

JOB WORK PROCEDURE UNDER GST



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1. **Job work Concept:**

- a. Job work is an integral feature of the manufacturing industry. Manufacturers usually outsource a portion of their activities to a third person. This turns out to be cost-efficient and helps them to be more productive by focusing on their core activities. The activity undertaken by small industries to complete the process on raw material or semi-finished goods as desired by principal manufacturer is known as "Job Work". It has various terminologies like "job work" in FMCG manufacturing industries, "sub-contracting" in engineering industry, "processing" in chemical or textile industry and "a loan licensee" in pharmaceutical industry. This activity can be at any stage in the manufacturing cycle and the goods sent for job work can be raw materials or semi-finished goods or capital goods.
- b. The manufacturer sending the goods for job work is generally referred to as the 'Principal' and the person performing the activity of job work is called the 'job worker'.
- c. A large number of industries find it difficult to complete the entire process of production or manufacturing activity on their own therefore, the industry depends on outside support for many things, like, testing, various intermediate processes on raw material etc., for completing/intermediating the manufacturing process.
- d. The concept of job-work already exists in erstwhile law of Central Excise, VAT and Service Tax. Under these regulations, concession was given to the job workers and the principal was made responsible for tax compliance on behalf of the job worker. Under GST as well, special provisions have been provided for removal of goods for job-work and receiving back the goods after processing from the job-worker without the payment of GST. The benefit of these provisions shall be available both to the principal and the job worker. However, responsibility of tax compliance lies with the "principal".



The responsibilities lie with the Principal.

- a. The Principal issues the challan to the job-worker for the inputs or capital goods.
- b. Maintaining the accounts of input and capital goods
- c. Intimate the jurisdictional officer for the detailing of the intended input goods and the nature of the processing being delivered by the job-worker
- d. Declare the premise of job-worker as additional place of his business in case of export the goods to the third party directly and the job-worker is not registered under GST.
- e. Principal is mandate to file the quarterly returns



Definition – Section 2(68) of CGST Act 2017

Section 2 (68) – Definition of Job Work: “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.

Thus Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called ‘job worker’ and the person to whom the goods belong is called ‘principal’

Section 2 (88) – Definition of Principal : “principal” means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both.

2. Supply

In the case of job work, 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.

Goods sent by a taxable person to a job worker will be treated as supply and liable to GST, however, the registered taxable person (the principal), 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 to another job worker(s) and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year/3years of their being sent out or supply such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

as per the explanation provided in 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.

3. Registration:

- a. Job-work being a service, it is mandatory for the job-worker to obtain registration in case his aggregate turnover crosses exceeds the prescribed threshold (i.e. Rs.20 lakh / Rs.10 lakh). It is important to note that after completion of job-work, the supply of goods by a registered job-worker shall be treated as the supply of goods by the principal and the value of these goods shall not be included in the aggregate turnover of the registered job-worker.
- b. Job work can be initiated by a principal manufacture with a job worker by declaring the premises of the job worker as additional place of business in the GST registration
- c. The facility of supply of goods by the principal to the Job worker / third party directly from the premises of the job worker on payment of tax in India and likewise with or without payment of tax for export may be availed by the principal on declaring premise of the job-worker as his additional place of business in registration
- d. In case the job worker is already registered under GST, then declaring the premises of the job worker under additional place of business is not required.



Definition: Section 22 of CGST Act 2017, every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees

“Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees”

4. **intimation**

Once the GST registration aspect is complete, before supply of goods to the job-worker, the principal would be required to intimate the Jurisdictional Officer containing the details of the description of inputs intended to be sent by the principal and the nature of processing to be carried out by the job-worker. The said intimation shall also contain the details of the other job-workers,

Provision: Section 143 of CGST Act 2017: under intimation and subject to such conditions as may be prescribed, send any inputs 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

Applicability of Provisions: It is not compulsory that job work provisions should be followed by the principal. In following cases job worker is not required to be followed job work procedure

- a. When the principal send inputs or capital goods after payment of GST
- b. The job-worker would take the input tax credit and supply back the processed goods (after completion of job-work) on payment of GST.

5. **Input Tax Credit.**

- a. Section 19 of the CGST Act, 2017 provides that the principal (a person supplying taxable goods to the job worker) shall be entitled to take the credit of input tax paid on

inputs 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 being brought into the premise of the principal. The principal need not wait till the inputs are first brought to his place of business

- b. **Time Limits for the return of processed goods:** As per section 19 of the CGST Act, 2017, inputs and capital goods after processing shall be returned back to principal within one year or three years respectively of their being sent out. 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. Input tax credit provision related to Job work.
- c. 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 is to be referred as the intermediate product. Such intermediate product can also be removed without the payment of tax. Therefore, both input and intermediate product can be cleared without payment of duty to job-worker.
- d. **Conditions and restrictions in respect of inputs and capital goods sent to the job worker : Input Tax Credit –Rule 10 of ITC Rules**
 - i. 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.
 - ii. The challan issued by the principal to the job worker shall contain the details specified in rule Invoice.10:
 - iii. 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.

