

JOB WORK UNDER GST.



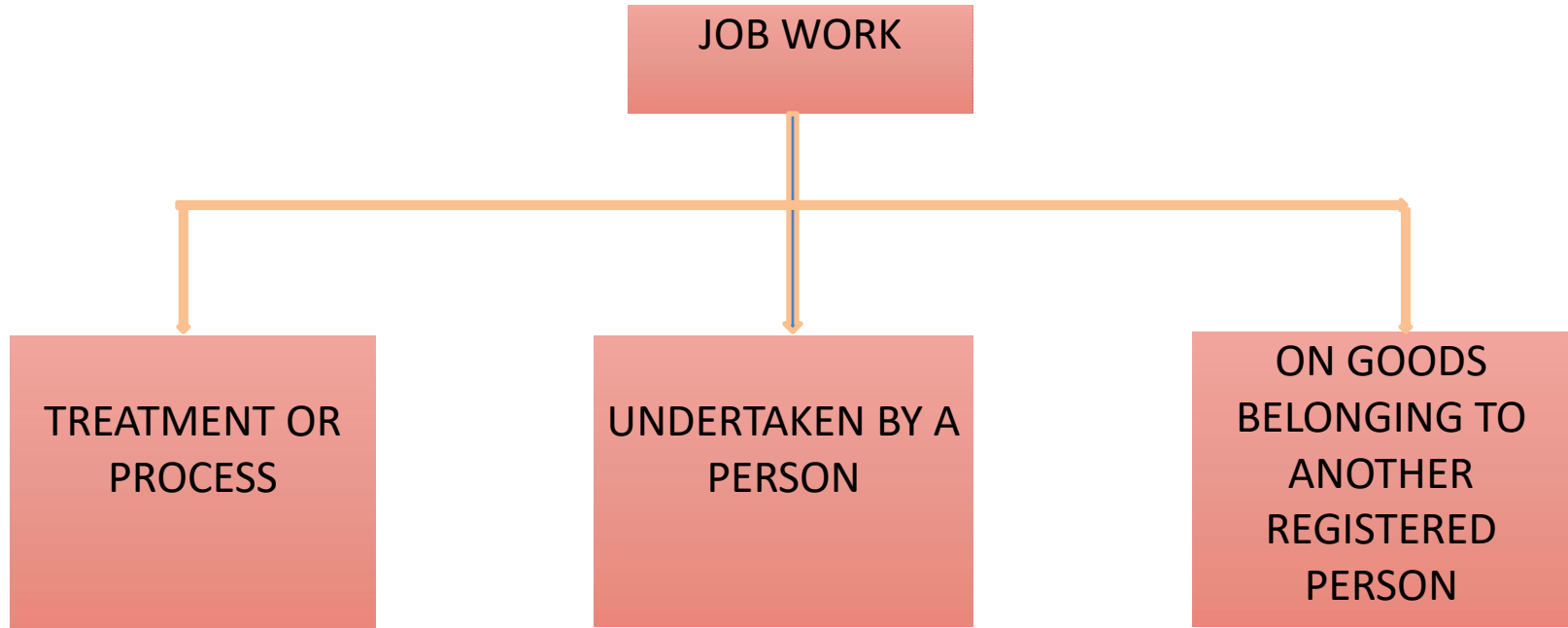
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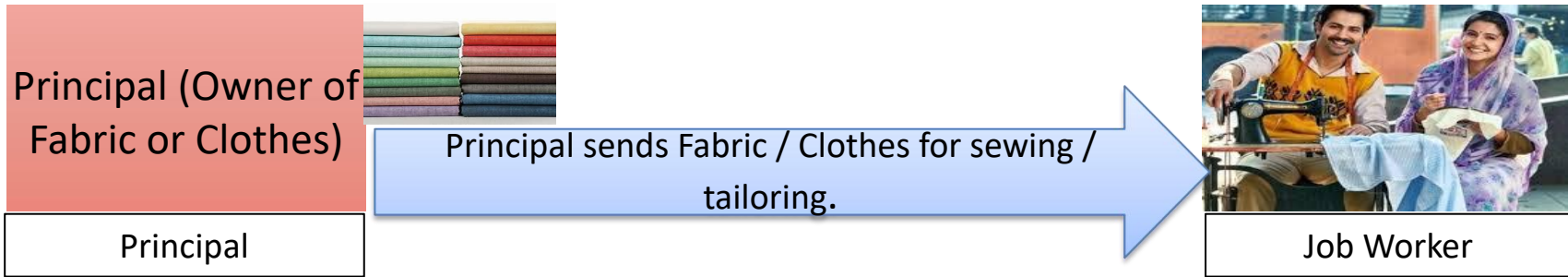
Definition of Job Work

- 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’.
- GST is not payable for supply of goods by Principal to Job worker.



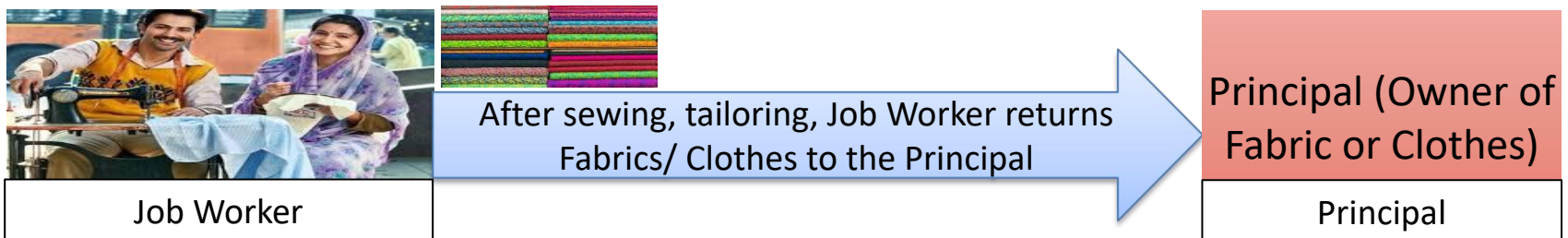
Dispatch of Taxable Goods by Principal (Sec 143)

Goods are sent by Principal to Job worker for treatment or process – GST is not payable for supply of Goods by Principal to Job Worker for treatment or process.



