

WEBINAR ON KEY GST ISSUES IN JOB WORK TRANSACTIONS

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JOB WORK PROVISION PREVIOUSLY

Erstwhile Law

Excise	Service Tax	VAT
Excise duty is payable when activity under J/w results into manufacture	Service tax is payable when activity under J/w does not result into manufacture	VAT is payable in case when there is transfer of goods by J/w,
Rule 10A of Central Excise Valuation Rules, 2000 dealt with valuation of excisable goods manufactured by job worker on behalf of principal where value is COP + job charges	No specific valuation provision If there is transfer of goods, then service tax is not applicable on the value of goods transferred.	Payable on value of material transferred.
J/w exempt if principal undertakes the liability to pay duty	J/w exempt if value of J/w is included in the final product on which principal manufacturer undertakes the liability to pay duty	No VAT is payable in case of job work operations involving pure labour.

PROVISIONS UNDER GST – DEFINITION

- “Job work” has been defined in section 2(62) of CGST Act, 2017 as follows:

(62) “job work” means any treatment or process undertaken by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly;

- Job work to be treated as supply of service as per Entry 3(a) of Schedule II

3. Treatment or process

(a) Any treatment or process which is being applied to another person’s goods is a supply of services.

Thus, job work activity is a supply of service.

PROVISIONS UNDER GST – DEFINITION

- **Issue 1: Whether Job-worker can use own goods in addition to the goods received from principal manufacturer for providing service of job-work? If yes, to what extent?**
- **Definition of “job work” under Rule 2 of Cenvat Credit Rules, 2004**

(n) “job work” means processing or working upon of raw material or semi-finished goods supplied to the job worker, so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for aforesaid process and the expression “job worker” shall be construed accordingly;

PROVISIONS UNDER GST – DEFINITION

- **Prestige Engineering (India) Ltd. 1994 (73) ELT 497 (SC)**

17.....We must hasten to add that addition or application of minor items by the job-worker would not detract from the nature and character of his work. For example, a tailor entrusted with a cloth piece and asked to stitch a shirt, a pant or a suit piece may add his own thread, buttons and lining cloth. Similarly, a factory may be supplied the shoe uppers, soles etc. by the customer and the factory applies its own thread or bonding material and manufactures shoes therefrom and supplies them back to the customer, charging only for its work. The nature of its work does not cease to be job-work.

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

5. Scope/ambit of job-work:Further, it is clarified that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work.

○ In Re: S.B. Reshellers Pvt. Ltd. 2019 (27) GSTL 120 (AAR – GST) Maharashtra

5.From the observations made by the court we find that additional application of minor items is permissible in job work. Therefore we have to find in the present case the nature of additions made by the applicant. Applicant has categorically stated in the statement containing applicant's interpretation of law that the activity is clearly a activity of manufacturing a new commodity by using one's own raw material and skill and labour as well as the material supplied by the customer and the value of the material used/skill and labour applied by them and the value of the shaft/beam supplied by the customer is almost equal.

Thus even though applicant complies with the definition of job work, but having regard to the concept of job work as explained in the Flyer and the judgment of the Hon'ble Supreme Court cited supra, applicant cannot be considered as a job worker within the meaning of Section 2(68) and Section 143 of the GST Act and corresponding rules. The real spirit of job work as explained by the court is that where the principal sends minor input to the job worker and all other inputs and goods utilized in the final products belongs to the job worker then the said process cannot be considered as a job work. In the case at hand applicant has accepted as a matter of fact that the value of the material used/skill and labour applied by them and the value of input supplied by the customer is almost equal. In our opinion this is a clear case of supply of goods, i.e. ready to use sugar mill roller. Having held so we now switch over to second question raised in this application

- **Issue 2: The activity carried out by Job-worker amounts to manufacturing activity? What will be the impact of the same? How to determine the value?**

- **Definition of “Manufacture” – Section 2(72) of CGST Act, 2017**

(72) “manufacture” means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly;

- **Chowgule & Co. Pvt. Ltd. 1993 (67) E.L.T. 34 (S.C.)**

6.....Wherever a commodity undergoes a change as a result of some operation performed on it or in regard to it, such operation would amount to processing of the commodity. The nature and extent of the change is not material....

