

Job-work Under GST

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 exists 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.

What is job-work?

Section 2(68) of the CGST Act, 2017 defines job-work as 'any treatment or process undertaken by a person on goods belonging to another registered person'. The one who does the said job would be termed as 'job-worker'. The ownership of the goods does not transfer to the job-worker but it rests with the principal. The job-worker is required to carry out the process specified by the principal on the goods.

Job-work procedural aspects:

Certain facilities with certain conditions are offered in relation to job-work, some of which are as under:

a) 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.

b) 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.

c) 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.

d) After processing of goods, the job-worker may clear the goods to-

- (i) Another job-worker for further processing
- (ii) Dispatch the goods to any of the place of business of the principal without payment of tax
- (iii) 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. In case the job-worker is a registered person under GST, even declaring the premises of the job-worker as additional place of business is not required.

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 inputs or capital goods shall be sent to the job-worker under the cover of a challan issued by the principal. The challan shall be issued even for the inputs or capital goods sent directly to the job-worker. The challan shall contain the details specified in Rule 10 of the Invoice Rules.

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

Input Tax credit on goods supplied to job worker

Section 19 of the CGST Act, 2017 provides that the principal (a person supplying taxable goods to the job-worker) shall be entitled to take the credit of input tax paid on inputs sent to the job-worker for the job-work. Further, the proviso also provides that the principal can take the credit even when the goods have been directly supplied to the job-worker without being brought into the premise of the principal. The principal need not wait till the inputs are first brought to his place of business.

Time Limits for the return of processed goods

As per section 19 of the CGST Act, 2017, inputs and capital goods after processing shall be returned back to principal within one year or three years respectively of their being sent out. 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.

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 duty 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.

Transitional provisions

Inputs, as such, or partially processed inputs which are sent to a job-worker prior to introduction of GST under the provisions of existing law [Central Excise] and if such goods are returned within 6 months from the appointed day [i.e. the day on which GST will be implemented] no tax would be payable. If such goods are not returned within 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.