- Principal has given goods (**MARKET VALUE – Rs 50 Lakhs**) temporarily to Job Worker for some treatment or process.
- **Principal has not sold goods to Job Worker.**
- Hence such supply of goods by principal **SHALL NOT** attract GST on principal.
- It shall not be considered as Turnover / Sales of Principal.

Goods are returned by Job Worker after treatment or process to the Principal – GST is not payable by Job Worker for return of goods by Job Worker to Principal.



- Job Worker has returned goods (**MARKET VALUE – Rs 50 Lakhs**) back to principal after some treatment or process.
- Hence such supply by Job Worker of goods to the principal **SHALL NOT** attract GST on Job Worker.
- It shall not be counted as Turnover / Sales of Principal.

Dispatch of Taxable Goods by Supplier to Job Worker on behalf of Principal

Goods are sent by Supplier to Job worker for treatment or process on behalf of Principal - GST is not payable for supply of Goods by Principal / Supplier to Job Worker for treatment or process.

Principal
(Mumbai)

TAX INVOICE

Supplier
(Nashik)



Supplier directly sends Fabric / Clothes for sewing / tailoring.



Job Worker

Goods are returned by Job Worker after treatment or process to the Principal - GST is not payable by Job Worker for return of goods by Job Worker to Principal.



Job Worker



After sewing, tailoring, Job Worker returns
Fabrics/ Clothes to the Principal

Principal (Owner of
Fabric or Clothes)

Principal

Dispatch of Taxable Goods to Job Worker (Sec 143)

Taxable Goods can be dispatched by

- a) Principal from his own stock or
- b) from supplier directly to Job Worker.

Principal
Of Goods



Principal directly send goods from its stock
to Job Worker for treatment or Process

Supplier
Of Goods



Supplier send goods to Job Worker directly
on behalf of Principal



Availment of Input Tax Credit by Principal of Goods (Sec 19(2))

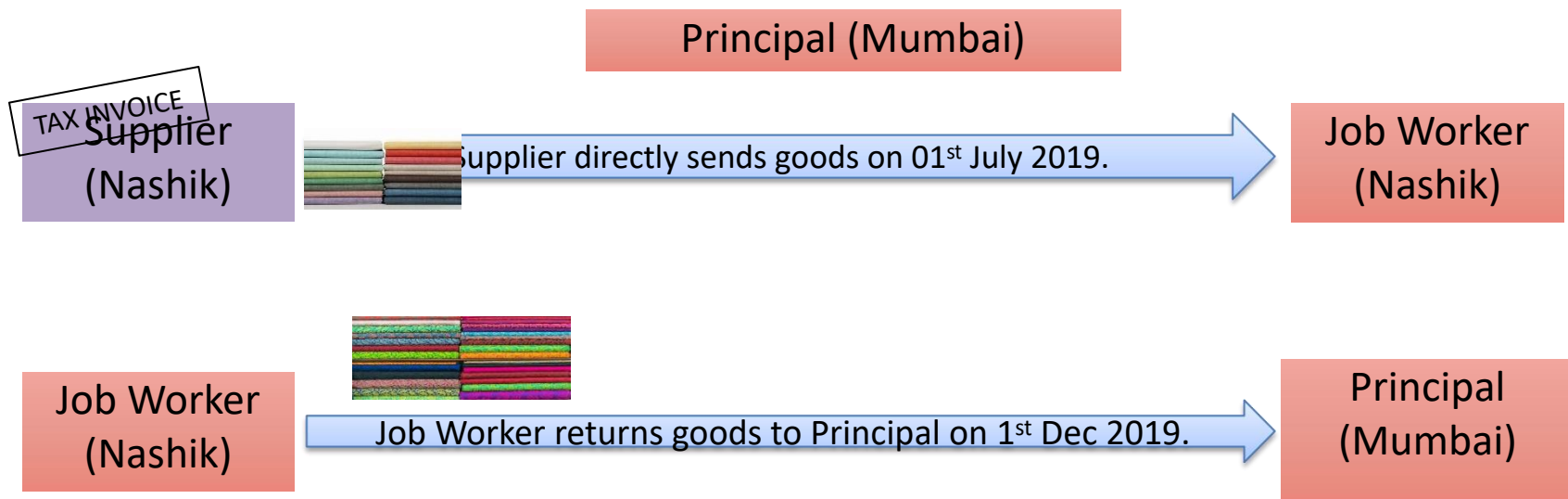
Question:

Principal (Mr. A) purchased goods from supplier (Mr. B) on **01st July 2019 for Rs 10 L + 1.8 L GST.**

Supplier (Mr. B) directly sent goods to Job Worker (Mr. C) without sending the goods to premises of Principal (Mr. A).

Job Worker (Mr. C) sent the goods to the principal (Mr. A.) after treatment on 01st Dec 2019.

Can Mr. A avail Input Tax Credit on 01st July 2019 or on 01st Dec 2019 ?



