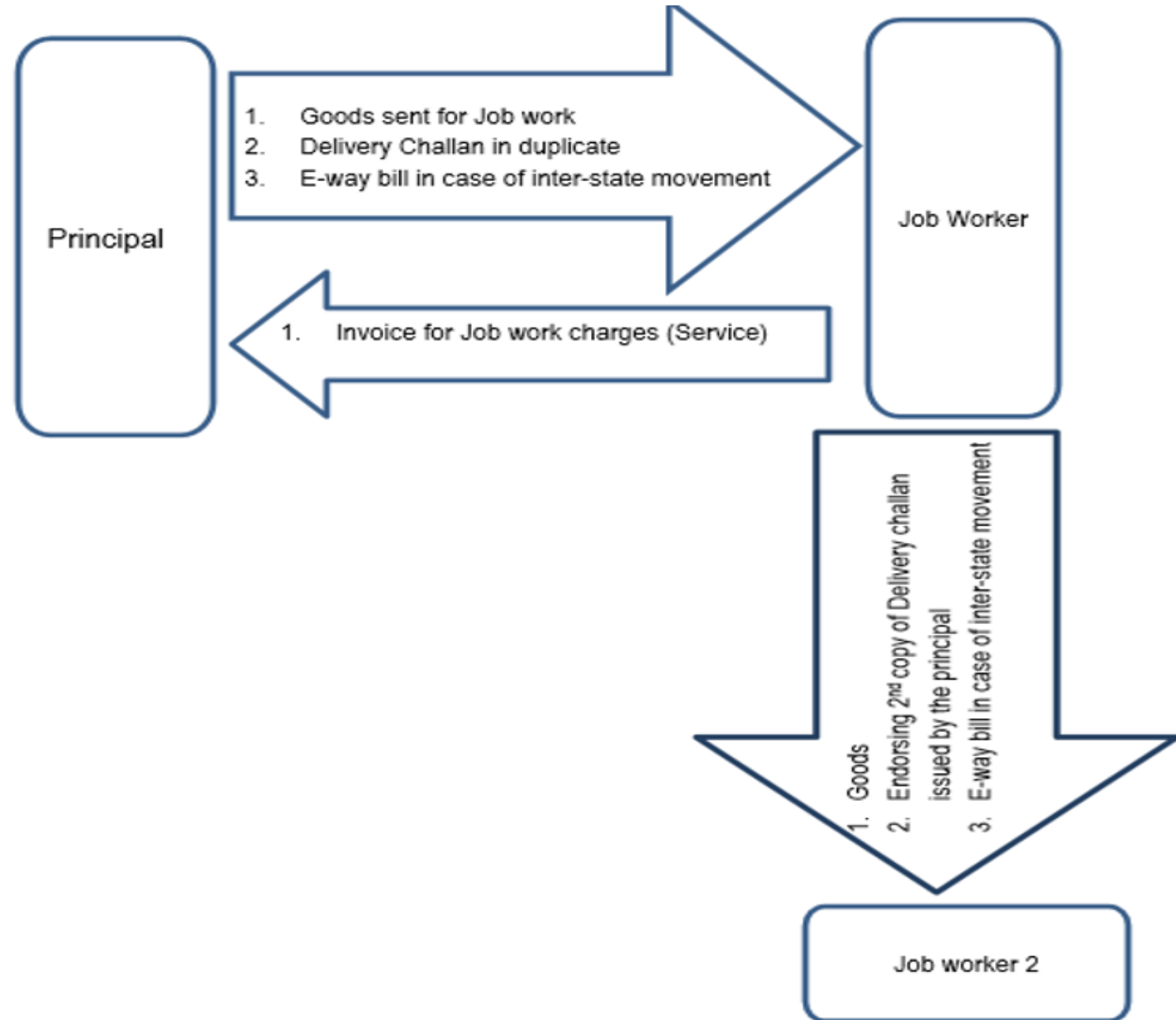
**Goods directly
supplied by
the supplier to
the Job Worker**



