

# JOB WORKS UNDER GST

## GHIYA LEGAL

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# WHAT IS JOB WORKS?

SEC  
2(68) of  
CGST,  
2017

–

To undertake treatment or processing;

–

Of certain goods;

–

Belonging to the Principal  
(registered person)

It is not mandatory that such process may result in manufacture of goods.

Ownership of goods does not get transferred to the Job Worker. It rests with the Principal.

# *IMPORTANT DEFINITIONS*

## Sec. 2(19) Capital Goods:

“capital goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

## Sec. 2(59) Inputs:

“input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business;

# IMPORTANT DEFINITIONS

## EXTENDED MEANING OF INPUT

*\* Explanation to Section 143 of CGST Act, 2017:*

- Where process is carried out on Inputs before removal of the same to the Job Worker, such product after carrying out the process to be referred as 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.

# *REGISTRATION*

No Compulsion of Job Worker to be registered. Only required when turnover crosses the threshold limit.

Only the Principal to whom the Inputs / Capital Goods belong are required to be compulsorily registered.

Definition of Job Works mandates the registration of Principal.

# INPUT TAX CREDIT

Principal can send inputs / capital goods directly to job Worker w/o bringing it to his own premises and avail ITC on such inputs / capital goods.

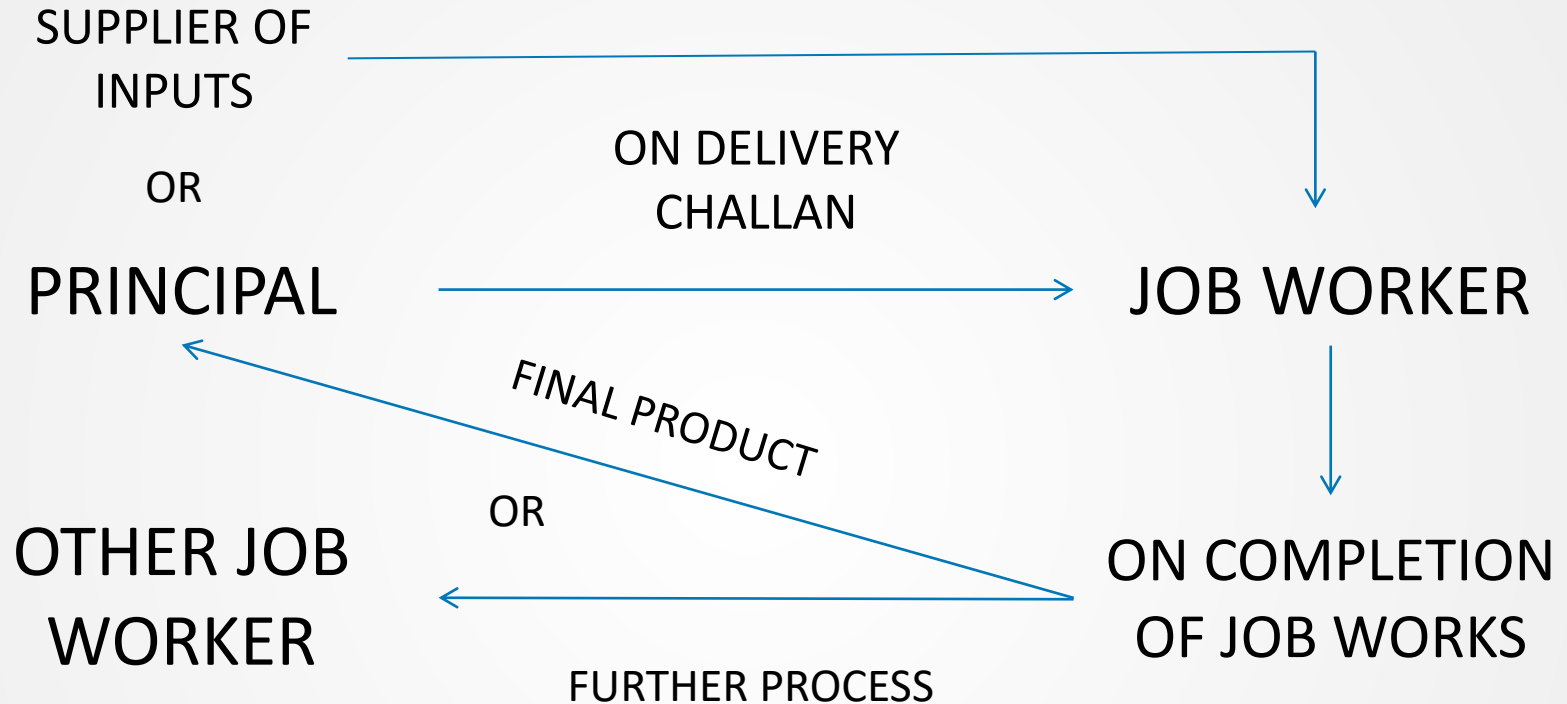
The period of receipt of inputs/ capital goods will not apply to moulds, dies, jigs and fixtures or tools sent out to a job worker for job work.

