

Clarification on issues related to Job Work

A GST Perspective

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Introduction and Main Issues

A large number of industries are dependent on outside support for completing their manufacturing activities. The activity undertaken by small industries to complete the process on raw material/semi-finished goods as desired by the principal manufacturer is known as "Job Work". It has various nomenclatures - "job work" or "sub-contracting" in engineering industry; "processing" in chemical or textile industry and "a loan licensee" in the pharmaceutical industry.

The person who is treating or processing the goods belonging to other person is called 'job worker' and the person to whom the goods belong to is called as 'principal'.

This definition is wider than the one given in Notification No. 214/86 – CE dated 23rd March, 1986. In the said notification, job work has been defined in a manner to ensure that the job work amounts to manufacture.

The person sending the goods out for job work (i.e., Principal), must be a registered person under GST. The job worker may or may not be a registered person. If the job work is carried on the goods belonging to unregistered person, it cannot be termed as Job Work under the CGST Act, 2017.

This article is aimed at providing an insight to how the job work procedure is to be managed and complied with, as per the laws and statutory requirements.

With respect to the legal requirements, various issues have been raised on the following aspects:

1. Scope / ambit of job work;
2. Requirement of registration for a principal / job worker;
3. Supply of goods by the principal from the job worker's place of business / premises;
4. Movement of goods from the principal to the job worker and the documents and intimation required thereof;
5. Liability to issue invoice, determination of place of supply and payment of GST; and
6. Availability of input tax credit to the principal and the job worker.

Scope and Procedure of Job Work

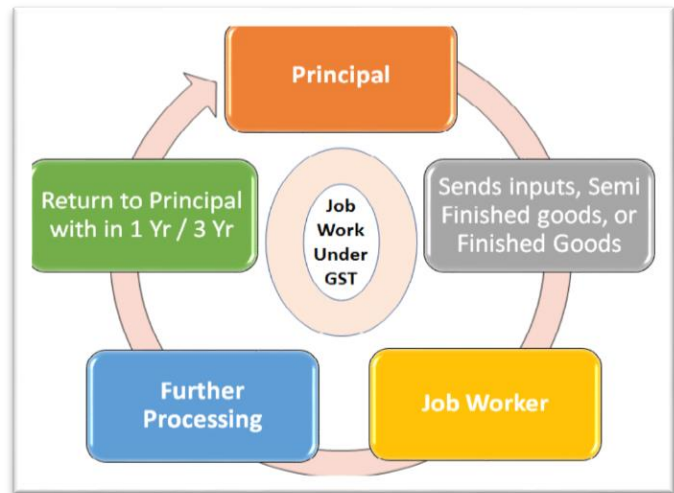
Under the Job work Procedure, the Principal sends the Inputs or Semi Finished Goods or even finished goods to the job worker, **without payment of tax**, for processing or any other work to be done. The main point here is that those goods should be returned to the principal within the time limits specified. i.e.:

- 1 year – if the goods are inputs
- 3 years – if the goods are capital goods.

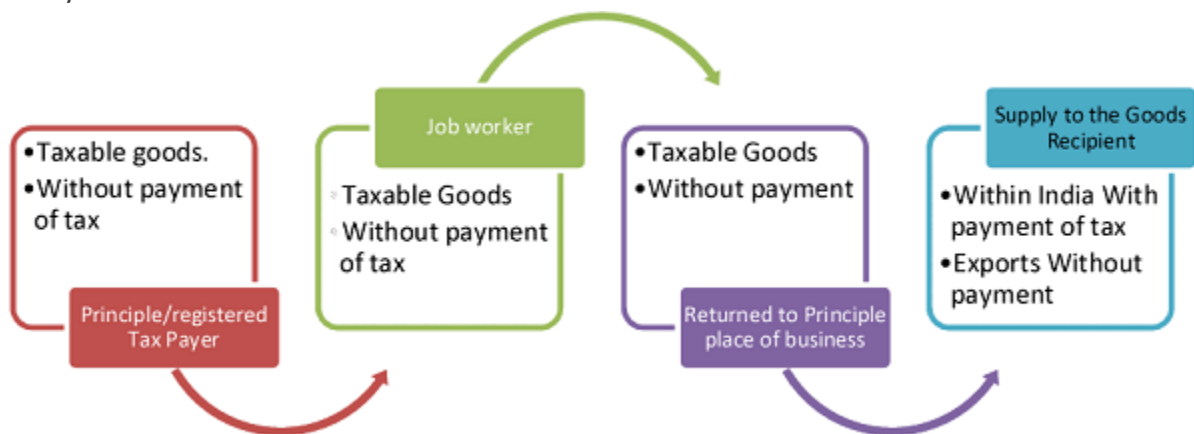
Moreover, the Job worker can then send the goods to another Job Worker for further processing and so on.

What is to be noted is that the goods should be either:

- Sent back to the Principal, or
- Supplied to another registered person (domestic sales or Exported out of India), *upon payment of GST*;



within the time limits as specified above. Note that the time limits of 1 year and 3 years shall start when the goods are first sent to the first job worker and shall apply till the goods are finally received back or sold.