Supply of Goods to customer directly by Job Worker



Goods from Principal to Job Worker and then from Job Worker to another Job Worker



Contents to Delivery Challan – Rule 55 (d) of CGST Rules 2017

A delivery challan should be serially numbered not exceeding 16 characters, in one or multiple series, in lieu of invoice at the time of removal of goods and should contain the following details :-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known)
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature

Contents of Tax Invoice – Rule 46

A tax invoice should contain the following details, namely: -

- a) name, address and Goods and Services Tax Identification Number of the supplier;
- b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters- hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- c) date of its issue;
- d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- e) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;
- f) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- g) Harmonised System of Nomenclature code for goods or services;
- h) description of goods or services;

Contents of Tax Invoice – Rule 46

- i) quantity in case of goods and unit or Unique Quantity Code thereof;
- j) total value of supply of goods or services or both;
- k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- n) place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- o) address of delivery where the same is different from the place of supply;
- p) signature or digital signature of the supplier or his authorised representative

Chapter XXI – Miscellaneous - Section 143

– Job Work Procedure

*(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:*

Chapter XXI – Miscellaneous - Section 143 – Job Work Procedure

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:

Provided further that 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.

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

(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of one year of their 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.

Chapter XXI – Miscellaneous - Section 143

– Job Work Procedure

(4) Where the **capital goods**, other than **moulds and dies, jigs and fixtures, or tools**, sent for job work are not received back by the principal in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) **within a period of three years of their 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.

(5) Notwithstanding anything contained in sub-sections (1) and (2), 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 by the principal, if the job worker is not registered.

Explanation .-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.

Section 19 of CGST Act 2017 - Taking input tax credit in respect of inputs and capital goods sent for job work



(1) 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.

(2) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16 , the principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business.

(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 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:

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.

Section 19 of CGST Act 2017 - Taking input tax credit in respect of inputs and capital goods sent for job work



(4) The principal shall, subject to such conditions and restrictions as may be prescribed , be allowed input tax credit on capital goods sent to a job worker for job work.

(5) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16 , 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.

(6) 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:

Provided that 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.

(7) Nothing contained in sub-section (3) or sub-section (6) shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work.

Explanation .- For the purpose of this section, "principal" means the person referred to in section 143 .

Abstract from Schedule II appended to CGST Act 2016 – ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES



(3) Treatment or process:



Any treatment or process which is applied to another person's goods is a **supply of services**.



6. Composite supply:



The following composite supplies shall be treated as a **supply of services**, namely:-



(a) **works contract** as defined in clause (119) of section 2 ; and

Rule 45 of the CGST Rules 2017 - Conditions and restrictions in respect of inputs and capital goods sent to the job worker

(1) The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker, and where the goods are sent from one job worker to another job worker, the challan may be issued either by the principal or the job worker sending the goods to another job worker:

Provided that the challan issued by the principal may be endorsed by the job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal:

Provided further that the challan endorsed by the job worker may be further endorsed by another job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.

(2) The challan issued by the principal to the job worker shall contain the details specified in rule 55 .

Rule 45 of the CGST Rules 2017 - Conditions and restrictions in respect of inputs and capital goods sent to the job worker

(3) The details of challans in respect of goods dispatched to a job worker or received from a job worker during the specified period] shall be included in **FORM GST ITC-04** furnished for that period on or before the twenty-fifth day of the month succeeding the said period or within such further period as may be extended by the Commissioner by a notification in this behalf:

Provided that any extension of the time limit notified by the Commissioner of State Tax, or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

Explanation . - For the purposes of this sub-rule, the expression "specified period" shall mean. –

(a) the period of six consecutive months commencing on the 1st day of April and the 1st day of October in respect of a principal whose aggregate turnover during the immediately preceding financial year exceeds five crore rupees; and

(b) a financial year in any other case.

(4) Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in **FORM GSTR-1** and the principal shall be liable to pay the tax along with applicable interest.

