

Job work – Provisions and pocedures under GST Laws





JOB WORK – UNDER GST LAWS

Job Work - Principal

- ❑ As per clause (68) of section 2 of the CGST Act, 2017, “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.
- ❑ The registered person on whose goods (inputs or capital goods) job work is performed is called the “Principal” for the purposes of section 143 of the CGST Act. The

Provisions under section 143

Principal can send goods to job worker without payment of tax

- ❑ A registered person (Principal) is allowed to **send inputs/ capital goods 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** or **remove** the processed **goods from the job workers premises for supply to the customer**. Such goods need to be removed **under intimation to proper officer** and subject to certain prescribed conditions.

Goods sent without payment of tax from principal's premises to job worker's premises.

The principal is not required to reverse the ITC availed on inputs or capital goods dispatched to the job-worker without payment of tax.



Provisions under section 143

The principal can also send inputs/capital goods **directly to the job-worker without bringing them to his premises** and can still avail the credit of tax paid on such inputs or capital goods.



Premises of the supplier from whom goods have been purchased by the principal



NO TAX



Job-worker's premises

Goods sent without payment of tax directly to job worker's premises

However, inputs and/or capital goods [other than moulds and dies, jigs and fixtures, or tools] sent to a job-worker are required to be returned to the principal within 1 year and 3 years respectively, from the date of sending such goods to the job-worker. However, the period of 1 year and 3 years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 1 year and 2 years respectively. Extension of time is allowed to cover the situations where the period of 1 year specified is not adequate in respect of job works such as hull construction/ fabrication of vessels (for defense purposes), since these processes complete in a period of around 14 to 16 months. 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.

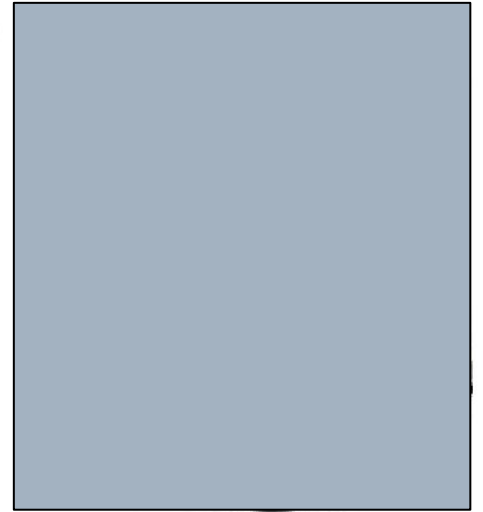
Goods must be returned within stipulated time-limit

After processing of goods, the job-worker may clear / dispatch the goods under the instructions of the principal to-

- another job-worker for further processing, or
- any of the place of business of the principal without payment of tax, or
- the ultimate customer against payment of tax by the principal as applicable for supply.

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

- ❑ After processing of goods, the principal also has the option to clear the goods for supply to third party, directly from job-worker's premises, on payment of tax within India or without payment of tax for export outside India on fulfilment of prescribed conditions.
- ❑ The facility of supply of goods by the principal to the third party directly from the premises of the job- worker, on payment of tax in India likewise with or without payment of tax for export, may be availed by principal after **declaring premise of the**



job-worker as his additional place of business in his GST registration.

However, such declaration is not required by the principal where:

- job worker is registered under section 25; or
- principal is engaged in supply of notified goods.

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In such cases of direct supply, the supply of goods will be regarded as supply by the principal and not by the job worker. Resultantly, it is clarified that the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises. Further, the invoice would have to be issued by the principal. It is also clarified³ that in case of exports directly from the job worker's place of business/premises, the LUT or bond, as the case may be, shall be executed by the principal. These principles would apply mutatis mutandis in case of supply of waste and scrap generated during job work

Procedures for sending goods to Job Worker

- ❑ Before supply of goods to the job-worker, the principal would be required to send intimation the proper officer containing the details of the 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 the other job-workers, if any. The inputs or capital goods shall be sent to the job worker under the cover of a delivery challan issued by the principal. The delivery challan shall be issued even for the inputs or capital goods sent directly to the job worker. The delivery challan shall contain the specified details. Along with the delivery challan, an electronic waybill shall be issued as per the relevant provisions under GST Law and related rules⁴.

Responsibility for keeping accounts for inputs/capital goods

- ❑ The responsibility for keeping proper accounts for the inputs or capital goods lies with the principal.