○ In Re: Prodair Air Products India (P) Ltd. 2018 (18) GSTL 817 (AAR – GST) Kerala

7. Therefore any activity whether amounting to manufacture or not, could qualify as job work activity, subject to the condition that the inputs owned by the principal and the job worker carried treatment or process on the inputs/goods. The value on which GST would be payable by the applicant for rendering of job work services shall be the transaction value, i.e., price actually paid or payable as per the commercial arrangement between the applicant and principal. No other cost shall be required to be considered for the valuation of the job work activity unless the same is specifically included in the job work charges as agreed between the parties.

.....

10. The industrial gas produced out of the major materials or inputs supplied by the principal. The job worker used some minor, ancillary goods to complete the process. The application of minor items by the job worker would not detract it being a job work. Therefore the processing undertaken by the applicant on the goods belong to the principal, another registered person qualifies as job work even if it amounts to manufacture.

11. Therefore the activity carried out by the applicant of processing natural gas and other inputs received from BPCL on free of cost basis and manufacturing industrial gases shall fall under the scope of 'job work' under GST. The services included under the Heading 9988 are manufacturing services performed on physical inputs owned by others. The activity of the applicant is job work as the output is not owned by the applicant providing this service. Hence the activity falls under Serial No. (ii) of the HSN 9988 taxable @ 18% GST.

○ **In Re: Bharat Petroleum Corporation Ltd. 2018 (19) GSTL 119 (AAR – GST) Kerala**

5. *These inputs subject to particular process by the job worker and converted in to industrial gas and returned to the principal. It is settled position of law that job work is an activity which may or may not tantamount to manufacture. A job worker may undertake manufacturing of goods on account of others from the inputs supplied to him free of cost, and realize job work charges on return of the goods so manufactured or processed. In such a scenario the job worker alone has the liability to pay tax on the job work charges realized.*

8. *In the light of the discussion above, we come to the conclusion that the transport of the inputs from principal for processing through pipe lines to the premises of job worker as well as return of processed goods after job work to the principal can't be treated as taxable supply. Based on the observations stated above, the following rulings are issued :*

(i) The activity of the applicant of sending Regasified Liquefied Natural Gas (RLNG), De-Mineralized Water (DM Water), Hydrogen Rich off Gas and Raw water free of cost to M/s. Prodair Air Products Pvt. Ltd. For manufacture of Hydrogen, Nitrogen and Steam manufactured out of its amount to 'job work' as defined under Section 2(68) read with Section 143 of the CGST/KSGST Acts

○ **In Re: Meera Tubes Pvt. Ltd. 2022 (60) GSTL 389 (AAR – GST – UP)**

15. We are also convinced that the activity performed by the applicant in the process of supply of tank is not covered in the services by way of job work or in manufacturing service under Notification No. 11/2017-C.T. (Rate), dated 28-6-2017. The legislature has defined job work and manufacture separately. As such, the legislature does not intend to cover a treatment or process resulting into a distinct commodity under the scope of job work. The steel plates and tank are different commodities and after processing on steel plates, a new product Tank has been manufactured which is distinct in name, character and use. The applicant has submitted in para 5.29 of Statement of relevant facts that in following cases, it has been ruled that the fabrication of tanks from steel plates provided on FoC basis is manufacturing of a new commercial product and were liable to excise duty.

.....

16. As such, we are of the view that fabrication of tank from steel plates supplied free of cost from M/s. IOCL is manufacture as per CGST Act, 2017. Accordingly, supply of tanks by the applicant is supply of goods.

Issue

M/s ABC Pvt. Ltd. is a manufacturer of goods. The company has appointed M/s PQR Pvt. Ltd. for doing job work. Both the parties are related as one is holding company of the other. ABC sends coal for job work activity to PQR. PQR uses these materials along with other materials like water, air to generate electricity which is supplied back to ABC. The company approached AAR for an advance ruling.

As per the company, the activity carried out by PQR is a job work activity. However, AAR held that since electricity manufactured out of coal, air and water is a completely new product hence it amounts to manufacturing and is therefore not a job work activity. AAR further held that since ABC and PQR are related parties, the supply of goods by ABC to PQR will be subject to tax even if it is without any consideration.