Rule 45 of the CGST Rules 2017 - Conditions and restrictions in respect of inputs and capital goods sent to the job worker

Explanation. - For the purposes of this Chapter,-

(1) the expressions "capital goods" shall include "plant and machinery" as defined in the Explanation to section 17 ;

(2) for determining the value of an exempt supply as referred to in sub-section (3) of section 17 -

(a) the value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty; and

(b) the value of security shall be taken as one per cent. of the sale value of such security.

Works Contract



Before the introduction of GST, the classification of works contract as a service or sale of goods was a subject of litigation. The Supreme Court of India had ruled that a works contract is a composite contract that involves both supply of goods and services and cannot be classified as either sale of goods or provision of services.

The valuation of works contract was also a subject of litigation, especially in cases where the contract involved transfer of property in goods. The Supreme Court had held that the value of a works contract should include the cost of materials used in the contract, but not the value of the land or building where the contract was executed.

The applicability of Value Added Tax (VAT) on works contract was another area of litigation. Different states had different rates and methods of calculating VAT on works contract, leading to confusion and disputes. The Supreme Court had held that the states could levy VAT on works contract, but only on the value of goods involved in the contract.

Works Contracts prior to introduction of GST in India



Works Contracts prior to introduction of GST in India



The interpretation of the term "construction" in works contract was also a matter of litigation. The Supreme Court had held that the term includes not only the construction of a new building, but also repair, renovation, alteration, or restoration of an existing building.

The eligibility of Input Tax Credit (ITC) on works contract was another area of litigation. The Supreme Court had held that ITC could be claimed only on the goods used in the works contract and not on the services rendered.

Definition of Works Contract – Section 2(119) of CGST Act, 2017

A contract for:

- Building , construction
- Fabrication, Erection
- Installation
- Fitting out
- Improvement
- Modification
- Repair
- Renovation or commissioning

of “any immovable property”

wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

Input Tax Credit for Works Contracts – Section 17(5)(c) of CGST Act, 2017

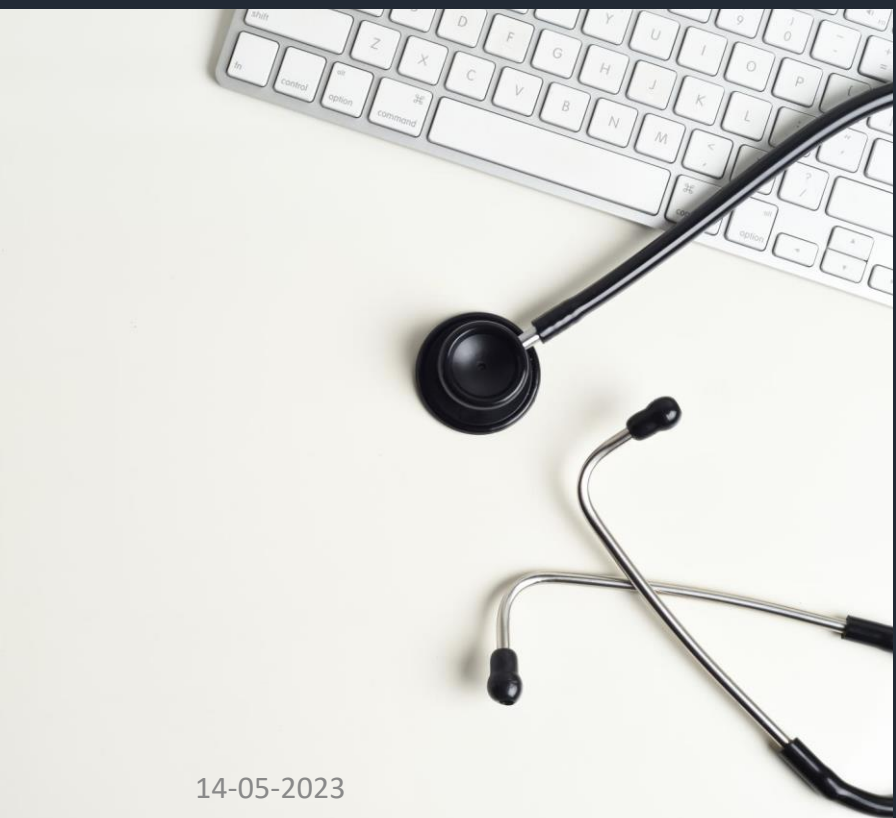
*Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, **input tax credit shall not be available in respect of the following, namely:-***

