

JOB WORK UNDER GST



JOB WORK

BY CMA AMIT DEY

PROVISIONS _{IN} GST

- Section 143 (CGST Act)
- Rule – 45, 55, 119, 138 (CGST Rules)
- Circular Number 38/12/2018 dated 26th March 2018



MEANING OF JOB WORK

Section 2(68) of the CGST Act, 2017 defines Job work thus :

“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.

Hence, for treating anything as job work there ought to be: -

- Two persons;
- The goods should belong to another registered person;
- Treatment or process to be undertaken on the said goods shall be by the job worker, whether registered or not.

MEANING OF JOB WORK

Point to be Noted:

1. **All Goods** should be supplied by the Principal, **Job Worker cannot add any material on it.**
2. Principal should have **Registered** in GST

***Circular 38/12/2018 Clarifies –

Job worker in addition to the Goods received from the principal, can use his own goods for providing the service of Job Work.

CAN THE PRINCIPAL DIRECTLY SELL GOODS FROM THE JOB WORKER'S PLACE ?

The principal manufacturer can supply the goods from the place of business of a job worker *only if* he (the principal) declares such place of business as his additional place of business.

This rule does not apply for the following-

- (i) The job worker is registered
- (ii) The principal supplies goods which are specifically notified by the Commissioner to be allowed to sell directly from job worker's place.

DOCUMENT REQUIRED IN JOB WORK PROCEDURE

- Delivery Challan
- E-Way Bill

Who will generate E-Way Bill ?

It can be generated either by the Job Worker or Principal

DELIVERY CHALLAN

- 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 **GSTN/UIN** of the **consigner**, if registered;
 - (iii) **name, address** and **GSTN/UIN** of the **consignee**, if registered;
 - (iv) Harmonised System of Nomenclature code and description of goods (**HSN**);
 - (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

GUJARAT FREIGHT TOOLS

Manufacturing & Supply of Precision Press Tool & Room Component

64, Akshay Industrial Estate
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Ahmedabad - 38562

