

E-Handbook on Job work under GST



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

To facilitate India to be a manufacturing hub by providing simplified procedures of job work exhibits the endeavour of Government conduit to accomplish the “**Make in India**” concept. The clarifications provided on certain pivot issues pertaining to job work will not only provide transparent tax structure but also permeates the adherence of compliances in the desired manner.

ICAI for smooth implementation of GST has always been supporting the Nation with its intellectual resources, expertise and efforts. Being a *partner in GST Knowledge Dissemination*, the Indirect Taxes Committee of ICAI through its various publications on GST, Certificate Course (Virtual and face to face), Workshop, Seminars, Standardized PPTs, e-learning, webcast, and suggestions provided at the nascent and every stage law etc. has always endeavoured to a part of this major transformational reform for the benefit of all stakeholders and society.

One more step towards this initiative taken by Indirect Taxes Committee of ICAI is revision of *E-Handbook on “Job-work under GST”*. This handbook provides the provisions relating to job work under one umbrella to enable job workers, manufacturers and consultants to do their SWOT analysis and materialize the benefits of GST as envisaged. In-sight to job work activities through apposite legal provisions, explanations, jurisprudence and flow charts will facilitate better understanding of GST Law.

I appreciate the efforts put in by CA. Madhukar N. Hiregange, Chairman; CA. Sushil Kumar Goyal, Vice-Chairman, and other members of the Indirect Taxes Committee in bringing out this updated E-Handbook.

The publication will prove to be very informative and beneficial to the readers.

Dated: 5 th June, 2018 Place: New Delhi	CA. Naveen N. D. Gupta President of ICAI
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Preface

Smooth implementation of GST urge for clarifying certain issues for transparent and tax compliant structure in India. Realising the need of hour, the Government has unveiled the intention of ease and pervasive adherence of GST by clarifying on ambiguities pertaining to job work. Clarity on transaction, some of which are use of own goods by job worker, registration of job worker, document for movement of goods to and from job worker, value of job work services, direct supply of goods from job worker premises etc. have been provided lately.

Considering the on-going developments to simplify the GST law and to drive the growth of job work activities, ICAI has come up with the revised *E-Handbook on "Job-work under GST"*. This handbook is designed to provide an in depth knowledge about detailed and thorough study of the procedure, conditions and restriction for supplying goods to job worker, provisions relating to removal of inputs / semi-finished goods/capital goods by principal to a job worker, duration within which goods to be returned by job worker, and disposal of waste & scrap generated during job work, input tax credits/ on inputs/capital goods procured, place of supply, invoice, delivery challan, generation of e-way bill in case of inter-state supply etc. including the aspects clarified by Circular No. 38/12/2018 dated March 26, 2018 with respect to job work transactions. It is the pertinent to mention that this circular specifically mentions that the principal is not obligated to follow the job work provisions and it is his choice whether or not to avail the benefit of this special provision.

We would like to express our sincere gratitude and thanks to CA. Naveen N. D. Gupta, President and CA. Prafulla P Chhajed, Vice-President, ICAI for giving us the space to deliver and support for this progressive law initiative. We especially thank CA. Bishan Shah and CA. Jigar Shah for revising this E-Handbook on Job-work under GST and CA. Bimal Jain for reviewing the same. We also appreciate the Secretariat for their unstinted support and efforts.

We encourage readers to make full use of this learning opportunity. Interested members may visit website of the Committee www.idtc.icai.org and join the IDT update facility. We request you to share your feedback at idtc@icai.in to enable us to make this handbook more value additive and useful.

CA. Madhukar Narayan Hiregange
Chairman
Indirect Taxes Committee

CA. Sushil Kumar Goyal
Vice-Chairman
Indirect Taxes Committee

Date: 5th June, 2018

Place: New Delhi

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Job Work under GST Regime

I. Meaning of Job Work

Section 2(68) of the CGST Act, 2017 defines Job work thus :

“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.

Hence, for treating anything as job work there ought to be: -

- Two persons;
- The goods should belong to another registered person;
- Treatment or process to be undertaken on the said goods shall be by the job worker, whether registered or not.

The definition of job work also contemplates that the person i.e. principal should be a registered person. Thus, if some treatment or process is undertaken by a job worker on goods belonging to an unregistered person, it will not be considered as job work as per the above definition. Therefore, in a case where the principal is not a registered person, the activity may not qualify as job work and may be classified as residual category of service which may attract higher rate of tax. As per Schedule II Entry No. 3 which reads as *“Any treatment or process which is applied to another person's goods is a supply of services.”*

The job work provisions are facilitative procedures enumerated in law, assessee has choice to opt for the same or not as clarified vide circular no. 38/12/2018 dated 26th March, 2018.

Contract Manufacturing:

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

Packing, Re-packing, Testing & Inspection, Labelling etc.:

Where principal send his goods for testing or labelling to another person the same will be treated as “treatment or process”

As per the circular issued by CBEC supra it is clarified that *“the definition of*

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job work, as contained in clause (68) of section 2 of the CGST Act, entails that the job work is a treatment or process undertaken by a person on goods belonging to another registered person. Thus, 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. 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.”

