

JOB WORK AND RELATED COMPLIANCE UNDER GST



CA Nitin Kenia

Email : ndkenia@kkca.co

What is job Work under GST?

- We can find the meaning of Job work under GST from definition contained in Section 2(68) 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.

- Three elements required for treating anything as job work are as follows.
 - Two persons.
 - The goods should belong to a person normally we referred to him as Principal. He should be registered person.
 - Treatment or process to be undertaken on the said goods shall be by another person and we referred to him as job worker. He may be registered or not.

Whether Contract Manufacturing and Packing, Re-packing, Testing & Inspection, Labelling etc. falls under Job work ?

- If principal is getting his goods manufactured through contract manufacturing is allowed to take benefit of these provisions provided ownership of the raw materials is with him while sending these goods to the job worker.
- Where principal sends his goods for testing or labelling to another person, the same will be treated as “treatment or process”.

Job work Vs Manufacturing service

- For understanding distinction between Job work and manufacturing services let's read the entry (id) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017 which says “Services by way of job work other than (i), (ia), (ib) and (ic) above” and CGST rate specified against that is 6 %.

Whereas entry (iv) read as “Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above.” and CGST rate specified against that is 9 % wef 01/10/2019.

- As per definition of 'Job work' It means *any treatment or process undertaken by a person on goods belonging to **another registered person***. Considering this it is clarified in Circular No. 126/45/2019 dated 22/11/2019 that Entry at item (id) covers only job work services i.e., services by way of treatment or processing undertaken by a person on goods belonging to another **registered** person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons **other than those registered** under the CGST Act.

Job Work Vs Repair & Maintenance

- Repairs & maintenance and job work are two different concepts under GST. The intention of the principal along with the activity will define whether it is repair to such goods, or to undertake any 'process or treatment' on such goods. It is pertinent to note that Repairs & maintenance do not change the nature of the goods whereas Job work may result in a change of nature of the goods. Repairs & maintenance falls under HSN code 9987, whereas job work falls under HSN code 9988 which also indicates that there is a difference between the two. For difference between repairs & job work services one may refer to West Bengal AAR M/s. Bhanuka enterprises (No. 47/WBAAR/2018-19 dated 26/03/2019).

The value of the job work charges for registration:

- **Where Principal is registered:**

As per explanation (ii) to section 22 of CGST Act, 2017, the value of the goods supplied by the principal is not supposed to be included in the aggregate turnover of the registered job worker. From this inference can be made that as the liability to discharge tax under Section 143 would lie on the principal, the job worker would not include the same in his value for the purpose of calculating the threshold limits.

- **Where Principal is unregistered:**

An unregistered job-worker receives goods from an unregistered principal then this benefit will not be available to him and value of the supply of goods of unregistered principal, after completion of job work, by the job-worker shall be treated as the supply of goods by him and the value of such goods shall be included in the aggregate turnover of the job worker.

REGISTRATION

- The job worker shall be liable to be registered under GST in the State / Union territory, from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds Rs. 20 lakh/ Rs. 10 lakh in special category States.
- As per Section 24(i) of the CGST Act, 2017, compulsory registration is required in case of making inter-state taxable supply irrespective of threshold limit. However vide Notification No. 10/2017 - Integrated Tax dated 13/10/2017, exemption from mandatory registration was granted in case of supply of services

- Consequence of both above is that a job worker 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 States.

Whether procedure prescribed u/s 143 is mandatory?

The registered person (principal) is not obligated to follow the said provisions. It is his choice whether or not to avail of the benefit of these special provisions.

- **Benefit of Section 143**

The principal is allowed to 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 under the cover of delivery challan.

Whether Semi-finished goods can be sent without payment of tax?

Where certain process is carried out on the input before removal of the same to the job worker, such product after carrying out the process to be referred as the intermediate product. As per the explanation provided in section 143 of the CGST Act, 2017, Such intermediate product can also be removed without the payment of tax. Therefore, both input and intermediate product can be cleared without payment of duty to job worker.

- **Filing of GSTITC-04**

- 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.
- The form is not required to be filed for the period July 2017 to March 2019. (Ref Notification 38/2019 CT dated August 31, 2019).
- the Form GST ITC-04 for the period April 2019 to June 2019 shall be filed with document-wise details of opening balance of goods available with the Job worker.
- Recommendation of 45th GST Council Meeting is implemented vide Notification No. 35/2021 – Central Tax dated 24/09/2021 by providing relaxation in requirements of filing this form w.e.f. 01.10.2021. Taxpayers Whose annual aggregate turnover in the preceding financial year is up to Rs. 5 crore will file this form annually and where turnover exceeds Rs. 5 crores it will be six monthly.

