

Job Work Provisions under GST

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Job work

"Job work" means undertaking **any treatment or process** by a person **on goods belonging to another registered person** and the expression "job worker" shall be construed accordingly - section 2(68) of CGST Act.

GST Law makes elaborate provisions relating to job work.

Section 143 of CGST Act makes provisions for special procedure for removal of goods for job work without payment of tax.

Section 19 of CGST Act make provisions relating to taking input tax credit in respect of inputs sent for job work.

Transitory provisions -

Section 141 of CGST Act make provisions in respect of inputs, semi finished goods and finished goods which were removed for job work before 1-7-2017 (i.e. introduction of GST) and returned after 1-7-2017.

Principal with reference to job work

Person sending goods for job work is termed as '**Principal**'. He should be a **registered person**.

The term 'principal' used with reference to job work is different from the term 'principal' as defined in section 2(88) of IGST Act.

'Principal' for purpose of job work provisions means a **registered person who sends any inputs and/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** - section 143(1) of CGST Act and explanation to section 19(7) of CGST Act.

In case of job work, value of material will be included in aggregate turnover of principal for considering exemption available to small persons

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 - ***Explanation (i) to section 22 of CGST Act.***

Thus, in case of job work, value of material will be included in aggregate turnover of principal for considering exemption available to small persons (having turnover of 20/10 lakhs) and ***not*** in turnover of job worker.

Can Job Worker opt for Composition Scheme under GST ?

Who is 'manufacturer' :

"Manufacture" means **processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use** and the term "manufacturer" shall be construed accordingly - section 2(72) of CGST Act.

Thus **simple activities like packing, re-packing, labelling, testing, repairs, mixing etc. will not qualify as 'manufacture'**.

Schedule II, Central Goods And Services Tax Act, 2017

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

3. Treatment or process

Any treatment or process which is applied to another person's goods is a **supply of services**.

What if Goods belong to Unregistered Person ?

If Goods belong to **Registered Person : Job Work as per Sec. 2(68)**

If Goods belong to **Unregistered Person : Supply of Service as per Schedule II Point 3**

Here, No benefit of Job Work Procedure u/s 143, It will be treated as Supply under GST

Principal Supplier

Job Worker

Unregistered



Unregistered

Unregistered



Registered

What will be the Value of Supply and GST Implication

If Related Person as per Section 15

While sending goods back from Job Worker to Principal Supplier : Supply of Service as per Schedule II Point 3

Special procedure for removal of inputs or capital goods for job work (Sec 143)

A registered person (hereinafter referred to in this section as the "principal") **may, under intimation** and **subject to such conditions** as may be prescribed, send any inputs and/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 - section 143(1) of CGST Act.

Intermediate product can be sent for job work - For the purpose 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 - explanation to section 143 of CGST Act.

The inputs/capital goods can be sent to job worker from place of business of principal. These can also be sent directly from the place of supplier of those inputs and capital goods, without bringing them at the place of business of principal - section 19 of CGST Act.

Which goods can be sent for job work

Inputs and capital goods can be sent for job work.

'Moulds and dies, jigs and fixtures, or tools' can also be sent for which separate provisions have been made.

Bringing back goods after job work

The 'principal' should bring back inputs, after completion of job-work or otherwise, and/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 - section 143(1)(a) of CGST Act.

There is no time limit for bringing back moulds and dies, jigs and fixtures, or tools.

The term 'bring back' in this sub-section is not correct as the goods after job work can be brought to any of the place of business of 'principal'.

Direct dispatch from place of job worker

After job work, the finished goods (inputs after job work or capital goods) **can be sent directly from place of job worker**, instead of bringing them back to place of business of 'principal'. If such supply is in India, GST is payable. Such goods can also be exported directly from place of job worker, either on payment of GST or without payment of GST - section 143(1)(b) CGST Act.

The goods shall **not be permitted** to be supplied from the place of business of a job worker in terms of clause (b) **unless the "principal" declares the place of business of the job-worker as his additional place of business**

except in a case –

- (i) where the **job worker is registered under section 25** of CGST Act; or
- (ii) where the **"principal" is engaged in the supply of such goods as may be notified** by the Commissioner in this behalf - proviso to section 143(1) of CGST Act.