SENDING GOODS FOR JOB-WORK – SECTION 143

- Section 143(1) of the GST Act read with Rule 45(1) of CGST Rules prescribes the procedure for sending any inputs or capital goods without payment of tax to job-worker for job work and from there subsequently send to another job worker and likewise.
- **Relevant Extract of Section 143(1)**

(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.....
- **Explanation to Section 143(1)**

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.

SENDING GOODS FOR JOB-WORK

- **Relevant Extract of Rule 45(1)**

(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.

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

SENDING GOODS FOR JOB-WORK



Goods may be sent from principal manufacturer's premises to JW's premises

Goods may be sent directly from supplier's premises to JW's premises

In case of Import of goods, Goods may be sent directly from custom station to JW's premises

Goods may be sent from one JW's premises to another JW's premises

SENDING GOODS FOR JOB-WORK

- Issue 1: Principal manufacturer send goods to a Job worker under a cover of challan. However, the principal manufacture failed to give intimation to the jurisdictional officer. Whether it will amount to non-observance of procedure u/s 143 and lead to denial of benefit ?
- Issue 2: Further in case where such job worker has further sent the goods to another job worker but has failed to endorse the challan. Whether it will lead to denial of benefit u/s 143?

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

8.4 Clarification:

(i) Where goods are sent by principal to only one job worker: *The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, for sending the goods to a job worker. Two copies of the challan may be sent to the job worker along with the goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act, 2017*

(vi) Submission of intimation: *Rule 45(3) of the CGST Rules provides that the principal is required to furnish the details of challans in respect of goods sent to a job worker or received from a job worker or sent from one job worker to another job worker during a quarter in FORM GST ITC-04 by the 25th day of the month succeeding the quarter or within such period as may be extended by the Commissioner. It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act.*

RETURN OF GOODS FROM JOB-WORKER'S PREMISES

143. Job work procedure.— (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:

RETURN OF GOODS FROM JOB-WORKER'S PREMISES

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.

- **Stipulated time for return of goods**

Type	Time Limit	Can be Extended Upto
Inputs	1 year	1 year additional
Capital Goods	3 years	2 years additional

TIME LIMIT CALCULATION

Sr. No.	Particulars	Time Limit Calculation
1	Inputs / Capital Goods Supplied by Principal	1 year / 3 years to be computed from the date of sending Inputs / CG by the Principal.
2	Inputs / Capital Goods supplied directly from Vendor's premises	1 year / 3 years to be computed from the date of receipt of Inputs / CG by the Job worker.
3	Inputs / Capital Goods from one JW to another JW	1 year / 3 years to be computed from the date of sending Inputs / CG by the Principal to the 1 st JW.
4	Goods directly supplied from JW's premises	1 year / 3 years end date to be considered as the date on which the supply has taken place from JW's premises.

SUPPLY OF GOODS DIRECTLY FROM JOB-WORKER'S PREMISES

- **Proviso to Section 143(1)**

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:

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

7. Supply of goods by the principal from job worker's place of business / premises:

Doubts have been raised as to whether the principal can supply goods directly from the job worker's place of business / premises to its end customer and if yes, whether the supply will be regarded as having been made by the principal or by the job worker. It is clarified that the supply of goods by the principal from the place of business / premises of the job worker will be regarded as supply by the principal and not by the job worker as specified in section 143(1)(a) of the CGST Act.

○ **CBIC Circular No. 38/12/2018 dated 26-03-2018**

9.4. On conjoint reading of all the provisions, the following is clarified with respect to the issuance of an invoice, time of supply and value of supply:

.....

(ii) Supply of goods by the principal from the place of business/premises of job worker: Since the supply is being made by the principal, it is clarified that the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises. Further, the invoice would have to be issued by the principal. It is also clarified that in case of exports directly from the job worker's place of business/premises, the LUT or bond, as the case may be, shall be executed by the principal.

Illustration: The principal is located in State A, the job worker in State B and the recipient in State C. In case the supply is made from the job worker's place of business / premises, the invoice will be issued by the supplier (principal) located in State A to the recipient located in State C. The said transaction will be an inter-State supply. In case the recipient is also located in State A, it will be an intra-State supply.

NON-RETURN OF GOODS FROM JOB-WORKER'S PREMISES

- **Section 143(3) & 143(4) of CGST Act, 2017**

(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.