## SEC. 19

Goods must be returned to the Principal within a period of 1 year (Inputs) / 3 years (Capital Goods). To be treated as Outward Supply otherwise.

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

# MOVEMENT OF GOODS W/O PAYMENT OF GST (SEC. 143)



**CONDITION: GOODS ARE TO RETURN TO THE PRINCIPAL WITHIN A PERIOD OF ONE YEAR IN CASE OF INPUTS AND 3 YEARS IN CASE OF CAPITAL GOODS. IF NOT THEN TO BE TREATED AS A SUPPLY. TO BE SHOWN IN GSTR-1 AND TAX + INTEREST IS TO BE PAID.**

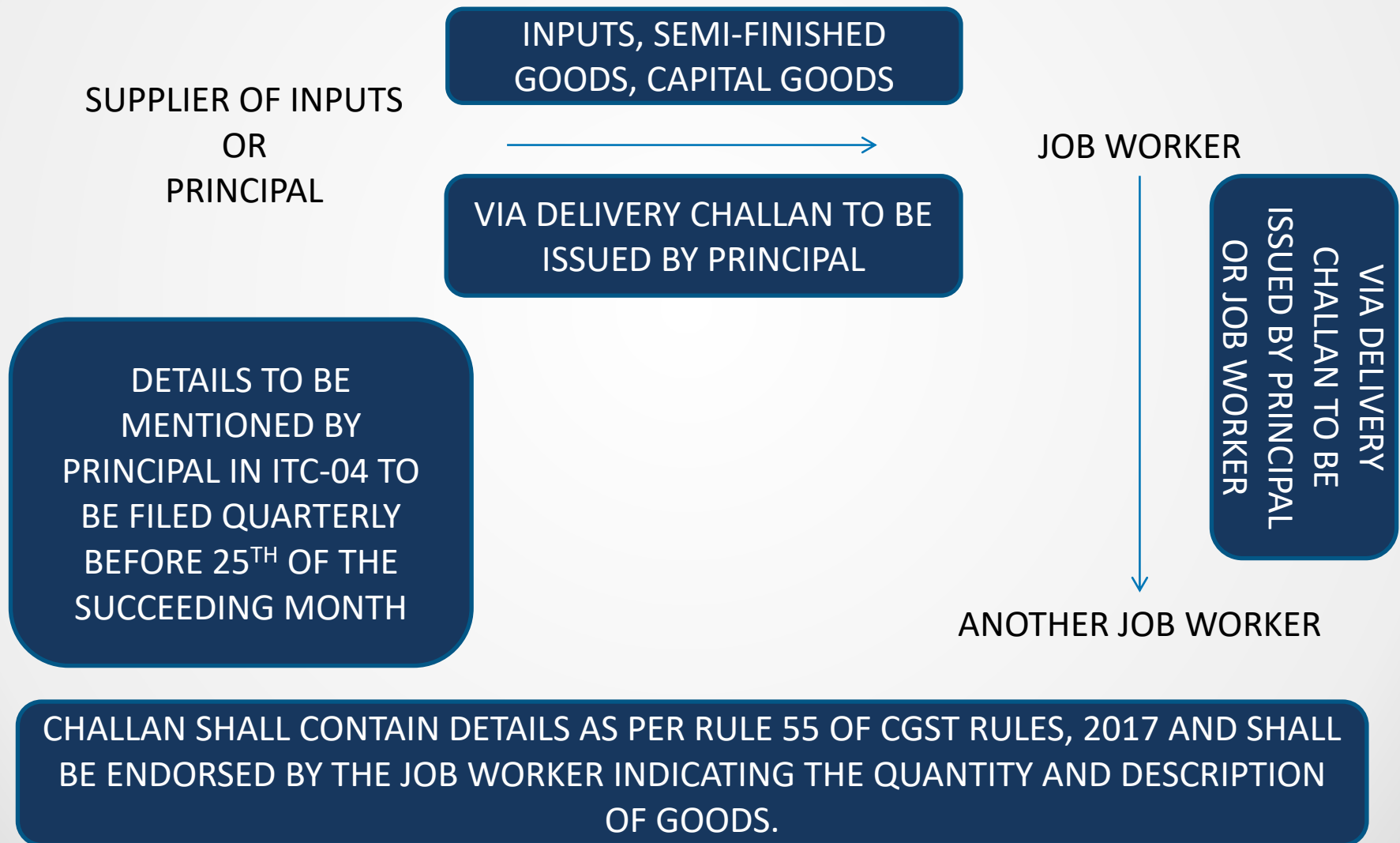
# *SCRAP MANAGEMENT*

## **SECTION 143(5)**

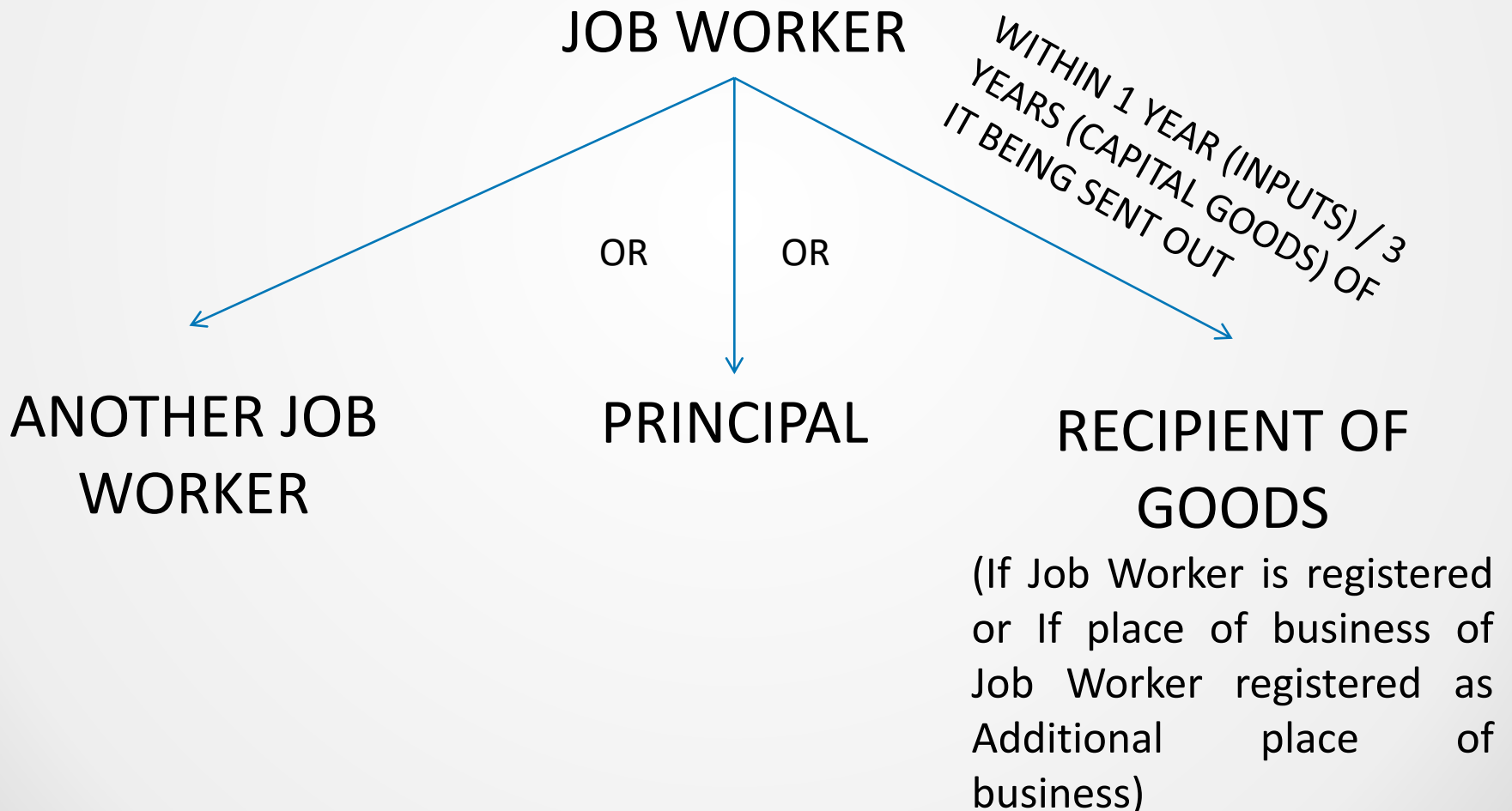
WASTE GENERATED AT THE PREMISES OF THE JOB WORKER MAY BE SUPPLIED DIRECTLY BY THE REGISTERED JOB WORKER FROM HIS PLACE OF BUSINESS ON PAYMENT OF TAX OR SUCH WASTE MAY BE CLEARED BY THE PRINCIPAL, IN CASE THE JOB WORKER IS NOT REGISTERED