II. Nature of supply

As mentioned above as per entry 3 to **Schedule II**, any treatment or process which is applied to another person's goods is a **supply of services**.

Hence, for the purposes of determining the value of the job work charges as per explanation (ii) to section 22 of CGST Act, 2017 the value of the goods supplied by the principal shall not be included in the aggregate turnover of the registered job worker. This means that as the liability to discharge tax under Section 143 would lie on the principal, the job workers would not include the same in his value for the purpose of calculating the threshold limits.

But when unregistered job-worker received goods from unregistered principal then in such case this benefit will not be available to him and value of the supply of goods of unregistered principal, after completion of job work, by job-worker shall be treated as the supply of goods by him and the value of such goods shall be included in the aggregate turnover of the job worker. As a result, job-worker's aggregate turn over may cross the threshold and become liable to be registered.

III. Procedure for supplying goods to job worker

1. Section 143 of the CGST Act, 2017 deals with job work procedure. The principal may under intimation send any inputs, semi-finished goods 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. The principal is required to file Form GST ITC-04 by the 25th day of the month succeeding the quarter. The said form will serve as intimation as envisaged under section 143 of the CGST Act, 2017.
2. As per Rule 45 of the CGST Rules, 2017 Principal can send goods for

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job work purpose without payment of GST under the cover of delivery challan and it shall contain the details specified in rule 55 of the CGST Rules, 2017. Draft copy of the delivery challan is given as **Annexure B**

Documents required to be issued for sending the goods:

(i) By principal to the job worker – The principal shall prepare Delivery Challan in triplicate, two copies of which may be sent to the job worker along with goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal.

(ii) From one job worker to another job worker – Goods may move under the cover of a challan issued either by the principal or the job worker. Alternatively, the challan issued by the principal may be endorsed by the job worker indicating the quantity and description of goods being sent.

(iii) From the job worker back to the principal – The job worker should send one copy of the challan received by him from the principal.

(iv) In piecemeal by the job worker - The challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

3. As per third proviso to Rule 138 of the CGST Rules, 2017 it is compulsory where principal and job worker are situated inter-state, then in case of job work transactions, e-way bill must be generated for inter-state movement of goods without any monetary limit.
4. As per Sections 19(2) and 19(5) of CGST Act, 2017, the principal can also send goods directly to the place of job worker without receiving the said goods in his premises first and Input Tax Credit can also be availed in such cases though the principal has not received the goods.
5. It is clarified by the Circular stated *supra* the goods may be moved from the place of business of the supplier to the place of business/premises of the job worker with a copy of the invoice issued by the supplier in the name of the principal wherein the job worker's name and address should also be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules. The buyer (i.e., the principal) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly as mentioned above. In case of import of goods by the principal

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which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly.

6. On the job work charges, GST will be charged by the job worker if the job worker is registered. Credit of the same can be availed by the principal.
7. In case the job worker is not registered, GST would be payable by the principal as procurement from unregistered dealer (URD supply) in terms of section 9(4) of the CGST Act, 2017 but, application of section 9(4) is deferred for the time being till June 30, 2018. In such cases, tax invoice has to be generated on monthly basis and payment voucher shall be issued while making payment to the unregistered job worker.

IV. Removal of inputs / semi-finished goods/capital goods by principal to a job worker:

i. Inputs/Semi-finished goods

- a. The principal can send inputs (including intermediate goods) for job work purpose without payment of GST but the same should be received back within 1 year of goods being sent out. Further, Inputs after job work activities can be received back at **any of the place of business of the principal**. Therefore, inputs can be received back at the principal place of business or even at any of the place registered as an additional place of business.
- b. In case the inputs are sent directly to a job worker, the period of 1 year shall be counted from the date of receipt of inputs by the job worker.
- c. When such inputs are further sent by one job worker to another, then the entire process of job work from more than one job worker shall be considered for computing the period of 1 year.
- d. If the inputs are not received back within 1 year then the same shall be treated as "supply" from the date the said inputs were sent out. The said supply shall have to be declared in FORM

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GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

ii. Capital Goods

- a. The principal can send capital goods for job work purpose without payment of GST but the same should be returned back within 3 years of their being sent out. Capital Goods can be received back at **any of the place of business of the principal**. Therefore, capital goods can be received back at the principal place of business or even at any of the place registered as additional place of business.
- b. In case the capital goods are sent directly to a job worker, the period of 3 years shall be counted from the date of receipt of capital goods by the job worker.
- c. When such capital goods are further sent by one job worker to another, then the entire process of job work from more than one job worker shall be considered for computing the limit of 3 years.
- d. If the capital goods are not returned back within 3 years, then the same shall be treated as “supply” from the date the said capital goods were sent out. The said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

iii. Moulds and dies, jigs and fixtures, or tools

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

Inputs	Capital Goods	Moulds and dies, jigs and fixtures, or tools
• Within 1 year	• Within 3 years	• No time limit

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V. Return of goods by Job Worker