Procedure for sending the goods under different situations:

- *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* – A fresh challan is required to be issued by the job worker.

EWay bill:

- Generation of e way bill for intra state movement by motorized vehicle in State of Maharashtra is compulsory where consignment value is above Rs. 100000/= whereas for interstate movement limit is Rs. 50000/=.
- Generation of e way bill is optional where consignment value is up to threshold limit.

However, It is mandatory to generate E way bill where goods are sent by a principal located in one state to a Job worker located in any other state irrespective of value of consignment (Ref third proviso to Rule 138 of the CGST Rules, 2017).

- *What value is to be provided in the E-way bill while returning goods from job worker after completion of job work?*
 - The consignment value will be transaction value determined u/s 15 of CGST Act, the transaction value includes the job work charges, therefore the consignment will be the value of goods + job work charges (including taxes).

ITC related:

- **Where goods are sent from place of Principal**

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.

- **Where goods are directly sent by Supplier of Principal to job worker**

As per Sections 19(2) (Inputs) and 19(5) (Capital Goods) 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.

- **Goods lost/ destroyed at job worker place**

Where goods are sent to job worker and same are lost/destroyed due to some unavoidable circumstances, goods will not be returned by the job worker. In such eventualities section 17(5) (h) will be applicable and the principal will be required to reverse the credit on inputs or capital goods, and it will not be treated as deemed supply. Other view expressed in this is that since goods will not be returned back by Job worker within time limit provided in Section 143(1)(a) of The CGST Act, 2017 hence it will be deemed supply as per section 19(3) of the CGST Act, 2017.

- **Deemed supply**

In case goods are not returned in prescribed period and treated as deemed supply as per section 19(3) and the principal has to issue invoice and declare such supplies in his return for that particular month in which the time period of one year / three years has expired. **The date of supply** shall be the date on which such inputs or capital goods were initially sent to the job worker. Since **date of invoice** will be of current period, the job worker is eligible to avail the credit of the same. As per second proviso to section 16(2) of the CGST Act, 2017 the job worker has to pay the said amount to the principal. The same may be done by way of making payment in cash or returning the said goods as supply of the job worker. For this, the job worker has to raise his own tax invoice stating principal as buyer.

- **Job worker using his own material**

It is clarified in Circular number 38/12/2018 dated 26/03/2018 that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work and can claim ITC on such goods.

Procedure to be followed, conditions and restrictions

- Inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a delivery challan issued by the principal.
- Delivery challan is required even if such inputs / capital goods are sent directly to a job-worker.
- The delivery challan shall be prepared in triplicate, in the following manner
 - (a) The original copy marked as ORIGINAL FOR CONSIGNEE;
 - (b) The duplicate copy marked as DUPLICATE FOR TRANSPORTER; and
 - (c) The triplicate copy marked as TRIPLICATE FOR CONSIGNER.

For further contents of delivery challan one may refer to Rule 55 of The CGST Rules, 2017.

- The details of following challans issued during a specified period shall be furnished in FORM GST ITC-04, on or before the 25th day of the month succeeding the said quarter and will be treated as intimation. Details required to be furnished by the principal are:-
 - (i) Goods dispatched to a job worker, and
 - (ii) Goods received from a job worker, or
 - (iii) Goods sent from one job worker to another, or
 - (iv) Goods directly supplied from the premises of job worker
- Details of delivery challan generated by the principal for the job work are also required to be furnished in Form GSTR-1 (Return of outward supplies).

Procedure when goods are directly sent to Job worker from Supplier or from custom station

- The goods can be send from the place of business of the supplier to the place of business 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 will be mentioned as the consignee (ref rule 46(o) of the CGST Rules, 2017). The principal shall issue the challan 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 can be moved from the customs station of import to the place of business of the job worker with a copy of the Bill of Entry and the principal shall issue the challan.

Time limit for receiving back goods sent for Job work:

- **Inputs/Semi-finished goods/ capital goods**

- The Inputs/ semi-finished goods sent for Job work must be received back within 1 year of goods being sent out. However Inputs after job work activities can be received back at **any of the place of business of the principal.**
- In case the inputs are sent directly to a job worker, the 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 1 year.