Ans:

As per Section 19(2) read with Circular No 38/12/2018 dated 26/03/2018, it is clarified that **Principal shall be allowed Input Tax Credit immediately.**

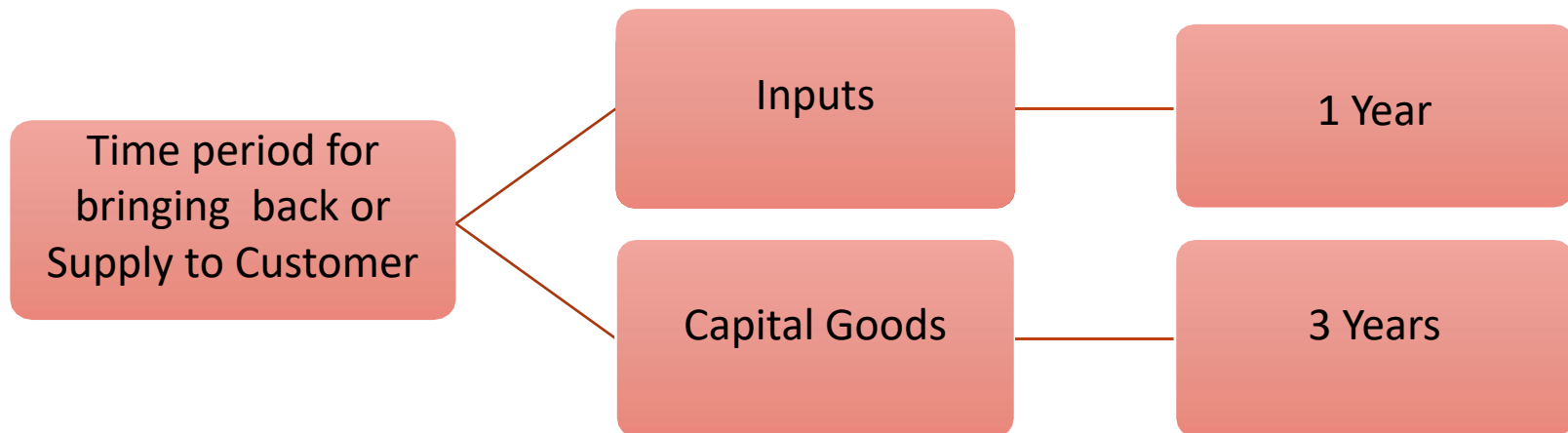
- a) whether the Inputs, Capital Goods are received by principal and then sent to Job worker
- b) Whether they are directly sent by supplier to Job Worker without being brought to premises of Principal.

Hence Principal (Mr. A) shall be allowed full Input Tax Credit of Rs 1.8 Lakhs on 01st July 2019 irrespective of fact that he has received goods on 01st Dec 2019.

Time Limit to return Inputs / Capital Goods by Job Worker.

Time period for the sending back of/further supply of inputs and capital goods from the place of Job worker:

- a) Inputs must be brought back to premises of principal or supply such Inputs **within 1 year** of their being sent out.
- b) Capital Goods must be brought back to premises of principal or supply such Inputs **within 3 years** of their being sent out.



➤ Time period of one year or three years is not applicable for mould, dies, jigs and fixtures.

Amendment.

WEF 01/02/2019, Commissioner is empowered to extend time limit of return of Inputs / Capital Goods beyond 1 year / 3 years as applicable by

- Further Period of 1 year in case of Inputs. (Totally 2 Years for Inputs).
- Further period of 2 years in case of Capital Goods. (Totally 5 years for Capital Goods).

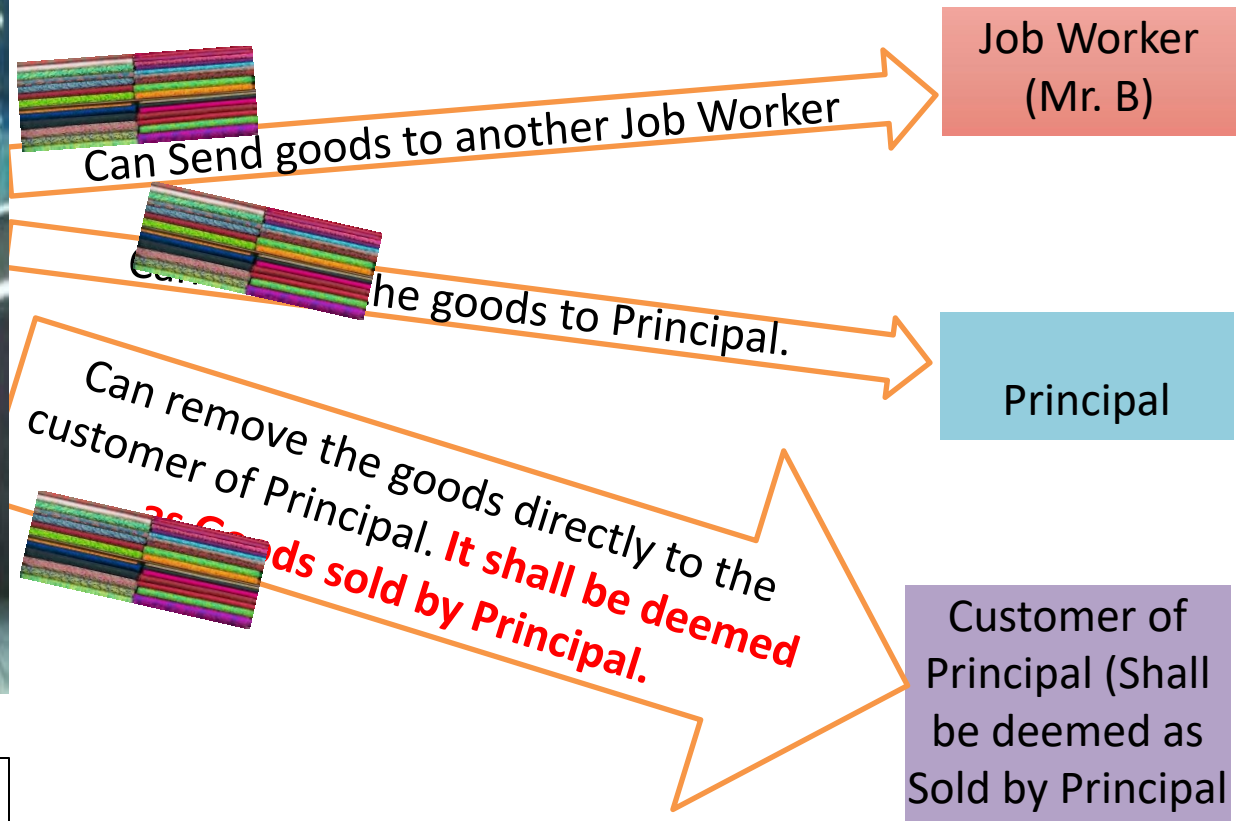
Methods of Returning Inputs / Capital Goods by Job Worker.