**Goods not received within stipulated period
will be treated as deemed supply**

- ❑ In case the inputs/capital goods are not received back or not supplied from the job worker's premises, within specified time limit [1 year/3 years/extended time period], it shall be deemed to be a supply from Principal to the Job worker from the day when it was sent for job work. Accordingly, the principal would be liable to tax along with interest as applicable.
- ❑ Thus, goods sent for job work acquire the character of supply when the inputs/capital goods sent for job work are neither received back by the principal nor supplied further by the principal from the place of business/premises of the job worker within 1 year/3 years/extended time-period, of being sent out. It may be noted that the responsibility for sending the goods for job work in accordance with the prescribed procedure as well as bringing them back or supplying them has been cast on the principal.

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Goods not received within stipulated period will be treated as deemed supply

- ❑ In such cases where the inputs or capital goods (other than moulds and dies, jigs and fixtures or tools) are neither returned nor supplied from the job worker's place of business/ premises within the specified time period, the principal would issue an invoice for the same and declare such supplies in his return for that particular month in which the time period of 1 year/3 years or extended time period has expired.
- ❑ **Date of supply:** The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker. Further, interest for the intervening period shall also be payable on the tax by the principal.

Goods not received within stipulated period will be treated as deemed supply

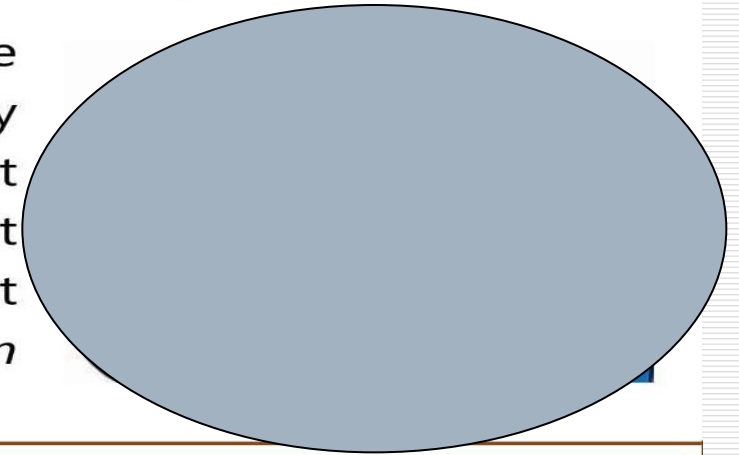
- ❑ If such goods are returned by the job worker after the stipulated time-period, the same would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is liable for registration in accordance with the provisions contained in the CGST Act read with the rules made thereunder.
- ❑ Further, it may be reiterated that there is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned.

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.

ITC – in case of Job Work – Section 19

(i) **Credit on inputs and/or capital goods sent for job work [Sub-sections (1), (2), (4) and (5) of section 19]**

- ☐ A principal is entitled to take the credit of input tax paid on inputs and/or capital goods sent to the job-worker for the job work.
- ☐ The principal can also take ITC even when the inputs and/or capital goods have been directly sent to the job worker without being brought into his premises. The principal need not wait till the inputs and/or capital goods are first brought to his place of business *[See definition of place of business]*.



Job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered⁵.

Time limits for the return of inputs/capital goods sent for job-work or supply from job worker's place of business after required processing or treatment [Sub-sections (3), (6) and (7) read with rule 45 of CGST Rules]

- ❑ Inputs and capital goods sent for job work should either be returned to the principal or must be supplied from the job worker's premises within 1 year and 3 years^o respectively **from the date of sending them to the job worker***.

**Where inputs/capital goods are sent directly to a job worker, said period shall be computed from the date of receipt of inputs/ capital goods by the job worker.*



As discussed earlier, if the above time-lines are not met, it is deemed that the inputs and capital goods were supplied by the principal to the job worker (in other words, tax will be payable on them by the principal along with interest) on the day they were sent out to the job worker.

The said supply is required to be declared in GSTR-1 [Details of Outward Supplies] and the principal is liable to pay tax along with applicable interest.

In such a case, return of the inputs and capital goods by the job worker, after the stipulated time, will be treated as a separate supply on which tax shall be paid by the job worker as per normal provisions under the GST Law.

The procedure for sending the goods for job work, in accordance with rule 45 read with *Circular No. 38/12/2018 dated 26.03.2018*, has been discussed below:

❑ (i) Where goods are sent by principal to only one job worker:

- ❖ The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, for sending the goods to a job worker. Two copies of the challan may be sent to the job worker along with the goods.
- ❖ The job worker should send one copy of the said challan along with the goods, while returning to the principal. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act, 2017.

