

DAA

CHARTERED ACCOUNTANTS

Procedure for Job work under GST

- 1) The term Job Work in layman terms means “Subcontracting” or “Outsourcing”. The practice of Job-work is not only prevalent in domestic transactions but also in International Business Transactions.
- 2) Job-work denotes some activity to be performed on goods in the form of manufacturing activities like cutting, welding, boring, toll blending etc. or further processing of goods in the form of painting, coating of chemicals etc. or other chemical process like membrane cell processing, Diaphragm cell processing etc.
- 3) In a typical Job-work transaction, the principal sends either Raw Materials or Semi-finished goods to the Job-worker for further processing with or without tools / capital goods that might be required for the process.
- 4) Upon completion of the Job-work activity, the goods would be either returned back to the Principal for further manufacturing and completion in to Finished goods or if the goods reach Finished Goods stage at the Job worker’s premises, it might be dispatched directly from the Job Worker’s premises to the Customer of the Principal.
- 5) The process, procedure and treatment for Job work under the erstwhile regime has been completely changed and a new simpler process & procedure has been prescribed under the GST Law which has been discussed in detail in this note.

Definition of Job work under GST.

As per Section 2(68) of CGST Act, 2017, “job work” means, any treatment or process under taken by a person (job worker) on goods belonging to another registered person (principal owner). The person who is under taking the job work is called as Job worker and the person, who is owner of the goods, is called as principal owner. By sending the material for job work, the ownership is not getting transferred to job worker and it lies with the principal owner.

DAA

CHARTERED ACCOUNTANTS

Job work Procedure

- As per Section 143 (1), the principal shall intimate the job worker to whom the goods are being sent to the Jurisdictional GST Authority.

- **Movement of goods to Job-worker**

Upon intimation the following procedure may be followed :

- o The goods shall be moved under a delivery challan which should be serially numbered not exceeding sixteen characters, in one or multiple series containing the following details –
 - a) Date & Number of Delivery challan
 - b) Name, Address and GSTIN of the Principal
 - c) Name, Address and GSTIN of the Job worker
 - d) HSN & Description of Goods
 - e) Qty.
 - f) Taxable Value
 - g) Place of Supply, in case of interstate movement
 - h) Signature
- o The delivery challan shall be prepared in shall be prepared in triplicate for the supply of goods :
 - The original copy being marked as ORIGINAL FOR JOB WORKER,
 - the duplicate copy being marked as DUPLICATE FOR TRANSPORTER: and
 - the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

- **Return of goods from Job-worker to Principal**

The following conditions shall be adhered to when goods are sent on Job-work basis –

- a) Inputs (i.e. Raw Materials / Semi finished goods) must be brought back within 1 year from the date of sending out the goods.
 - b) Capital goods (except tools, moulds, dies, jigs and fixture) must be brought back within 3 years from the date of sending out the goods.
- **Supply of goods directly to Customer from a registered* Job-worker premises**
 - a) Inputs (i.e. Raw Materials / Semi finished goods) must be supplied within 1 year from the date of sending out the goods.

DAA

CHARTERED ACCOUNTANTS

c) Capital goods (except tools, moulds, dies, jigs and fixture) must be supplied within 3 years from the date of sending out the goods.

- **Supply of goods for Export directly from a registered* Job-worker premises**

a) Inputs (i.e. Raw Materials / Semi finished goods) must be supplied within 1 year from the date of sending out the goods.

b) Capital goods (except tools, moulds, dies, jigs and fixture) must be supplied within 3 years from the date of sending out the goods.

** If the Job-worker is not registered, then the principal shall add the place of business of the job worker as additional place of business to his registration and thereafter dispatch goods from the Job-worker premises directly to the Customer in India / for Export. All the other conditions specified above would apply for a transaction with unregistered Job-worker also.*

- **Treatment of Job-work Charges**

Job-work is deemed as Supply of Service by virtue of Sl. No.3 of Schedule II of the CGST Act, 2017. Hence Job work charges would be subject to GST at Specified rates according to the Service Accounting Code under which the services would be classifiable.

- **Consequence of goods not returned / supplied within the stipulated time**

If the Inputs / Capital goods are not received within the specified time limit, then the transfer of good by the principal to the Job-worker would be treated as supply of goods against which the principal shall raise an Invoice and pay GST along with interest. The job worker shall take credit of such GST paid and on return of the goods to principal / on supply to the Customer, the Job-worker shall raise an Invoice for the value of goods and pay GST which shall be taken as credit back by the Principal.

- **Disposal of Scrap arising out of the Job-work process**

- The Scrap generated can be disposed off directly from the job-worker's premises
- In our view, the transfer of property in goods in the Scrap generated from the Principal to the Job-worker is an independent supply of goods which should be subject to GST and the sale of scrap by Job-worker to a third party is a taxable supply which would also suffer GST.

DAA

CHARTERED ACCOUNTANTS

- **Maintenance of Accounts**

The responsibility for keeping proper accounts for the inputs and capital goods shall lie with the principal.

- **Availing Input Tax Credit**

As per Section 19, the principal shall take credit of GST paid on goods that are sent to job worker whether or not the goods (Inputs & Capital Goods) are sent to the job-worker directly.

- **Returns to be filed**

As per Rule 45(3) of the CGST Rules 2017, the details of challan in respect of goods dispatched to job worker or received from a job worker or sent from one job worker to another job worker during a quarter shall be included in Form GST ITC-04 and it should be filed by the principal in the GSTN on or before 25th of succeeding the said quarter or within such period as may be extended by the Commissioner by a notification in this behalf.