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GSTIN : 24HDE7487RE5RT4

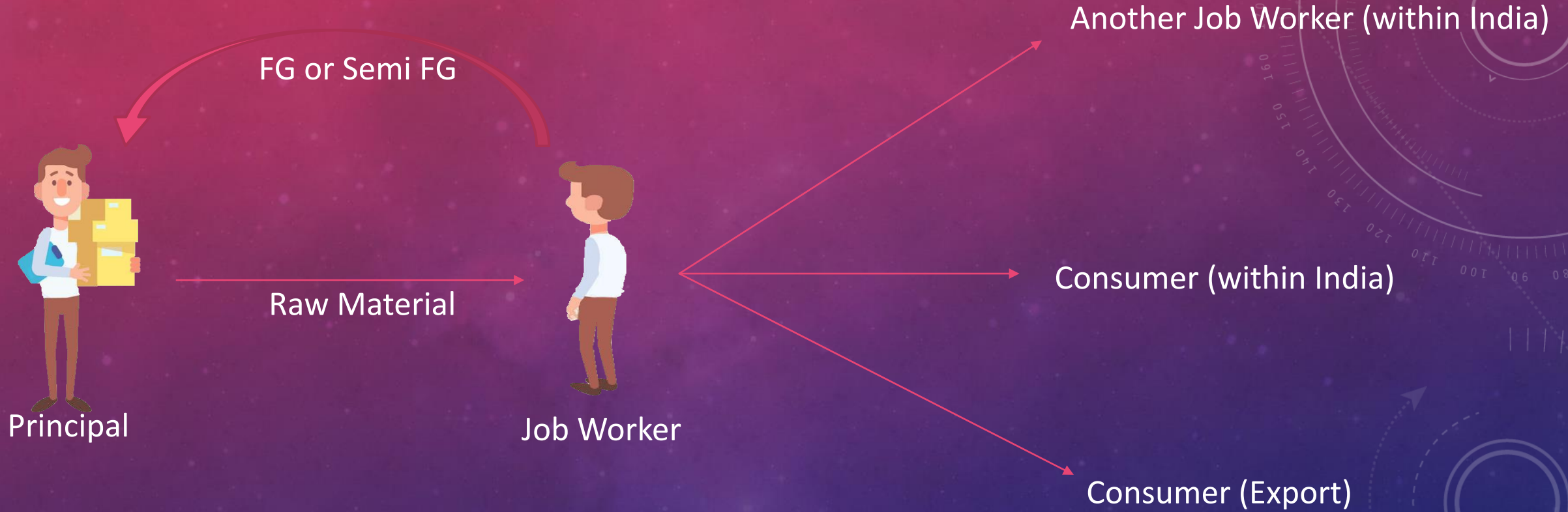
DELIVERY CHALLAN

Customer Detail		Challan No.	32
M/S	Mahindra Mechanical Works	Challan Date	05-Mar-2020
Address	Mira Road, Surat, Near Shopping Mall, Surat, Gujarat - 401107	L.R. No.	889
PHONE	9814556013	E-Way No.	ISOGTX7880
GSTIN	24AAACC1206D1ZG	Transport	STAR TRANSPORTS
Place of Supply	Gujarat (24)	Transport ID	522304
