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Introduction - 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; (Sec 2(68) of CGST Act, 2017)

Another registered person is called Principal and person processing the goods is called Job-worker.

Principal is a registered person who sends the inputs/capital goods to a job-worker for carrying out the job-work. The whole idea is to make the 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 law.

The GST laws has made special provisions with regard to 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 to both the principal and the job-worker.

There is a huge industry of Job-Work in India. More commonly, job-work or outsourcing of process takes place in Textile Industry, Garment Industry, Plastic Industry and Food Processing Industry.

What is Job Work?

Section 2. Definitions In this Act, unless the context otherwise requires,—

(68) “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;

On perusal of the aforementioned definition, it can be observed that all of the following three conditions need to be fulfilled to classify an activity as a Job Work, viz:

- i. Treatment or process should be undertaken by a person;*
- ii. Such treatment or process should be on goods; and*
- iii. These goods should belong to another registered person*

The definition of job work also contemplates that the person i.e. principal should be a registered person. Thus, if some treatment or process is undertaken by a job worker on goods belonging to an unregistered person, it will not be considered as job work as per the above definition.

CONTRACT MANUFACTURING : WHETHER JOB-WORK?

- Another question here arise is where principal getting his goods manufacture through contract manufacturing can be allowed to take benefit of these provisions?
- Then answer will be **yes**, if ownership of the raw materials is with him while sending these goods to the job worker.

Sec 19 – ITC Related to Input/CG sent to job worker

Inputs

Sec 19(1) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on inputs sent to a job worker for job work.

Sec 19(2) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the 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.

Sec 19(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 within one year of 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:

Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.

Sec 19 – ITC Related to Input/CG sent to job worker

Capital Goods

Sec 19(4) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on capital goods sent to a job worker for job work.

Sec 19(5) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the 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.

Sec 19(6) Where the capital goods sent for job work are not received back by the principal within a period of three years of 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:

Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker.

Sec 19(7) Nothing contained in sub-section (3) or sub-section (6) shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work.

Explanation.—For the purpose of this section, “principal” means the person referred to in section 143.

Removal of Inputs/Semi-finished Goods/Capital Goods by Principal to a Job-worker

Particulars	Inputs/Semi-Finished Goods	Capital Goods
<p><u>Condition of Receiving Goods Back</u> The principal can send inputs (including intermediate goods) for job work purpose without payment of GST but the same should be received back</p>	<p>Within 1 year of goods being sent out. [Provided further that the period of one year may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 1 year.]</p>	<p>Within 3 years of their being sent out. [Provided further that the period of three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 2 years.]</p>
<p><u>Inputs are sent directly to a job worker</u></p>	<p>The period of 1 year shall be counted from the date of receipt of inputs by the job worker.</p>	<p>The period of 3 years shall be counted from the date of receipt of capital goods by the job worker.</p>
<p><u>Treatment on not receiving back within prescribed</u></p>	<p>If the inputs are not received back within 1 year or supplied further the same shall be treated as “supply” from the date the said inputs were sent out. The said supply shall have to be declared in FORM GSTR-1 and the principal shall be liable to pay <u>the tax along with applicable interest.</u></p>	<p>If the capital goods are not returned back within 3 years, then the same shall be treated as “supply” from the date the said capital goods were sent out. The said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay <u>the tax along with applicable interest.</u></p>
<p><u>Further Supply to Another Job-Worker</u> The entire process of job work from more than one job worker shall be considered for computing the period</p>	<p>1 year</p>	<p>3 years</p>

