



The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Tax Research Department

CERTIFICATE COURSE ON GST – CCGST 13th BATCH

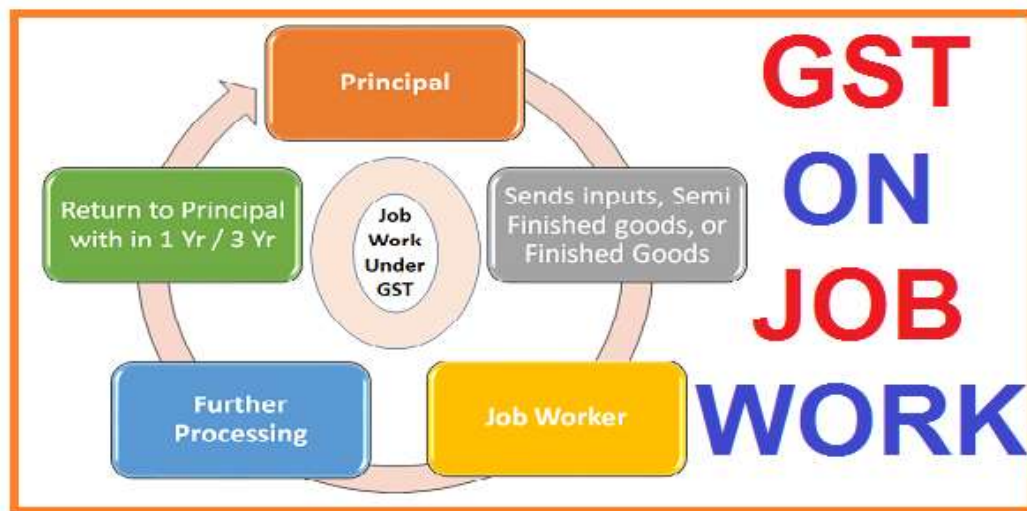
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Job Work under GST

Introduction:

- ❖ Job-work sector constitutes a significant industry in Indian economy.
- ❖ The definition of job-work already exists in Central Excise and
- ❖ The job-worker plays a major part in the Indian economy due to involvement in the processing of input or unfinished goods.
- ❖ GST makes the principal (the owner of the goods) take care of compliance on behalf of the job-worker, considering the fact that Job-work is often an MSME sector and the same is not able to comply with the structure of the tax.
- ❖ Considering the fact that typically the job-workers are small persons who are unable to comply with the discrete provisions of the law.
- ❖ Job work includes outsourced activities that may or may not culminate into manufacture.
- ❖ The term Job-work itself explains the meaning. It is processing of goods supplied by the principal.
- ❖ Many facilities, procedural concessions have been given to the job workers as well as the principal supplier who sends goods for job work.

- ❖ The whole idea is to make principal responsible for meeting compliances on behalf of the job-worker on the goods processed by job-worker.
- ❖ The GST Act makes special provisions with regard to removal of goods for job-work and receiving back the goods after processing from the job-worker without payment of GST.
- ❖ The benefit of these provisions shall be available both to the principal and the job-worker.



Example:

In automobile industry, raw material alloy is sent to a third person for processing them into parts required for the final product.

This third person is called the job worker and the raw material provider is the principal manufacturer.



What is Job-work?

- ✚ Section 2(68) of the CGST Act, 2017 defines Job-work as 'any treatment or process undertaken by a person on goods belonging to another registered person'.
- ✚ The one who does the said job would be termed as 'job-worker'.
- ✚ The ownership of the goods does not transfer to the job worker but it rests with the principal.
- ✚ The job-worker is required to carry out the process specified by the principal, on the goods.

GST Rate on Job Work:

The GST council further reduced the GST rate on the engineering job work from 18 % to now 12% while the diamond supply job work is now under the 1.5% GST rate from earlier 5%.

Job-work Procedural aspects:

Certain facilities with certain conditions are offered in relation to Job-work, some of which are as under:

(a) 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. The principal is not required to reverse the ITC availed on inputs or capital goods sent to job-worker.