# PROCEDURE FOR MOVEMENT OF GOODS (RULE 45)



# SUPPLY OF GOODS AFTER COMPLETION OF JOB WORKS



# *EXPORT OF GOODS*

Principal can Export goods directly from the place of business of Job Worker.

LUT / Bond as the case may be shall be executed by the principal.

Invoice to be issued by the Principal.

# *COMPLIANCE*

- The supply shall be declared by the Principal in FORM GSTR-1 and the principal shall be liable to pay tax along with interest.
- Responsibility of accounting of inputs/ capital goods is of the Principal.
- Intermediate goods arising are to be treated as inputs.
- FORM ITC-04 to be submitted by Principal on monthly basis.

# *SUPPLY OF SERVICES*

If Job worker is liable to registration, they are liable to pay GST on services provided.

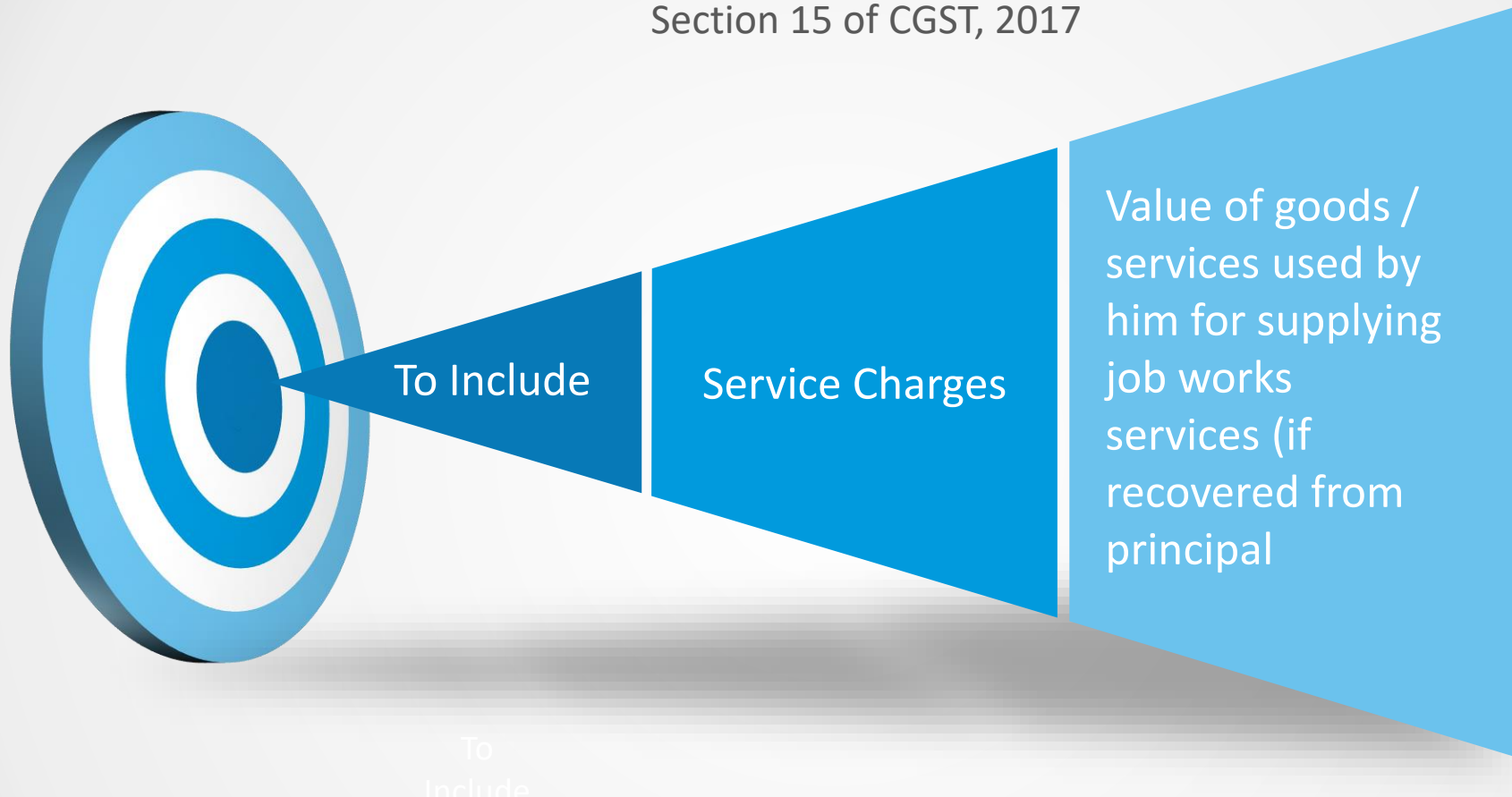
Valid Invoice is required to be raised by the Job Worker at the time of supply of service.