*(c) **works contract services** when supplied for construction of an **immovable property (other than plant and machinery)** except where it is an **input service for further supply of works contract service**;*

***Explanation .-** For the purposes of this Chapter and Chapter VI, the expression "**plant and machinery**" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes-*

- (i) **land, building or any other civil structures**;*
- (ii) **telecommunication towers**; and*
- (iii) **pipelines laid outside the factory premises.***

Place of Supply in respect of Works Contract



Works Contract under GST would necessarily involve immovable property. In view of the same the place of supply would be governed by Section 12(3) of the IGST Act, 2017, where both the supplier and recipient are in India. The **Place of Supply** would be **where the immovable property is located**.

In case the immovable property is located outside India, and the supplier as well as recipient both are in India, the **Place of Supply** would be the location of recipient as per proviso to Section 12(3) of the IGST Act, 2017.

As per Section 13(4) of the **IGST Act, 2017**, in cases where either the Supplier or the Recipient are located outside India, the Place of Supply shall be the place where the immovable property is located or intended to be located.

Maintenance of Records for Works Contract – Rule 56(14) of CGST Rules, 2017



Every registered person executing works contract shall keep separate accounts for works contract showing -

(a) the names and addresses of the persons on whose behalf the works contract is executed;

(b) description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;

(c) description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract;

(d) the details of payment received in respect of each works contract; and

(e) the names and addresses of suppliers from whom he received goods or services.

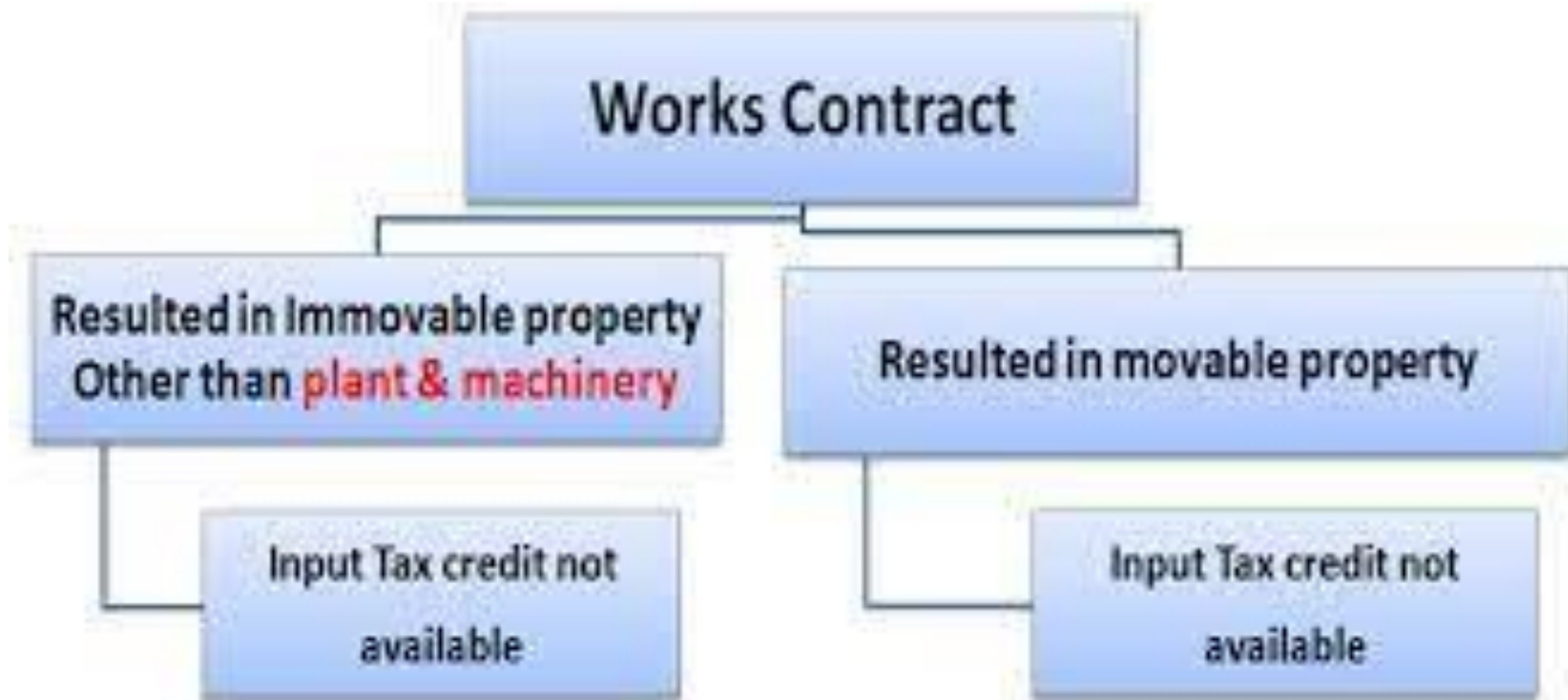
Difference between Works Contract and Job Works Contract under GST in India