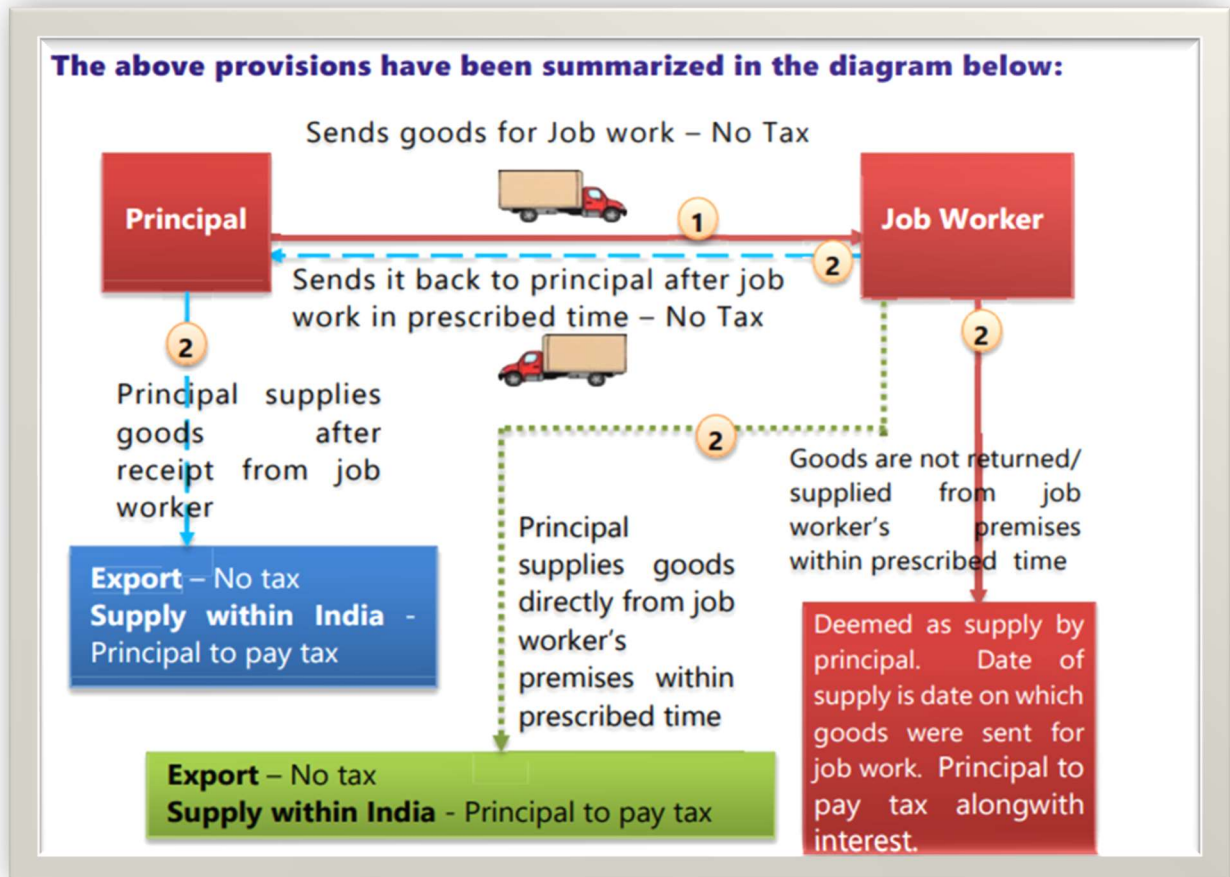
(b) Principal can send inputs or capital goods directly to the job-worker without bringing them to his premises, still the principal can avail the ITC of tax paid on such inputs or capital goods.

(c) However, inputs and/or capital goods 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 [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.]

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

- ✓ another job-worker for further processing;
- ✓ send the goods to any of the place of business of the principal without payment of tax;
- ✓ remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of specified conditions.
- ❖ The facility of supply of goods by principal to the third party directly from the premises of the job-worker on payment of tax
- ❖ The inputs or capital goods shall be sent to the job-worker under the cover of a challan issued by the principal.
- ❖ The challan shall be issued even for the inputs or capital goods sent directly to the job-worker.

The challan shall contain the details specified in Rule 55(1) of the CGST Rules, 2017. The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.



- ❖ In case the job worker is a registered person under GST, even declaring the premises of the job worker as additional place of business is not required.
- ❖ Before supply of goods to job worker, principal would be required to intimate the Jurisdictional Officer containing the details of description of inputs intended to be sent by the principal and the nature of processing to be carried out by the job worker. The said intimation shall also contain the details of another job worker, if any.

Input Tax credit on goods supplied to job worker:

- ✚ Section 19 of the CGST Act, 2017 provides that the principal (a person supplying taxable goods to the job-worker) shall be entitled to take the credit of input tax paid on inputs sent to the job- worker for the job work.
- ✚ Further, the proviso also provides that the principal can take the credit even when the goods have been directly supplied to the job-worker without bringing into the premises of the principal.
- ✚ The principal need not wait till the inputs are first brought to his place of business for availing ITC.

Records to be maintained by the Principal Manufacturer:

- ✚ The responsibility for maintaining proper accounts and records lies with the principal manufacturer.
- ✚ The principal manufacturer is required to issue challan for every dispatch made to the job worker.
- ✚ The principal issues the challan (as specified in rule 10 of invoices rules under GST) to the job-worker for the inputs or capital goods
- ✚ Details of such challan shall be disclosed and filed through Form ITC 04.
- ✚ Maintaining the accounts of input and capital goods
- ✚ Intimate the jurisdictional officer for the detailing of the intended input goods and the nature of the processing being delivered by the job-worker
- ✚ Declare the premise of job-worker as additional place of his business in case of export the goods to the third party directly and the job-worker is not registered under GST

Details to be mentioned in Challan –

Challans are issued not only in case when goods are sent to job worker by a principal manufacturer but also when goods are sent from one job worker to another job worker.