(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.

NON-RETURN OF GOODS FROM JOB-WORKER'S PREMISES

- **Section 19(3) & 19(6) of CGST Act, 2017**

*(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.

NON-RETURN OF GOODS FROM JOB-WORKER'S PREMISES

- **Section 19(3) & 19(6) of CGST Act, 2017**

(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.

(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.

NON-RETURN OF GOODS FROM JOB-WORKER'S PREMISES

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

[as amended by Circular No. 88/07/2019-GST dated 01-02-2019]

9.6 Thus, if the inputs or capital goods are neither returned nor supplied from the job worker's place of business / premises within the specified time period, the principal would issue an 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. The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker and **interest** for the intervening period shall also be payable on the tax. If such goods are returned by the job worker after the stipulated time period, the same would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is liable for registration in accordance with the provisions contained in the CGST Act read with the rules made thereunder. Further, there is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned.

NON-RETURN OF GOODS FROM JOB-WORKER'S PREMISES

- **Issue 1 :** In case where JW could not return the goods, then principal will have to pay GST along with interest as per the provisions of Sec 143. In such case, what will be value at which GST should be paid, given the following facts,
 - Purchase price of goods Rs. 10,000 (excluding 28% GST)
 - Purchase Commission paid – Rs. 500, Rs. 1,000 rent incurred for storing the goods.
 - Transportation cost incurred Rs. 150 for transporting the goods from vendor's premise to his factory and Rs. 100 for transporting from his premise to job worker's premise.
- In case, principal and job worker are unrelated parties, can the transaction value be Rs. 1 ?
- Now when the job worker is returning the goods back to the principal (after 1 year) on what value the tax will be paid ? The job charges for the services provided by job worker are Rs. 200. Whether such job charges will be separately taxed at 12% or whether it will be added in the value of goods and payable at 28% rate?
Whether 10% (as per rule 30) is to be added on such value ?
- If the Job-worker is unregistered, then what is the impact?

- Extract of CGST Rules, 2017
- **30. Value of supply of goods or services or both based on cost.**

Where the value of a supply of goods or services or both is not determinable by any of the preceding rules of this Chapter, the value shall be one hundred and ten percent of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

- **31. Residual method for determination of value of supply of goods or services or both.-**

Where the value of supply of goods or services or both cannot be determined under rules 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter:

Provided that in the case of supply of services, the supplier may opt for this rule, ignoring rule 30.

TAKING OF CREDIT

- Section 19 of CGST Act, 2017 makes provision for taking ITC on the inputs sent to a job worker for job work.

- **Relevant Extract of Section 19**

19. Taking input tax credit in respect of inputs and capital goods sent for job work.— (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.

(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.

(3)

(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.

TAKING OF CREDIT

(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.

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

10. Availability of input tax credit to the principal and job worker:

Doubts have been raised regarding the availability of input tax credit (ITC) to the principal in respect of inputs / capital goods that are directly received by the job worker. Doubts have also been raised whether the job worker is eligible for ITC in respect of inputs, etc. used by him in supplying job work services. It is clarified that, in view of the provisions contained in clause (b) of sub-section (2) of section 16 of the CGST Act, the input tax credit would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker for processing, etc. or whether they are directly received at the job worker's place of business/premises, without being brought to the premises of the principal. It is also clarified that the job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered.

TAKING OF CREDIT

- Issue 1: Principal sends goods to JW on 01-09-2021 but the same has not been returned till Oct 2022. Hence, the principal paid the tax along with interest. JW is unregistered and wishes to take the registration now.
- Will the JW be entitled to claim ITC of the tax charged by the principal for goods sent in Sept 2021 if he takes the registration first or if registration is taken later?

- Section 16(4) of CGST Act, 2017

16. Eligibility and conditions for taking input tax credit.—

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

IN RE: M/S. VISHNU CHEMICALS LIMITED 2022 (2) TMI 652 (App. AAR)

It is our considered view that the appellant is not eligible to claim Input Tax Credit on the disputed invoice dated 01.04.2020 that was issued covering the supply of services pertaining to the period from 01.04.2018 to 31.03.2019.

