CHAPTER 16

JOB WORK



The section numbers referred to in the Chapter pertain to the CGST Act, 2017 unless otherwise specified. Examples/Illustrations/Questions and Answers, as the case may be, given in the Chapter are based on the position of GST law existing as on 30.04.2026.

LEARNING OUTCOMES

After studying this chapter, you would be able to:

- comprehend the term 'job work'.
- explain the various aspects including procedure pertaining to removal of goods for the purposes of job work.
- understand the provisions relating to removal of processed goods from job worker's premises.
- understand the provisions relating to availing input tax credits in relation to goods sent for job work.

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1. INTRODUCTION

Job-work sector constitutes a significant industry in the Indian economy. It



includes outsourced activities that may or may not culminate into manufacture. The term **job-work** itself explains the meaning. It is processing of goods – inputs/ semi-finished goods - supplied by the **principal**, for further processing. Further, para 3 of Schedule II to the CGST Act, 2017 provides that any treatment or process which is applied to another person's goods is a supply of services.



Here, a Principal is a registered person who sends the inputs/capital goods to a job worker for carrying out the job work. Many facilities, procedural concessions have been given to the job workers as well as the principal supplier who sends goods for job-work. The whole idea is to make the principal responsible for meeting the 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/processing units who are unable to comply with the discrete provisions of the law.

The GST law makes special provisions with regard to (i) removal of goods for job-work and receiving the goods back after processing from the job-worker without the payment of GST and (ii) removal of goods from the job worker's premises for supply to the ultimate customer. The benefit of these provisions shall be available both to the principal and the job worker.

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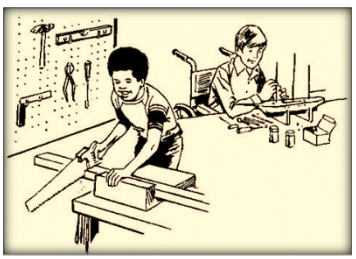
Section 2(68) defines job work as '**any treatment or process undertaken by a person on goods belonging to another registered person'**. E.g. Painting, packing, fitting, etc. The person who does the said job would be termed as **'job worker'**. The job worker is expected to work on the goods sent by the principal and whether the activity is covered within the scope of job work or not would have to be determined on the basis of facts and circumstances of each case. It is imperative to note that the ownership of the goods does not transfer to the job worker, and it rests with the principal only.



There may arise a doubt as to whether any inputs, other than the goods provided by the principal, can be used by the job worker for providing the services of job work. In this regard, it is clarified[1] 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.



Supply of job work services



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 which provides for compulsory registration of suppliers making any inter-State supply. However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed an amount of ₹ 20 lakh [₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland] in a financial year vide *Notification No. 10/2017 IT dated 13.10.2017 as amended*.

In view of the above discussion, it can be inferred that the 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 above threshold limit regardless of whether the principal and the job worker are located in the same State or in different States.

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[1] *Circular No. 38/12/2018 GST dated 26.03.2018 as amended*

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The job worker, as a supplier of services, is liable to pay GST if he is liable to be registered in view of the aforesaid criteria. He shall issue an invoice at the time of supply of the services as determined in terms of section 13 read with section 31.

The value of services would be determined in terms of section 15 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.



In certain cases, the principal may provide specific items like moulds and dies, jigs and fixtures or tools along with the inputs, to the job worker for processing of inputs in a specified manner. The question may arise whether value of moulds and dies, jigs and fixtures or tools which have been provided by the principal to the job worker and have been used by the latter for providing job work services would be included in the value of job work services?

Section 15(2)(b) *[Discussed in detail in Chapter 6 – Value of Supply in Module 1 of the Study Material]* stipulates that any amount that the supplier is liable to pay in relation to the supply but which has been incurred by the recipient will form part of the valuation for that particular supply, provided it has not been included in the price for such supply.



Accordingly, it is clarified[2] that the value of such moulds and dies, jigs and fixtures or tools may not be included in the value of job work services provided its value has been factored in the price for the supply of such services by the job worker.

The provisions relating to job work are, *inter alia*, covered in sections 19 and 143 of the CGST Act. State GST laws also prescribe identical provisions in relation to job work.