VALUE: To be determined as per Section 15 of CGST Act, 2017.

To  
Include

# *SUPPLY OF SERVICES*

VALUE OF SUPPLY OF SERVICES  
Section 15 of CGST, 2017



To  
Include

Note: Value of 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 services by the job worker. [ Section 15(2)(b)]

# *E- WAY BILL*

- E-way Bill is required as per the provisions of Rule 138 of CGST Rules, 2017.
- E-way is to be generated by Principal if the Job Worker is unregistered.
- Primarily the value in E-Way bill should be the value inclusive of the value of goods.
- In case of inter-state Job Works it is required that where goods are sent by a principal located in one State or Union territory to a job worker located in any other State or Union territory, the e-way bill shall be generated either by the principal or the job worker, if registered, irrespective of the value of the consignment.

# RATE OF TAX

SERVICE PROVIDER	SERVICE RECIPIENT	GST RATE
Registered Job Worker	Registered Person	12% [Sr. No. 26(id)] [The process may or may not result in manufacture] View confirmed in Circular No. 126/45/2019 dt. 22.11.2019
Registered person	Unregistered person	18% [Sr. No. 26(iv)] [the process may or may not result in manufacture]
Unregistered person	Any person (registered or not)	No GST as supplier is unregistered



# *EXAMPLE OF A JOB WORK*

**SHOES SENT BY THE MANUFACTURER TO THE JOB  
WORKER FOR AFFIXING BUCKLES**