❑ (ii) Where goods are sent from one job worker to another job worker:

- ❖ In such cases, the goods may move under the cover of a challan issued either by the principal or the job worker.
- ❖ In the alternative, the challan issued by the principal may be endorsed by the job worker sending the goods to another job worker, indicating therein the quantity and description of goods being sent.
- ❖ Same process may be repeated for subsequent movement of the goods to other job workers.

The procedure for sending the goods for job work, in accordance with rule 45 read with *Circular No. 38/12/2018 dated 26.03.2018*, has been discussed below:

- ❑ (iii) Where the goods are returned to the principal by the job worker:
 - ❖ The job worker should send one copy of the challan received by him from the principal while returning the goods to the principal after carrying out the job work.
- ❑ (iv) Where the goods are sent directly by the supplier to the job worker:
 - ❖ In this case, the goods may move 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 buyer (i.e. 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 terms of para (i) above.
- ❖ 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.

The procedure for sending the goods for job work, in accordance with rule 45 read with *Circular No. 38/12/2018 dated 26.03.2018*, has been discussed below:

- ❑ (v) Where goods are returned in piecemeal by the job worker:
- ❑ In case the goods after carrying out the job work, 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.
- ❑ (vi) Submission of intimation:
 - ❖ Rule 45(3) of the CGST Rules provides that the principal is required to furnish the details of challans in respect of goods sent to a job worker or received from a job worker or sent from one job worker to another job worker during a quarter in FORM GST ITC-04 by the 25th day of the month succeeding the quarter or within such period as may be extended by the Commissioner.
 - ❖ It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom.
 - ❖ The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act.

Liability to issue invoice, determination of place of supply and payment of GST:

Submission of intimation: It is clarified that it is the responsibility of the principal to include the details of all the delivery challans relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom **during the specified period** in Form GST ITC-04 by the 25th day of the month succeeding the **said period**. This period can be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST. The Form GST ITC-04 will serve as the intimation as envisaged under section 143.

Aggregate turnover of principal during preceding F.Y.	Form GST ITC-04 to be filed on	Due date(s) for filing Form GST ITC-04
upto ₹ 5 crore	annual basis	25 th April
greater than ₹ 5 crore	half yearly basis	25 th October & 25 th April

Requirement to generate E-way Bill: In case of job work, **e-way bill⁸** shall be generated either by the principal or by the registered job worker **irrespective of the value of the consignment**, where goods are sent by a principal located in one State/Union territory to a job worker located in any other State/ Union territory.

Further, the e-way bill shall be generated by the principal, wherever required, in case the job worker is unregistered⁹.

Registration – Job Work

(i) Registration requirements when both the principal and the job worker are located in the same State: The job worker is required to obtain registration only if his aggregate turnover, to be computed on all India basis, in a financial year exceeds the specified threshold limit (i.e., ₹ 20 lakh or ₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) in case both the principal and the job worker are located in the same State [Section 22(1)].

(ii) Registration requirements when the job worker is located in a State different from that of the principal: Where the principal and the job worker are located in different States, the requirement for registration flows from section 24(i) of the CGST Act, which provides for compulsory registration of suppliers making any inter-State supplies. However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed ₹ 20 lakh or ₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland in a financial year vide *Notification No. 10/2017 IT dated 13.10.2017 as amended*.

Therefore, it is clarified that a job worker, being a supplier of service, is required to obtain registration only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit regardless of whether the principal and the job worker are located in the same State or in different States¹⁰.

Registration – Job Work

(iii) Value of goods, after completion of job work, supplied directly from the premises of the registered job worker not to be included in its aggregate turnover: As discussed earlier in this chapter, principal can supply the goods directly from the premises of the job worker without bringing it back to his own premises. It is clarified that the supply of goods by the principal from the place of business/premises of the job worker will be regarded as supply by the principal and not by the job worker¹¹.