Provisions of job work under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

[2] *Circular No. 38/12/2018 GST dated 26.03.2018*

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2. RELEVANT DEFINITIONS

- **Taxable supply:** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].
- **Place of business:** includes
  - (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
  - (b) a place where a taxable person maintains his books of account; or
  - (c) a place where a taxable person is engaged in business through an agent, by whatever name called[Section 2(85)].
- **Capital goods:** means goods, the value of which is capitalized in the books of account of the person claiming the ITC and which are used or intended to be used in the course or furtherance of business [Section 2(19)].
- **Input:** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [Section 2(59)].
- **Registered person:** means a person who is registered under section 25 but does not include a person having a Unique Identity Number [Section 2(94)].

3. JOB WORK PROCEDURE [SECTION 143]

The provisions related to job work are encapsulated under section 143 of the CGST Act. It is important to note that the provisions of said section are applicable to a registered person. Thus, a principal, who can send the goods for job work under the said provisions, must be a registered person.

However, the principal is not obligated to follow the said provisions. It is his choice whether or not to avail the benefit of these special provisions. In case the principal is not availing the benefit of provisions under section 143, the sending of inputs for processing to be undertaken by the job worker will attract the provisions relating to a normal supply on both the principal and the job worker.

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The provisions of section 143 have been discussed as follows:

Principal can send goods to job worker <u>without payment of tax</u>

- A registered person (Principal) is allowed to **send inputs/ capital goods 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** or **remove** the processed **goods from the job workers premises for supply to the customer**. Such goods need to be removed **under intimation to proper officer** and subject to certain prescribed conditions.

  Goods sent without payment of tax from principal's premises to job worker's premises.

  The principal is not required to reverse the ITC availed on inputs or capital goods dispatched to the job-worker without payment of tax.



Principal's premises — **NO TAX** — **Job-worker's premises**

- The principal can also send inputs/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.

  Goods sent without payment of tax directly to job worker's premises



Premises of the supplier from whom goods have been purchased by the principal — **NO TAX** — **Job-worker's premises**

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- However, inputs and/or capital goods [other than moulds and dies, jigs and fixtures, or tools] 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. However, the period of 1 year and 3 years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 1 year and 2 years respectively. Extension of time is allowed to cover the situations where the period of 1 year specified is not adequate in respect of job works such as hull construction/ fabrication of vessels (for defence purposes), since these processes complete in a period of around 14 to 16 months. 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.

Goods must be returned within stipulated time-limit

- After processing of goods, the job-worker may clear / dispatch the goods under the instructions of the principal to-
  - another job-worker for further processing, or
  - any of the places of business of the principal without payment of tax, or
  - the ultimate customer against payment of tax by the principal as applicable for supply.

Supply of goods directly from job worker's place of business/premises

- After processing of goods, the principal also has the option to clear the goods for supply to third party, directly from job-worker's premises, on payment of tax within India or without payment of tax for export outside India on fulfilment of prescribed conditions.
- The facility of supply of goods by the principal to the third party directly from the premises of the job- worker, on payment of tax in India likewise with or without payment of tax for export, may be availed by principal after **declaring premise of the job-worker as his additional place of**



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business in his GST registration. However, such declaration is not required by the principal where:

- job worker is registered under section 25; or
- principal is engaged in supply of notified goods.

- In such cases of direct supply, the supply of goods will be regarded as supply by the principal and not by the job worker. Resultantly, 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[3] 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. These principles would apply mutatis mutandis in case of supply of waste and scrap generated during job work *[discussed subsequently in this heading]*.



(1) 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 (along with electronic way bill) will be issued by the supplier (principal) located in State A to the recipient located in State C.

Procedure for sending goods to job worker

- Before supply of goods to the job-worker, the principal would be required to send intimation to the proper 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, if any. The inputs or capital goods shall be sent to the job worker under the cover of a delivery challan issued by the principal. The delivery challan shall be issued even for the inputs or capital goods sent directly to the job worker. The delivery challan shall contain the specified details. Along with the delivery challan, an electronic waybill shall be issued as per the relevant provisions under GST Law and related rules[4].

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[3] *Circular No. 38/12/2018 GST dated 26.03.2018*

[4] *The documents and intimation required for movement of goods from principal to job worker have been discussed in detail subsequently in this chapter.*

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Responsibility for keeping accounts for inputs/capital goods



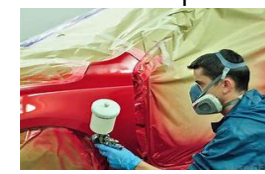
- The responsibility for keeping proper accounts for the inputs or capital goods **lies with the principal**.