1. After completion of the job work, the job worker shall return the said goods to the principal's premises under delivery challan and prepare his invoice for job work charges.
2. While returning the goods after completion of job work, to the principal the job worker should send one copy of the challan received by him from the principal. If the goods are sent in piecemeal quantities by a job worker to another job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.
3. Further, after the completion of job work, such goods can be directly supplied from the place of the job worker to the customer if: -
 - a. the job worker is registered; and
 - b. the job worker is not registered but his place of business is declared as additional place of business by the principal.
4. The supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal and the value of such goods shall not be included in the aggregate turnover of the registered job worker.
5. The job worker can further send such inputs or capital goods, without payment of tax, to another job worker under the cover of delivery challan or by endorsing the challan issued by the principal as per Rule 55 of the CGST Rules, 2017.
6. In case where inputs, semi-finished goods and capital goods are not returned to principal as per prescribed time limit then the same will be treated as supply of the principal. It is clarified in the circular mentioned above that the principal would issue invoice for the same and declare such supplies in his return for that particular month in which the time period of one year / three years has expired. Principal is required to pay GST along with interest considering the supply was made by principal to the job worker when Principal had sent the goods first for job work.
7. Value of such deemed supply will be the value declare in the challan

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by principal while sending the goods to job worker i.e. without including cost of transportation and job work charges.

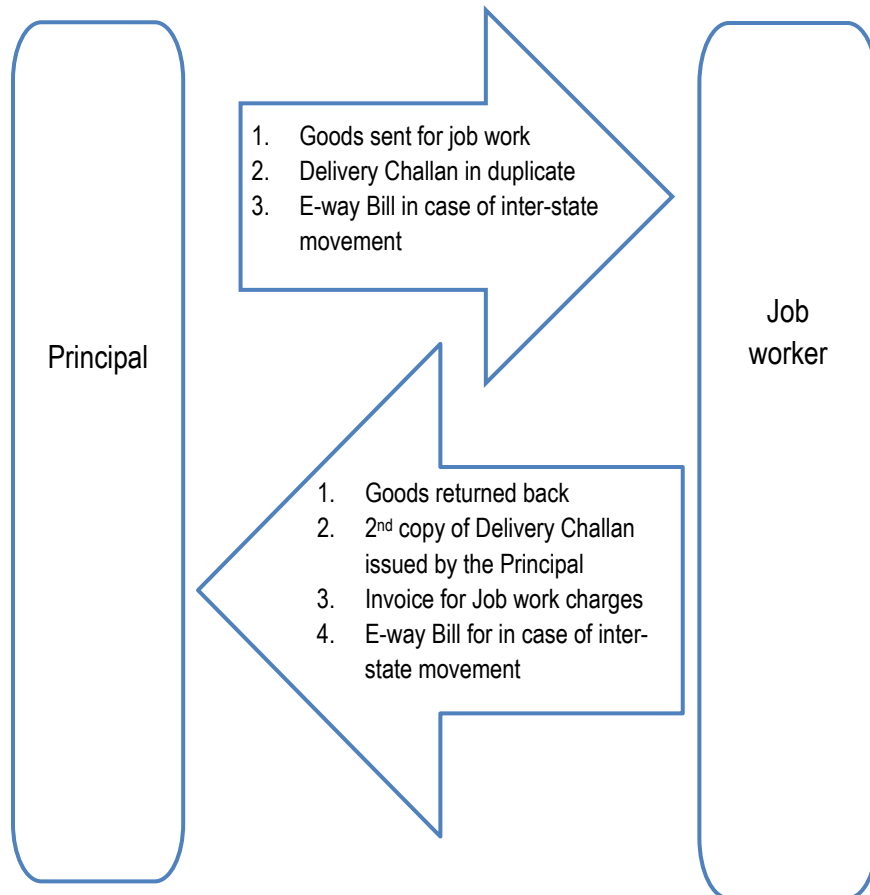
8. Where goods are sent to job worker and same are lost/ destroy due to some unavoidable circumstances, goods will not be returned by the job worker. If goods are lost, whether principal is required to reverse credit under section 17(5)(h) or it will be deemed supply as per section 19(3) is moot question. Since goods are lost or destroyed section 17(5) (h) will be applicable and principal is required to reverse the credit on inputs or capital goods and it will not be treated as deemed supply.
9. Due to some dispute between principal and job worker if goods are not returned by the job worker as consideration for his job work charges. In such situation, issue arise of the valuation when job worker sells the same goods in open market. It is well settled position in earlier laws that the valuation for the same goods should be considered transaction value by the job worker and not market value of the said goods by principal. The same was decided by Hon'ble Supreme Court in the case of Pawan Biscuits & Co. 2000 (120) ELT (24).