Job Worker after processing the goods can clear the goods to

- a) Another Job Worker for further processing.
- b) Send goods to any of the Place of Business of the Principal without payment of Tax.
- c) remove the goods on payment of tax within India or without payment of tax for Export (Job Workers premises must be declared as Additional Place of Business in Principal's GST Reg).



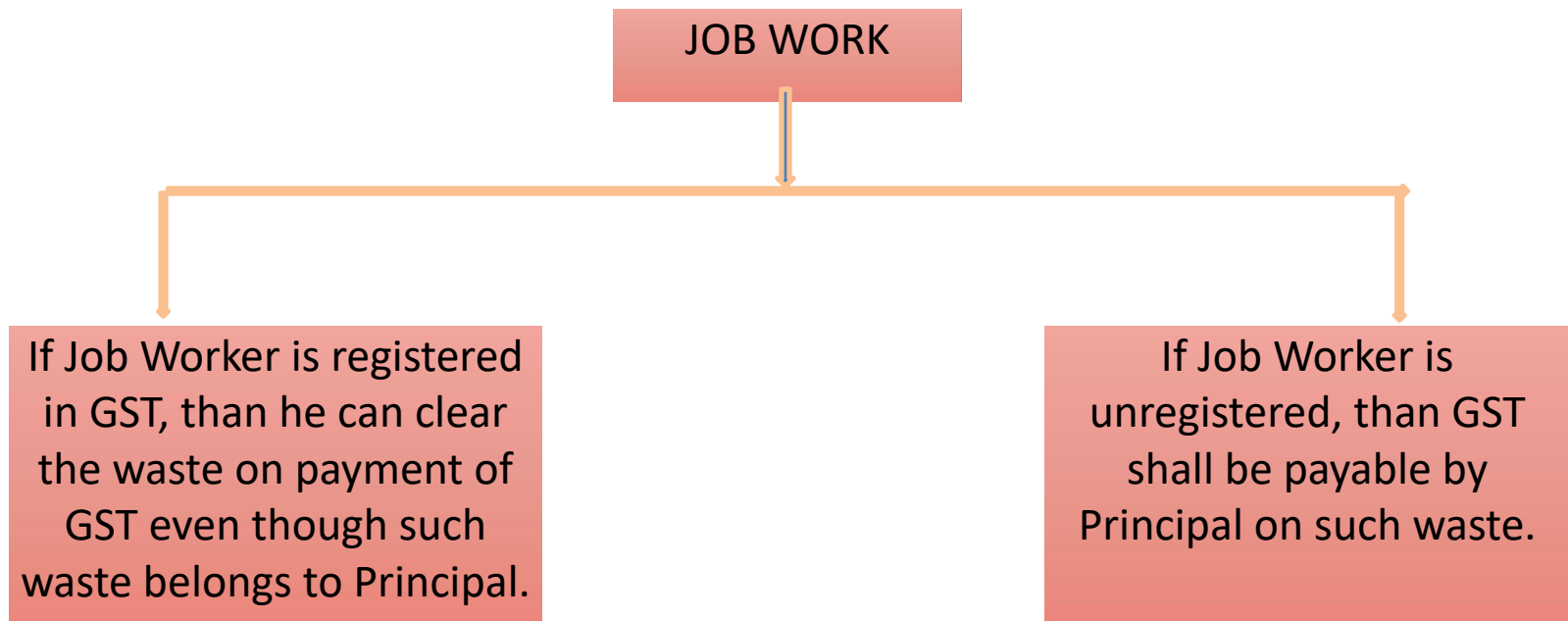
Job Worker



Clearance of Waste by Job Worker

Section 143 (5) of GST Act provides that any waste and scrap generated during the Job Work can be treated by him in following two ways:

- a) If Job Worker is registered in GST, than he can clear the waste on payment of GST even though such waste belongs to Principal.
- b) If Job Worker is unregistered, the job worker should return scarp to the principal/ principal may supply the scrap directly from job worker premises under his invoice.



Case Studies

Question1:

Job worker (Mr. A) has sent the goods to customer of the principal.
Will it be counted as Turnover / Sales of Job Worker or of Principal?

Principal

Job Worker

Job Worker supplies to Customer on behalf of Principal.

