M/S GAZI & ASSOCIATES, CHARTERED ACCOUNTANTS

JOB WORK PROCEDURES IN THE GOODS & SERVICE TAX ACTS

Relevant Laws:

The CGST Act, 2017 & The IGST Act, 2017

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Preamble

Role of job workers in manufacturing sector are being more and more influential on passage of time. Big companies in manufacturing sector are getting their products done by job workers. It will not be wrong to say that today big organizations are busy to build and retain image of their Brands. Therefore, it is very important to frame flexible legal provisions for job work.

Meaning of Job work

According to section 2(68) of the 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.

Basic Provisions

- A registered person (hereinafter referred to as the “Principal”) may send inputs, semi finished goods or capital goods to a job worker for job work without payment of tax. Such inputs or other goods shall be sent under cover of a delivery challan.
- Such goods shall be brought to the place of business of the principal within one year in respect of inputs or semi finished goods and within three years in respect of capital goods, of their being sent out.
- Such inputs or other goods may be sent from the place of business of one job worker directly to another job worker for job work. But the period of on one year or three years shall be counted from the date on which goods were sent to the first job worker.
- Principal may directly send inputs or other goods to a job worker for job work from the place of business of supplier without being first brought to his place of business. In that case period of one year or three years, as the case may be, shall be counted from the date of receipt of inputs or goods by the job worker

Note: (1) Period of limitation of three years shall not apply to moulds and dies, jigs and fixtures or tools sent out to a job worker for job work.

(2) It is strongly advisable to intimate name and other details of job workers to appropriate office under the Goods and Service Tax Acts by the principal.

(3) The responsibility for keeping proper accounts for the inputs or otherl goods shall lie with the principal.

Supply of goods by the principal directly from the place of business of the job worker

The principal may directly supply such goods (after completion of job work or before) from the place of job worker on payment of tax or without payment of tax in case of export.

Provided such supply shall be within one year in case of inputs or semi finished goods or three years in case of capital goods from the date of their being sent out.

Provided the principal declares the place of business of job worker as his additional place of business. Such declaration is not required where the job worker is registered under the GST Acts or the principal is engaged in supply of such goods as may be notified by the commissioner.

Taking Input tax credit in respect of inputs or other goods sent for job work.

The principal shall be allowed input tax credit on inputs or other goods sent to a job worker for job work. The principal shall be allowed input tax credit even in case inputs or other goods are directly sent to the place of business of job worker from the place of business of supplier without being first brought to his place of business.

Consequence if goods are not received back within one year or three years, as the case may be, of their being sent out.

If inputs or other goods are not received back within one year or three years, as the case may be, to the place of business of principal or the principal did not supply such goods directly from the place of business of job worker within the same period, it shall be deemed that such goods had been supplied by the principal to the job worker on the day when the said goods were sent out. The said supply shall be declared in Form GSTR – 1 (i.e. return of outward supplies) and the principal shall be liable to pay tax along with interest.

Treatment of waste and scrap generated during job work.

Any waste and scrap generated during 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.

Quarterly Return in Form GST ITC - 04

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 job worker during a quarter shall be included in Form GST ITC – 04 furnished for that period on or before the 25th day of the month succeeding the said quarter.