

OSC KNOWLEDGE ARTICLE

PROCEDURAL ASPECTS OF JOB WORK UNDER GST REGIME

INTRODUCTION:

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**'. The ownership of the goods does not transfer to the job worker but it rests with the principal. The job worker is required to carry out the process specified by the principal, on the goods.

In other words, Job work means processing or working on raw materials or semi-finished goods supplied by the **principal manufacturer** to the **job worker**. This is to complete a part or whole of the process which results in the manufacture or finishing of an article or any other essential operation.

In order to meet the several demands of the markets the manufacturing industry usually outsources part or whole of manufacturing process to another person namely job worker for the addition of the value of goods (such as designing, coating on circuits, testing of the product etc) and after the process is completed such goods would be returned back/sold directly to customers of principal. The process involved is termed as 'job work process'. Job work can be under taken by person for conversion of raw materials into finished goods, including re-work, testing and its report etc.

Note: Value of goods sent by the principal will not be included in the aggregate turnover of the registered job worker.

BASIC FACTS:

1. As per Para 3 of Schedule II of Act, Job worker activity is a purely a supply of Service.
2. In addition to the goods received from the principal, job worker **can use his own goods for providing the services of job work**. In case if job worker uses its own material along with the goods sent by the principal, the activity could be still considered as job work and the price of such goods are included in job work invoice under supply of service.

As per section 8, 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. Therefore, only addition of few materials by job worker would not detract from treating as job work.

3. Job worker takes Job work charges for this service.
4. Job work is out of the purview of GST if Principal complies the provisions of Section 143 i.e. give proper intimation in form GST ITC-04 and bring back the inputs or capital goods within the stipulated time period. However, in case of breach of any one, **such goods will be treated as supply from the effective date and tax will be payable by the principal**.
5. **Goods can be sent to job worker:**
 - (i) From principal's place of business
 - (ii) Directly from the place of supply of the supplier of such goods

RELATED PROCEDURAL ASPECTS:

➤ Effective Date:

Effective date for goods sent depends on place of business:

- (i) Sent from principal's place of business- Date of goods sent out
- (ii) send directly from the place of supply of the supplier of such goods- Date of receipt by job worker

Effective date is important because it will help to determine the point of taxation if the goods are not returned back within the specified time.

➤ Input Tax Credit:

The principal manufacturer will be allowed to take ITC on the purchase of goods which is further sent on job work provided conditions of section 143 is satisfied. These are:

1. **The goods sent must be received back by the principal manufacture within the following period:**

- (i) For capital Goods- within 3 years which may be further extended to 2 years.
- (ii) For input Goods- within 1 year which may be further extended to 1 years.

The extension in the above case is with prior permission of Commissioner.

2. **The principal should give quarterly intimation in form GST ITC-04 within 25 days from the end of the quarter about the details of inputs or capital goods send, without payment of tax, to a job worker for job work and from there subsequently send to another job worker and likewise.**

3. As per Rule 45 of CGST Rules, the principal requires to issue 3 copies Job Work Challan at the time of sending the inputs or capital goods for job work. This challan is totally different from Tax Invoice.

As per Section 19 of the CGST Act, ITC is safe if goods are sent in compliance of section 143.

4. **As per Section 12(2) of IGST Act, 2017, the place of supply shall be the location of a person to whom the services are provided i.e. the recipient.**

➤ **E-WAY BILL:**

As per Rule 138 of CGST Rules, 2017, where goods are sent by a principal located in one State to a job worker located in any other State i.e. inter-state, the e-way bill shall be generated by the principal irrespective of the value of the consignment. However, in case of Intra-state job work movement, e-way bill is as per respective state laws.

➤ **Registration:**

Principal is always a registered person under GST. However, as per section 22 and 23(2) of the CGST Act, 2017, the job worker, who is a supplier of service, may be registered or unregistered depending upon threshold limit of 20 Lakhs (10 Lakhs in the state of Nagaland, Manipur, Mizoram and Tripura).

➤ **Further action of final goods:**

After completion of process by job worker, principal has following options:

- (i) Further send goods to another job worker for further process, or
- (ii) Bring back processed goods within time limit and supply them to the customers on payment or non-payment of GST as the case may be, or
- (iii) Supply to the customers directly from the job worker's place on payment of applicable GST.

➤ **Cases where sale of final goods directly from job work's premises:**

(a) Principal has to declare the premises of such job-worker as his additional place of business.

However, if principal and job worker are of different states than provision of addition place of business is not applicable because GST is state wise registration. In this case the job worker may take voluntary registration of GST on which GST is borne by principal.

(b) The goods can be supplied directly from job-worker's premise without declaring it as additional place of business in two circumstance if:

- (i) Job worker is a registered taxable person
- (ii) Principal is engaged in supply of such goods as may be notified by Commissioner.

➤ **Challan:**

The provisions of challan are as follows:

- (i) All goods sent for job work must be accompanied by a challan.
- (ii) The challan will be issued by the principal.
- (iii) It will be issued even for the inputs or capital goods sent directly to the job-worker.
- (iv) The details of challans must be shown in FORM GSTR-1.
- (v) Details of challans must also be filed through Form GST ITC – 04.

The challan issued must include the following particulars:

- (i) Date and number of the delivery challan
- (ii) Name, address and GSTIN of the consigner and consignee
- (iii) HSN code, description and quantity of goods
- (iv) Taxable value, tax rate, tax amount- CGST, SGST, IGST, UTGST separately
- (v) Place of supply and signature

➤ **FORM ITC-04**

FORM GST ITC-04 must be submitted by the principal every quarter. It must include the details of challans in respect of the following-

- ❖ Goods dispatched to a job worker or
- ❖ Received from a job worker or
- ❖ Sent from one job worker to another

It must be furnished on or before 25th day of the month succeeding the quarter. For example, for Oct-Dec quarter, the due date is 25th Jan.

➤ **Violation:**

If provisions of section 143 violates, then-

- (i) Goods sent for job work is treated as supply of goods from effective date.
- (ii) Principal shall raise Tax Invoice under section 31.
- (iii) Principal shall declare these supplies in Form GSTR 1
- (iv) Principal liable to pay GST with interest @ 18% under section 50.

➤ **Documentation:**

Section 143 mandates the principal to maintain the records of the goods sent, received, supplied from job worker's place. The inputs, semi-finished goods or capital goods is required to be sent to job worker for job work under the cover of a delivery challan which is issued by principal. Such delivery challan is required even in case where such goods are sent directly to a job worker.

➤ **Waste & Scraps:**

Job worker if registered can pay GST at the time of sell of waste and scraps. Otherwise principal shall pay GST.

CONCLUSION:

Undoubtedly job work is vital for our industry. It is very important to be aware of its legal compliance under GST regime to avoid unnecessary harassment and extra cost burden. Therefore, the principal has to ensure about the required documents and procedures while sending goods to the job worker and get back the processed goods within the stipulated time frame or comply with the procedures if he wants to supply directly from job worker premises.

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