Customer of
Principal

Ans:

- It shall be counted as Turnover / Sales of Principal.
- Job worker has just supplied on behalf of Principal.
- **However premises of Job Worker must be declared as Additional Place of Business in GST Registration of Principal.**

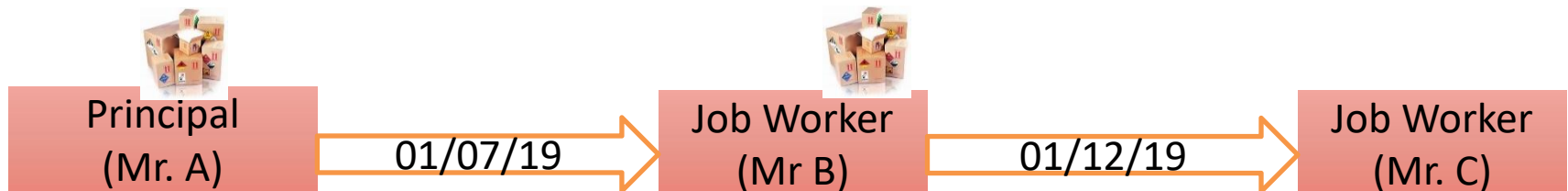
Case Studies

Question 2:

Principal (Mr. A) has supplied Inputs / Capital Goods to Job Worker (Mr. B) **on 01st July 2019.**

Later Job Worker (Mr. B) supplied such Inputs / Capital Goods to Job Worker (Mr. C) on **01st Dec 2019** on behalf of Mr. A for further processing.

Is Job Worker (Mr. C) required to return Inputs / Capital Goods by **30th June 2020 / 30th June 2022** or by **30th November 2020 / 30th November 2022?**



Ans:

- As per Sec 143(1), principal shall bring back Inputs / Capital Goods within 1 year / 3 Years **of their being sent out.**
- It is immaterial whether Inputs are sent to one or more than 1 job worker.
- Principal (Mr. A) has sent the goods on 01st July 2019.
- **Hence he must bring Inputs back by 30th June 2020 / 30th June 2022.**
- It is immaterial if goods are sent to another Job worker for further processing.

Case Studies

Question 3:

Principal (Mr. A) has sent Inputs / Capital Goods to the Job Worker (Mr. B) for processing.

Mr. A removed Inputs / Capital Goods on **01st July 2019** and Mr. B received Inputs / Capital Goods on **20th July 2019**.

By which date principal shall bring back Inputs / Capital Goods?



Ans:

- As per Sec 143(1), principal shall **bring back Inputs within 1 year** of their being sent out.
- Inputs / Capital Goods are **sent out by principal on 01st July 2019**.
- **It is immaterial that Inputs / Capital Goods are received by Job Worker on 20th July 2019.**
- **Hence he must bring Inputs / Capital Goods back by 30th June 2020/30th June 2022.**

Case Studies

Question 4:

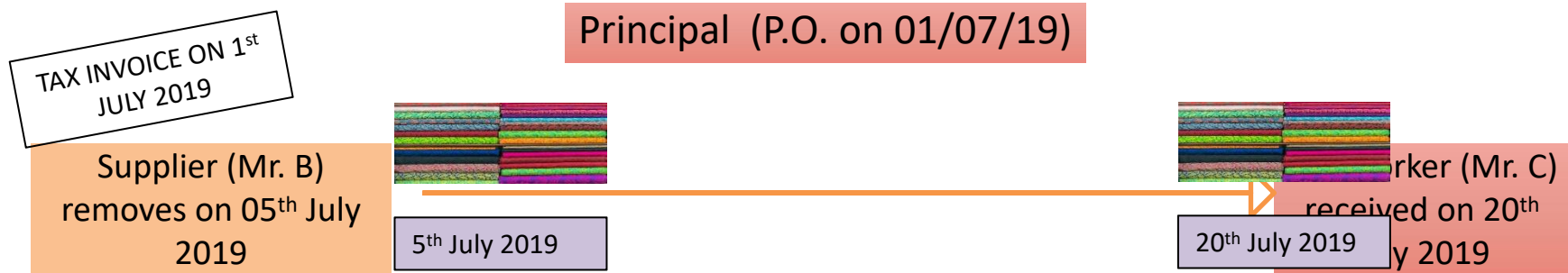
Principal (Mr. A) purchased Inputs / Capital Goods from Supplier (Mr. B) on **01st July 2019**.

He directed Mr. B to deliver Inputs / Capital Goods to Job Worker (Mr. C).

Hence Supplier (Mr. B) removed Inputs / Capital Goods from his godown on **05th July 2019**,

Such Inputs / Capital Goods were received by Job Worker on **20th July 2019**.

By when Principal shall bring back Inputs / Capital Goods in his premises ?



Ans:

- As per **proviso to Section 19(3)** of CGST Act, 2017, where supplier sends Inputs / Capital Goods to the Job Worker directly on behalf of the principal, Period of One Year / Three Years shall be calculated **from Date of Receipt of such Inputs / Capital Goods**.
- Job Worker has received the goods on 20th July 2019.
- **Hence Principal shall receive the Inputs / Capital Goods by 19th July 2020 / 19th July 2022.**