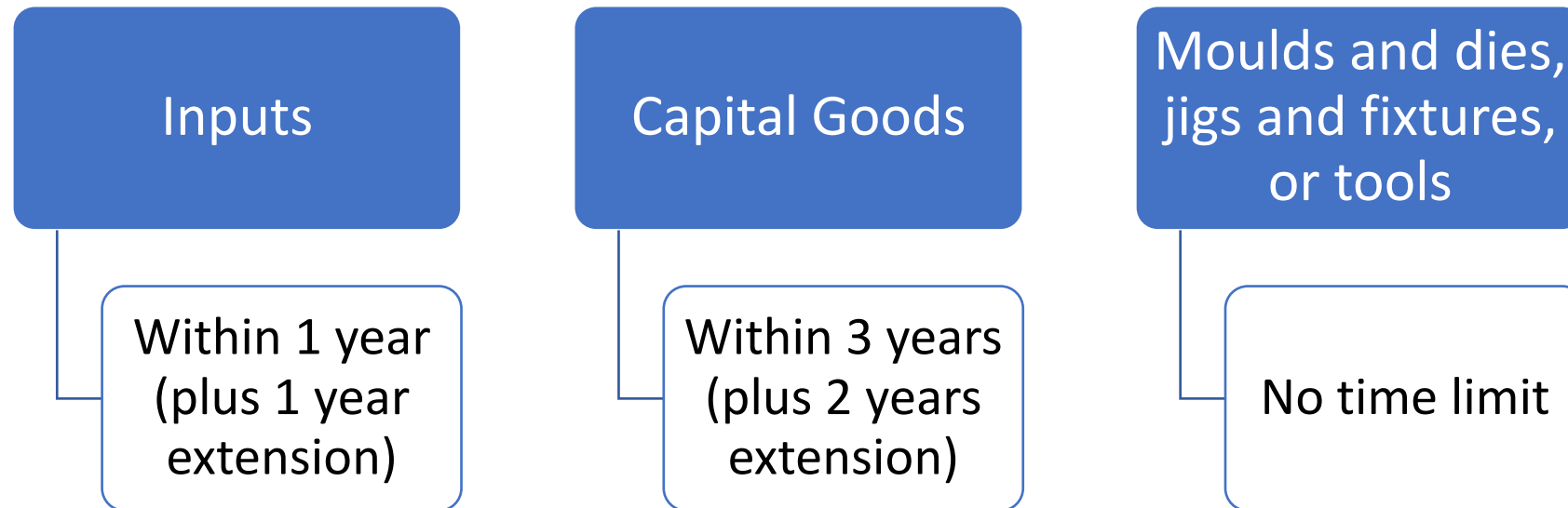
Note - Further, Inputs after job work activities can be **received back at any of the place of business of the principal.** Therefore, inputs can be received back at the principal place of business or even at any of the place registered as an additional place of business.

Removal of Inputs/Semi-finished Goods/Capital Goods by Principal to a Job-worker

Capital Goods

Moulds and dies, jigs and fixtures, or tools

- a. The principal can send moulds and dies, jigs and fixtures, or tools for job work purpose without payment of GST.
- b. The above time limit of 1 year / 3 years of receiving back the said goods will not apply to moulds and dies, jigs and fixtures, or tools.



Sec 143 – Procedure for Job Work

Sec 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.

Provided further that the period of one year and three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding one year and two years respectively.

Sec 143 – Procedure for Job Work

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

Sec 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.

Sec 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.

Sec 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.

Rule 45 - Conditions and restrictions in respect of inputs and CG sent to the job worker

Rule 45(1) 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:

Provided that the **challan issued by the principal may be endorsed by the job worker**, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal:

Provided further that the **challan endorsed by the job worker may be further endorsed by another job worker**, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.

Rule 45(2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.

Rule 45 - Conditions and restrictions in respect of inputs and CG sent to the job worker

Rule 45(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 SPECIFIED PERIOD (w.e.f. 1-10-2021, Earlier – 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 PERIOD (w.e.f. 1-10-2021)** or within such further period as may be **extended** by the Commissioner by a notification in this behalf:

Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

[Explanation. – For the purposes of this sub-rule, the expression “specified period” shall mean.-

(a) the period of **6 consecutive months** commencing on the 1st day of April and the 1st day of October in respect of a principal whose aggregate turnover during the immediately preceding financial year **exceeds Rs. 5 crore**; and

(b) a **financial year** in any **other case**. [**Inserted vide NN 35/2021-CT, dt 24-9-2021 w.e.f. 1-10-2021**]

Rule 45(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.