		Vehicle Number	GJ01KH2320

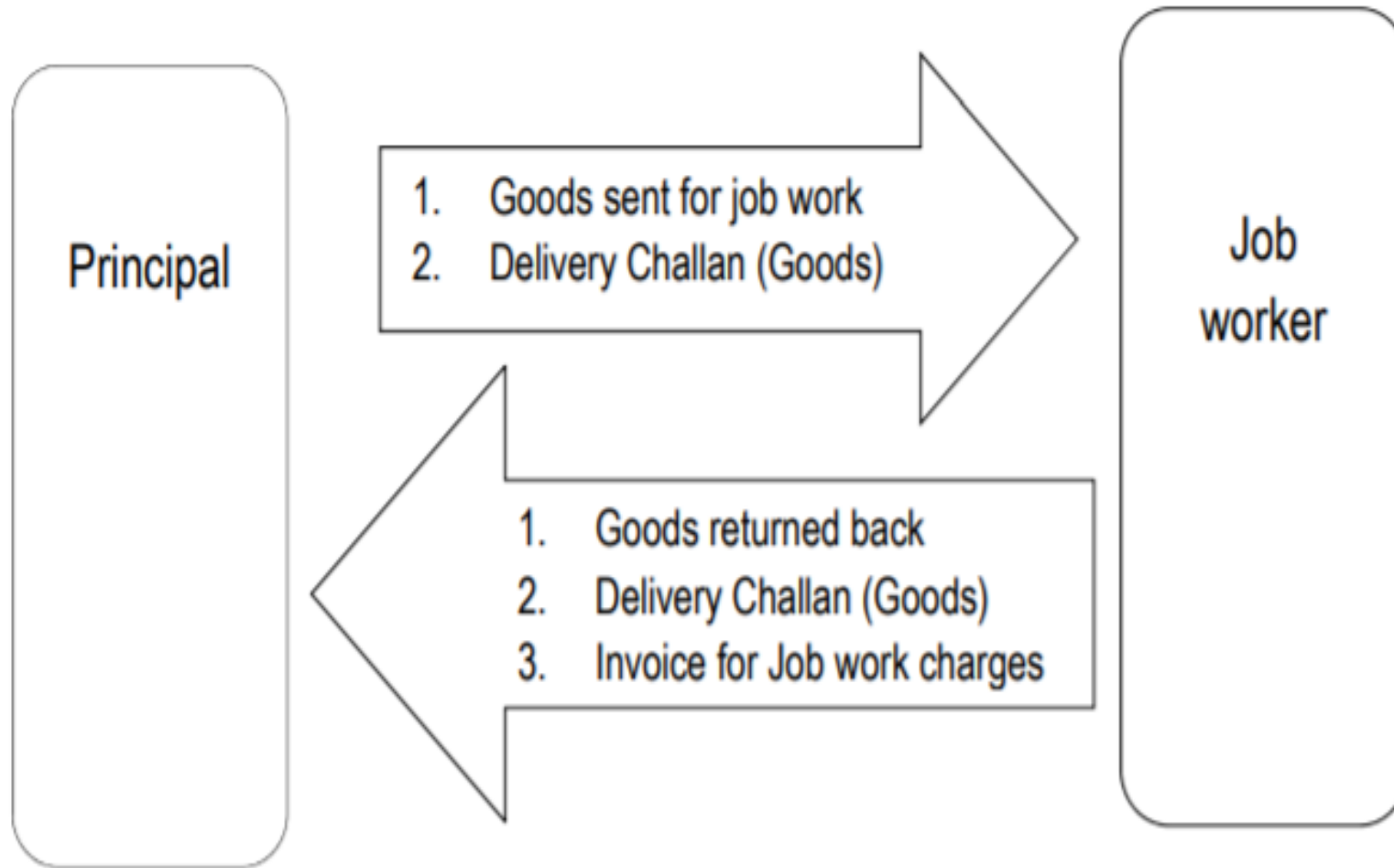
Sr. No.	Name of Product / Service	HSN / SAC	Qty	Rate	Taxable Value	CGST		SGST		Total
						%	Amount	%	Amount	
1	Electric Drill Machine 10mm 300W	84304120	1.00 PCS	487.29	487.29	9.00	43.86	9.00	43.86	575.01
2	Stanley Monkey Wrench 11-Inch	82041120	1.00 PCS	520.00	520.00	9.00	46.80	9.00	46.80	613.60
Total			2.00		1,007.29		90.66		90.66	1,188.61