Goods not received within the stipulated time deemed as supply

- In case the inputs are not received back or not supplied from the job worker's premises, within specified time limit [1 year/extended time period], it shall be deemed to be a supply from Principal to the Job worker from the day when it was sent for job work. Accordingly, the principal would be liable to tax along with interest as applicable.
- In case the capital goods 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:
- 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.
- Thus, goods sent for job work acquire the character of supply when the inputs/capital goods sent for job work are neither received back by the principal nor supplied further by the principal from the place of business/premises of the job worker within 1 year/3 years/extended time-period, of being sent out. It may be noted that the responsibility for sending the goods for job work in accordance with the prescribed procedure as well as bringing them back or supplying them has been cast on the principal.
- In such cases where the inputs or capital goods (other than moulds and dies, jigs and fixtures or tools) 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 1 year/3 years or extended time period has expired.

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- **Date of supply**: The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker. Further, interest for the intervening period shall also be payable on the tax by the principal.
- 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, it may be reiterated that 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.

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. [Explanation to section 143]

4. TAKING INPUT TAX CREDIT IN RESPECT OF INPUTS AND CAPITAL GOODS SENT FOR JOB WORK [SECTION 19]

STATUTORY PROVISIONS

Section 19	*Taking input tax credit in respect of inputs and capital goods sent for job work*
Sub-section	***Particulars***
(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*

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	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)	*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.
(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.*
(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.*
(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.*

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Explanation.–*For the purpose of this section, "principal" means the person referred to in section 143.*	
Chapter V: Input Tax Credit of CGST Rules	
Rule 45	***Conditions and restrictions in respect of inputs and capital goods sent to the job worker***
Sub-rule	***Particulars***
(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.*
(3)	*The details of challans in respect of goods dispatched to a job worker or received from a job worker during the 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.

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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*
(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.*	
***Explanation.**- For the purposes of this Chapter,-*		
(1)	*the expressions "capital goods" shall include "plant and machinery" as defined in the Explanation to section 17;*	
(2)	*for determining the value of an exempt supply as referred to in sub-section (3) of section 17-*	
	(a)	*the value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty; and*
	(b)	*the value of security shall be taken as one per cent. of the sale value of such security.*



ANALYSIS

Section 19 deals with ITC on inputs and capital goods sent for job work.

(i) Credit on inputs and/or capital goods sent for job work [Sub-sections (1), (2), (4) and (5) of section 19]

- A principal is entitled to take the credit of input tax paid on inputs and/or capital goods sent to the job-worker for the job work.

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- The principal can also take ITC even when the inputs and/or capital goods have been directly sent to the job worker without being brought into his premises. The principal need not wait till the inputs and/or capital goods are first brought to his place of business *[See definition of place of business]*.



Job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered[5].

(ii) Time limits for the return of inputs/capital goods sent for job-work or supply from job worker's place of business after required processing or treatment [Sub-sections (3), (6) and (7) read with rule 45 of CGST Rules]

- Inputs and capital goods sent for job work should either be returned to the principal or must be supplied from the job worker's premises within 1 year and 3 years[6] respectively **from the date of sending them to the job worker***.

**Where inputs/capital goods are sent directly to a job worker, said period shall be computed from the date of receipt of inputs/ capital goods by the job worker.*



- As discussed earlier, if the above time-lines are not met, it is deemed that the inputs and capital goods were supplied by the principal to the job worker (in other words, tax will be payable on them by the principal along with interest) on the day they were sent out to the job worker.

[5] *Circular No. 38/12/2018 GST dated 26.03.2018*

[6] *Extendible by further period not exceeding 1 year and 2 years respectively.*

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The said supply is required to be declared in GSTR-1 [Details of Outward Supplies] and the principal is liable to pay tax along with applicable interest.

In such a case, return of the inputs and capital goods by the job worker, after the stipulated time, will be treated as a separate supply on which tax shall be paid by the job worker as per normal provisions under the GST Law.

(2) A supplier of notebooks for schools sends the paper of required dimensions and GSM to a job worker for making the notebooks as per the design given by him.

However, the Government changes the specifications of notebooks for supply to its schools. The supplier sends a fresh stock of paper with fresh instructions to the job worker and instructs him to hold the earlier consignment in stock till a buyer is found. The new notebooks are easily sold, but the paper and semi-finished notebooks of the old design lie in the godown of the job worker for over a year and an extension from the proper officer is not sought. Here, sending of paper by the notebook supplier to the job worker in the first lot will be deemed as a supply and thus, tax would be payable on the same.