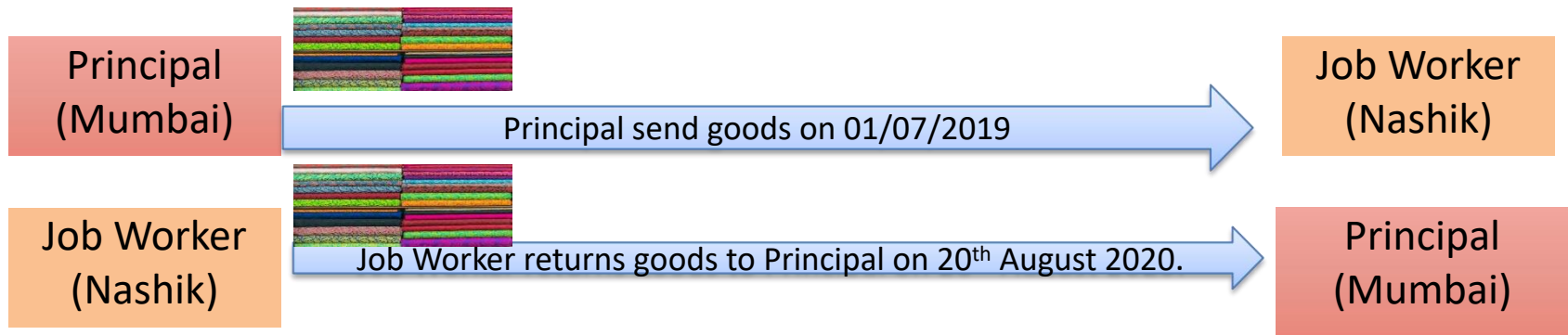
Return of Goods subsequent to period allowed in Rule (Deemed Supply).

Question:

Principal (Mr. A) supplied Inputs / Capital goods to Job Worker (Mr. B) on **01st July 2019**.

Mr. B returned the goods to Principal on **20th August 2020 / 20th August 2022?**

What shall be implication since goods **are not returned** within 1 Year / 3 Years from date of supply?

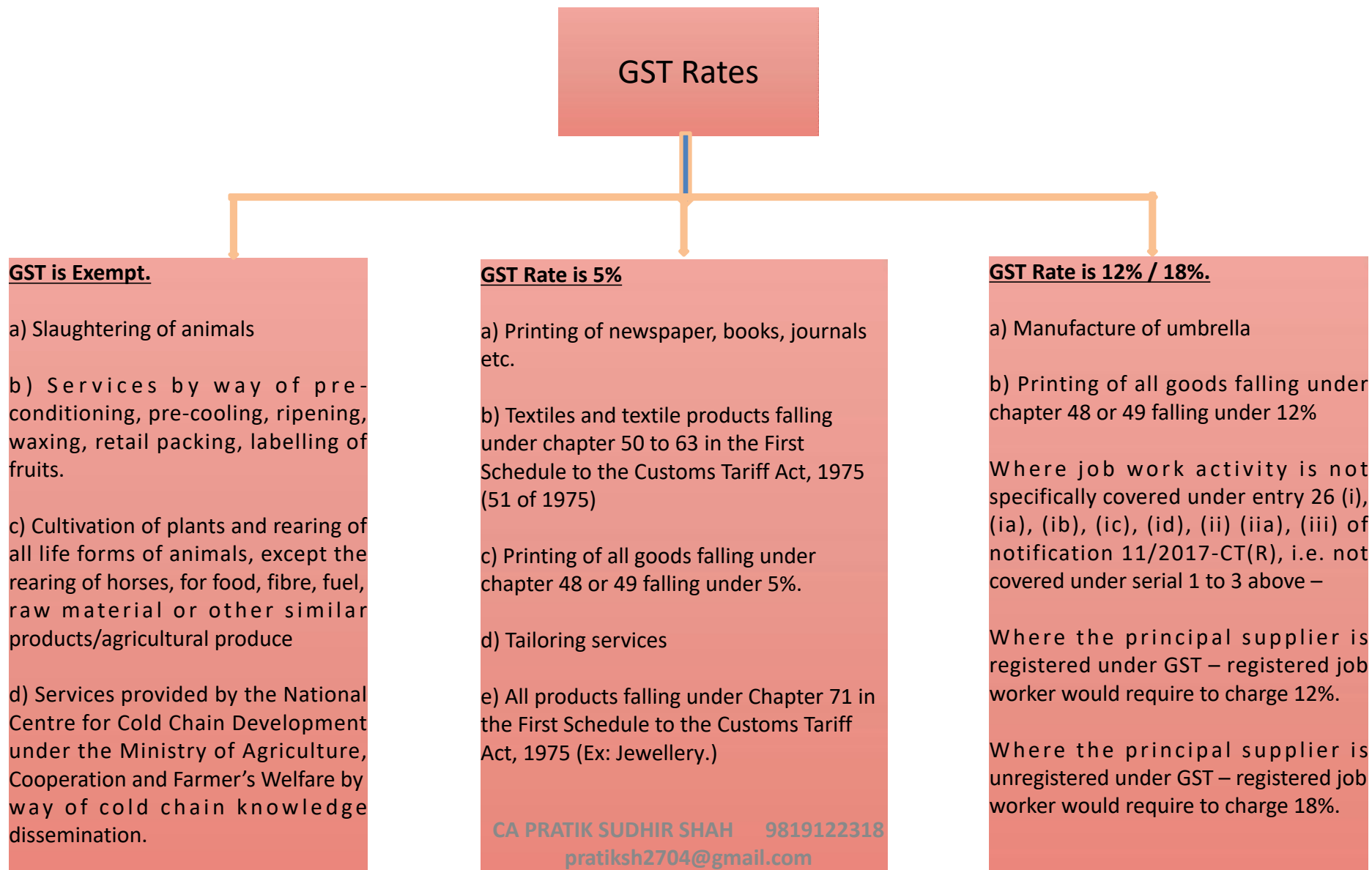


Ans:

- If Job Worker does not return the goods within 1 Year / 3 Years than it shall be considered as **“Deemed Supply”**.
- **Time of Supply shall be date when goods are sent by Principal ie 01 July 2019.**
- Principal shall prepare the Invoice dated 01st July 2019 on Job Worker and **pay GST along with Interest from 01st July 2019 till 20th August 2020 / 20th August 2022.**
- If Job worker is registered than it can claim Input Tax Credit of such deemed supply subject to restriction u/s 16(4) of CGST Act.
- Goods which are sent by Job worker to Principal, it shall be considered as Supply of Goods by Job Worker to the principal. If Job worker is registered than he shall be required to raise Invoice and charge GST.