Total in words	Taxable Amount		1,007.29
ONE THOUSAND ONE HUNDRED AND EIGHTY-NINE RUPEES ONLY	Add : CGST		90.66
	Add : SGST		90.66
Terms and Conditions 1. Subject to Ahmedabad Jurisdiction. 2. Our responsibility ceases as soon as the goods leave our premises. 3. Goods once sold will not be taken back. 4. Delivery ex-premises.	Total Tax		181.32
	Total Amount After Tax		₹ 1,189.00
	(E & O.E.)		
	GST Payable on Reverse Charge		N.A.
	Certified that the particulars given above are true and correct.		
	For Gujarat Freight Tools		
This is computer generated invoice no signature required.			
Authorised Signatory			

JOB WORK PROCEDURE



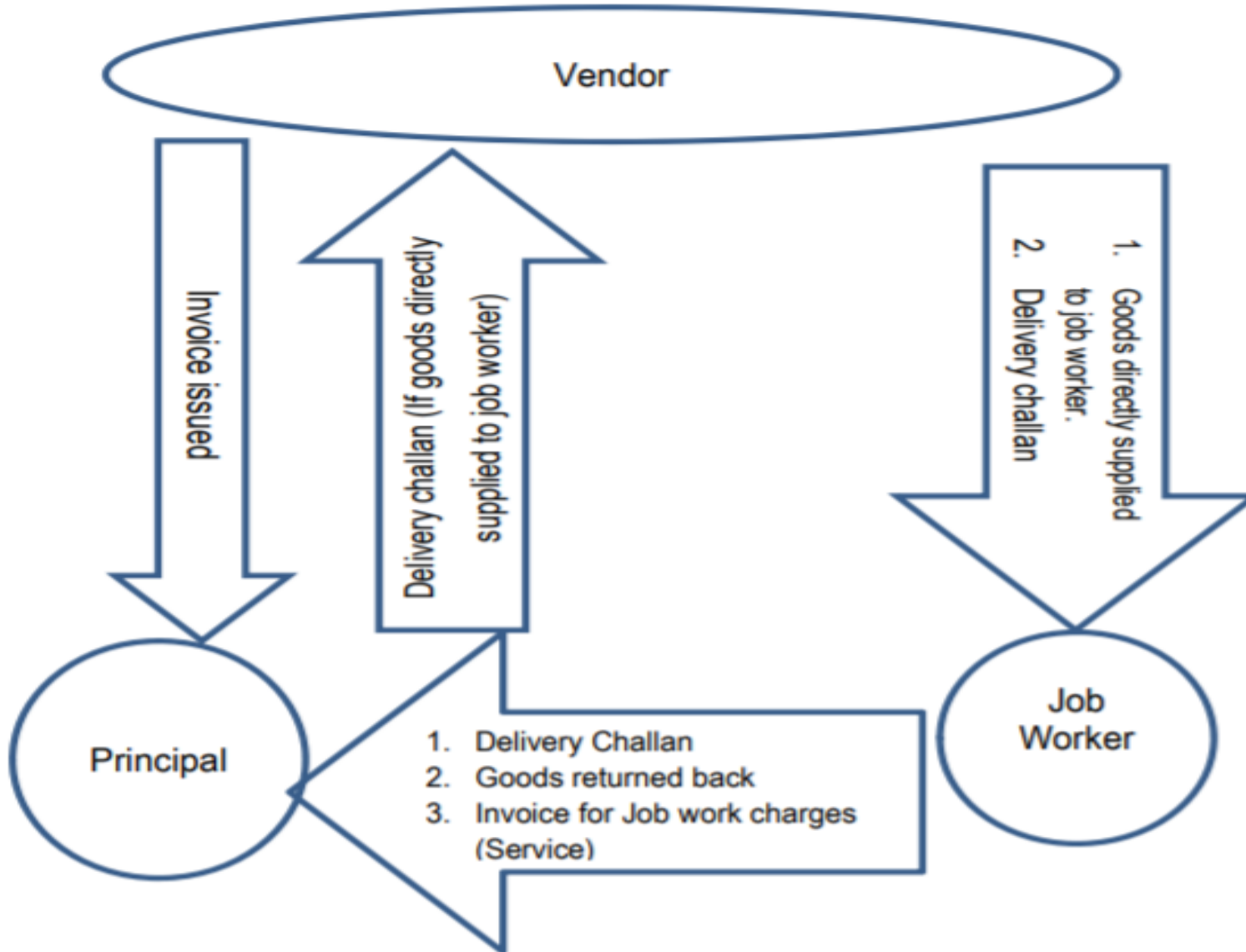
Scenario 1: Goods sent for job work and returned back



Note: The job worker has to issue an invoice for the value of his services i.e. for job work charges.