TAKING OF CREDIT

- Issue 2: Principal engaged in the manufacture of exempted goods has sent some inputs to job worker. There is no ITC claimed by the principal on such inputs. If the JW doesn't return the goods within 1 year, whether such principal will be liable to pay tax on the same as per section 143 despite the fact that no ITC has been claimed on the inputs ?

Rule 4(5) of Cenvat Credit Rules, 2004

(iii) if the inputs or capital goods, as the case may be, are not received back within the time specified under sub-clause (i) or (ii), as the case may be, by the manufacturer or the provider of output service, the manufacturer or the provider of output service shall pay an amount equivalent to the CENVAT credit attributable to the inputs or capital goods, as the case may be, by debiting the CENVAT credit or otherwise, but the manufacturer or the provider of output service may take the CENVAT credit again when the inputs or capital goods, as the case may be, are received back in the factory or in the premises of the provider of output service.]

TAKING OF CREDIT

- **Issue 3: Principal manufacturer send goods to a Job worker under a cover of challan. Will it amount to exempted supply by Principal and reversal under rule 42/43 is required ?**
- **Definition of “exempt supply”**
(47) “exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

WASTE OR SCRAP GENERATED IN THE PROCESS OF JOB-WORKER

- Section 143(5) of CGST Act, 2017

(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.

WASTE OR SCRAP GENERATED IN THE PROCESS OF JOB-WORKER

- Issue 1: If the waste generated in process carried out by JW and the same is retained by the job worker himself as he wants to use it in his other business activity. What is GST impact on this transaction ?
- Issue 2: If the scrap generated in process carried out by JW is lost by the job worker, what will be the impact under GST ? What if principal recovers the value of such lost goods from the job worker?
- Issue 3: If the scrap generated in process carried out by JW is not marketable and has to be disposed off, what will be the impact under GST ? Whether ITC reversal is required?
- Issue 4: In case where JW performs the activity of dyeing and finishing of fabric and fabric gets shrunk by 3% - 4%, then what will be the GST impact of material shrunk in the process carried out by JW ?

REGISTRATION BY JOB-WORKER

- Principal & Job Worker located in same state
- Job worker is required to obtain registration only if his aggregate turnover, to be computed on all India basis, in a financial year exceeds the specified threshold limit (i.e. Rs 20 lakhs or Rs. 10 lakhs in case of special category States except Jammu & Kashmir).
- Principal & Job Worker located in different state
- **Clause (i) of Section 24 of CGST Act, 2017**

24. Compulsory registration in certain cases.— Notwithstanding anything contained in sub-section (1) of section 22, the following categories of persons shall be required to be registered under this Act,—

(i) persons making any inter-State taxable supply;

REGISTRATION BY JOB-WORKER

- However, Job worker is exempted from obtaining registration in terms of **Notification No. 07/2017-IT dated 14-09-2017** unless turnover exceeds the prescribed limit.

In exercise of the powers conferred by section 20 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) read with sub-section (2) of section 23 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the “said Act”), the Central Government, on the recommendations of the Council, hereby specifies the job workers engaged in making inter-State supply of services to a registered person as the category of persons exempted from obtaining registration under the said Act:

Provided that nothing contained in this notification shall apply to a job-worker –

(a) who is liable to be registered under sub-section (1) of section 22 or who opts to take registration voluntarily under sub-section (3) of section 25 of the said Act; or

(b) who is involved in making supply of services in relation to the goods mentioned against serial number 5 in the Annexure to rule 138 of the Central Goods and Services Tax Rules, 2017

REGISTRATION BY JOB-WORKER

- **CBIC Circular No. 38/12/2018 dated 26-03-2018 [as amended by Circular No. 88/07/2019-GST dated 01-02-2019]**

6.1. Doubts have been raised about the requirement of obtaining registration by job workers when they are located in the same State where the principal is located or when they are located in a State different from that of the principal. It may be noted that the job worker is required to obtain registration only if his aggregate turnover, to be computed on all India basis, in a financial year exceeds the specified threshold limit as specified in sub-section (1) of section 22 of the said Act, read with clause (iii) of the Explanation to the said section in case both the principal and the job worker are located in the same State. Where the principal and the job worker are located in different States, the requirement for registration flows from clause (i) of section 24 of the CGST Act which provides for compulsory registration of suppliers making any inter-State supply of services. However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed the specified threshold limit as specified in sub-section (1) of section 22 of the said Act, read with clause (iii) of the Explanation to the said section in a financial year vide notification No. 10/2017 – Integrated Tax dated 13.10.2017 as amended vide notification No 3/2019- Integrated Tax, dated 29.01.19. Therefore, it is clarified that 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.