VI. Various scenarios

The whole job work process can best be explained through the following scenarios:

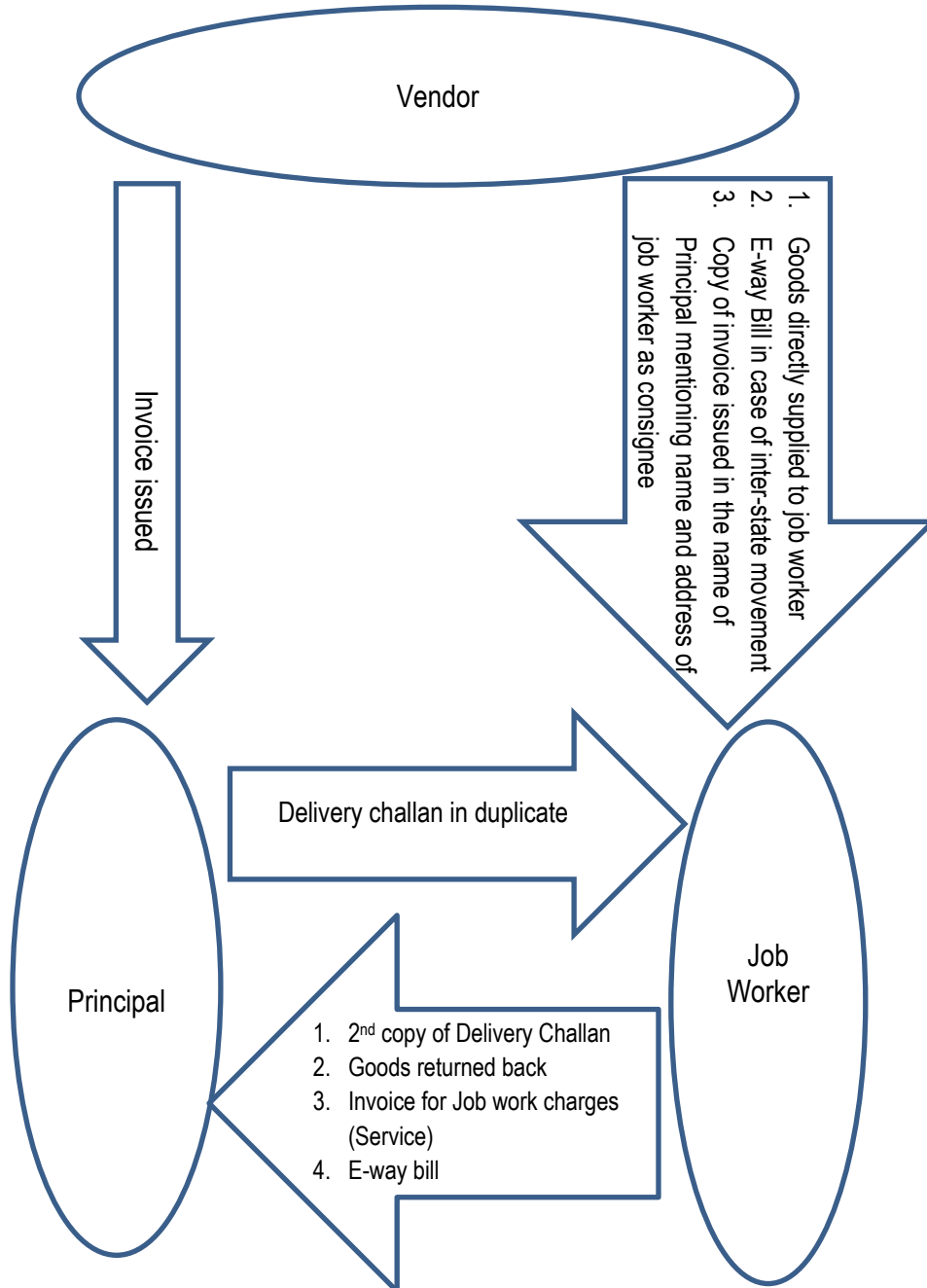
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Scenario 1: Goods sent for job work and returned back