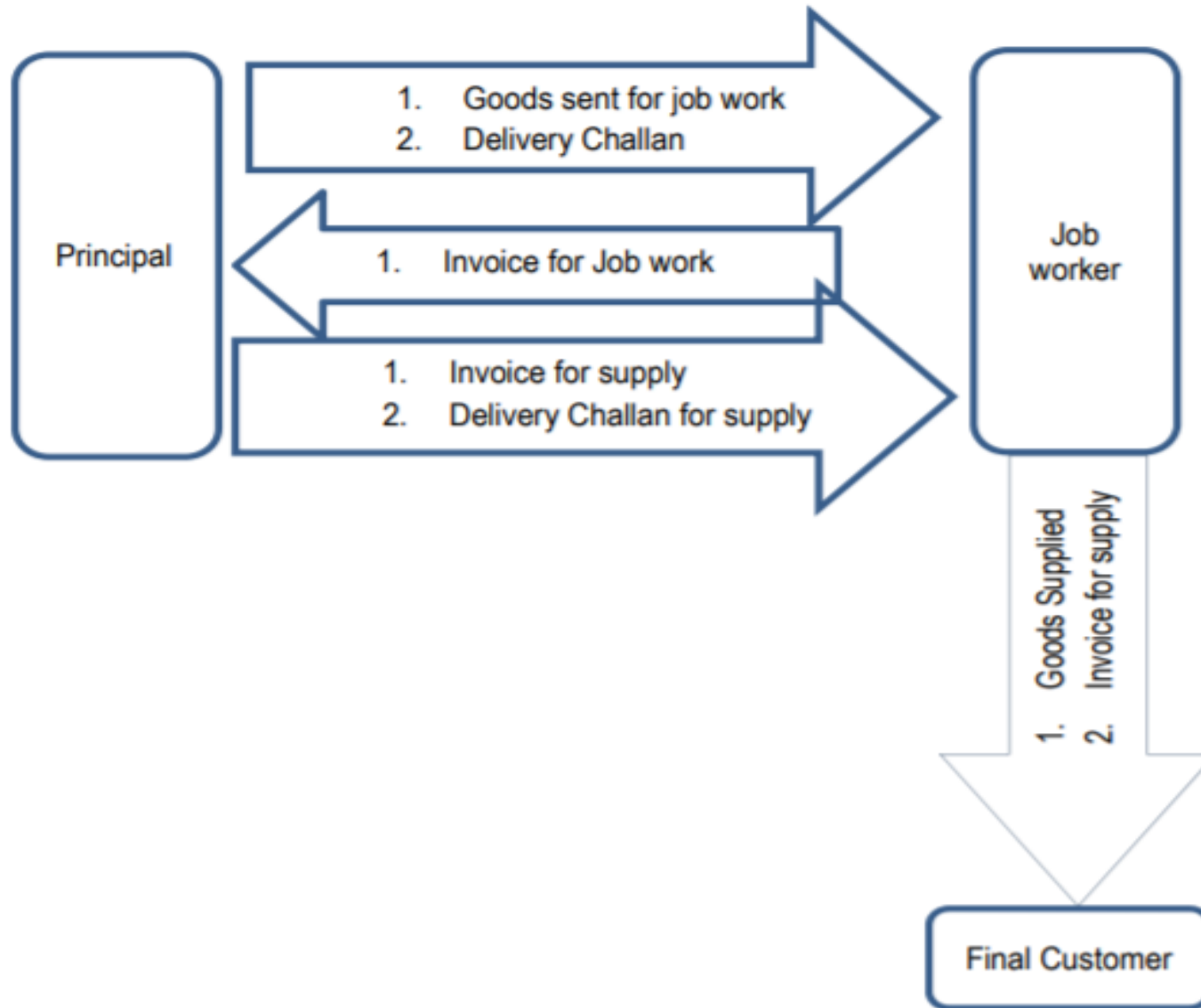
As per section 15(2)(b) of the CGST Act, any amount that the supplier is liable to pay in relation to the supply but which has been incurred by the recipient will form part of the valuation for that supply, if it has not been included in the price for such supply.