VALUATION OF SUPPLY OF JOB-WORK SERVICE

- **CBIC Circular No. 38/12/2018 dated 26-03-2018**

[as amended by Circular No. 88/07/2019-GST dated 01-02-2019]

9.4. On conjoint reading of all the provisions, the following is clarified with respect to the issuance of an invoice, time of supply and value of supply:

*(i.) **Supply of job work services** :The job worker, as a supplier of services, is liable to pay GST if he is liable to be registered. He shall issue an invoice at the time of supply of the services as determined in terms of section 13 read with section 31 of the CGST Act. The value of services would be determined in terms of section 15 of the CGST Act and would include not only the service charges but also the value of any goods or services used by him for supplying the job work services, if recovered from the principal.*

Issue – In case, if principal and job worker are related parties, whether it will affect valuation of job work charges charged by job worker ?

DOCUMENTATION

Sr. No.	Particulars	Requirements
1	Where goods are sent by principal to only one job worker	<ul style="list-style-type: none">• Principal to prepare challan in triplicate• Two copies to be sent to job worker• Job worker to send one endorsed copy while returning goods• E-way bill (mandatory if inter-state movement irrespective of threshold)• Details to be reported in Form GST ITC-04
2	Where goods are sent from one job worker to another job worker	<ul style="list-style-type: none">• Either Principal or Job worker may issue challan.• Alternately, challan of principal may be endorsed by Sender Job Worker.• E-way bill• This information is not required in Form GST ITC-04
3	Where the goods are sent directly by the supplier to the job worker	<ul style="list-style-type: none">• Procedure of Bill-to-Ship-to model can be followed.• Principal to issue challan in triplicate• E-way bill by the person causing movement (Vendor) – Bill-to-ship-to model• Details to be reported in Form GST ITC-04.

DOCUMENTATION

Sr. No.	Particulars	Requirements
4	Where imported goods are directly supplied from custom station	<ul style="list-style-type: none">• Goods may move directly from custom station to Job worker under a copy of Bill of Entry• Principal to issue challan in triplicate• E-way bill (mandatory if inter-state movement irrespective of threshold)• Details to be reported in Form GST ITC-04
5	Where goods are returned by the job worker	<ul style="list-style-type: none">• Challan issued originally by the principal to be endorsed.• E-way bill (mandatory if inter-state movement irrespective of threshold)• Details to be reported in Form GST ITC-04
6	Where goods are returned in piecemeal by the job worker	<ul style="list-style-type: none">• Challan issued originally by the principal cannot be endorsed.• Fresh challan is required to be issued by the job worker.• E-way bill (mandatory if inter-state movement irrespective of threshold)• Details to be reported in Form GST ITC-04

PROCEDURAL ASPECT – SUMMARISED

1

- 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 likewise.
- Principal can send inputs or capital goods directly to the job worker without bringing them to his premises, and can avail the credit of tax paid on such inputs or capital goods

2

- Job worker is required to return the “Inputs” and “Capital Goods” sent, to the principal or supplied within 1 year and within 3 years respectively from the date of sending such goods to the job worker.

3

- The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal. Further, the responsibility for sending the goods for job work as well as bringing them back or supplying them has been cast on the principal.

PROCEDURAL ASPECT – SUMMARISED

4

- Where the inputs/Capital goods sent for job-work **are not received back** by the “principal” or supplied within a period of 1 year/3 years of their being sent out, **it shall be deemed that such inputs/capital goods had been supplied by the principal to the job-worker** on the day when the said inputs/capital goods were sent out.

5

- **E-Way Bill is required** to be generated for inter-state movement of goods by principal or job worker, if registered. Threshold limit exemption available for intra-state movement.
- The **threshold limit of Rs 50,000 does not apply**. For Example, if value of consignment is Rs. 15,000 then also EWB is required if it is inter-state movement.