Points to be Noted

Note –

- 1. Compulsory generation of E-Way Bill** - As per third proviso to Rule 138 of the CGST Rules, 2017 it is compulsory to generate e-way bill, where principal and job worker are situated inter-state. In other words, in case of job work transactions, **e-way bill must be generated for inter-state movement of goods** without any monetary limit.
- 2. Bill to Ship to Model in case of Goods supplied directly to Job-Worker** - As per Sections 19(2) and 19(5) of CGST Act, 2017, the **principal can also send goods directly to the place of job worker** without receiving the said goods in his premises first and Input Tax Credit can also be availed in such cases though the principal has not received the goods.
 - ✓ It is clarified by the Circular No.38/12/2018 dt 26-3-2018 the goods may be moved from the **place of business of the supplier to the place of business/premises of the job worker** with a copy of the invoice issued by the supplier in the name of the principal wherein the job worker's name and address should also be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules.
 - ✓ The buyer (i.e., the principal) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly as mentioned above.
- 3. In case of import of goods** by the principal which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly.
- 4. On the job work charges**, GST will be charged by the job worker if the job worker is registered. Credit of the same can be availed by the principal.

Points to be Noted

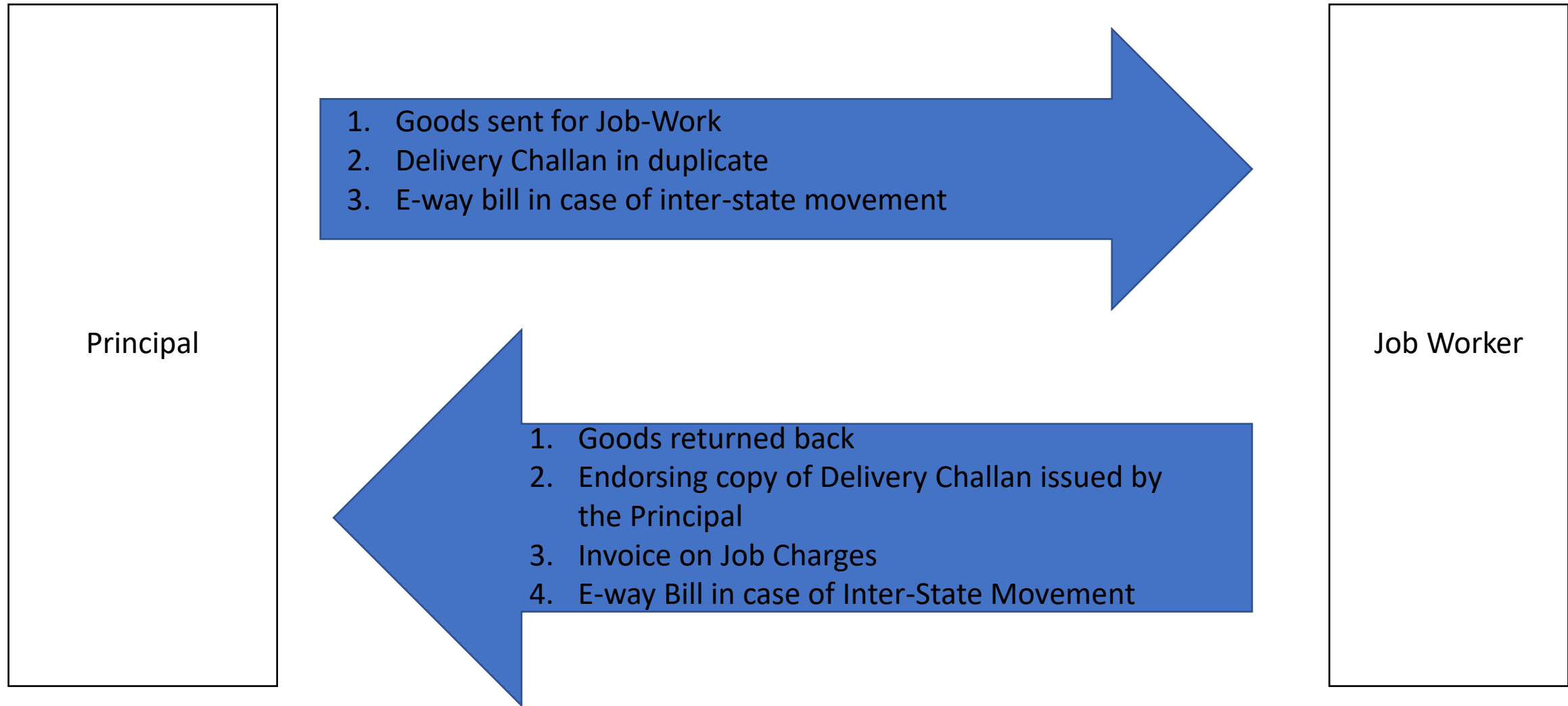
5. **Goods are sent in piecemeal quantities** - While returning the goods after completion of job work, **to the principal** the job worker should send one copy of the challan received by him from the principal. If the goods are sent in piecemeal quantities by a job worker to another job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.
6. **Explanation 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 and the value of such goods shall not be included in the aggregate turnover of the registered job worker.**
7. In case where **inputs, semi-finished goods and capital goods are not returned to principal** as per prescribed time limit then the same will be treated as supply of the principal. It is clarified in the circular no. 38/12/2018 GST dt 26-3-2018 that the principal would issue invoice for the same and declare such supplies in his return for that particular month in which the time period of one year / three years has expired. Principal is required to pay GST along with interest considering the supply was made by principal to the job worker when Principal had sent the goods first for job work.
8. Where goods are sent to job worker and same are **lost/ destroy due to some unavoidable circumstances**, goods will not be returned by the job worker. If goods are lost, whether principal is required to reverse credit under section 17(5)(h) or it will be deemed supply as per [section 19\(3\)](#) is moot question. Since goods are lost or destroyed, section 17(5) (h) will be applicable and principal is required to reverse the credit on inputs or capital goods and it will not be treated as deemed supply. **(Clarified in the circular no. 38/12/2018 GST dt 26-3-2018)**

