The section numbers referred to in the Chapter pertain to CGST Act, unless otherwise specified.

**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, availing input tax credits in relation to goods sent for job work.
- understand transitional provisions in respect of job work.
1. **INTRODUCTION**

Job-work sector constitutes a significant industry in 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 supplied by the principal. The concept of job-work already existed in Central Excise, wherein a principal manufacturer can send inputs or semi-finished goods to a job worker for further processing.

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 compliances on behalf of the job-worker on the goods processed by him (job-worker), considering the fact that typically the job-workers are small persons who are unable to comply with the discrete provisions of the law.

The GST Act makes special provisions with regard to removal of goods for job-work and receiving back the goods after processing from the job-worker without the payment of GST. The benefit of these provisions shall be available both to the principal and the job-worker.

Sections 19, 141 and 143 of the CGST Act stipulate the provisions relating to job work. 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.**

Before discussing the provisions in detail, let us first go through few relevant definitions.
2. RELEVANT DEFINITIONS

- **Taxable person**: means a person who is registered or liable to be registered under section 22 or 24 of the Act [Section 2(107)].

- **Job work**: It means any treatment or process undertaken by a person by on goods belonging to another registered person and the expression “job worker” shall be construed accordingly. [Section 2(68)].

- **Taxable supply**: It means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].

3. JOB WORK PROCEDURE [SECTION 143]

**Principal can send goods without payment of tax to job worker**

A 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 after completion of job-work bring back such goods without payment of tax. The principal is not required to reverse the ITC availed on inputs or capital goods dispatched to job-worker.
15.4 GOODS AND SERVICES TAX

Principal can send inputs or 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.

However, inputs and/or capital goods 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.

After processing of goods, the job-worker may clear the goods to-
- Another job-worker for further processing
- Dispatch the goods to any of the place of business of the principal without payment of tax
- Remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of 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 and likewise with or without payment of tax for export may be availed by the principal on declaring premise of the job-worker as his additional place of business in registration. However, such declaration is not required by principal where:
- Job worker is registered under section 25; or
- Principal is engaged in supply of notified goods

Before supply of goods to the job-worker, the principal would be required to intimate the Jurisdictional 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 responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

In case the goods are not received back or not supplied from the job worker’s premises within specified time limit, 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.
The above can be explained diagrammatically below:

**Extended meaning of input**

As per the explanation provided in Section 143 of the CGST Act, 2017, where certain process is carried out on the input before removal of the same to the job-worker, such product after carrying out the process is to be referred as the intermediate product. Such intermediate product can also be removed without the payment of tax. Therefore, both input and intermediate product can be cleared without payment of tax to job-worker.

**Waste clearing provisions**

Pursuant to Section 143 (5) of the CGST Act, 2017, waste generated at the premises of the job-worker may be supplied directly by the registered job-worker from his place of business on payment of tax or such waste may be cleared by the principal, in case the job-worker is not registered.

**ILLUSTRATION 1**

*X Ltd. sends the goods to Y & Co. for making finished goods on 30.07.2017. What are the tax implications, in the following cases if GST @ 18% is levied:*
Y & Co. sends the goods back to X Ltd within one year of being sent.

Y & Co. sells the goods directly to the customer in behalf of X Ltd.

Make suitable assumptions as required.

ANSWER

As per section 143 of the Act, supply of goods to a job worker without payment of tax is permissible upon an intimation. In the given example, the implications are as follows:

On supply of goods to Y & Co.: As per the section 143 of Act, no tax shall be payable on supply of goods to Y & Co. However, the tax will be payable if finished goods is not returned before one year from 30.07.2017.

Y & Co sends the finished goods back to X Ltd: As per the Act, there is no tax liability on returning of goods back to the principal i.e. X Ltd within a period of one year. Hence, post completion of Job work, no tax is leviable on finished goods returned to X Ltd.

Y & Co sells the finished goods on behalf of X Ltd: Section 143 also allows the job worker to directly sell the goods on behalf of principal, wherein the liability to pay tax is of the principal and not the job worker. X Ltd. is liable to pay GST on sale of finished goods to customer by Y & Co.