If job worker is registered under GST, then the 'principal' is not required to declare the place of job worker as additional place of business.

Responsibility of tax and goods is of Principal

The **responsibility for accountability of the goods including payment of tax** thereon shall **lie with the "principal"** - section 143(2) of CGST Act.

If inputs or capital goods are not returned within one/three years

If inputs or capital goods are not received back by 'principal' within one/three years. **GST shall be payable as if the inputs/capital goods were supplied by the principal to job worker on the day when the inputs/capital goods were sent out** - sections 143(3) and 143(4) of CGST Act.

If inputs or capital goods are directly sent to place of job worker, the period of **one/three years will be counted from date of receipt of inputs/capital goods by the job worker** - proviso to sections 19(3) and proviso to 19(6) of CGST Act.

The meaning of 'on the day when the inputs/capital goods were sent out' can mean that **(a) GST rate as applicable on the day when they are sent out will be relevant (b) Interest for one/three years will be payable.**

Special provisions relating to moulds and dies, jigs and fixtures, or tools

The provision of returning goods within one/three years is not applicable to moulds and dies, jigs and fixtures, or tools. These may be retained at place of job worker.- section 19(7) of CGST Act.

Thus, the job worker can sale them as scrap on payment of GST if he is registered. If he is not registered, GST can be paid by 'principal' on such scrap.

Clearance of waste and scrap arising during job work

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 - section 143(5) of CGST Act.

Input Tax Credit of inputs and capital goods sent for job work

The "principal" shall, subject to such conditions and restrictions as may be prescribed, be entitled to take credit of input tax on inputs and capital goods sent to a job-worker for job-work - sections 19(1) and 19(4) of CGST Act.

The "principal" shall be entitled to take credit of input tax on inputs even if the inputs or capital goods are directly sent to a job worker for job-work without their being first brought to his place of business - sections 19(2) and 19(5) of CGST Act.

Rule 45 : Procedure to be followed in respect of inputs and capital goods sent to the job worker

The inputs or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where the inputs or capital goods are sent directly to job- worker - Rule 45(1) of CGST and SGST Rules, 2017.

The challan issued by the principal to the job worker shall contain the details specified in Rule 55 of CGST Rules - Rule 45(2) of CGST and SGST Rules, 2017.

Quarterly return of material sent for job work - The details of challans in respect of goods dispatched to a job worker or received from a job worker during a quarter shall be included in form GST ITC-04 furnished for the quarter - Rule 45(3) of CGST and SGST Rules, 2017.

Payment of tax with interest if inputs or capital goods are not returned within 1/3 years - If inputs or capital goods are not returned within period prescribed in section 143 (one or three years), the supply shall be declared in form GSTR-1. Tax with applicable interest shall be paid - Rule 45(4) of CGST and SGST Rules, 2017.

Rule 55 :

Delivery challan for sending goods for job work

For transportation of goods for job work, a delivery challan may be issued by consigner instead of tax invoice - rule 8(1) of Invoice Rules.

The **delivery challan, serially numbered should be issued** at the time of removal of goods for transportation, **containing following details** (i) date and number of the delivery challan (ii) name, address and GSTIN of the consigner, if registered (iii) name, address and GSTIN or UIN of the consignee, if registered (iv) HSN code and description of goods (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.

Delivery challan to be in triplicate - The delivery challan shall be prepared in triplicate, in case of supply of goods, with following marking - (a) the original copy being marked as ORIGINAL FOR CONSIGNEE (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER - rule 7(3) of Invoice Rules.

Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared in FORM [WAYBILL] - rule 7(3) of Invoice Rules [seems to be some mistake].

What if Job Worker uses some consumables/ material in job work

SUPREME COURT OF INDIA, Prestige Engineering (India) Ltd.v. Collector of Central Excise, Meerut* SEPTEMBER 14, 1994

But In GST :

Schedule II, Central Goods And Services Tax Act, 2017 Point 3. Treatment or process :Any treatment or process which is applied to another person's goods is a **supply of services**.