9. Due to some dispute between principal and job worker if goods are not returned by the job worker as consideration for his job work charges. In such situation, issue arise of the valuation when job worker sells the same goods in open market. It is well settled position in earlier laws that the valuation for the same goods should be considered transaction value by the job worker and not market value of the said goods by principal. The same was decided by Hon'ble Supreme Court in the case of Pawan Biscuits & Co. 2000 (120) ELT (24).

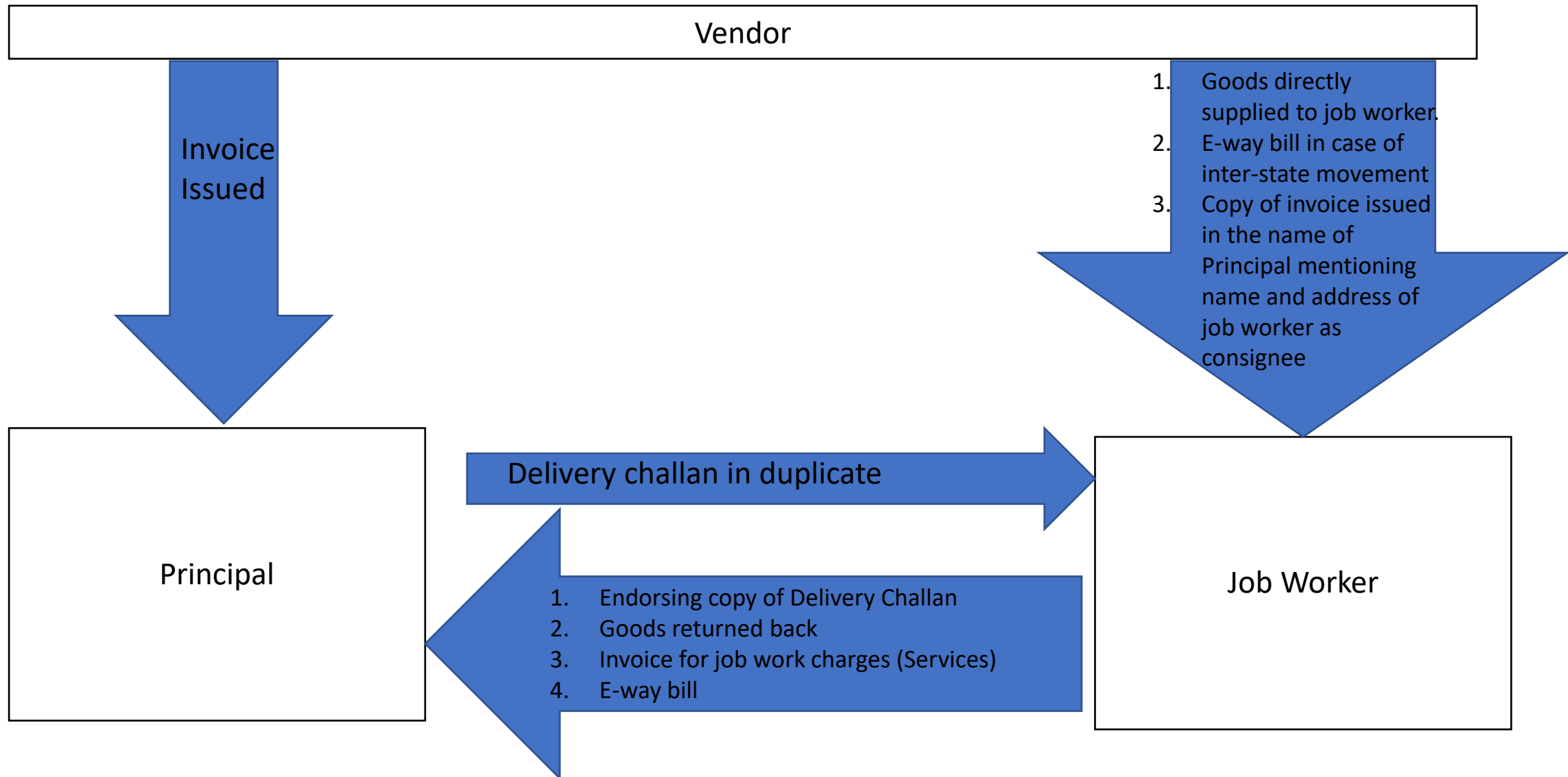
10. Place of Supply (POS)

1. So far as job work is concerned supply for job work charges is govern by section 12(2) of IGST Act, 2017.
2. When the **registered job worker** and the principal are in different States and goods are removed directly from the place of job worker:-
 - i. If the principal (supplier of the goods) and recipient (buyer of the goods) are in the same State, then SGST and CGST shall be levied, though the job worker is in different State.
 - ii. If the principal and recipient are in different States, then IGST shall be levied, even though the recipient is in the State where the job worker is situated.