GST Rates for Job Work Services.

- Following are GST Rate for Job-Work Services:



Form GST-ITC 4 and Challan

- As per Rule 45 (1) of CGST Rules, Inputs or Capital Goods shall be sent to the Job Worker under **cover of Challan** issued by Principal.
- Principal is required to issue challan whether he sends goods from his own stock or it is directly supplied by supplier.
- Challan shall be prepared in **Triplicate** out of which two copies of challan may be sent to the Job Worker.
- Rule 45(3) provides that the details of challan for dispatch to job worker or received from Job Worker during the quarter shall be declared in **Form GST – ITC 4**.
- Details of goods sent from one job worker to another job worker is **NOT** required to be disclosed on Form GST-ITC 4.
- Form GST-ITC 4 is to be filed on or before **25th of the month succeeding the quarter**.
- Contents of Challan are:

Form GST-ITC 4 and Challan

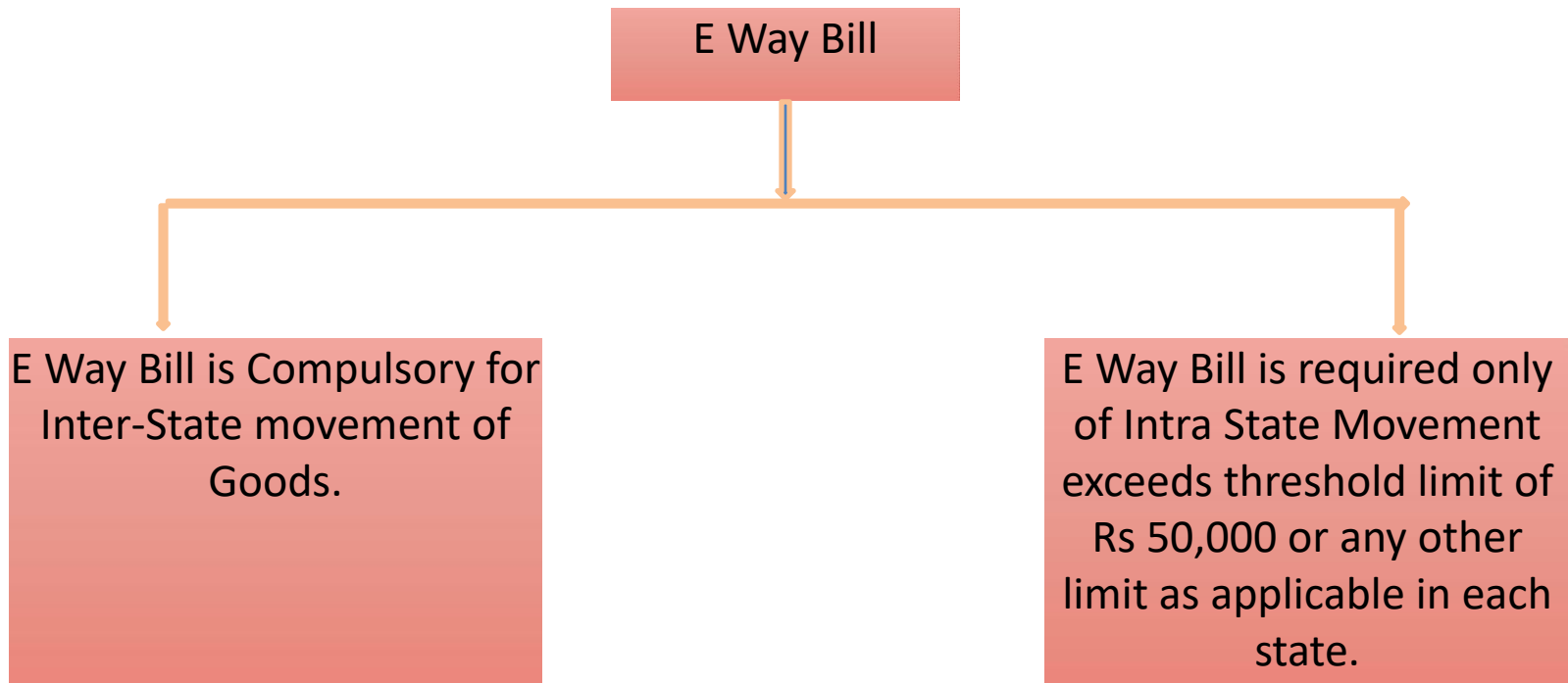
Contents of Challan are:

- Date & number of delivery challan,
- Name, Address & GSIN of consigner & consignee,
- HSN code & description of goods,
- Quantity,
- Taxable value,
- Tax rate & Tax amount,
- Place of supply and
- Signature

E-Way Bill

In terms of Rule 138 of CGST Rules,

- Where principal and job worker are located in the **different States**, E-way bill must be generated for **inter-State movement** without considering threshold limit of Rs. 50,000.
- For **intra-State movement**, the threshold limit of Rs. 1,00,000 limit (in Maharashtra) or any other limit as applicable in such State would apply.



FAQ

Question1:

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.

Question 2:

Whether goods imported for the purpose of Job work and re-exported would be liable under GST in India?