A works contract is a contract for carrying out any work which includes building, construction, fabrication, erection, installation, fitting out, improvement, modification, repair, or commissioning of any immovable property.

On the other hand, a job work contract is an agreement where one party (the principal) provides raw materials or semi-finished goods to another party (the job worker) for processing, assembly, or completion of a specific job.

Nature of the Contract: Works contract is a contract for the execution of a specific work related to immovable property, whereas job work contract involves processing, assembly, or completion of a specific job related to movable property.

Place of Supply: In works contract, the place of supply is the location of the immovable property on which the work is executed, whereas in job work contract, the place of supply is the location of the job worker.



_____ of the following is correct about the Audit by tax authorities in terms of provisions U/S 65 of the CGST Act?

- A. Audit is mandatory for all taxpayers;
- B. Audit is conducted only when some discrepancies are noticed in the GST returns filed by the taxpayer;
- C. Audit is optional for taxpayer;
- D. Audit will be applicable only in cases where the appropriate authorities authorize the Audit by issue of general / specific orders;

Answer:- D

_____ can conduct the Audit by tax authorities in terms of provisions U/S 65 of the CGST Act?

- A. The Taxpayer or the authorized representative of the Taxpayer;
- B. A Chartered Accountant appointed by the Taxpayer;
- C. The Commissioner or an Officer authorized by him;
- D. A Cost Accountant appointed by the Taxpayer;

Answer:- C

is the normal time limit (without extension by the Commissioner) for completion of the Audit by tax authorities in terms of provisions U/S 65 of the CGST Act?

- A. Three months from the date of commencement of audit;
- B. Six months from the date of commencement of audit;
- C. Nine months from the date of commencement of audit;
- D. Twelve months from the date of commencement of audit;

Answer:- A

is the meaning of commencement of the Audit by tax authorities in terms of provisions U/S 65 of the CGST Act?

- A. Date on which the records and documents requisitioned by the tax authorities are made available by the registered person;
- B. Date of actual institution of audit at the place of business ;
- C. Earliest of A and B above;
- D. Date on which the intimation for conduct of Audit is issued to the Registered Person;

Answer:- C

Q.5

A notice for audit was served to M/s. ABC Ltd in terms of Section 65 of CGST Act, on 20.06.2022. The required information was furnished by M/s. ABC Ltd on 25.09.2022. The audit officers visited the place of business on 26.10.2022. _____ is the last date within which the audit is to be completed?