- Date and number of challan
- Name, address and GSTIN of the consigner and consignee
- HSN Code, description and quantity of goods sent
- Taxable Value, tax rate, tax amount. Tax amount for CGST, SGST and IGST shall be separately mentioned.
- Place of supply
- Signature of authorised person

Time Limits for return of processed goods:

As per Section 19 of the CGST Act, 2017, inputs and capital goods after processing shall be returned back to principal

Inputs / FG – 1 year

(or)

Capital Goods – 3 Years

of their being sent out.

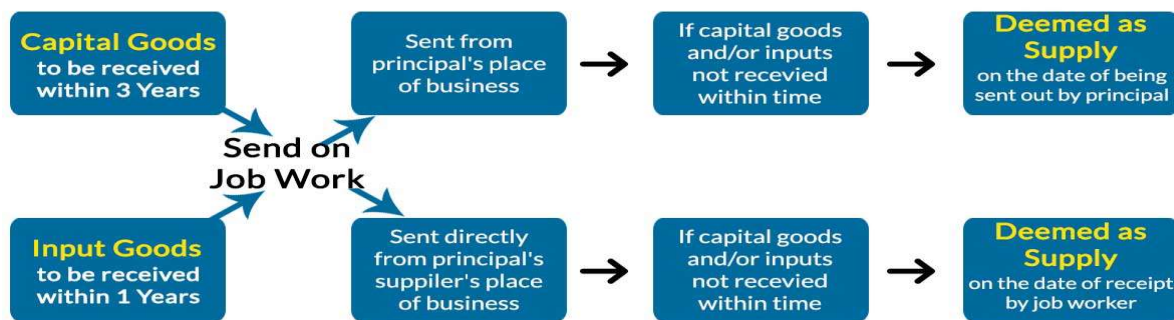
Commissioner May Extend the time period:

Inputs / FG – 1 year

(or)

Capital Goods – 2Years

Further, the provision of return of goods is **not** applicable in case of moulds and dies, jigs and fixtures or tools supplied by the principal to job-worker.



Rules and Restrictions to Claim Input Tax Credit under Job Work

A. Inputs, semi-finished goods or capital send out on job work

- Goods sent out from the principal place of business
- Goods sent out directly from the place of supply of the supplier

it is necessary to send out goods along with a challan

B. The Challan of should include the particular points

- Date and number of the delivery challan
- Name, address, and GSTIN of the consignor and consignee
- HSN code, description, and quantity of goods
- Taxable value, tax rate, tax amount- CGST, SGST, IGST,, UTGST separately
- Place of supply and signature

C. The information details of challan should be shown in GSTR- 1 Form

D. Information details of input/ capital goods sent out to the job worker must be claimed through GST ITC - 4

Forms Filing in GST:

Form GST ITC-04 is a declaration form to be furnished by registered persons (Principal), showing the details of inputs or capital goods dispatched to or received from a job worker in an applicable tax period.

Form ITC 04

- 📌 Form ITC 04 contains details of inputs and capital goods sent to and received from a job worker.
- 📌 This form needs to be filed by every principal manufacturer who is sending goods for job work on quarterly basis up to Sep-2021.
- 📌 With effect from Oct-2021 onwards GST ITC – 04 made it as Half-Yearly Return, it means Oct-2021 to Mar-2022 (6 months) Single return is sufficient and the same will continue for further periods.
- 📌 Further the facility of filing of Form GST ITC-04 can be filed Annually, if the aggregate turnover in the preceding financial year was up to Rs. 5 crores. Therefore, tax payer may file the statement in FORM GST ITC-04 on annual basis. If he wishes to file on half yearly basis, the same can be filed.
- 📌 Details in this form are required to be updated on the basis of challan issued by the principal manufacturer for –
 - ✓ Goods sent to a job worker
 - ✓ Received from a job worker
 - ✓ Sent from one job worker to another

Due date of Form GST ITC 04

The due date for filing Form GST ITC 04 is the 25th day of the month following the Half-Year for which the return is to be filed.

Example - For quarter April to Sep, return is to be filed by 25th October

47th GST Meet - GST Rate from 5% to 12%

- ✚ Job work in relation to the manufacture of clay bricks
- ✚ Works contract supplied to central and state governments, union territories & local authorities involving predominantly earthwork and sub-contracts thereof

47th GST Meet - GST Rate from 12% to 18%

- ✚ Works contract for roads, bridges, railways, metro, effluent treatment plant, crematorium etc.,
- ✚ Works contract supplied to central and state governments, local authorities for historical monuments, canals, dams, pipelines, plants for water supply, educational institutions, hospitals etc. & subcontractor thereof

What is the penalty/late fees for ITC 04?

There is no specific penalty or late fees prescribed for the delay in filing GST ITC 04.

Note: As per section 125, a general penalty of up to Rs 25,000/- can be levied for contravention of provisions of Act and Rules made thereunder.

- By

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