- iv. 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. Provision of this Condition under Section 143 (3) and (4) is

6. **Job Work Procedure:** following procedure is prescribed under section 143 of CGST Act 2017 in relation to the Job work.

- a. 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. 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 can still avail the credit of tax paid on such inputs or capital goods.
- c. However, inputs and/or capital goods sent to a job worker are required to be returned to the principal within 1 year and 3 years, respectively, from the date of sending such goods to the job-worker.
- d. After processing of goods, the job-worker may clear the goods to-
 - I. Another job-worker for further processing
 - II. Dispatch the goods to any of the place of business of the principal without payment of tax
 - III. Remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of condition.

Provisions under Section 143:

Section 143 (1) A registered person (hereafter in this section referred to as the “principal”) may under intimation and subject to such conditions as may be prescribed,

send any inputs 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, and shall,—

- a. bring back inputs, after completion of job work or otherwise, 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;
- b. supply such inputs, after completion of job work or otherwise, 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 from the place of business of a job worker on payment of tax within India, or with or without payment of tax for export, as the case may be:

Provided that the principal shall not supply the goods from the place of business of a job worker in accordance with the provisions of this clause unless the said 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; or
- ii. where the principal is engaged in the supply of such goods as may be notified by the Commissioner

Section 143 (2) the responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

Section 143 (3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise in accordance with the provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

Section 143 (4) Where the capital goods, other than moulds and dies, jigs and fixtures, or tools, sent for job work are not received back by the principal in accordance with the

provisions of clause (a) of sub-section (1) or are not supplied from the place of business of the job worker in accordance with the provisions of clause (b) of sub-section (1) within a period of three years of their being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out.

Section 143 (5) Notwithstanding anything contained in sub-sections (1) and (2), 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.

Explanation.—For the purposes 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.

7. Transactional provisions:

Inputs, as such, or partially processed inputs which are sent to a job-worker prior to introduction of GST under the provisions of existing law [Central Excise] and if such goods are returned within 6 months from the appointed day [i.e. the day on which GST will be implemented] no tax would be payable. If such goods are not returned within prescribed time, the input tax credit availed on such goods will be liable to be recovered.

If the manufactured goods are removed, prior to the appointed day, without payment of duty for testing or any other process which does not amount to manufacture, and such goods are returned within 6 months from the appointed day, then no tax will be payable. For the purpose of these provisions during the transitional period, the manufacturer and the job-worker are required to declare the details of such goods sent/received for job-work in prescribed format GST TRAN-1, within 90 days (**date extended**) of the introduction of GST

Transactional Provisions under Section 141 of CGST Act 2017.

Section 141 (1) Where any inputs received at a place of business had been removed as such or removed after being partially processed to a job worker for further processing, testing, repair, reconditioning or any other purpose in accordance with the provisions of existing law prior to the appointed day and such inputs are returned to the said place on or after the appointed day, no tax shall be payable if such inputs, after

completion of the job work or otherwise, are returned to the said place within six months from the appointed day:

Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if such inputs are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142.

Section 141 (2) Where any semi-finished goods had been removed from the place of business to any other premises for carrying out certain manufacturing processes in accordance with the provisions of existing law prior to the appointed day and such goods (hereafter in this section referred to as “the said goods”) are returned to the said place on or after the appointed day, no tax shall be payable, if the said goods, after undergoing manufacturing processes or otherwise, are returned to the said place within six months from the appointed day:

Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if the said goods are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142:

Provided also that the manufacturer may, in accordance with the provisions of the existing law, transfer the said goods to the premises of any registered person for the purpose of supplying therefrom on payment of tax in India or without payment of tax for exports within the period specified in this sub-section.

Section 141 (3) Where any excisable goods manufactured at a place of business had been removed without payment of duty for carrying out tests or any other process not amounting to manufacture, to any other premises, whether registered or not, in

accordance with the provisions of existing law prior to the appointed day and such goods, are returned to the said place on or after the appointed day, no tax shall be payable if the said goods, after undergoing tests or any other process, are returned to the said place within six months from the appointed day:

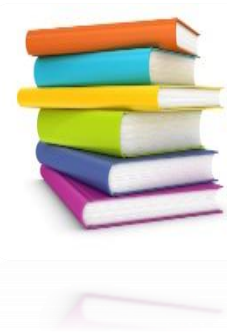
Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if the said goods are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142:

Provided also that the manufacturer may, in accordance with the provisions of the existing law, transfer the said goods from the said other premises on payment of tax in India or without payment of tax for exports within the period specified in this sub-section.

Section 141 (4) The tax under sub-sections (1), (2) and (3) shall not be payable, only if the manufacturer and the job worker declare the details of the inputs or goods held in stock by the job worker on behalf of the manufacturer on the appointed day in such form and manner and within such time as may be prescribed.

- 8. Responsibility for maintaining Record:** It is important to note that the responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal manufacturer. Records need to be maintained for the financial year starting in April and ending in March of the subsequent year. Under the GST, records and accounts are to be maintained electronically which has to be maintained and stored for a period of 5 years



Provision of law: *Under Section 143 (2) the responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal*

9. Waste Clearing

Pursuant to Section 143 (5) of the CGST Act, 2017, waste 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.