Sec 2(30) "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Sec 8(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply

Govt. exempts job workers from obtaining GST registration for making inter-State supplies

NOTIFICATION NO.7/2017-INTEGRATED TAX, DATED 14-9-2017

In exercise of the powers conferred by section 20 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) read with sub-section (2) of section 23 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the "said Act"), the Central Government, on the recommendations of the Council, hereby specifies the job workers engaged in making inter-State supply of services to a registered person as the category of persons exempted from obtaining registration under the said Act:

Provided that nothing contained in this notification shall apply to a job-worker –

(a) who is liable to be registered under sub-section (1) of section 22 or who opts to take registration voluntarily under sub-section (3) of section 25 of the said Act; or

(b) who is involved in making supply of services in relation to the goods mentioned against serial number 151 in the Annexure to rule 138 of the Central Goods and Services Tax Rules, 2017.

Transitory provisions in respect of goods sent to job worker or for testing prior to 30-6-2017

A taxable person might have sent Inputs, semi finished goods and finished goods outside before 1-7-2017 for job work or testing. **If these are received back before 31-12-2017, GST will not be payable** - section 141(1), (2) and (3) of CGST Act and section 141 of SGST Act.

If such inputs are not returned within six months, input tax credit taken on 1-7-2017 is required to be reversed as per Sec 142(8)(a) - *proviso* to section 141(1), (2) and (3) of CGST and SGST Act.

Instead of returning the goods to place of Principal, the person who had despatched the goods can transfer the goods to his premises and supply from that place on payment of tax or he can export the finished goods without payment of tax - third *proviso* to section 141 (2) of CGST and SGST Act.

Both the registered person who has despatched the goods as well as the job worker are required to file details of stock with them as on 1-7-2017 in form GST TRAN-1 - section 141(4) of CGST and SGST Act.

Sec 142(8) (a) Where in pursuance of an assessment or adjudication proceedings instituted, whether before, on or after the appointed day, under the existing law, any amount of tax, interest, fine or penalty becomes recoverable from the person, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under this Act and the amount so recovered shall not be admissible as input tax credit under this Act;

Job Work SAC

Service classification for manufacturing services on physical inputs (goods) owned by others (job work) is 9988.

The general GST rate is 18% [9% CGST and 9% SGST) or 18% IGST.

Concessional rate for certain job work

In case of job work relating to printing, textile jewellery and hides and skins, the GST rate is 5% [2.5% CGST and 2.5% SGST) or 5% IGST.

The detailed coverage under this provision is as follows [Notification No. 11/2017-CT (Rate) and No. 8/2017-IT (Rate) both dated 28-6-2017, effective from 1-7-2017].

Services by way of job work ***in relation to-***

- (a) Printing of newspapers;
- (b) Textile yarns (other than of man-made fibres) and textile fabrics;
- (c) Cut and polished diamonds; precious and semi-precious stones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);
- (d) Printing of books (including Braille books), journals and periodicals;
- (e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

Job work services in respect of the textiles and textile products
(including MMF yarn, garments, made-ups, etc. falling in Chapters 50 to
63) : 5%

Coverage of the term 'job work in relation to textile fabrics'

The term 'job work in relation to textile fabrics' is very broad as the words used are 'in relation to'.

It is well settled that this term as broad meaning (see case law below). Hence, in my view, even stitching of garments will get covered in this definition and GST rate should be 5%.

The expression 'in relation to' (so also 'pertaining to') is a very broad expression, which pre-supposes another subject matter. These are words of comprehension which might both have a direct significance as well as an indirect significance depending on the context. - - 'Relating to' is equivalent to or synonymous with as to 'concerning with' and 'pertaining to'. The expression 'pertaining to' is an expression of expansion and not of contraction - *Doypack Systems P Ltd. v. UOI* (1988) 2 SCR 962 = [1988] 2 SCC 299 = (1989) 65 Comp Cas 1 = 1988 (36) ELT 201 (SC) = AIR 1988 SC 782 * *Tamil Nadu Kalyana Mandapam Association v. UOI* 2004 (167) ELT 3 = 4 STT 308 = 267 ITR 9 = 136 Taxman 596 = 135 STC 480 (SC) *CCE v. Solaris Chemtech* (2007) 7 SCC 347 = 9 STT 412 = 214 ELT 481 (SC) * *Mansukhlal Dhanraj Jain v. Eknath Vithal Ogale* (1995) 2 SCC 665.

Thank You !

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