(iii) Special procedure for sending goods for job work [Rule 45 of CGST Rules]

The procedure for sending the goods for job work, in accordance with rule 45 read with *Circular No. 38/12/2018 dated 26.03.2018*, has been discussed below:

(a) Where goods are sent by principal to only one job worker: Principal has to send the inputs and/or capital goods to the job worker under the cover of a delivery **challan** issued by him. Such delivery challan should contain the details specified in rule 55 namely, date & number of delivery challan, name, address & GSTIN of consignor & consignee, HSN code & description of goods, quantity, taxable value, tax rate and tax amount, place of supply and signature. [*Refer Chapter 9: Tax Invoice, Credit and Debit Notes in Module 2 of the Study Material, for detailed discussion on rule 55*].



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The principal shall prepare **in triplicate**, the delivery challan in terms of rules 45 and 55, 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 delivery challan along with the goods, while returning them to the principal.

Further, the principal would be required to send an intimation to the Jurisdictional Officer. **Form GST ITC-04 will serve as the intimation**. The intimation will contain 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.

(b) Where goods are sent from one job worker to another job worker: In such cases, the goods may move under the cover of a delivery challan issued either by the principal or the job worker. Alternatively, the delivery challan issued by the principal may be endorsed by the job worker sending the goods to another job worker, indicating therein the quantity and description of goods being sent. The same process may be repeated for subsequent movement of the goods to other job workers, indicating therein the quantity and description of goods.

(c) Where the goods are returned to the principal by the job worker: The job worker should send one copy of the delivery challan [as received by him from the principal] while returning the goods to the principal after carrying out the job work.

(d) Where the goods are sent directly by the supplier of the principal to the job worker: In this case, the goods may move 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 buyer (i.e., the principal). Job worker's name and address should also be mentioned as the consignee in such invoice.

Further, the buyer (i.e., the principal) shall issue the delivery challan[7] and send the same to the job worker directly.

[7] *required to be issued under rule 45*

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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 delivery challan under rule 45 and send the same to the job worker directly.

(e) Where goods are returned in piecemeal by the job worker: In case the goods after carrying out the job work, 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 delivery challan is required to be issued by the job worker.

(f) Submission of intimation: It is clarified that it is the responsibility of the principal to include the details of all the delivery challans relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom during **the specified period** in Form GST ITC-04 by the 25th day of the month succeeding the **said period**. This period can be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST. The Form GST ITC-04 will serve as the intimation as envisaged under section 143.

Aggregate turnover of principal during preceding F.Y.	**Form GST ITC-04 to be filed on**	**Due date(s) for filing Form GST ITC-04**
upto ₹ 5 crore	annual basis	25th April
greater than ₹ 5 crore	half yearly basis	25th October & 25th April

(g) Requirement to generate E-way Bill: In case of job work, e-way bill[8] shall be generated either by the principal or by the registered job worker. Where goods are sent by a principal located in one State/Union territory to a job

[8] *Rule 138, inter alia, stipulates that an e-way bill is required to be generated by every registered person who causes movement of goods of consignment value exceeding ₹ 50,000 even in cases where such movement is for reasons other than for supply (e.g. in case of movement for job work). However, in case of goods sent by a principal located in one State/UT to a job worker located in any other State/UT, the e-way bill needs to be generated irrespective of the value of the consignment. Provisions of e-way bill have been discussed in detail in Chapter 10 – Accounts and Records; E-way Bill in Module 2 of the Study Material.*

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worker located in any other State/ Union territory, an e-way bill is required irrespective of the consignment value. For intra-State movement for job work, the normal threshold of consignment value exceeding ₹ 50,000 applies.

Further, the e-way bill shall be generated by the principal, wherever required, in case the job worker is unregistered[9].

5. REGISTRATION REQUIREMENTS

(i) Registration requirements when both the principal and the job worker are located in the same State: 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 (i.e., ₹ 20 lakh or ₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) in case both the principal and the job worker are located in the same State [Section 22(1)]. Since job work is a supply of services, the enhanced threshold of ₹ 40 lakh — available only to persons engaged exclusively in the supply of goods — is not available to a job worker.

(ii) Registration requirements when the job worker is located in a State different from that of the principal: Where the principal and the job worker are located in different States, the requirement for registration flows from section 24(i) of the CGST Act, which provides for compulsory registration of suppliers making any inter-State supplies. However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed ₹ 20 lakh or ₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland in a financial year vide *Notification No. 10/2017 IT dated 13.10.2017 as amended*.