Scenario 2: Goods directly supplied to the job worker



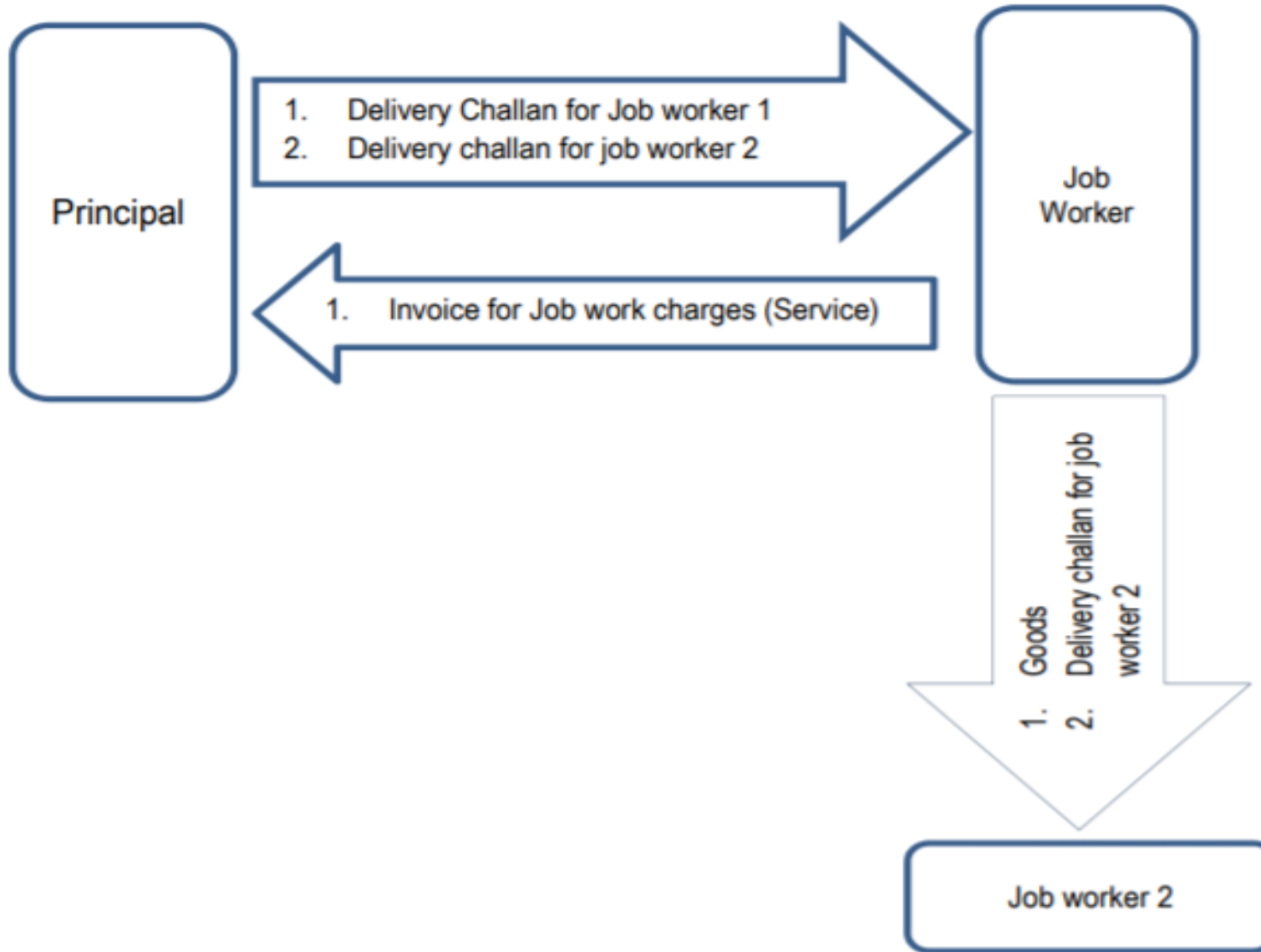
In case of direct delivery by the supplier of the goods to the job worker on behalf of the principal, **the job worker's name and address should be mentioned as consignee on the supply invoice.**

Scenario 3: Supply of goods to customer directly by job worker



Direct supply of goods from job workers premises by the principal would be regarded as supply by the principal and not by job worker. In such cases, **all the compliances would need to be made by the principal**, as he is the supplier. As per the illustration provided in the circular, the **supply would be recorded in the State in which the principal is located**.

Scenario 4: Goods sent from one job worker to another job worker



Subsequent dispatch of goods from one job worker to another job worker can be done on the basis of **fresh delivery challan** issued by the first job worker or he can endorse the original delivery challan issued by the **principal** to next job worker.

Registration under GST

- Where a job worker provides service of value greater than **Rs. 20 lakh**, he is required to register under section 22 of CGST Act 2017.
- To avail the benefits of ITC under GST, a **Job Worker may also voluntarily register** as provided under section 25(3) of CGST Act 2017.
- When there is **inter-State supply** of goods or services, **the registration under GST is mandatory**. However, the government has provided **exemption** from registration for job workers making inter-state supply of services **unless** they are covered under the following:
 1. Job worker is registered under GST voluntarily/ or is registered as **limit of 20 lakh is crossed**, or; (Rs. 10 Lacs for special category state)
 2. Job worker provides services in relation to goods such as – **Jewellery, goldsmiths and silversmiths** wares and other articles of Chapter 71 of Customs Tariff.

The job worker can claim relief under notification no. 10/2017- Integrated Tax dated 13 October 2017

WASTE AND SCRAP -SIMPLE

Waste & Scrap generated during job work can be supplied as under:-

- If the job worker is **registered**, then it can be supplied (**sold**) by the **job worker directly from his place of business**, on **payment of appropriate tax (GST)** applicable on the said waste / scrap.
- If he is not registered, then the waste / scrap generated **Either be returned to the principal** along with the goods and such waste / scrap would be supplied by the principal on payment of tax **Or the principal may supply waste / scrap directly from premises of job worker under his invoice on payment of tax.**