However, X Ltd. must declare the premises of Y & Co. as an ‘Additional Place of Business’ and the sale of finished goods will form part of aggregate turnover of X Ltd. Such a declaration is not required in case where:

- Job worker is registered under section 25; or
- Principal is engaged in supply of notified goods

ILLUSTRATION 2

A Ltd. sends the goods/inputs to B & Co. for further processing on 30.08.2017. The value of goods sent for Job work is `1,000. What are the tax implications, in following cases, if GST @ 18% is levied:

(i) B & Co. sends the processed goods back to A Ltd on 30.10.2017.
(ii) B & Co. sends the processed goods back to A Ltd on 30.10.2018

Make suitable assumptions as required.

ANSWER

B & Co. sends the processed goods back to A Ltd. on 30.10.2017: As per section
143 of the Act, Principal can remove the goods without payment of tax and take input tax credit provided inputs sent for job work are returned back within one year of removal. Otherwise, it shall be treated as supply from principal to Job worker as on 30.08.2017 and subject to tax along with interest.

In the present case, as the inputs are received back on 30.10.2017 i.e. before completion of one year, and hence no tax is payable.

**B & Co. sends the processed goods back to A Ltd. on 30.10.2018:** In the present case, the goods are received after the period of one year and hence, A Ltd. needs to pay the tax along with the interest on the supply made by him to B & Co. Hence, A Ltd. need to pay ₹90 (CGST) and ₹90 (SGST) along with specified interest on completion of one year.

**ILLUSTRATION 3**

P Ltd. sends the machinery to Q & Co. for fixing of some technical issue and maintenance on 15.08.2017. The value of goods sent to Q & Co. is ₹10,000/-. What are the tax implications, in the following cases:

(i) Q & Co. sends the machinery back to P Ltd. on 30.12.2018.
(ii) Q & Co. sends the machinery back to P Ltd. on 30.09.2020

Make suitable assumptions as required.

**ANSWER**

In the given example the implications are as follows:

**Q & Co. sends the machinery back to P Ltd on 30.12.2018:** As per section 143 of the Act, Principal can remove the goods without payment of tax and take input tax credit provided capital goods sent for job work are returned back within three years of removal. Otherwise, it shall be treated as supply from principal to Job worker as on 15.08.2017 and subject to tax along with interest.

In the present case, as the machinery is received back on 30.12.2018 i.e. before completion of three years, and hence no tax is payable.

**Q & Co. sends the machinery back to P Ltd on 30.06.2020:**

In present case, the machinery is received after the period of three years and hence, Q Ltd. needs to pay tax taken along with the interest. Q Ltd. needs to pay ₹900 (CGST) and ₹900 (SGST) along with specified interest on completion of 3 years.
4. TAKING INPUT TAX CREDIT IN RESPECT OF INPUTS AND CAPITAL GOODS SENT FOR JOB WORK [SECTION 19]

Inputs sent for Job work

The principal is entitled to take input tax credit of inputs sent for Job work even if the said inputs are directly sent to Job worker. The principal need not wait till the inputs are first brought to his place of business. In case the said inputs are not received back or supplied within a period of one year, it shall be a deemed supply from the principal to Job worker on the date of inputs sent for job work.

Where inputs are directly received at job worker premises (without it being brought at principal premises) the period of one year shall be calculated from date of receipt of said inputs at the job worker’s premises.

Capital goods sent for Job work

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. In case the said capital goods are not received back within a period of three years, it shall be a deemed supply from the principal to Job worker on the date of capital goods sent for job work.

Where the capital goods are directly received at job worker premises for further treatment (without it being brought at principal premises) the period of three years shall be calculated from date of receipt of said capital goods at the job worker’s premises.

Further, 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.

XYZ Ltd. sent some semi-finished goods for further processing to P Ltd. (a Job worker) on 01.10.2017. P Ltd. directly received machinery (belonging to XYZ Ltd.) on 10.10.2017 for some treatment. XYZ Ltd. received the finished goods after completion of job work activity on 10.10.2018 and machinery on 31.12.2018.

As per section 19 of the Act, as the finished goods are received beyond period of one year, it shall be a deemed supply of goods from XYZ Ltd to Job worker and needs to pay the GST along with interest.
However, in case of Machinery (capital goods) being received within period of three years from receipt at Job worker premises, there is no need to pay any tax on the same and input tax credit can be validly availed.

5. TRANSITIONAL PROVISIONS RELATING TO JOB WORK [SECTION 141]

Section 141 deals with transition issues where inputs / Semi-finished goods / finished goods respectively removed from the factory for Job work (including testing for finished goods) before the GST regime and are returned under the GST regime.