Therefore, it is clarified that a job worker, being a supplier of service, 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

[9] *Since where the goods are supplied by an unregistered supplier to a registered recipient, movement shall be said to be caused by such recipient if the recipient is known at the time of commencement of the movement of goods [Rule 138].*

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regardless of whether the principal and the job worker are located in the same State or in different States[10].

(iii) Value of goods, after completion of job work, supplied directly from the premises of the registered job worker not to be included in its aggregate turnover: As discussed earlier in this chapter, principal can supply the goods directly from the premises of the job worker without bringing it back to his own premises. 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[11].

Therefore, the value of such goods supplied will be included in the aggregate turnover of the principal and not job worker [Explanation (ii) to section 22].

6. SUPPLY OF WASTE & SCRAP [SECTION 143(5)]

Notwithstanding anything contained in aforesaid provisions, 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.

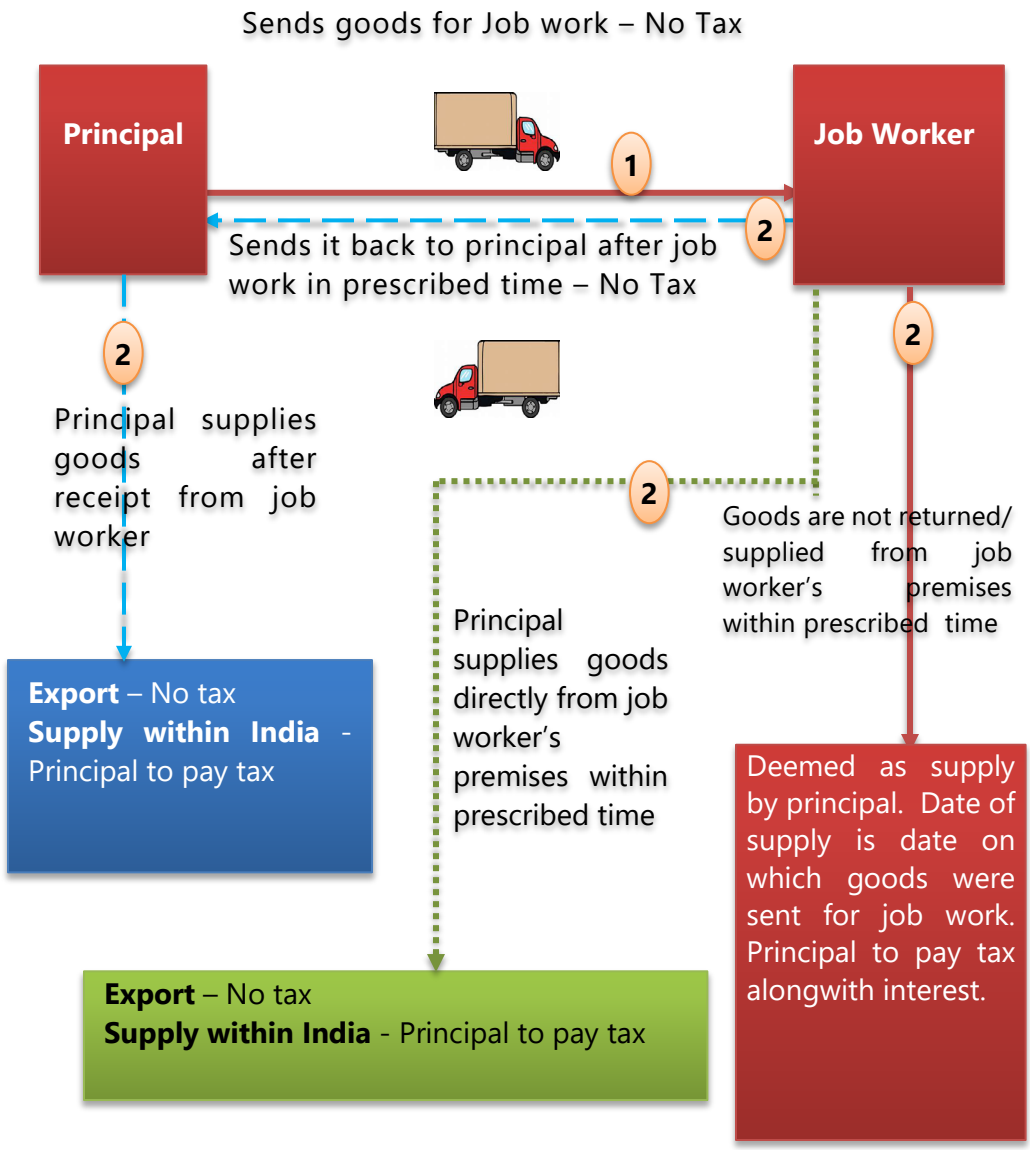
[10] *Circular No. 38/12/2018 GST dated 26.03.2018*