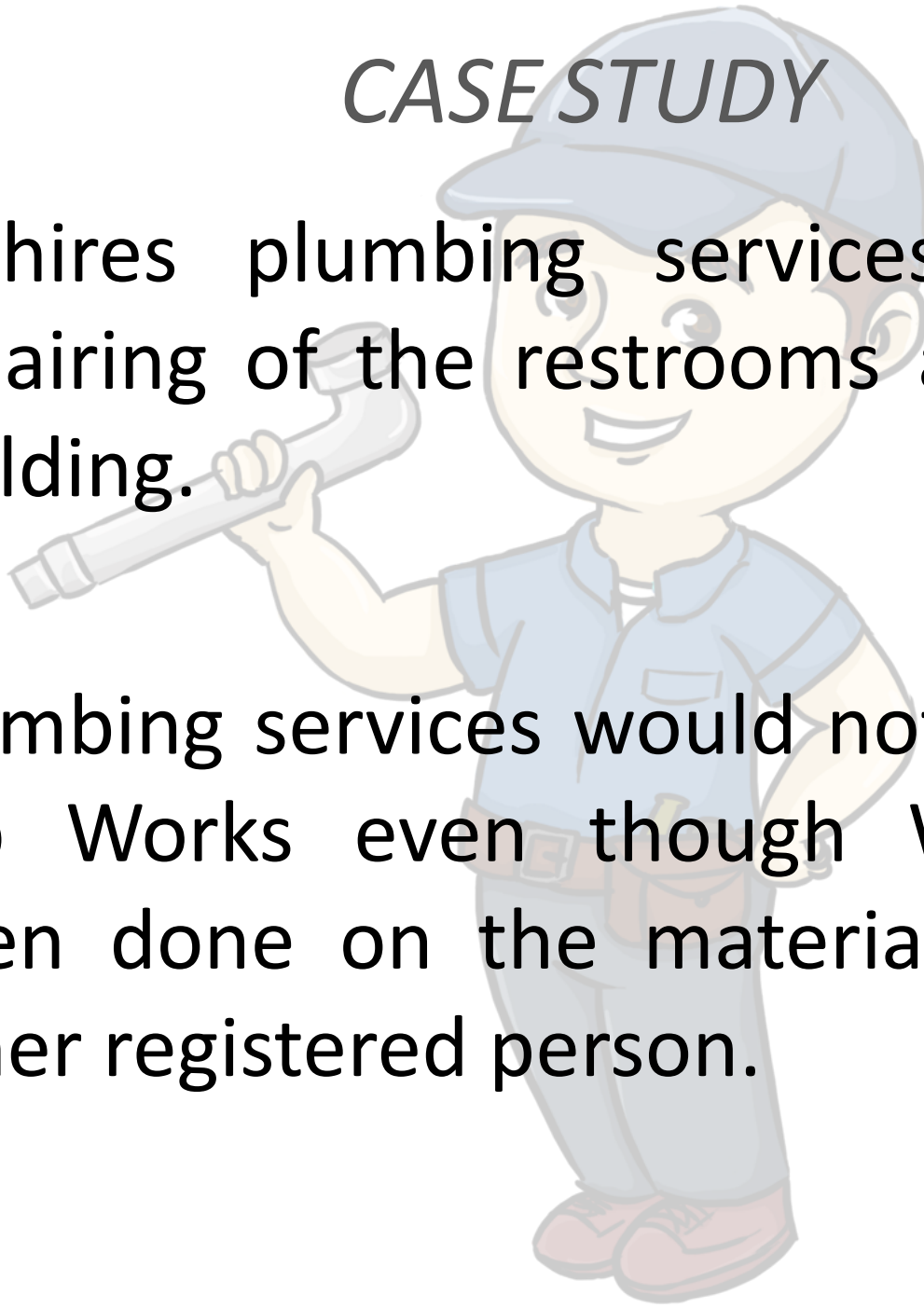
# CASE STUDY

- A hires the services of B who is a painter for painting his Office building.
- The contractual value is inclusive of material to be used in the provision of service.
- The services of painting of an immovable property belonging to a registered person would not amount to Job Works.



## *CASE STUDY*

- A hires plumbing services of B for repairing of the restrooms at his office building.
- Plumbing services would not amount to Job Works even though Works have been done on the material owned by other registered person.



# *IMPORTANT NOTIFICATIONS*

- **Notification No. 7/2017 – Integrated Tax dt. 14.09.2017** - Job workers engaged in inter-state supply of services to a registered person are exempt from taking registration under GST, except those who are liable to be registered under section 22(1) or has opted to take voluntary registration under Section 25(3) or who is involved in the supply of service in relation to Jewelry, goldsmiths' and silversmiths' wares and other articles (Chapter 71)
- **Notification No. 46/2017-Central Tax (Rate)** - GST Rate on job work services in relation to manufacture of those handicraft goods in respect of which the casual taxable person has been exempted from obtaining registration, be reduced to 5% with full Input Tax Credit.

