Job work under GST

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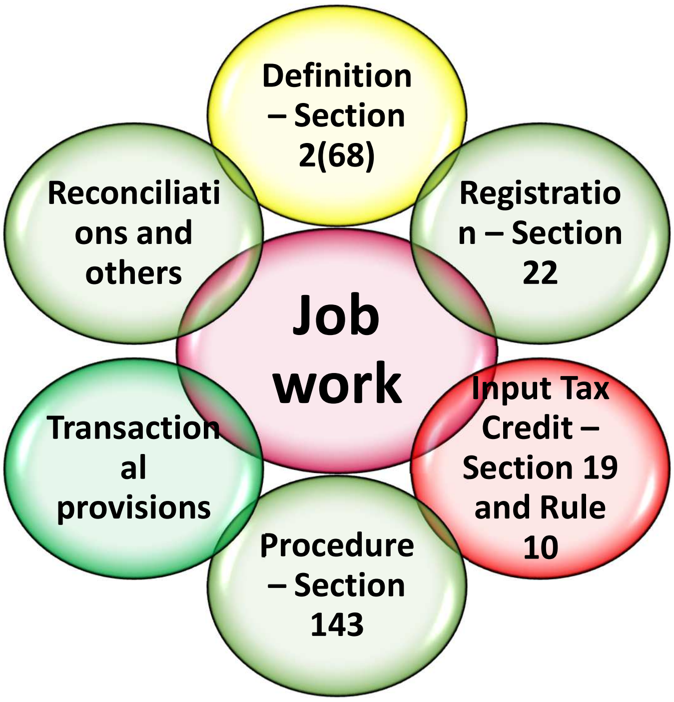

What is the Job Work?

The activity undertaken by small industries to complete the process on raw material/semi-finished goods as desired by principal manufacturer is known as "Job Work".

1. Definition – Section 2(68) under 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

- Include all activities or process whether relates to manufacturing or any operation to complete the process.
- Goods belongs to Registered Person.

2. Registration – Section 22

- Job work' is a service,
- the job worker would be required to obtain registration
- if his aggregate turnover exceeds the prescribed threshold Rs.20 lakh,
- in case NE Rs.10 lakh)

Explanation (ii) to Section 22 : 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;

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3. Applicability of Provisions

1. The provisions relating to job work are applicable only when registered taxable person intends to send taxable goods.
2. In other words, these provisions are not applicable to
   a. exempted or non-taxable goods
   b. or when the sender is a person other than registered taxable person.

It is not compulsory that job work provisions should be followed by the principal. The principal can send the inputs or capital goods after payment of GST without following the special procedure. In such a case, the job-worker would take the input tax credit and supply back the processed goods (after completion of job-work) on payment of GST.

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a. Input Tax Credit – Section 19

Provision	Input Tax Credit
Section 19 (1)	Principal shall be allowed input tax credit on inputs sent to a job worker for job work
Section 19 (2)	principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business
Section 19 (3)	inputs sent for job work are not received back by the principal within one year it shall be deemed that such inputs had been supplied by the principal to the job worker
Section 19 (4)	principal shall be allowed input tax credit on capital goods sent to a job worker for job work
Section 19 (5)	principal shall be entitled to take credit of input tax on capital goods even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business
Section 19 (6)	Capital goods sent for job work are not received back by the principal within three year it shall be deemed that such inputs had been supplied by the principal to the job worker.
Section 19 (7)	Exception for dies, jigs and fixtures, or tools sent out to a job worker for job work

Input Tax Credit –Rule 10 of ITC Rules - Conditions and restrictions in respect of inputs and capital goods sent to the job worker

- 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.
- The challan issued by the principal to the job worker shall contain the details specified in rule Invoice.10:
- The details of challans in respect of goods dispatched to a job worker or received from a job worker during a tax period shall be included in FORM GSTR-1 furnished for that period.
- Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, the challan issued under sub-rule (1) shall be deemed to be an invoice for the purposes of the Act.

Procedure – Section 143 – Job work procedure

Provisions	Job work procedure
Section 143 (1)	A registered person may under intimation send any inputs or capital goods, without payment of tax, to a job worker for job work
Section 143 (1a)	bring back inputs or capital goods, after completion of job work with in one year or three years respectively with out payment of duty
Section 143 (2)	the responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal
Section 143 (3)	inputs sent for job work are not received back by the principal after completion of job work within a period of one year, it shall be deemed that such inputs had been supplied by the principal to the job worker

Section 143 (4)	Capital goods sent for job work are not received back by the principal after completion of job work within a period of three year, it shall be deemed that such capital goods had been supplied by the principal to the job worker
Section 143 (5)	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)	Explanation.—For the purposes of job work, input includes intermediate goods

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Transactional provisions - Section 141(1) input sent to job worker before appointed day

- Inputs sent to job worker before the appointed day and is received back from job worker after the appointed day, NO GST shall be payable if received within 6 months from appointed day which may further be extended to 2 months by commissioner.
- If goods are not received back in 6 + 2 months CCR claimed on such inputs in previous shall also be recovered.

Transactional provisions - Section 141(2) Semi finished goods sent to job worker before appointed day

- Semi finished goods sent to job worker before the appointed day and is received back from job worker after the appointed day, NO GST shall be payable if received within 6 months from appointed day which may further be extended to 2 months by commissioner.
- If goods are not received back in 6 + 2 months CCR claimed on inputs contained in such semi finished goods in previous shall also be recovered.

- Goods may cleared from the job worker premises to any other registered person on payment of GST or may be exported without payment of GST.

Transactional provisions - Section 141(3) Finished goods sent to job worker before appointed day

- Finished goods sent to job worker before the appointed day and is received back from job worker after the appointed day, NO GST shall be payable if received within 6 months from appointed day which may further be extended to 2 months by commissioner.
- If goods are not received back in 6 + 2 months CCR claimed on inputs contained in such semi finished goods in previous shall also be recovered.
- Goods may cleared from the job worker premises to any other registered person on payment of GST or may be exported without payment of GST.

Transactional provisions - Condition for Section 141(1), 141(2) & 141(3) & Rule 2 of Transactional Provision

- Both Job worker and principal manufacture have to declare the stock held by job worker on the appointed day in such form and time as may be prescribed.

Responsibility for Record

- It is completely the responsibility of the principal to maintain proper accounts of job work related inputs and capital goods.

Reconciliation of Inward and Outward Supplies :

If there is a mismatch between the details of outward supplies and inward supply and not rectified in the month of communication, the recipient is liable to pay the GST along with interest in the subsequent month.

Location of job worker and principal manufacturer - CHAPTER IX, MISCELLANEOUS

In respect to location of Both parties, it is not required to be situated at one state.

Provisions relating to job work have been adopted in the IGST Act as well as in UTGST Act (), Hence job-worker and principal can be located

a. *either is same State*
b. *or in same Union Territory*
c. *or in different States*
d. *or Union Territories*

Thanking you

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