[11] *Circular No. 38/12/2018 GST dated 26.03.2018*

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LET US RECAPITULATE

Job work Procedure



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Time limits for the return of inputs/capital goods sent for job-work or supply from job worker's place of business after required processing or treatment

- Principal can take credit on goods (inputs and capital goods) sent for job work.
- Credit can be taken even if the said goods are sent directly to job worker without being first brought to the principal's place of business.

Time limit for return of goods sent for job work/supply from job worker's place of business

- **Inputs -** 1 year (extendable by another 1 year)
- **Capital goods** - 3 years (extendable by another 2 years)

from the date of sending the same for job work or from the date of receipt of the same by the job worker.

- On failing to comply with the timelines, the goods will be deemed to have been supplied to the job worker on the day they were sent out.
- Principal is liable to pay tax along with applicable interest on such supply.
- Subsequent return of the goods by the job worker will be treated as a separate supply.

Time-lines do not apply to moulds and dies, jigs and fixtures or tools sent out for job work.

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TEST YOUR KNOWLEDGE

1. *Under what circumstances, can the principal directly supply goods from the premises of job worker without declaring the premises of job worker as his additional place of business?*

2. *What happens when the inputs or capital goods are not received back or supplied from the place of business of job worker within prescribed time period?*

3. *Who is responsible for the maintenance of proper accounts related to job work?*

4. *Genie Engineers had a mould delivered directly to a job worker from the supplier for making certain precision parts for use in the factory of Genie Engineers. As per agreement, the mould was to remain with the job worker as long as work was being sent to him.*

   After four years a departmental audit team that visited the job worker noticed the mould and traced it to Genie Engineers. GST was demanded from Genie Engineers for taking ITC without receiving the mould and furthermore for not bringing the mould back after three years of delivery to the job worker.

   How should they respond to this?

5. *Sudama Industries Ltd., registered in the State of Jammu & Kashmir, manufactures plastic pipes for other suppliers on job-work basis.*

   On 10th January, Plasto Manufacturers (registered in the State of Himachal Pradesh) sent plastic worth ₹4 lakh and moulds worth ₹50,000, free of cost, to Sudama Industries Ltd. to make plastic pipes. Sudama Industries Ltd. also used its own material - a special type of lamination material for coating the pipes - worth ₹1 lakh in the manufacture of pipes. It raised an invoice of ₹2 lakh as job charges for making pipes and returned the manufactured pipes through delivery challan to Plasto Manufacturers on 20th October in the next financial year.

   The same quality and quantity of plastic pipes, as was made for Plasto Manufacturers, were made by Sudama Industries Ltd. from its own raw material and sold to Solid Pipes (registered in Jammu and Kashmir) for ₹7.5 lakh on 20th October.

   Examine the scenario and offer your views on the following issues with reference to the provisions relating to job work under the GST laws:

   (i) Is there any difference between the manufacture of plastic pipes by Sudama Industries Ltd. for Plasto Manufacturers and for Solid Pipes?

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(ii) *Whether Sudama Industries Ltd. can use its own material even when it is manufacturing the plastic pipes on job-work basis?*

(iii) *Whether sending the plastic and moulds to Sudama Industries Ltd. by Plasto Manufacturers is a supply and a taxable invoice needs to be issued for the same?*

(iv) *Whether Sudama Industries Ltd. should include the value of free of cost plastic and moulds supplied by Plasto Manufacturers in its job charges?*

6. *Alok Pvt. Ltd., a registered manufacturer, sent steel cabinets worth ₹ 50 lakh under a delivery challan to M/s Prem Tools, a registered job worker, for job work on 28th January. The scope of job work included mounting the steel cabinets on a metal frame and sending the mounted panels back to Alok Pvt. Ltd. The metal frame is to be supplied by M/s Prem Tools. M/s Prem Tools has agreed to a consideration of ₹ 5 lakh for the entire mounting activity including the supply of metal frame. During the course of mounting activity, metal waste is generated which is sold by M/s. Prem Tools for ₹ 45,000. M/s Prem Tools sent the steel cabinets mounted on the metal frame to Alok Pvt. Ltd. on 3rd December in the next financial year.*

Assuming GST rate for metal frame as 40%, for metal waste as 5% and standard rate for services as 18%, you are required to compute the GST liability of M/s Prem Tools. Also, give reason(s) for inclusion or exclusion of the value of cabinets in the job charges for the purpose of payment of GST by M/s Prem Tools.