INPUT TAX CREDIT (ITC) IN CASE OF JOB WORK -SIMPLE

- As per Section 19(1) of CGST Act, 2017, the **principal is allowed to take credit** on inputs / capital goods sent to the job worker.
- As per Section 19(2) and Section 19(5) of CGST Act, 2017, ITC can be availed by the principal **even if such inputs / capital goods are not being first received by the principal and are directly sent to job worker.**

PLACE OF SUPPLY -SIMPLE

So far as job work is concerned supply for job work charges is governed by section 12 (2) of IGST Act, 2017. When the registered job worker and the principal are in different States and goods are removed directly from the place of job worker:

- If the principal (supplier of the goods) and recipient (buyer of the goods) are in the same State, then **SGST and CGST** shall be levied even though the job worker is in different State.
- If the principal and Customer are in different States, then **IGST** shall be levied even though the recipient is in the state where the job worker is situated.

JOB WORK PROVISIONS IS AN OPTION (NOT MANDATORY)

The principal is not obligated to follow the job work provisions and it is his choice whether or not to avail the benefit of these special provisions.

Where the goods sent by principal is treated as a supply (in case of non-receipt of goods sent etc.) then The Registered job worker will be entitled to take ITC credit on the GST paid by principal.

IS THERE A **TIME LIMIT** FOR THE **PRINCIPAL MANUFACTURER** TO **RECEIVE BACK THE GOODS?**

Yes. The principal manufacturer must receive the goods back within the following period:

Capital Goods

- 3 years from effective date

Input Goods

- 1 year from effective date

Moulds and dies, jigs
and fixtures or tools

- No Time Limit

EFFECTIVE DATE – GOODS SENT FOR JOB WORK

- 1. Principle Send Goods to job worker – The **Date when Principal sent out the Goods** for Job Work
- 2. Goods are sent **directly** to job worker by Customer – The **Date of receipt of such Goods by the job worker**

EFFECTIVE DATE – GOODS RECEIVED AFTER JOB WORK DONE

- 1. Principle received Goods to job worker – The Date when Principal received the Goods
- 2. FG sent directly to Consumer – The date of receipt the Goods by the Consumer
- 3. When such 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 1/3 years**

WHAT HAPPENS IF THE GOODS ARE NOT RECEIVED WITHIN THE SPECIFIED TIME?

- If the inputs are not received back within 1 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.**
- **Rate of Tax & Interest** : Rate must be considered the **prevailing at that time when goods had been sent to Job Worker** and **the rate of Interest** would be calculated accordingly.

EXAMPLE

Particulars	Example 1
Goods sent to Job Worker	01.01.2018
Date of Receiving the Goods	20/10/2018
Principle State	West Bengal
JW Place	Odisha
Customer Place	West Bengal

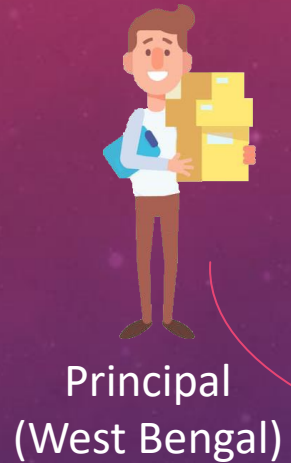


Tax Implication

Principle will Issue Tax Invoice to Customer with **CGST + SGST** as it is an Intra State Supply even though Goods is coming from Odisha, directly from Job Worker's place.

Particulars	Example 2
Goods sent to Job Worker	01.01.2018
Date of Receiving the Goods	05/02/2019
Principle State	West Bengal
JW Place	Odisha
Customer Place	West Bengal

01/01/2018

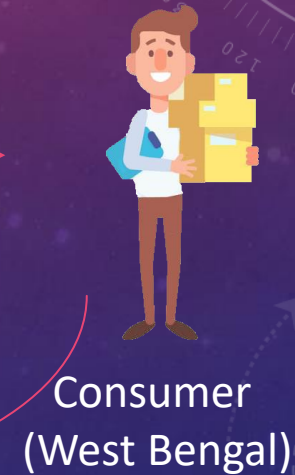


Raw Material



Finished Goods

05/02/2019



Issue Invoice
With IGST

Issue Invoice
With IGST

Tax Implication

Here, Goods didn't received by the Principle or Customer within stipulated time, so both the transaction will be treated separately.