If inputs / Semi-finished goods / finished goods removed before the GST regime, are returned within 6 months or before extended period (not exceeding 2 months) from the date of GST being effective, no tax shall be payable.

Inputs, as such, or partially processed inputs which are sent to a job-worker prior to introduction of GST under the provisions of earlier law [Central Excise] and if such goods are returned within 6 months from the appointed day [i.e. the day on which GST has implemented] no tax would be payable.

If such goods are not returned within the prescribed time, the input tax credit availed on such goods will be liable to be recovered.

If the manufactured goods are removed, prior to the appointed day, without payment of duty for testing or any other process which does not amount to manufacture, and such goods are returned within 6 months from the appointed day, then no tax will be payable.

For the purpose of these provisions during the transitional period, the manufacturer and the job-worker are required to declare the details of such goods sent/received for job-work in prescribed format GST TRAN-1, within 90 days of the introduction of GST.

However, such exemption from tax is only where manufacturer and job worker both have declared the details of inputs / semi-finished / finished goods held as stock in trade by job worker on behalf of manufacturer as on the appointed date (i.e. date of GST being effective).

(i) Mr. P is a manufacturer. He removed certain inputs as such in accordance with the earlier law prior to the appointed day for job work to Mr. Q. On 01.07.2017, Mr. P and Mr. Q made the prescribed declaration. On 30.09.2017, Mr. Q returned the goods after job-work to
15.10 GOODS AND SERVICES TAX

Mr. P. In this case, no tax shall arise.

(ii) Mr. R is a manufacturer. He removed certain inputs as such in accordance with the Excise law prior to the appointed day for job work to Mr. S. On 01.07.2017, Mr. R and Mr. S made the prescribed declaration. Mr. S did not return the said goods by 31.12.2017. The input tax credit shall be liable to be recovered in terms of section 141.

6. REGISTRATION AND JOB WORK

Threshold limit for registration

As per section 22(1) of the CGST Act, every supplier of goods or services or both is required to obtain registration in the State or the Union territory from where he makes the taxable supply if his aggregate turnover exceeds ₹ 20 lakh in a FY.

However, the limit of ₹ 20 lakh will be reduced to ₹ 10 lakh if the person is carrying out business in the specified *Special Category States* – States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

As per explanation (i) to section 22 of CGST Act, the expression “aggregate turnover” shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

However, the supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in section 143, and the value of such goods shall not be included in the aggregate turnover of the registered job worker in terms of explanation (ii) to section 22 of CGST Act.

Job workers making inter-State supply of services to a registered person

Job workers engaged in making inter-State supply of services to a registered person have been exempted from obtaining registration.

However, 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 CGST Act; or

(b) who is involved in making supply of services in relation to jewellery, goldsmiths’ and silversmiths’ wares and other articles (Chapter 71 of the Tariff).

*[Notification No. 7/2017 IT dated 14.09.2017]*.
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. **Shall a manufacturer or a job worker become liable to pay tax if the inputs or semi-finished goods sent for job work under the earlier law are returned after completion of job work after the appointed day?**

5. **When tax shall become payable in GST on manufactured goods sent to a Job worker for carrying out tests or any other process not amounting to manufacture under the earlier law?**

ANSWERS/ HINTS

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 where the job worker is a registered taxable person or 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.

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

4. No tax will be payable by the manufacturer or the job worker under the following circumstances: –

   (i) Inputs/ semi-finished goods are sent to the job worker in accordance with the provisions of the earlier law before the appointed day.
(ii) The job worker returns the same within six months from the appointed day (or within the extended period of maximum two months).

(iii) Both the manufacturer and the job worker declare the details of inputs held in stock by the job worker on the appointed day in the prescribed form.

The relevant sections are 141(1), 141(2) & 141 (4).

However, if the said inputs/semi- finished goods are not returned within six months (or within the extended period of maximum two months), the input tax credit availed is liable to be recovered.

5. Tax will be payable in GST on manufactured goods sent to a job worker prior to the appointed day for carrying out tests or any process not amounting to manufacture under the earlier law if such goods are not returned to the manufacturer within six months (or within the extended period of maximum two months) from the appointed day. Further, the input tax credit enjoyed by the manufacturer will liable to be recovered if the aforesaid Goods are not returned within six months from the appointed day.
– Section 141(3)