Provision under Section 143(5): Notwithstanding anything contained in sub-sections (1) and (2), 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.

Explanation.—For the purposes 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

10. Delivery challan:

The principal can send goods for further processing or capital goods to the job worker under the cover of challan issued by the principal. Challan must be issued by the principal even for inputs and capital goods directly send to the job-worker. Job work challan must conform to the GST invoice rules and the responsibility for keeping proper accounts as per GST requirements would lie with the principal.

Delivery Challan Format

1. Delivery challans must be serially numbered not exceeding sixteen characters, in one or multiple series. The following information must be mentioned in all delivery challan formats:
2. Date and number of the delivery challan.
3. Name, address and GSTIN of the consigner, if registered.
4. Name, address and GSTIN or Unique Identity Number of the consignee, if registered. If unregistered, name, address and place of supply.
5. HSN code for the goods.
6. Description of goods.
7. Quantity of goods supplied (provisional, where the exact quantity being supplied is not known).
8. Taxable value of supply.

9. GST tax rate and tax amount broken down as CGST, SGST, IGST and GST Cess – where the transportation is for supply to the consignee.
10. Place of supply, in case of inter-state movement of goods.
11. Signature.

Delivery challan format

[illegible]

- 11. Returns :** The principal Manufacture is required to be filed quarterly return in the form of GST ITC -4 as per below mentioned provision.

Rule 45 (3) of CGST rules 2017, 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- 4 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter



1. Return Format of GST ITC-4.

5. Details of inputs/capital goods received back from job worker or sent out from business place of job-work

GSTIN / State of job worker if unregistered	Received back/sent out to another job worker/ supplied from premises of job worker	Original challan No.	Original challan date	Challan details if sent to another job worker			Invoice details in case supplied from premises of job worker		Description	UQC	Quantity	Taxable value
				No.	Date	GSTIN/State if job worker unregistered	No.	Date				
1	2	3	4	5	6	7	8	9	10	11	12	13

6. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place

Signature

Name of Authorised Signatory

Date

Designation /Status.....

Form GST ITC-04

[See rule – 45(3)]

Details of goods/capital goods sent to job worker and received back

1. GSTIN -
2. (a) Legal name -
(b) Trade name, if any –
3. Period: Quarter - Year -

4. Details of inputs/capital goods sent for job-work

GSTIN / State in case of unregistered job- worker	Challan no.	Challan date	Description of goods	UQC	Quantity	Taxable value	Type of goods (Inputs/capital goods)	Rate of tax (%)			
								Central tax	State/ UT tax	Integrated tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12

12. SAC Code for Job Work

Service	Job work	SAC Code
Job Work for Food, Beverage and Tobacco Manufacturing	Meat processing services	99881
	Fish processing services	99881
	Fruit and vegetables processing services	99881
	Vegetable and animal oil and fat manufacturing services	99881
	Dairy product manufacturing services	99881
	Other food product manufacturing services	99881
	Prepared animal feeds manufacturing services	99881
	Beverage manufacturing services	99881
	Tobacco manufacturing services	99881
Job Work for Textile, Apparel and Leather Manufacturing	Textile manufacturing services	99882
	Wearing apparel manufacturing services	99882
	Leather and leather product manufacturing services	99882
Job Work for Wood and Paper Manufacturing	Wood and wood product manufacturing services	99883
	Paper and paper product manufacturing services	99883
Job Work for Petroleum, Chemical and Pharmaceutical Product Manufacturing	Coke and refined petroleum product manufacturing services	99884
	Chemical product manufacturing services	99884
	Pharmaceutical product manufacturing services	99884
Job Work for Rubber, Plastic and Non-metallic Mineral	Rubber and plastic product manufacturing services	99885
	Plastic product manufacturing services	99885
	Other nonmetallic mineral product	99885
Product Manufacturing	manufacturing services	

Job Work for Basic Metal Manufacturing Services	Basic metal manufacturing services	99886
Job Work for Fabricated Metal Product, Machinery and Equipment Manufacturing	Structural metal product, tank, reservoir and steam generator manufacturing services	99887
	Weapon and ammunition manufacturing services	99887
	Other fabricated metal product manufacturing and metal treatment services	99887
	Computer, electronic and optical product manufacturing services	99887
	Electrical equipment manufacturing services	99887
	General purpose machinery manufacturing services n.e.c.	99887
	Special purpose machinery manufacturing services	99887
Job Work for Transport Equipment Manufacturing	Motor vehicle and trailer manufacturing services	99888
	Other transport equipment manufacturing services	99888
Job Work for Other Products Manufacturing	Furniture manufacturing services	99889
	Jewellery manufacturing services	99889
	Imitation jewellery manufacturing services	99889
	Musical instrument manufacturing services	99889
	Sports goods manufacturing services	99889
	Game and toy manufacturing services	99889
	Medical and dental instrument and supply manufacturing services	99889
	Other manufacturing services	99889