FORM ITC-04

FORM GST ITC-04 must be submitted by the principal. He must include the details of challans in respect of the following-

- Goods dispatched to a job worker or
- Received from a job worker or

WORK

Rate of tax (%)		
State/ UT tax	Integrated tax	Cess
10	11	12

[See rule – 45(3)]

- #### 4. Details of inputs/capital goods sent for job-work

[illegible]

GOODS RECEIVED BACK FROM JOB WORKER OR SENT OUT FROM BUSINESS PLACE OF JOB-WORK

5. Details of inputs/capital goods received back from job worker or sent out from business place of job-work

GSTIN / State of job worker if unregistered	Received back/sent out to another job worker/ supplied from premises of job worker	Original challan No.	Original challan date	Challan details if sent to another job worker			Invoice details in case supplied from premises of job worker		Description	UQC	Quantity	Taxable value
				No.	Date	GSTIN/State if job worker unregistered	No.	Date				
1	2	3	4	5	6	7	8	9	10	11	12	13

6. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place

Date

Signature

Name of Authorised Signatory

Designation /Status.....

Frequently asked Questions

Q1	Whether treatment or process done for unregistered person's goods would be considered as job work?
Ans.	No, according to Section 2(68) of CGST Act, only in the case any treatment or process done for goods relating to registered person is treated as job work
Q2	Whether Job worker need to issue delivery challan while returning the goods after job work?
Ans.	No, not required to issue new delivery challan. Job worker can endorse the goods through delivery challan issued by the principal. Ensure contents are as per Rule 55.
Q3	Who is responsible for maintain proper books of accounts in lieu of inputs and capital goods sent for job work and filing of ITC-04?
Ans.	<ul style="list-style-type: none">• According to Section 143(2) of CGST Act, the responsibility of maintaining proper books of accounts lies with the principal and• Responsibility of filing ITC-04 also lies with the principal.

	Frequently asked Questions
QUESTION 4	When goods sent to job worker and same has been lost / destroyed at job worker premises, will it be considered as deemed supply?
Ans. Scenario 1	<p>– When goods are destroyed after receipt of goods by job worker:</p> <p>In this case principal needs to treat it as a deemed supply and raise tax invoice for the same as the goods cannot be returned within time limit prescribed.</p>
Ans. Scenario 2	<p>– When goods destroyed before receipt of goods to job worker (goods in transit):</p> <p>In this case principal need to reverse ITC according to Section 17(5)(h), as the goods are destroyed in the transit where possession of goods are not yet transferred to the job worker.</p>

Frequently asked Questions

Q6	Goods received by unregistered job worker from an unregistered principal for the purpose of job work, what will be the impact under GST?
Ans.	The situation would not be covered under the scope of job work under GST.
Q7	Whether job worker has to include the amortization cost of moulds, jigs, fixtures and tools sent by the principal to the job worker in the value of job work services?
Ans.	Amortization cost of moulds, jigs, fixtures and tools sent by principal to job worker shall be included in the value of job worker services only when the responsibility/ liability of procuring moulds, jigs, fixtures and tools is of job worker but supplied by principal as per section 15(2)(b) of CGST Act. (Refer Circular 47/2018)
Q8	Whether loss and wastage generated in job worker premises be disclosed in ITC-04?
Ans.	According to ITC-04 format provided in CGST Rules, principal has to disclose loss and wastage incurred in the job worker premises.

Frequently asked Questions

Q9	I am a principal manufacturer located in Karnataka only. I have unregistered job workers located in Maharashtra. My client is located in Delhi. Can I send the goods directly from job work premises(MH) to the client (DEL)?
Ans.	No. As the job workers are unregistered, manufacturer must be able to add such location as 'additional place of business', Therefore, either the manufacturer must get registered in Maharashtra and add such location as additional place of business, or ensure the job worker is registered under GST.
Q10	When goods sent outside the India for the purpose of job work, do we need to disclose in the ITC-04?
Ans.	There is no exception for the said case. It should be disclosed in ITC-04.