- A. 26.02.2022;
- B. 26.11.2022;
- C. 26.12.2022;
- D. 26.01.2023;

Answer:- D

A notice for audit was served to M/s. ABC Ltd, on 20.05.2022. The required information was furnished by M/s. ABC Ltd on 25.08.2022. The audit officers visited the place of business on 26.09.2022. _____ is the last date within which the audit is to be completed?

- A. 26.12.2022;
- B. 26.10.2022;
- C. 26.11.2022;
- D. 26.01.2023;

Answer:- A

is the maximum time limit (with grant of one extension by the Commissioner) for completion of the Special Audit in terms of provisions U/S 66 of the CGST Act?

- A. 90 days;
- B. 180 days;
- C. 270 days;
- D. 360 days;

Answer:- A

The goods sent by a Registered Taxable Person to a Registered Job Worker is _____?

- A. Taxable Supply of Goods;
- B. Taxable Supply of Services;
- C. Not a Taxable Supply of Goods;
- D. Deemed Supply of Goods;

Answer:- C

is the GST rate applicable to job work services?

- A. 5%;
- B. 12%;
- C. 18%;
- D. It depends on the nature of the job work;

Answer:- D

is liable to pay the GST on the goods sent for job work?

- A. The Job Worker;
- B. The Registered Person (Principal) who sends the goods for job work;
- C. Both the Job Worker and Registered Person who sends the goods for job work;
- D. None of the above;

Answer:- B

_____ is job work under GST?

- A. Services provided by a worker to an employer;
- B. A process where a person processes or manufactures goods for another registered person;
- C. A type of work that is exempt from GST;
- D. None of the above;

Answer:- B

is liable to pay GST on Works Contract Service?

- A. The Service Recipient;
- B. Both The Service Recipient and the Service Provider;
- C. The Service Provider;
- D. As determined by the Proper Officer after scrutiny of contract documents;

Answer:- C

_____ is Works Contract under GST?

- A. A contract to carry out work of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a building or structure;
- B. A contract to provide services related to transportation of goods;
- C. A contract to provide consulting services to a business;
- D. A contract to provide software development services to a business;

Answer:- A

is liable to maintain proper records of inputs and capital goods sent for job work?

- A. Job Worker;
- B. Principal;
- C. Both Principal and Job Worker;
- D. Job Worker only when he is a Registered Person;

Answer:- B

In terms of provisions U/S 143 of CGST Act, the Job Worker are allowed to send goods received from the Principal to _____ after completion of process?

- A. another Job Worker;
- B. another Manufacturer;
- C. another Trader;
- D. another Principal;

Answer:- A

In terms of relevant statutory provisions, the _____ will undertake responsibility and accountability for any contravention under provisions of Section 143 of CGST Act?

- A. Principal;
- B. Job Worker;
- C. Job Worker only in cases where he is a Registered Person;
- D. Supplier;

Answer:- A

In terms of provisions of Section 143 of CGST Act _____ is the time limit originally provided (assuming no extension is granted) within which Inputs and Capital goods must be returned to the Principal?

- A. two years and three years respectively;
- B. one year and three years respectively;
- C. one year and five years respectively;
- D. No time limit is fixed for return as per provisions under GST law;

Answer:- B

specifies conditions to be fulfilled for claiming ITC on inputs and / or capital goods sent to job-worker?

- A. Section 16;
- B. Section 17;
- C. Section 18;
- D. Section 19;

Answer:- D

form is required to be filed quarterly by Principal incorporating therein the details of job work transactions?

- A. GSTR1;
- B. ITC 01;
- C. ITC 04;
- D. GSTR2;

Answer:- C



Innovation distinguishes between
a leader and a follower.
Steve Jobs Quote



This PPT is prepared purely for academic and knowledge sharing purposes with the aid of statutory provisions and documents / information freely available on the internet.

Thanks for your Attention!!!!

Any Questions???