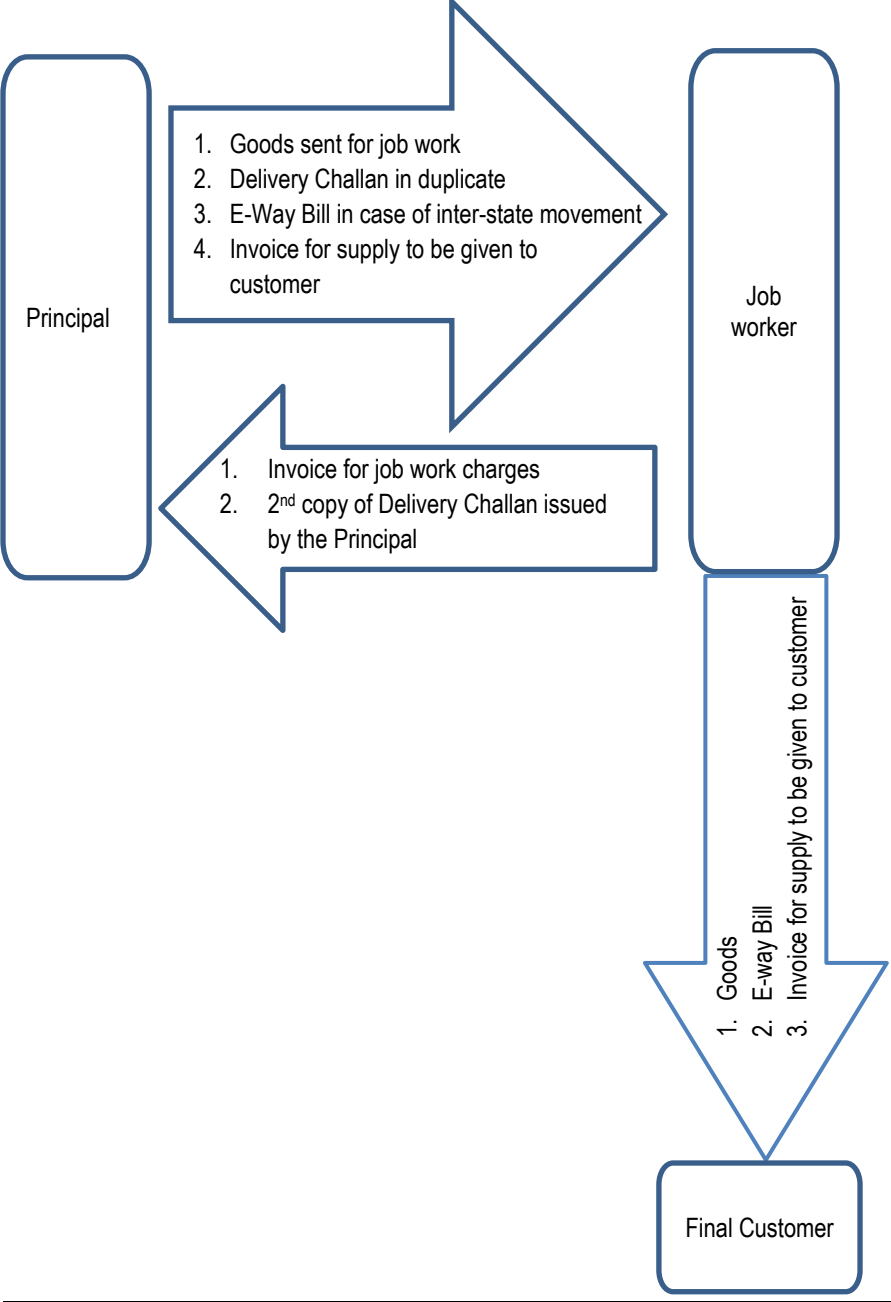
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Scenario 2: Goods directly supplied to the job worker



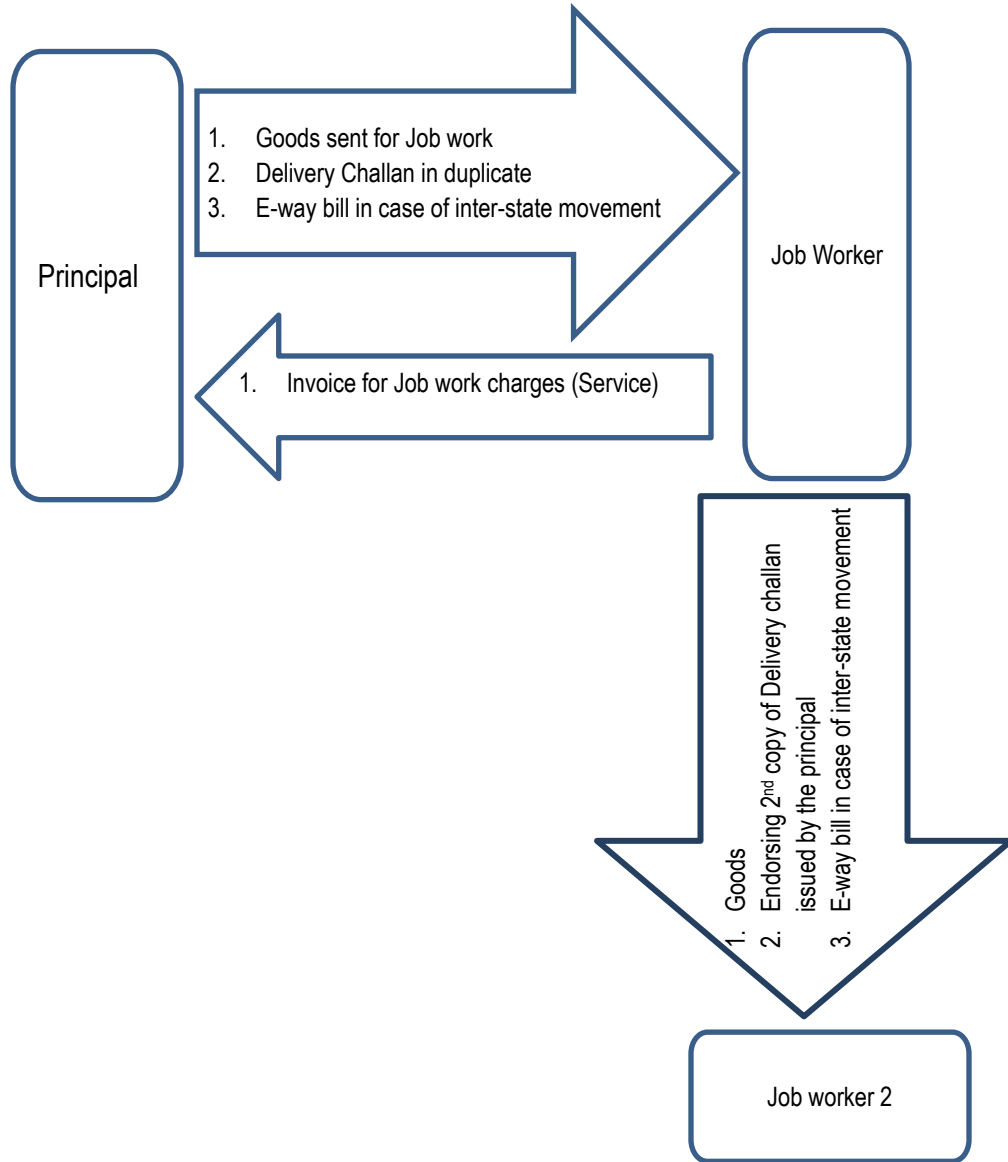
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Scenario 3: Supply of goods to customer directly by job worker