6

- After processing of goods, **the job worker may clear the goods to-**
 - ✓ **Another job worker** for further processing
 - ✓ **Dispatch the goods to the principal** without payment of tax
 - ✓ **Supply goods** on payment of tax within India or Export the goods (only if principal has declared job worker’s premises as additional place of business).

PROCEDURAL ASPECT – SUMMARISED

7

- Since supply is being made by the principal, the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises.
- Further, the invoice would have to be issued by the principal.

8

- The Principal shall declare the place of business of the job worker as his additional place of business if the Job Worker is unregistered.
- Declaration not required if Job worker is registered or Principal is supplying notified goods.

9

- Waste or Scrap generated in the process of job-work may be supplied,
 - ✓ directly by job-worker, if registered or
 - ✓ by the principal, if job-worker is not registered

RATE OF GST AS PER NOTIFICATION NO. 11/2017-CT (RATE) – AS AMENDED

Sr. No.	Particulars	Rate
26 (i)	Job work in relation to Printing of newspapers, books, Journals, periodicals; goods falling under Chapter 48 or 49 which attract GST @ 5% or Nil; Textiles; Products falling under Chapter 71 (except diamond); food products falling under Chapter 1 to 22 and products falling under Chapter 23 (except 23091000 i.e. dog/cat food) in First Schedule to CTA 1975 and manufacture of handicraft goods.	5
26 (ia)	Job work in relation to manufacture of umbrella; printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 %	12
26 (ib)	Job work in relation to diamonds falling under chapter 71 in the First Schedule to the CTA, 1975	1.5
26 (ic)	Job work in relation to bus body building	18
26 (ica)	Job work in relation to manufacture of alcoholic liquor for human consumption	18
26 (id)	Other than (i), (ia), (ib), (ic) and (ica) above [Discussed in coming slides]	12

RATE OF GST AS PER NOTIFICATION NO. 11/2017-CT (RATE) – AS AMENDED

Sr. No.	Particulars	Rate
26 (ii)	Treatment or process on goods belonging to another person, in relation to printing of newspapers, books, journals and periodicals and all goods goods falling under Chapter 48 or 49, which attract CGST @ 2.5 %	5
26 (iia)	Treatment or process on goods belonging to another person, in relation to printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 %	12
26 (iii)	Tailoring services	5
26 (iv)	Manufacturing Services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (ica), (id), (ii), (iia) and (iii) above. [Discussed in coming slides]	18

RATE OF GST AS PER NOTIFICATION NO. 11/2017-CT (RATE) – AS AMENDED

Sr. No.	Chapter Heading	Description of Service	Rate	Condition
26	Heading 9988 (Manufacturing services on physical inputs (goods) owned by others)	(id) Services by way of job work other than (i), (ia), (ib) and (ic) above	12	-
		[(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), [(ib), (ic), (id),] (ii), (ia) and (iii) above.	18	-

- Circular No. 126/45/2019-GST dated 22-11-2019 has clarified the distinction between these entries.
- It clarified that Entry (id) covers only job work services undertaken by a person on goods belonging to another **registered** person.
- Entry (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than registered person i.e. **unregistered** person.

RATE OF GST AS PER NOTIFICATION NO. 11/2017-CT (RATE) – AS AMENDED

○ In Re: Alcoats 2022 (59) G.S.T.L. 452 (A.A.R. - GST - Kar.)

10. *The applicant is engaged in providing job work services by carrying out the processes such as anodizing, plating on the materials sent by their customers and returns the said material back to the respective customers. In this regard the applicant sought advance ruling on the issue that whether their activity is covered under clause (id) or clause (iv) of the Entry Number 26 of Notification No. 11/2017-Central Tax (Rate), as amended, and consequential rate of GST applicable to their activity.*

14. It could be inferred from the foregoing circular (para 4) that the job works defined under Section 2(68) of the CGST Act i.e. job work services by way of treatment or processing undertaken by a person on goods belonging to another registered person are covered under clause (id) of Entry Number 26 of the Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017, as amended, and clause (iv) of the notification supra covers only services which are excluded under clause (id) and also carried out on physical inputs (goods), owned by the unregistered person/s.