7. *Bedi Manufacturers, a registered person, instructs its supplier to send the capital goods directly to Rajesh Enterprises, who is a job worker, outside its factory premises for carrying out certain operations on the goods. The goods were sent by the supplier on 10th April and were received by the job worker on 15th April. Rajesh Enterprises carried out the job work, but did not return the capital goods to their principal - Bedi Manufacturers. Discuss whether Bedi Manufacturers are eligible to retain the input tax credit availed by them on the capital goods. What action under the GST Act is required to be taken by Bedi Manufacturers.*

What would be your answer if in place of capital goods, jigs and fixtures are supplied to the job worker and the same has not been returned to the principal?

8. *Nandeeshwar Manufacturers, a registered person, sends certain category of yarn for processing to the job worker in January. The job worker undertakes the*

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processing work on the yarn as per the requirement of Nandeeshwar Manufacturers. During the process, the job worker uses his own material also. The processed yarn is sold by Nandeeshwar Manufacturers directly from the job worker's premises in the month of March. The balance quantity of yarn and waste material is sent back by the job worker to Nandeeshwar Manufacturers in April.

The accountant of job worker is of the opinion that since the job worker is using his own material also in the processing, the supply being made by it to Nandeeshwar Manufacturers is in the nature of supply of goods as well as services. Do you agree with the opinion of accountant of the job worker?



ANSWERS

1. The goods can be supplied directly from the place of business of job worker without declaring it as additional place of business in two circumstances namely (i) where the job worker is a registered person or (ii) where the principal is engaged in supply of such goods as may be notified by the Commissioner.

2. If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would 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 by the principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus, the principal would be liable to pay tax accordingly along with interest. Further, if the job worker is registered, when the processed goods are sent back by it to the principal after expiry of the stipulated period, the same shall also be considered as a supply over and above the charges for job work.

3. It is completely the responsibility of the principal to maintain proper accounts of job work related inputs and capital goods.

4. Genie Engineers should reply on the following lines:

Under section 19(5), the principal may take ITC on capital goods sent to a job worker for job work without being first brought to his place of business.

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The capital goods sent for job work should either be returned to the principal or must be supplied from the job worker's premises within 3 years [extendible by another 2 years] from sending them to the job worker or direct receipt by the job worker from the supplier. If the above time-lines are not met, it is deemed that the capital goods were supplied by the principal to the job worker (in other words, tax will be payable on them) on the day they were sent out to the job worker [Section 143(1) read with 19(6)].

However, sub-section (7) of section 19, inter-alia, provides that the time-limit of three years in sub-section (6) for bringing back the capital goods from the job worker does not apply to moulds.

Accordingly, Genie Engineers have correctly availed the ITC in respect of the moulds delivered to their job worker and not brought back even after completion of four years.

5. **(i)** As per section 2(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. The registered person on whose goods (inputs or capital goods) job work is performed is called the principal. Thus, the job worker is expected to work on the goods sent by the principal.

Therefore, when the goods are manufactured by Sudama Industries Ltd. for Plasto Manufacturers, it is job work as the process is undertaken on goods-plastic (inputs) and moulds (tools) supplied by the principal (Plasto Manufacturers). However, when goods are manufactured for Solid Pipes, it is manufacture by Sudama Industries Ltd on own account as the pipes are manufactured from their own raw material. Further, processing or treatment on job work basis is a supply of service in terms of para 3 of Schedule II to the CGST Act, 2017 and manufacture and selling of pipes on own account is a supply of goods.

(ii) It has been clarified vide *Circular No. 38/12/2018 GST dated 26.03.2018* 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.

(iii) Section 143 provides that the registered principal may, without payment of tax, send inputs or capital goods to a job worker for job

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work. Subsequently, on completion of the job work, the principal shall either bring back the goods to his place of business or supply (including export) the same directly from the place of business/ premises of the job worker within one year in case of inputs or within three years in case of capital goods (except moulds and dies, jigs and fixtures or tools). Thus, the provision relating to return of goods is not applicable in case of moulds, dies, jigs, fixtures and tools.