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Scenario 4: Goods sent from one job worker to another job worker



VII. Registration by job worker

1. The job worker shall be liable to be registered under GST in the State / Union territory, from where he makes a taxable supply of services, if

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his aggregate turnover in a financial year exceeds Rs. 20 lakhs/Rs. 10 lakhs in special category States.

2. If his turnover is below Rs. 20/10 Lakhs and he is unregistered, then tax on the job work charges shall be payable by the principal under reverse charge under section 9(4) of the CGST Act but the said provisions are deferred for the time being till 30th June, 2018.

Further, in terms of the **Circular No. 38/2018 dated March 26, 2018**, it has been clarified that though, Clause (i) of Section 24 of the CGST Act, 2017, mandates registration for making inter-state taxable supply irrespective of threshold limit, but vide Notification No. 10/2017 – Integrated Tax dated October 13, 2017, exemption from mandatory registration was granted in case of supply of services.

Hence, a job worker is required to obtain registration only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit regardless of whether the principal and the job worker are located in the same State or in different States.

VIII. Waste and Scrap

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

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

IX. Input Tax Credit (ITC) in case of job work

1. As per Section 19(1) of CGST Act, 2017, the principal is allowed to take credit on inputs / capital goods sent to the job worker.
2. As per Section 19(2) and Section 19(5) of CGST Act, 2017, ITC can be availed by the principal even if such inputs / capital goods are not being first received by the principal and are directly sent to job worker.
3. In case goods are not returned in prescribed period and treated as deemed supply as per section 19(3) then question arises is job worker eligible to avail credit of the GST paid by the principal by considering the same as deemed supply as per section 19(3) of the CGST Act, 2017.

As per section 16(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 invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier".

As mentioned earlier that where goods are not returned in prescribed period principal has to issue invoice 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. Since date of invoice will be of current period job worker is eligible to avail the credit of the same. Moreover, as per second proviso to section 16(2) of the CGST Act, 2017 the job worker has to pay the said amount to the principal. The same may be done by way of making payment in cash or returning the said goods as supply of job worker. For the same job worker has to raise his own tax invoice stating principal as buyer.

X. Place of Supply

So far as job work is concerned supply for job work charges is govern by section 12 (2) of IGST Act, 2017.

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When the registered job worker and the principal are in different States and goods are removed directly from the place of job worker:-

- i. If the principal (supplier of the goods) and recipient (buyer of the goods) are in the same State, then SGST and CGST shall be levied, though the job worker is in different State.
- ii. If the principal and recipient are in different States, then IGST shall be levied, even though the recipient is in the State where the job worker is situated.

XI. Procedure to be followed, conditions and restrictions

1. Inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a delivery challan issued by the principal. The format of a delivery challan is given as **Annexure B**.
2. Delivery challan is required even if such inputs / capital goods are sent directly to a job-worker.
3. The delivery challan shall be prepared in triplicate, in the following manner:-
 - (a) The original copy marked as ORIGINAL FOR CONSIGNEE;
 - (b) The duplicate copy marked as DUPLICATE FOR TRANSPORTER; and
 - (c) The triplicate copy marked as TRIPLICATE FOR CONSIGNER.
4. The details of following challans issued during a quarter shall be furnished in FORM GST ITC-04 [Given as **Annexure D**], on or before the 25th day of the month succeeding the said quarter and will be treated as intimation. Details required to be furnished by Principal are:-
 - i. Goods dispatched to a job worker or
 - ii. Goods received from a job worker or
 - iii. Goods sent from one job worker to another.
6. Details of delivery challan generated by the principal for the job work are also required to be furnished in Form GSTR-1 (Return of Details of outward supplies of goods or services).
7. In terms of section 143(2) of CGST Act, 2017 the principal shall be

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responsible for keeping proper accounts for the inputs or capital goods or waste / scrap lying with the job-worker.

8. For the format of job work challan, the format of e-sugam prescribed by the Government of Karnataka or e-way bill may be referred.

