GST Input Credit on Inputs and Capital Goods sent for Job Work

Section 19 of CGST Act prescribes the provisions for taking input credit on inputs and capital goods sent out for job work. Let's discuss the same here.

1. A principal who sends out inputs or capital goods to the job worker for job work purpose is entitled to take input credit on such inputs or capital goods.

2. Input credit is also available in case the inputs or capital goods sent directly from the place of supplier to the place of job worker without being first brought to the principal's place of business.

3. The inputs sent out for job work, after completion of job work, should be received back by the principal or should be supplied from the place of job worker within one year from the date on when such inputs sent out for job work.

4. The capital goods sent out for job work, after completion of job work, should be received back by the principal or should be supplied from the place of job worker within three years from the date on when such capital goods sent out for job work purpose.

5. If the inputs or capital goods sent directly to job worker from the place of supplier then the date of receipt by the job worker is considered for the purpose of calculating the period of one year or three years.

6. If the inputs or capital goods are not received back or not supplied from the place of job worker, after completion of job work, within one year or three years respectively as stipulated, then the same shall be considered as supply and the date on when the inputs or capital goods is sent out for job work is deemed to be the date of supply.

7. Moulds and dies, jigs and fixtures, or tools which sent out to a job worker for job work purpose are not necessarily received back. The stipulated period of one year or three years shall not apply.

Example 1: ABC Ltd sends out inputs to XYZ Co., a job worker for job work purpose on 01/04/2019 and receives back the inputs on 30/06/2019, within one year – ABC Ltd is eligible to take input tax credit on such inputs on the date when he receives the inputs from the supplier.

Example 2: Considering the Example 1, if ABC Ltd receives the inputs on 01/04/2020, after one year, then he is not eligible to take input tax credit on such inputs, and he has to reverse the input tax credit if already taken and the transaction shall be deemed to be supply, the date of supply shall be 01/04/2019.

Example 3: ABC Ltd purchases capital goods from EFG Ltd and asks him to deliver the same directly to XYZ Co. for job work purpose. The job worker receives the capital goods at his place of business on 01/04/2019, ABC Ltd can take input tax credit on the date when the capital goods are received by the job worker.

Example 4: Considering the Example 3, if ABC Ltd received the capital goods, after completion of job work on 01/4/2022, just after three years, ABC Co. is not eligible to take input credit on such capital goods and he has to reverse the input tax credit if already taken and the transaction shall be deemed to be supply, the date of supply shall be 01/04/2019.

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