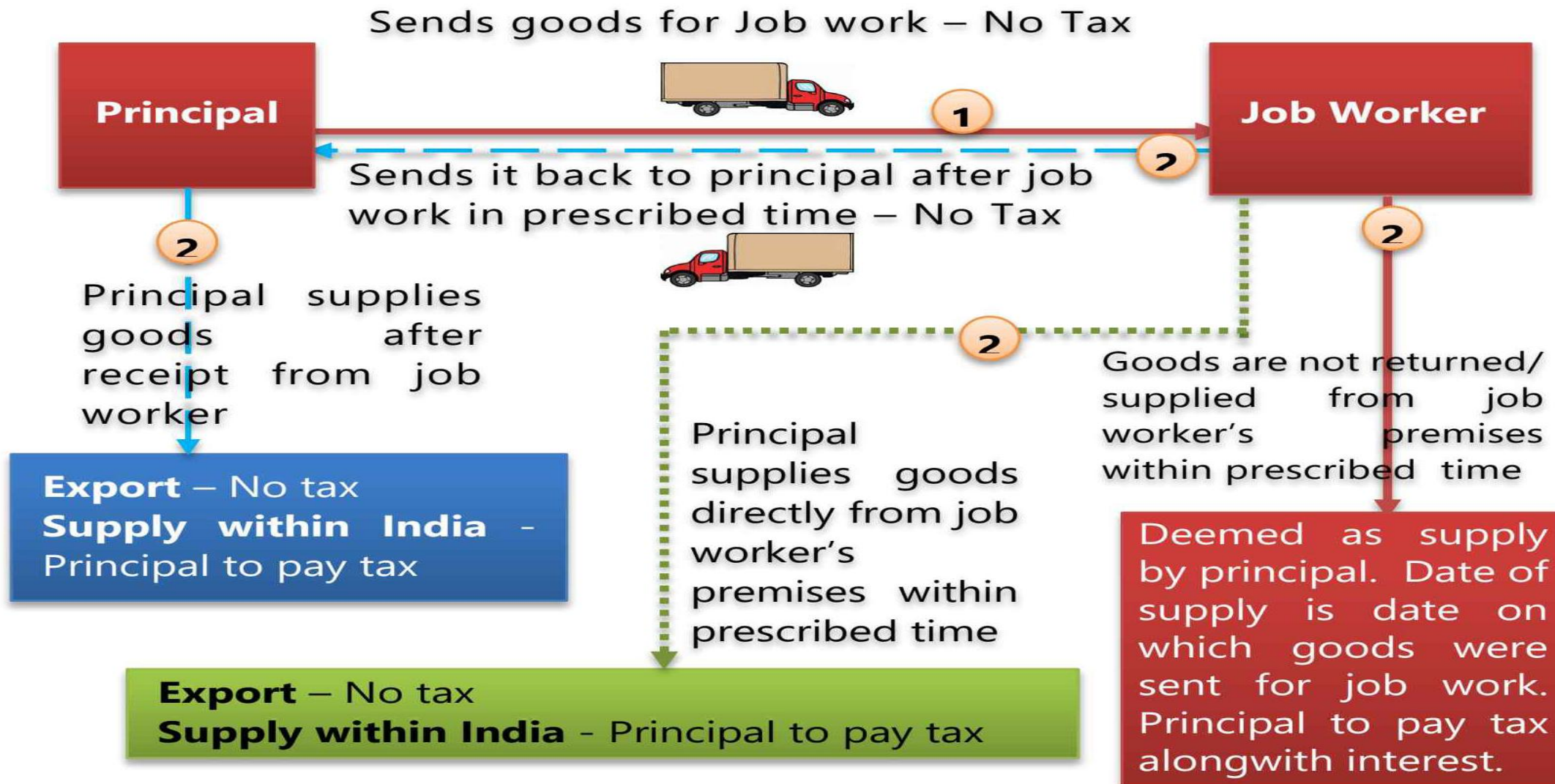
Therefore, the value of such goods supplied will be included in the aggregate turnover of the principal and not job worker [Explanation (ii) to section 22].



6. SUPPLY OF WASTE & SCRAP [SECTION 143(5)]

Notwithstanding anything contained in aforesaid provisions, 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.

Job work Procedure



Time limits for the return of inputs/capital goods sent for job-work or supply from job worker's place of business after required processing or treatment

- ☐ Principal can take credit on goods (inputs and capital goods) sent for job work.
- ☐ Credit can be taken even if the said goods are sent directly to job worker without being first brought to the principal's place of business.

Time limit for return of goods sent for job work/supply from job worker's place of business

- ◆ **Inputs** - 1 year (extendable by another 1 year)
- ◆ **Capital goods** - 3 years (extendable by another 2 years)

from the date of sending the same for job work or from the date of receipt of the same by the job worker.

- ☐ On failing to comply with the timelines, the goods will be deemed to have been supplied to the job worker on the day they were sent out.
- ☐ Principal is liable to pay tax along with applicable interest on such supply.
- ☐ Subsequent return of the goods by the job worker will be treated as a separate supply.

Time-lines do not apply to moulds and dies, jigs and fixtures or tools sent out for job work.

Q&A

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