15. *In the instant case the applicant provides the job work services on the goods belonging to registered persons and hence are covered under clause (id) of Entry Number 26 of the Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017, as amended and accordingly attract GST rate of 12%.*

RATE OF GST AS PER NOTIFICATION NO. 11/2017-CT (RATE) – AS AMENDED

- Issue 1: In case a JW has been appointed for cutting and polishing of diamond and the JW recovers charges on per man hour basis for the services provided. Whether the activity will amount to Job work (GST @ 1.5%) or manpower supply (GST @ 18%) ?
- Issue 2: Will the answer change if job charges are recovered on per piece basis instead of per man hour basis?

BODY BUILDING OF CHASSIS

- Circular No. 52/26/2018-GST dated 09-08-2018 has clarified the following two situations:

Sr No	Situation	Clarification
1	Bus body builder builds a bus, working on the chassis owned by him and supplies the built-up bus to the customer, and charges the customer for the value of the bus.	Supply made is that of bus, and accordingly supply would attract GST @28%
2	Bus body builder builds body on chassis provided by the principal for body building, and charges fabrication charges (including certain material that was consumed during the process of job-work)	Fabrication of body on chassis provided by the principal (not on account of body builder) is supply of service, and attract 18% GST.

BODY BUILDING OF CHASSIS

- **In Re: TVL. Anamallais Engineering (P) Ltd. 2022 (57) G.S.T.L. 319 (A.A.R. - GST - T.N.)**

7.5 *In the instant case, the bus body fabricated and mounted on the chassis supplied by the customer is delivered back to the customer charging a lump sum amount as job work charges. It is to be noted that ownership of the chassis remains with their customers and will not be transferred to the applicant at any point of time. The consideration is received only towards fabrication services besides own materials involved in the fabrication. In view of the above discussion, it is evident that the activity undertaken by the applicant for bus body building on the chassis supplied by the customer is to be classified as Job Work as per Schedule II of the CGST Act, 2017, the said activity of bus body building on the chassis supplied by the customer by the applicant is supply of services.*

- **In Re: Tata Marcopolo Motors Ltd. 2019 (27) GSTL 283 (AAR – GST) Karnataka**

6.8 *It is evident from Para 12.2(b) of the said circular that if the body is built on the chassis provided by the principal and the fabrication charges, including certain material consumed during the process of job work, have been charged then the activity amounts to Supply of Service and attracts 18% GST. In the instant case in terms of the process explained by the applicant the body is built on the chassis provided by the owner. Therefore, the instant question is answered by the provisions of Para 12.2(b) of the said circular and the activity merits classification as supply of service attracting GST @ 18%.*

FORM GST ITC-04

- The principal is required to submit Form GST ITC-04 as per Rule 45 at the below mentioned intervals, which contains the details of challans for goods dispatched to job workers, received from job worker etc.
- **Rule 45(3) of CGST Rules, 2017 [as amended]**

*(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 shall be included in **FORM GST ITC-04** furnished for that period on or before the twenty-fifth day of the month succeeding the said period 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 six 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 five crore rupees; and

(b) a financial year in any other case.

Form GST ITC-04 was a quarterly form until September 2021. It had to be furnished on or before the 25th day of the month succeeding the quarter.

From 01-10-2021

Sr. No.	Particulars	Due Date
1	Annual aggregate turnover of more than Rs. 5 crore	Half-yearly April-September- due on 25th October and October-March due on 25th April.
2	Annual aggregate turnover of up to Rs. 5 crore	Yearly from FY 2021-22 due on 25th April.

FORM GST ITC-04

- Due date Chart

Period	Extended Due Date	Notification No.
July to September, 2017	30th November, 2017	53/2017 – Central Tax
July to September, 2017	31st December, 2017	63/2017 –Central Tax
July,2017 to June, 2018	30th September, 2018	40/2018–Central Tax
July, 2017 to September, 2018	31st December, 2018	59/2018 –Central Tax
July, 2017 to December, 2018	31st March, 2019	78/2018–Central Tax
July, 2017 to March, 2019	30th June, 2019	15/2019–Central Tax
July, 2017 to June, 2019	31st August, 2019	32/2019–Central Tax
July, 2020 to September, 2020	30th November, 2020	87/2020 –Central Tax
January, 2021 to March, 2021	31st May, 2021	11/2021 –Central Tax
January, 2021 to March, 2021	30th June, 2021	26/2021–Central Tax

THANK YOU

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