Such time limit for capital goods is 3 years.

- The period of 1 year for Inputs/semi-finished goods and 3 years for capital goods shall, on sufficient cause being shown, be extended by Commissioner for a further period of 1 year/ 2 years respectively.

Consequences if Inputs/ Semi-finished goods / capital goods are not received back within time limit

- If the inputs / semi-finished or capital goods are not received back within time limit as mentioned herein above 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.
- Value of such deemed supply will be the value declared in the challan by the principal while sending the goods to job worker i.e., without including cost of transportation and job work charges.

- **Moulds and dies, jigs and fixtures, or tools**

- The principal can send moulds and dies, jigs and fixtures, or tools for job work purpose without payment of GST and the above time limit of 1 year / 3 years for receiving back the goods will not apply to moulds and dies, jigs and fixtures, or tools.
- 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. (One may Refer Circular 47/21/2018 dated 08/06/2018)

Dispatching of goods directly from Job Worker premises

- After the completion of job work, such goods can be directly supplied from the place of the job worker to the customer only if either the job worker is registered or the job worker is not registered but his place of business is declared as additional place of business by the principal. Such supply will be treated as the supply of goods by the principal and the value of such goods will not be included in the aggregate turnover of the registered job worker.

Waste and Scrap

- **In case where Job Worker is registered**

It can be supplied by the job worker directly from his place of business, on payment of GST on the said waste / scrap.

- **In case where Job Worker is unregistered**

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 the job worker under his invoice on payment of tax.

Reference material for Job work:

- **Sections:**Section 2(68) (Definition) / Section 22 (Registration) / Section 141 (Transitional provision) / Section 143 (Job work procedure) / Section 19 (ITC) of THE CENTRAL GOODS AND SERVICES TAX ACT, 2017
- **Rules :**Rule 45(Conditions and restrictions) / Rule 55 (Delivery challan) / Rule 138 (E Way Bill) of The Central Goods and Services Tax (CGST) Rules, 2017
- **Forms :**Form GST ITC 04 / Form GST Tran 1 / Form GST EWB 01
- **Circulars:**Circular No. 19/19/2017 dated 20th November 2017, Circular number 38/12/2018 dated 26/03/2018, Circular No.52/26/2018-GST-dated 9th August, 2018, Circular No. 88/07/2019-GST-dated 1st February, 2019, Circular No. 126/45/2019 dated 22/11/2019
- **Notifications:CGST:**Notification No. 32/2019 -Central Tax dated 28th June, 2019, Notification No. 38/2019 - Central Tax dated 31st August, 2019, Notification No. 35/2021 - Central Tax dated 24/09/2021, Notification No. 87/2020 - Central Tax dated 10th November, 2020.

Notifications:INTEGRATED:Notification No. 10/2017 – Integrated Tax dated October 13, 2017,

Notification No 02/2019-Integrated Tax dated 29th January, 2019

- **Rate Notifications : Rate notifications of IGST - Entry No.26 of Notification No. 8/2017- Integrated Tax (Rate) dated June 28, 2017 read with Notification No. 20/2017-Central Tax (Rate) dated August 22, 2017,Notification No. 39/2017- Integrated Tax (Rate) dated October 13, 2017,Notification No. 48/2017- Integrated Tax (Rate) dated November 14, 2017,Notification No. 1/2018- Integrated Tax (Rate) dated January 25, 2018, Notification No. 19/2019 – Integrated Tax (Rate) dated 30.09.2019, Notification No. 25/2019 – Integrated Tax (Rate) dated 22.11.2019, Notification No. 06/2021- Integrated Tax (Rate), the 30th September, 2021.**

Rate notifications of CGST- Entry No.26 of Notification No. 11/2017-Central Tax (Rate) dated June 28,2017 read with Notification No. 20/2017-Central Tax (Rate) dated August 22, 2017,Notification No. 31/2017-Central Tax (Rate) dated October 13, 2017, Notification No. 46/2017-Central Tax (Rate) dated November 14, 2017and Notification No. 1/2018-Central Tax (Rate) dated January 25, 2018, Notification No. 20/2019 – Central Tax (Rate) dated 30.09.2019, Notification No. 26/2019 – Central Tax (Rate) dt 22.11.2019,Notification No. 06 /2021- Central Tax (Rate), the 30th September, 2021.