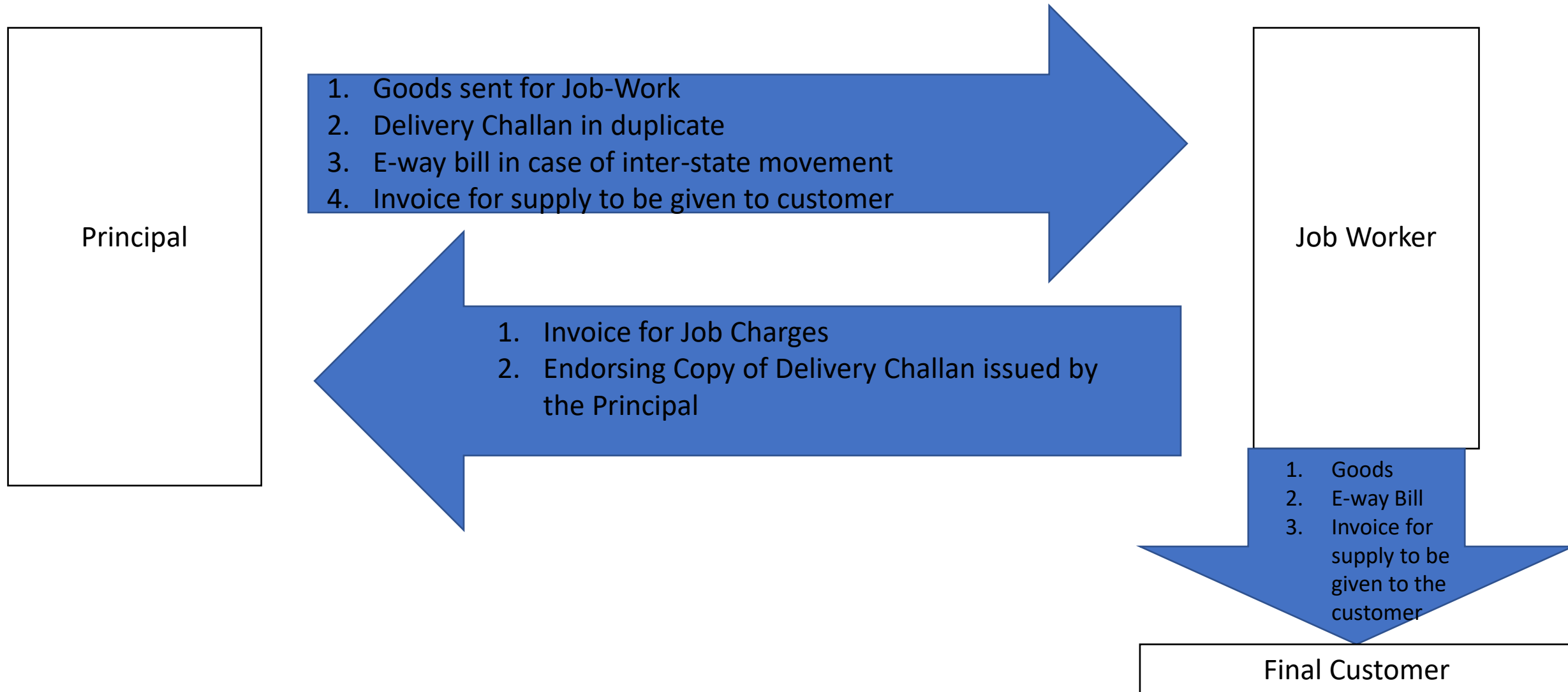
Return of Goods by Job-Worker



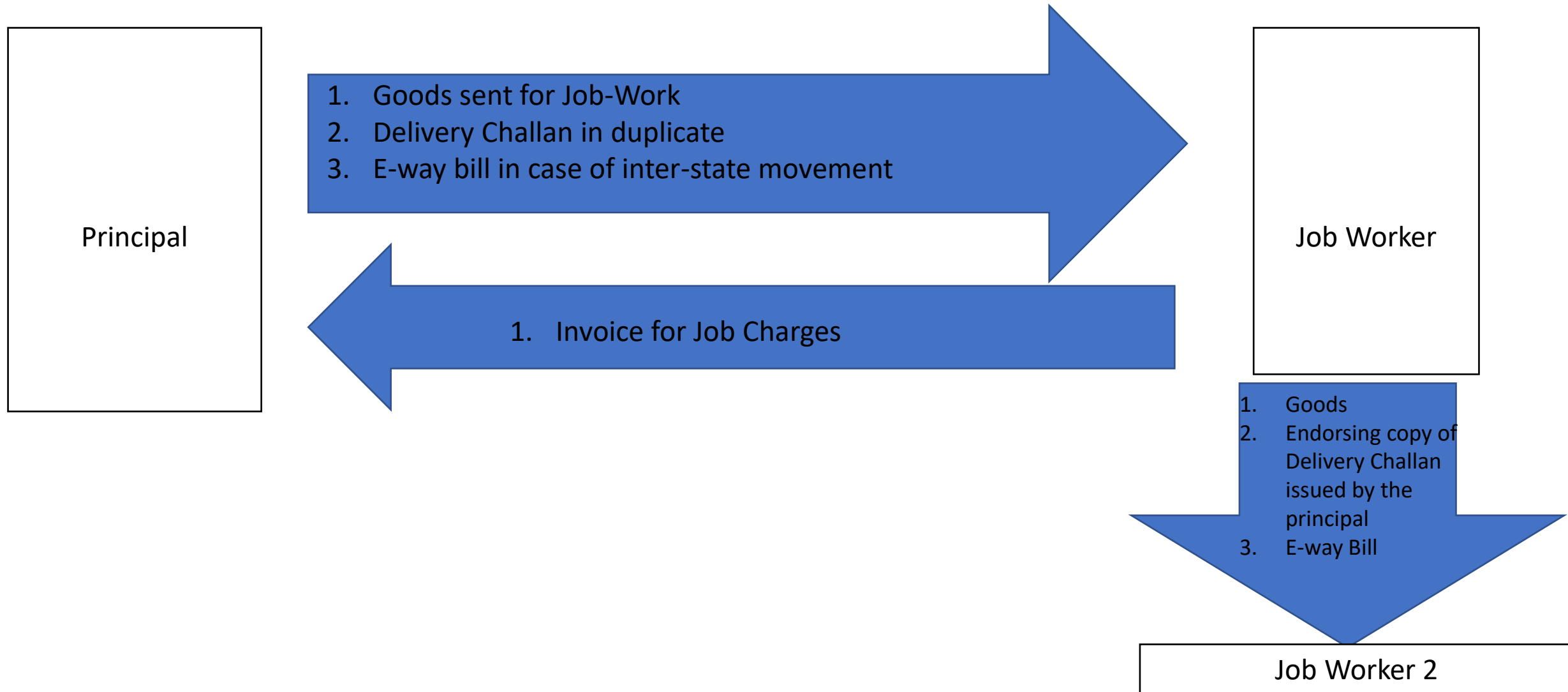
Return of Goods by Job-Worker



Return of Goods by Job-Worker



Return of Goods by Job-Worker



Registration by Job Worker

- The job worker shall be liable to be registered under GST in the State / Union territory, from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds Rs. 20 lakhs/Rs. 10 lakhs in special category States.
- Further, in terms of the Circular No. 38/2018 dated March 26, 2018, it has been clarified that though, Clause (i) of Section 24 of the CGST Act, 2017, mandates registration for making inter-state taxable supply irrespective of threshold limit, but vide Notification No. 7/2017 – IT dated 14.09.2017 regarding exemption from registration to JOB-WORKERS making inter-State supply of services to a registered person.
- **Exceptions to this notification –**
 - who is liable to be registered under section 22(1) or who opts to take registration voluntarily under section 25(3) of the said Act; or
 - who is involved in making supply of services in relation to the notified goods.
- Hence, a job worker is required to obtain registration **only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit** regardless of whether the principal and the job worker are located in the same State or in different States.

Waste & Scrap generated during job work can be supplied as under:-

- i. If the job worker is registered, then it can be supplied by the job worker directly from his place of business, on payment of appropriate tax applicable on the said waste / scrap.
- ii. If he is not registered, then the waste / scrap generated should be returned to the principal along with the goods and such waste / scrap would be supplied by the principal on payment of tax. Alternatively, the principal may supply waste / scrap directly from premises of job worker under his invoice on payment of tax.
- iii. Issue may arise on the quantum of scrap. It might possible that during the job work, scrap may be generated less than normal. In such case, department cannot ask GST on higher value of scrap provided that principal is not allowing scrap higher than what is generated. (Pearl soap & Co. 187 ELT 460 CESTAT - Mumbai)
- iv. The principal should also maintain proper records of clearance of waste / scrap from the premises of the job worker.