Ans:

- From 1st February 2019 onwards (based on recent IGST Amendment Act), GST not liable on such job work activity, could be covered under Export of Services (zero-rated supply).
- Proviso to section 13(3)(a) of IGST Act has been amended. As per amendment, for job work performed in india and than re-exported, POS shall be location of recipient of services.
- This ensures that the place of supply would be the location of the recipient (outside India).

FAQ

Question3:

We are located in Ahmedabad and we are sending goods for job work to surat. After completion of job work we will export goods directly from surat. Will there be any GST liability?

Ans:

- Section 143 of the CGST Act provides that the principal may supply, from the place of business / premises of a job worker, inputs after completion of job work or otherwise or capital goods (other than moulds and dies, jigs and fixtures or tools) within one year or three years respectively of their being sent out, on payment of tax within India, or with or without payment of tax for exports, as the case may be.
- This facility is available to the principal only if **he declares the job worker's place of business / premises as his additional place of business** or if the job worker is registered.
- Hence we can export goods (LUT available) without payment of taxes provided he has declared Surat' premises of Job worker as its additional place of business.

Question 4:

Whether Delivery challan is required if job work is done at principal manufacturer premises?

Ans:

- Although the activity is a job work under GST, there is no requirement of delivery challan as principal's inputs/capital goods are not being moved.
- Therefore, ITC-04 also is not required.

FAQ

Question5:

When goods sent to job worker and same has been lost / destroyed at job worker premises, will it be considered as deemed supply?

Ans:

a. Scenario 1 – When goods are destroyed after receipt of goods by job worker:

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.

b. Scenario 2 – When goods destroyed before receipt of goods to job worker (goods in transit):

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.

Question 6:

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:

a). According to Section 143(2) of CGST Act, the responsibility of maintaining proper books of accounts lies with the principal.

b). Responsibility of filing ITC-04 also lies with the principal.

FAQ

Question 7:

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.
- Since manufacturer is not registered in Maharashtra, he cannot add it as additional place of business.

Question 8:

Mr. A is Job Worker (Registered in Maharashtra). He provides job work services to the principal (Mr. B) What shall be GST Rate to be charged for services provided to the Job Worker?

- a) Principal is registered under GST
- b) Principal is unregistered.

Ans:

- If principal is registered under GST Law, Job worker must charge GST Rate of 12%.
- If principal is un-registered under GST Law, Job worker must charge GST Rate of 18%.

FAQ

Question 9:

Co. A, a registered manufacturer sent steel cabinets worth Rs 50 Lakhs under delivery challan to M/S ABC (Registered Job Worker) for Job work on 28/01/2018.

Scope of Job Work included mounting steel cabinets on metal frame & sending mounted panels back to Co. A.

Consideration charged for such Job Work Services are Rs 5 lakhs + GST.

During Course of mounting activity, metal waste is generated which is sold by M/s ABC for Rs 45,000.

Assuming GST Rate on sale of mounted steel cabinets is 28%, sale of metal waste as 18% and rate for job work services is 12%.

- a) Calculate GST payable by Job Worker it sent mounted steel cabinets on 31/12/2018.
- b) Calculate GST payable by Job Worker it sent mounted steel cabinets on 31/01/2019.

Ans:

Case a: GST payable by Job Worker it sent mounted steel cabinets on 31/12/2018.

- Goods are returned by Job Worker within 1 year of being sent out.
- Hence GST shall not be applicable on return of goods of Rs 50 Lakhs.
- Job worker shall charge, collect and pay GST @ 12% on job work services provided ie Rs 60,000 (5L * 12%).
- Also Job Worker have sold waste. He shall be liable to charge, collect and pay GST @ 18% on sale of metal waste ie Rs 5,400 (45,000 * 12%).
- Total GST liability to be paid by Job Worker is Rs 65,400/-.

Case b: GST payable by Job Worker it sent mounted steel cabinets on 31/01/2019.

- Goods are returned by Job Worker after 1 year of being sent out. Hence goods so returned shall be considered as Supply (Sale) by Job Worker to Principal.
- Job Worker shall charge, collect and pay GST @ 28% on goods returned ie Rs 14,00,000 (50 L * 28%).
- Job worker shall charge, collect and pay GST @ 12% on job work services provided ie Rs 60,000 (5L * 12%).
- Also Job Worker have sold waste. He shall be liable to charge, collect and pay GST @ 18% on sale of metal waste ie Rs 5,400 (45,000 * 12%).
- Total GST liability to be paid by Job Worker is Rs 14,65,400/-.
- Also Principal shall be liable to pay GST of Rs 14,00,000 (50L * 28%) along with Interest from 28/01/2018 to 31/01/2019 as goods are not returned within 1 year of being sent out.

GST COURSE

Recommendation in 45th GST Council Meeting – Update in Form ITC 04 – Job Work

Form ITC 04

Recommendations

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Supply of Goods to Job Worker.



Manufacturer of



Supplied Raw Materials
to Job Worker for



JOB WORKER



Embroidery



Stitching

Details to be submitted for transfer to Job Worker.



Manufacturer

For Transfer of Goods to Job Worker, Manufacturer is required to submit following details in form



GST ITC- 04
New Version



JOB WORKER

Delivery
Challan
Number

Delivery
Challan
Date

Description
of Goods

UQC

Quantity

Taxable
Value

Rate
of Tax

Type
of
Goods

Filing of Form ITC – 04.



Registered Persons were required
to file Form ITC 04



Angry and Frustrated Taxpayers



Multiple Compliances

Recommendation in 45th GST Council Meeting.



Recommended that **Form ITC 04**
is to be filed by

Taxpayer with annual aggregate turnover of
Exceeding INR 5 Crores during preceding year

HALF YEARLY

Taxpayer with annual aggregate turnover of
Upto INR 5 Crores during preceding year

ANNUALY