XII. Contents of delivery challan

A delivery challan should be serially numbered not exceeding 16 characters, in one or multiple series, in lieu of invoice at the time of removal of goods and should contain the following details :-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known)
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature

XIII. Contents of Tax Invoice

A tax invoice should contain the following details, namely: -

- a) name, address and Goods and Services Tax Identification Number of the supplier;
- b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters- hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- c) date of its issue;

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- d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- e) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;
- f) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- g) Harmonised System of Nomenclature code for goods or services;
- h) description of goods or services;
- i) quantity in case of goods and unit or Unique Quantity Code thereof;
- j) total value of supply of goods or services or both;
- k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- n) place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- o) address of delivery where the same is different from the place of supply;
- p) signature or digital signature of the supplier or his authorised representative

XIV. Job Work – Transitional Provision

1. Transitional provisions relating to job work are contained in Section 141 of the CGST Act, 2017. They are simultaneously applicable to inputs and semi-finished goods.

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2. Section 141 provides that where any inputs received at a place of business had been removed as such or removed after being partially processed to a job worker for further processing, testing, repair, reconditioning or any other purpose in accordance with the provisions of erstwhile law prior to the appointed day and such inputs are returned to the said place on or after the appointed day, no tax shall be payable if such inputs, after completion of the job work or otherwise, are returned to the said place within 6 months from the appointed day. However, the competent authority may extend the period on sufficient cause being shown for a further period of 2 months.
3. If the same is not received back within stipulated time (6 Months plus as extended), then Input Tax Credit shall be liable to be reversed.

4. **Details of goods sent to job-worker and held in his stock on behalf of principal:**

In terms of Rule 119 read 117 of the CGST Rules, every person shall, within 90 days of the appointed day or further extended period not exceeding ninety days, submit a declaration electronically in FORM GST TRAN-1, specifying therein, the stock of the inputs, semi-finished goods or finished goods, as applicable, held by the job worker on the appointed day.

The said details are to be furnished by the principal as well as the job worker.

XV. Rates under Job Work

1. CGST rates for job work is as follows:
 - (i) CGST @2.5% in case of services by way of job work relating to:
 - (a) Printing of newspapers;
 - (b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975)
 - (c) All products falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975
 - (d) Printing of books (including braille books), journals and periodicals;

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- (e) Printing of all goods falling under Chapter 48 or 49, which attract CGST @2.5%. or Nil
- (f) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975
- (g) manufacture of leather goods or foot wear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975) respectively
- (h) All food and food products falling under Chapters 1 to 22 in the First Schedule to the Customs Tariff Act, 1975;
- (i) All products falling under Chapter 23 in the First Schedule to the Customs Tariff Act, 1975, except dog and cat food put up for retail sale falling under tariff item 23091000 of the said Chapter;
- (j) Manufacture of clay bricks falling under tariff item 69010010 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975)
- (k) manufacture of handicraft goods.

Where - The expression "handicraft goods" shall have the same meaning as assigned to it in the notification No. 32/2017 - Central Tax, dated September 15, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 1158 (E), dated September 15, 2017 as amended from time to time

- (ii) CGST @6% is case Services by way of job work in relation to-
 - (a) manufacture of umbrella;
 - (b) printing of all goods falling under Chapter 48 or 49, which attract CGST @6%.
- (iii) CGST @ 2.5% in case of Services by way of any treatment or process on goods belonging to another person, in relation to printing of newspapers, books (including Braille books), journals & periodicals and all goods falling under Chapter 48 or 49, which attract IGST @ 5 per cent. or Nil
- (iv) CGST @ 6% in case of Services by way of any 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%.

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- (v) CGST @ 2.5% is case Tailoring services.
- (vi) CGST@9% in Manufacturing services on physical inputs (goods) owned by others, other than above.

{REFER – in case of IGST -Entry No.26 of Notification No. 8/2017-Integrated Tax (Rate) dated June 28, 2017 read with Notification No. 20/2017-Central Tax (Rate) dated August 22, 2017; Notification No. 39/2017-Integrated Tax (Rate] dated October 13, 2017; Notification No. 48/2017-Integrated Tax (Rate) dated November 14, 2017; Notification No. 1/2018-Integrated Tax (Rate) dated January 25, 2018}.

{REFER – in case of CGST- Entry No.26 of Notification No. 11/2017-Central Tax (Rate) dated June 28,2017 read with Notification No. 20/2017-Central Tax (Rate) dated August 22, 2017; Notification No. 31/2017-Central Tax (Rate) dated October 13, 2017; Notification No. 46/2017-Central Tax (Rate) dated November 14, 2017and Notification No. 1/2018-Central Tax (Rate) dated January 25, 2018.

XVI. Statutory provisions

Refer **Annexure A**.

XVII. Formats

1. Delivery challan (**Annexure B**)
2. Tax invoice by job worker (**Annexure C**)
3. Details of goods / capital goods sent to job worker and received back to be furnished (**Annexure D**) – Form GST ITC-04.

Annexure - A

Statutory Provisions

- **Section 143 of CGST Act, 2017 – 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:

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.

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

(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.

(5) Notwithstanding anything contained in sub-sections (1) and (2), any waste and scrap generated during the job work may be supplied by the job worker directly from his place of business on payment of tax, if such job worker is registered, or by the principal, if the job worker is not registered.

Explanation – For the purposes of job work, input includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or the job worker

- **Section 19 of CGST Act, 2017 - 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) 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.

