

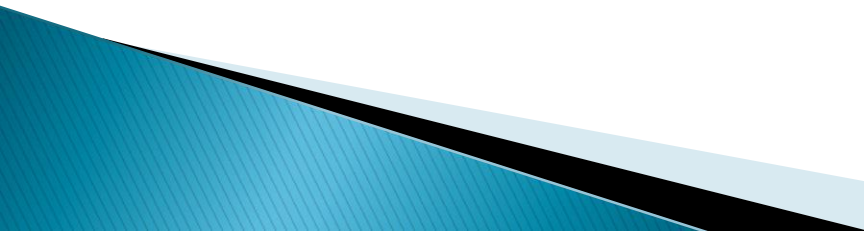
Topic- Job Work

Introduction

- ▶ Job work sector constitutes a significant industry in Indian economy. It includes outsourced activities that may or may not culminate into manufacture.
- ▶ **It is processing of goods supplied by the principal. Under job work, a principal manufacturer can send inputs or semi-finished goods to a job worker for further processing.**
- ▶ Many facilities, procedural concessions have been given to the job workers as well as the principal supplier who sends goods for job work. The whole idea is to make principal responsible for meeting compliances on behalf of the job worker on the goods processed by him (job worker), considering the fact that typically the job- workers are small persons who are unable to comply with the discrete provisions of the law.

The GST Act makes special provisions with regard to removal of goods for job-work and receiving back the goods after processing from the job worker without payment of GST. The benefit of these provisions shall be available both to the principal and the job worker.

Meaning of Job work

- ▶ 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.
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KeyPoints

- ▶ The ownership of the goods does not transfer to the job worker but it rests with the principal
- ▶ The goods or raw material are provided by Principal
- ▶ The person carrying a job work activity is known as job worker
- ▶ The job worker is required to perform the process on goods as per directions from Principal

Note: Job worker is different from Agent under GST.

Section 2(5), CGST Act, 2017 defines Agent as the person who are engaged in supply of goods or services / recipient of goods or services on the behalf of others that's say principal of such goods / services. Agent includes broker, commission agent, an auctioneer or other mercantile agent, by whatever name is called.

Section 143 Job Work Procedure

1. Sending of inputs and capital goods to job worker without payment of tax
2. Processing by job worker
3. Sending the processed goods back to the Principal within prescribed time or the processed goods. The processed goods may be supplied directly from the premises of job-worker subject to certain conditions

1. It involves sending of inputs and capital goods to Job worker who processes the same and sends it back to Principal within prescribed time. *A registered person (Principal) can send inputs/ capital goods under intimation and subject to certain conditions 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.*

Note:

a) The principal is not required to reverse the ITC availed on inputs or capital goods dispatched to job worker.

b) Principal can send inputs or capital goods directly to the job worker without bringing them to his premises and still the principal can avail the credit of tax paid on such inputs or capital goods.

c) Before supply of goods to the job worker, the Principal is required to intimate the Jurisdictional officer regarding the details of inputs to be sent and nature of processing to be carried out by the job worker including the details of job worker.

d) However, inputs and/or capital goods sent to a job worker are required to be returned to the principal within 1 year/ 3 years, respectively, from the date of sending such goods to the job worker. If this time limit is violated, then inputs or capital goods sent by Principal to job worker are treated as deemed supply from the day when inputs/ capital goods were sent for job work. Principal would be liable to pay tax alongwith the interest and declare such supply in his GSTR-1.

This time limit of one year and three years may be extended by the commissioner for a period not exceeding one year and two years in special circumstances.

Where inputs/ capital goods are directly received at job worker premises (without being brought to Principal premises), the period of one/ three years would be counted from the date of receipt of inputs and capital goods at the job workers' premises.

(1 year limit is applicable in case of inputs and three years limit is applicable in case of capital goods)

Further, 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.

2. After processing of goods, the job worker may clear the goods to-

- (i) Another job worker for further processing; [No GST payable]
- (ii) Dispatch the goods to any of the place of business of the principal without payment of tax; [No GST payable]
- (iii) Remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of conditions [GST payable by Principal]

When supply made by the Principal directly from the premises of Job-worker

This facility of supply of goods by principal to the third party directly from the premises of the job worker on payment of tax may be availed by the principal **on declaring premise of the job worker as his additional place of business in registration.** In case the job worker is a registered person under GST or in case of notified supplies even declaring the premises of the job worker as additional place of business is not required.

▶ **Important Note:**

For registration purpose, for computation of aggregate turnover keep in mind the following point–

The supply of goods after completion of job work, by a registered job worker shall be treated as supply of goods by the principal and value of such goods shall be included in the aggregate turnover of Principal.

Sec 143(2) Responsibility of keeping records and accounts of the inputs or capital goods sent to the job worker lies on the Principal.

ITC provisions on inputs and capital goods sent for job work

(Section 19, CGST Act, 2017)

- ▶ **Principal shall be entitled to take the credit of input tax paid on inputs and capital goods sent to the job– worker for the job work.**
- ▶ Further, the proviso also provides that the principal can take the credit even when the goods have been directly supplied to the job worker without bringing into the premise of the principal. The principal need not wait till the inputs/ capital goods are first brought to his place of business.

▶ **Waste clearing provisions Sec143 (5) of the CGST Act, 2017,**

Waste and scrap generated at the premises of the job worker may be supplied directly by the registered job worker from his place of business on payment of tax or such waste may be cleared by the principal, in case the job worker is not registered.

Extended meaning of input As per the explanation provided in section 143 of the CGST Act, 2017,

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. Such intermediate product is included within the meaning of “inputs” for the purpose of job work. Therefore, both input and intermediate product can be cleared without payment of duty to job worker.

GST registration requirement for Job workers

- ▶ A Job worker is required to obtain GST registration only in case his aggregate turnover in a particular financial year is beyond the threshold limit. This is irrespective of whether the principal and the job worker are situated in the same State or in different States.
- ▶ However, job worker involved in making supply of services in relation to jewellery, goldsmiths and silversmiths wares and other articles is required to obtain compulsory registration if he is engaged in inter-state supply of services.

Challans to be issued as per Rule 45

Conditions and Restrictions in respect of inputs and capital goods sent to job workers

- ▶ The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker, [and where the goods are sent from one job worker to another job worker, the challan may be issued either by the principal or the job worker sending the goods to another job worker.
- ▶ (2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.
- ▶ (3) 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
- ▶ (4) 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.

References and Suggested Readings

- ▶ Resources by National Academy of Customs, Indirect Taxes & Narcotics,
http://cbic.gov.in/resources//htdocs-cbec/gst/Job_Work.pdf;jsessionid=0D653B799F650C6D98F12D7295E8104B; Accessed on 18th March, 2020
- ▶ http://www.cbic.gov.in/resources//htdocs-cbec/gst/CGST_13092018.pdf;jsessionid=111525066CA8B8D35C6EF945C602F9EE; Accessed on 18th March, 2020

Books:

- ▶ CA K.M. Bansal, GST & Customs Laws, Taxmann
- ▶ Dr. V.K. Singhania, GST and Customs Laws, Taxmann