# *CLARIFICATIONS AS PER CIRCULAR NO. 38/12/2018- GST*

- Goods sent by Principal to 1 Job Worker:
  - Challan to be prepared in Triplicate.
  - 2 copies to be sent to Job worker with goods.
  - Job worker to send one copy with goods while returning them to principal.
  
- Goods sent by a Job Worker to another:
  - Goods to move under the cover of Challan.
  - Can be issued either by principal or Job Worker.
  - Challan issued by Principal to be endorsed by the Job worker

# *CLARIFICATIONS AS PER CIRCULAR NO. 38/12/2018- GST*

- Goods returned to the Principal by Job worker:
  - Goods to move under the cover of Challan.
  - Can be issued either by principal or Job Worker.
  - Challan issued by Principal to be endorsed by the Job worker
  
- Goods sent directly by the supplier to the job worker:
  - Goods can be sent directly from the Supplier to the Job Worker with a copy of the invoice in the name of the buyer.
  - The job worker's name and address should also be mentioned in the invoice as the consignee as per Rule 46(o) of CGST Rules.
  - Challan to be issue by the principal (buyer) under Rule 45 and be sent to the Job Worker.

# *CLARIFICATIONS AS PER CIRCULAR NO. 38/12/2018- GST*

- Goods sent directly by the supplier to the job worker:
  - Imports: Goods from Customs station of imports can be sent directly to Job Worker with a copy of Bill of Entry and principal to issue challan under Rule 45 and send to Job Worker.
- Where goods returned in piecemeal by Job Worker:
  - Old Challan cannot be endorsed. Fresh Challan is required to be issued by the Job Worker.

# RATE OF TAX

Heading	Description	Rate
<p>9988 (Manufacturing Services on physical goods owned by others)</p>	<p><i>26 (i) Services by way of job work in relation to-</i>(a) <i>Printing of newspapers;</i>  <i>(b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975;</i>  <i>(c) all products falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975;</i>  <i>(d) Printing of books (including Braille books), journals and periodicals;</i>  <i>(da) printing of all goods falling under Chapter 48 or 49, which attract IGST@5% or nil</i>  <i>(e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975;</i>  <i>(ea) manufacture of leather goods or foot wear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 respectively;</i>  <i>(f) all food and food products falling under Chapters 1 to 22 in the First Schedule to the Customs Tariff Act, 1975;</i></p>	<p>5%</p>



# RATE OF TAX

Heading	Description	Rate
<p>9988 (Manufacturing Services on physical goods owned by others)</p>	<p><i>(g) 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;</i>  <i>(h) manufacture of clay bricks falling under tariff item 69010010 in the First Schedule to the Customs Tariff Act, 1975;</i>  <i>(i) manufacture of handicraft goods.</i>  <i>Explanation.- The expression “handicraft goods” shall have the same meaning as assigned to it in the <a href="#">notification No. 32/2017 - Central Tax, dated the 15th September, 2017</a> published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 1158 (E), dated the 15th September, 2017 as amended from time to time.</i></p>	
	<p><i>26 (ia) Services by way of job work in relation to-</i>  <i>(a) manufacture of umbrella;</i>  <i>b) printing of all goods falling under Chapter 48 or 49, which attract IGST @ 12%</i></p>	<p>12%</p>

# RATE OF TAX

Heading	Description	Rate
	<i>26 (ib) Services by way of job work in relation to diamonds falling under chapter 71 in the First Schedule to the Customs Tariff Act, 1975;</i>	1.5%
	<i>26 (ic) Services by way of job work in relation to bus body building;</i>	18%
	<b><u>26 (id) Services by way of job work other than (i), (ia), (ib) and (ic) above;</u></b>	12%
	<p><i>26 (ii) Services by way of any treatment or process on goods belonging to another person, in relation to-</i>(a) <i>printing of newspapers;</i></p> <p><i>(b) printing of books (including Braille books), journals and periodicals;</i></p> <p><i>(c) printing of all goods falling under Chapter 48 or 49, which attract IGST @5% or Nil.</i></p>	5%

# RATE OF TAX

Heading	Description	Rate
	<i>26 (iia) 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 IGST@12%.</i>	12%
	<i>26 (iii) Tailoring services.</i>	5%
	<b><u>26 (iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above.</u></b>	18%



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