If the time frame of one year/ three years for bringing back or further supplying the inputs/ capital goods is not adhered to, the activity of sending the goods for job work shall be deemed to be a supply by the principal on the day when the said inputs/ capital goods were sent out by him. Thus, essentially, sending goods for job work is not a supply as such, but it acquires the character of supply only when the inputs/ capital goods sent for job work are neither received back by the principal nor supplied further by the principal from the place of business/ premises of the job worker within one/ three years of being sent out.

Therefore, the activity of sending of plastic and moulds by Plasto Manufacturers to Sudama Industries Ltd. (job worker) is not supply as the manufactured pipes are received back within the stipulated time and the provisions relating to return of goods are not applicable in case of moulds.

Rule 45 provides that the inputs, semi-finished goods or capital goods being sent for job work shall be sent under the cover of a delivery challan issued by the principal.

Therefore, Plasto Manufacturers need not issue a taxable invoice for sending the inputs to Sudama Industries Ltd. but should send the inputs under the cover of a challan.

(iv) As per section 15(2)(b), any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both, is includible in the value of supply. However, Sudama Industries Ltd. should not include the value of free of cost plastic and moulds supplied by Plasto Manufacturers in its job charges

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as Sudama Industries Ltd. is manufacturing the plastic pipes on job work basis. The scope of supply of Sudama Industries Ltd. is to manufacture plastic pipes from the raw material supplied by the Plasto Manufacturers. Thus, at no point of time was Sudama Industries Ltd. (supplier of job work service) liable to pay for the raw material and therefore, the value thereof should not be included in its job charges even though the same has been incurred by Plasto Manufacturers (recipient of job work service).

6. As per para 3 of Schedule II to the CGST Act, any treatment or process which is applied to another person's goods is a supply of services and accordingly is subject to GST rate applicable for services.

In the given case, M/s Prem Tools (job worker) undertakes the process of mounting the steel cabinets of Alok Pvt. Ltd. (principal) on metal frames. In view of para 3 of Schedule II to the CGST Act cited above, the mounting activity classifies as a service even though the metal frames are also supplied as a part of the mounting activity. Accordingly, the job charges will be chargeable to GST at a rate of 18%, which is the applicable rate for services.

Further, the value of steel cabinets will not be included in the value of taxable supply made by M/s Prem Tools as the supply of cabinets does not fall within the scope of supply to be made by M/s Prem Tools. M/s Prem Tools is only required to mount the steel cabinets, which are to be supplied by Alok Pvt. Ltd., on metal frames, which are to be supplied by it.

As regards sale of waste generated during the job work, since M/s Prem Tools is registered, the tax leviable on the supply will have to be paid by it in terms of section 143(5). Such supply will be treated as supply of goods and subject to GST rate applicable for metal waste.

Accordingly, the GST liability of M/s Prem Tools will be computed as under:

Particulars	Amount (₹)
Job charges	5,00,000
GST @ 18% (A)	90,000

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Sale of metal waste	45,000
GST @ 5% (B)	2,250
Total GST payable (A) + (B)	**92,250**

7. As per section 19(5), the principal is entitled to take input tax credit of capital goods sent for job work even if the said goods are directly sent to job worker.

Further, section 19(6) stipulates that where the capital goods sent directly to a job worker are not received back by the principal within a period of 3 years of the date of receipt of capital goods by the job worker, 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 received by the job worker.

In view of aforementioned provisions, Bedi Manufacturers are eligible to retain the input tax credit availed by them on the capital goods.

However, if the capital goods are not returned by Rajesh Enterprises within 3 years from 15th April (date of receipt of capital goods by job worker), it shall be deemed that such capital goods had been supplied by Bedi Manufacturers to Rajesh Enterprises on 15th April and Bedi Manufacturers shall be liable to pay the tax along with applicable interest.

However, there is no time limit for return of moulds and dies, jigs and fixtures or tools sent out to a job worker for job work [Section 19(7)].

However, if Rajesh Enterprises does not return the jigs and fixtures to Bedi Manufacturers, it shall not be considered as a supply of jigs and fixtures to Rajesh Enterprises by Bedi Manufacturers. In this case also, Bedi Manufacturers will be eligible to retain the input tax credit availed by them.

8. No, the opinion of the accountant of the job worker is not correct. Section 7(1A) provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1), they shall be treated either as a supply of goods or supply of services as referred to in Schedule II. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. *Circular No. 38/12/2018 GST dated*

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26.03.2018 has also 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. These goods are not supply *per se*, but are being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Nandeeshwar Manufacturers.

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