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

- **Section 141 of CGST Act, 2017 – Transitional Provisions relating to job work**

(1) Where any inputs received at a place of business had been removed as such or removed after being partially processed to a job worker for further processing, testing, repair, reconditioning or any other purpose in accordance with the provisions of existing law prior to the appointed day and such inputs are returned to the said place on or after the appointed day, no tax shall be payable if such inputs, after completion of the job work or otherwise, are returned to the said place within six months from the appointed day:

Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if such inputs are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142.

(2) Where any semi-finished goods had been removed from the place of business to any other premises for carrying out certain manufacturing

processes in accordance with the provisions of existing law prior to the appointed day and such goods (hereafter in this section referred to as “the said goods”) are returned to the said place on or after the appointed day, no tax shall be payable, if the said goods, after undergoing manufacturing processes or otherwise, are returned to the said place within six months from the appointed day

Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if the said goods are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142:

Provided also that the manufacturer may, in accordance with the provisions of the existing law, transfer the said goods to the premises of any registered person for the purpose of supplying therefrom on payment of tax in India or without payment of tax for exports, within the period specified in this sub-section.

(3) Where any excisable goods manufactured at a place of business had been removed without payment of duty for carrying out tests or any other process not amounting to manufacture, to any other premises, whether registered or not, in accordance with the provisions of existing law prior to the appointed day and such goods are returned to the said place on or after the appointed day, no tax shall be payable if the said goods, after undergoing tests or any other process, are returned to the said place within six months from the appointed day:

Provided that the period of six months may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding two months:

Provided further that if the said goods are not returned within the period specified in this sub-section, the input tax credit shall be liable to be recovered in accordance with the provisions of clause (a) of sub-section (8) of section 142:

Provided also that the manufacturer may, in accordance with the provisions of the existing law, transfer the said goods from the said other premises on

payment of tax in India or without payment of tax for exports within the period specified in this sub-section.

(4) The tax under sub-sections (1), (2) and (3) shall not be payable, only if the manufacturer and the job worker declare the details of the inputs or goods held in stock by the job worker on behalf of the manufacturer on the appointed day in such form and manner and within such time as may be prescribed.

• **Rule 45 of Central Goods and Services Tax (CGST) Rules, 2017**

(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.

(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 or sent from one job worker to another during a quarter 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 quarter.

(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.

Annexure - B

Format of Delivery Challan

Company Name			
Address			
CIN-			
Contact Number / Email			
GSTIN:			
DELIVERY CHALLAN			Original for Recipient
			Duplicate for Transporter
			Triplicate for Supplier
Delivery Challan No. :		Transportation Mode :	
Date :		Vehicle Number :	
		Date of Supply :	
State : Gujarat	State Code : 24	Place of Supply :	
Details of Consignee:			
Name :			
Address :			
GSTIN :			

Sr. No.	Description of Goods	HSN	Qty	Taxable Value	CGST		SGST		IGST		Total
					Rate	Amount	Rate	Amount	Rate	Amount	
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
Total :-			-	-	-	-					-

Total Amount in Words :	Total Amount Before Tax :	-
	Add : CGST :	-
	Add : SGST :	-
<u>Terms and Conditions</u>	Add : IGST :	-
	Tax Amount : GST :	-
	Total Amount After Tax :	-
(Common Seal)	<p>Certified that the particulars given above are true and correct.</p> <p>For (Company Name)</p> <p>Authorised Signatory</p>	
[E&OE]		

Annexure - C

Tax invoice of a job worker

Company Name														
Address														
CIN-														
Contact Number / Email														
GSTIN:														
TAX INVOICE										Original for Recipient				
										Duplicate for Supplier				
Reverse Charge :							Transportation Mode :							
Invoice No. :							Vehicle Number :							
Invoice Date :							Date of Supply :							
State :	Guja rat			State Code :		2 4	Place of Supply :							
Details of Receiver / Billed to :							Details of Consignee / Shipped to :							
Name :							Name :							
Address :							Address :							
GSTIN :							GSTI							

Annexure - D

Form GST ITC-04
[See rule - 45(3)]

Details of goods/capital goods sent to job worker and received back

1. GSTIN -
2. (a) Legal name -
(b) Trade name, if any -
3. Period: Quarter - Year -

4. Details of inputs/capital goods sent for job-work

GSTIN / State in case of unregistered job- worker	Challan no.	Challan date	Description of goods	UQC	Quantity	Taxable value	Type of goods (Inputs/capital goods)	Rate of tax (%)			
								Central tax	State/ UT tax	Integrated tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12

5. Details of inputs/capital goods received back from job worker or sent out from business place of job-work

GSTIN / State of job worker if unregistered	Received back/sent out to another job worker/ supplied from premises of job worker	Original challan No.	Original challan date	Challan details if sent to another job worker			Invoice details in case supplied from premises of job worker		Description	UQC	Quantity	Taxable value
				No.	Date	GSTIN/ State if job worker unregistered	No.	Date				
1	2	3	4	5	6	7	8	9	10	11	12	13

6. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place
Date

Signature
Name of Authorised Signatory
Designation / Status.....