Registration Requirements

Generally the provisions of Section 22 of the CGST Act, 2017 apply for registration, i.e. if the turnover in a year of any person exceeds Rs. 20 Lakhs, the person needs to get a registration under the GST Laws. The provisions for Job Workers and the Principals are provided as follows:

- **Principal Manufacturer:** If the Turnover in a year exceeds Rs. 20 Lakhs*
- **Job Worker:** if the Turnover of Services provided exceeds Rs. 20 Lakhs*.

**(10 Lakhs in case of special category States except Jammu & Kashmir)*

What is to be noted is that even if the Job Worker is providing interstate services, the exemption from compulsory registration has been provided vide notification No. 10/2017 – Integrated Tax dated 13.10.2017.

Therefore, it is clarified 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.

Direct Supply from the Job Worker's Place of Business

Doubts have been raised as to whether the principal can supply goods directly from the job worker's place of business / premises to its end customer and if yes, whether the supply will be regarded as having been made by the principal or by the job worker. 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 worker as specified in section 143(1)(a) of the CGST Act.

- Goods should be cleared on the **Sale invoice of the Principal Manufacturer**.
- The sale shall be considered as the sale of the Principal Manufacturer.
- The sale should be concluded within **the 1 year (inputs) and 3 Years (Capital Goods)**.
- If the sale is not concluded within the specified period, then the principal manufacturer will have to **pay the tax along with interest** as mentioned in the Delivery Challan.
- The Principal Manufacturer should declare **the Place of Job Worker as Additional Place of Business**, *(except when the Job Worker is registered voluntarily u/s 25)*

Documentation and Returns

Documents to be maintained for Goods Sent on Job Work:

1. For transportation of goods for job work, a '**Delivery Challan**' shall be issued by principal/consignor instead of tax invoice which should be in triplicate.

The challan issued to job worker shall contain the following details as mentioned in Rule 55 of the Central Goods and Services Tax Rules, 2017:

1. date and number of the delivery challan;
2. name, address and GSTIN of the consigner and consignee, if registered;
3. HSN Code and description of goods;
4. quantity;
5. taxable value;
6. tax rate and tax amount;
7. place of supply, in case of inter-State movement; and
8. signature.

The format of the delivery challan has been given at the end of the article.

2. **E-Waybills:** Applicable from 1st April, 2018, (unless Govt. specifies otherwise). E-waybills are mandatory for every consignment of goods sent to Job Worker. Note that the monetary limit on the value of consignment (Rs. 50,000) does not apply in this case. **All the consignments for Job Workers have to be accompanied by an E-Waybill mandatorily.**

Returns to be filed wrt Goods Sent on Job Work:

The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a **quarter** shall be included in **FORM GST ITC-04** furnished for that period **on or before the twenty-fifth day of the month succeeding the said quarter.**

Note: *Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.*

Related Sections/Provisions in the GST Law

1. Section 2(68) of CGST Act, 2017 – Definition of Job Work

"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.

2. Section 22 of CGST Act, 2017 – Persons Liable for Registration

(1) Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees:

Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees.

(2) Every person who, on the day immediately preceding the appointed day, is registered or holds a license under an existing law, shall be liable to be registered under this Act with effect from the appointed day.

(3) Where a business carried on by a taxable person registered under this Act is transferred, whether on account of succession or otherwise, to another person as a going concern, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession.

(4) Notwithstanding anything contained in sub-sections (1) and (3), in a case of transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, demerger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal.

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Explanation.— For the purposes of this section,—

- (i) the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals;
- (ii) the supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in section 143, and the value of such goods shall not be included in the aggregate turnover of the registered job worker;
- (iii) the expression "special category States" shall mean the States as specified in sub-clause (g) of clause (4) of article 279A of the Constitution¹ 2 [except the State of Jammu and Kashmir].

3. Section 143 of the CGST Act, 2017 – Job Work Procedure

1. A registered person (hereafter in this section referred to as the "principal") may under intimation and subject to such conditions as may be prescribed, 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, and shall,—

- (a) bring back inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, within one year and three years, respectively, of their being sent out, to any of his place of business, without payment of tax;
- (b) supply such inputs, after completion of job work or otherwise, or capital goods, other than moulds and dies, jigs and fixtures, or tools, within one year and three years, respectively, of their being sent out from the place of business of a job worker on payment of tax within India, or with or without payment of tax for export, as the case may be:

Provided that the principal shall not supply the goods from the place of business of a job worker in accordance with the provisions of this clause unless the said principal declares the place of business of the job worker as his additional place of business except in a case—

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- (i) where the job worker is registered under section 25; or
- (ii) where the principal is engaged in the supply of such goods as may be notified by the Commissioner.

2. The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

3. Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

4. Where the capital goods, other than moulds and dies, jigs and fixtures, or tools, sent for job work are not received back by the principal in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of three years of their being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out.

5. Notwithstanding anything contained in sub-sections (1) and (2), 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.

Explanation.—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.