



JOB WORK

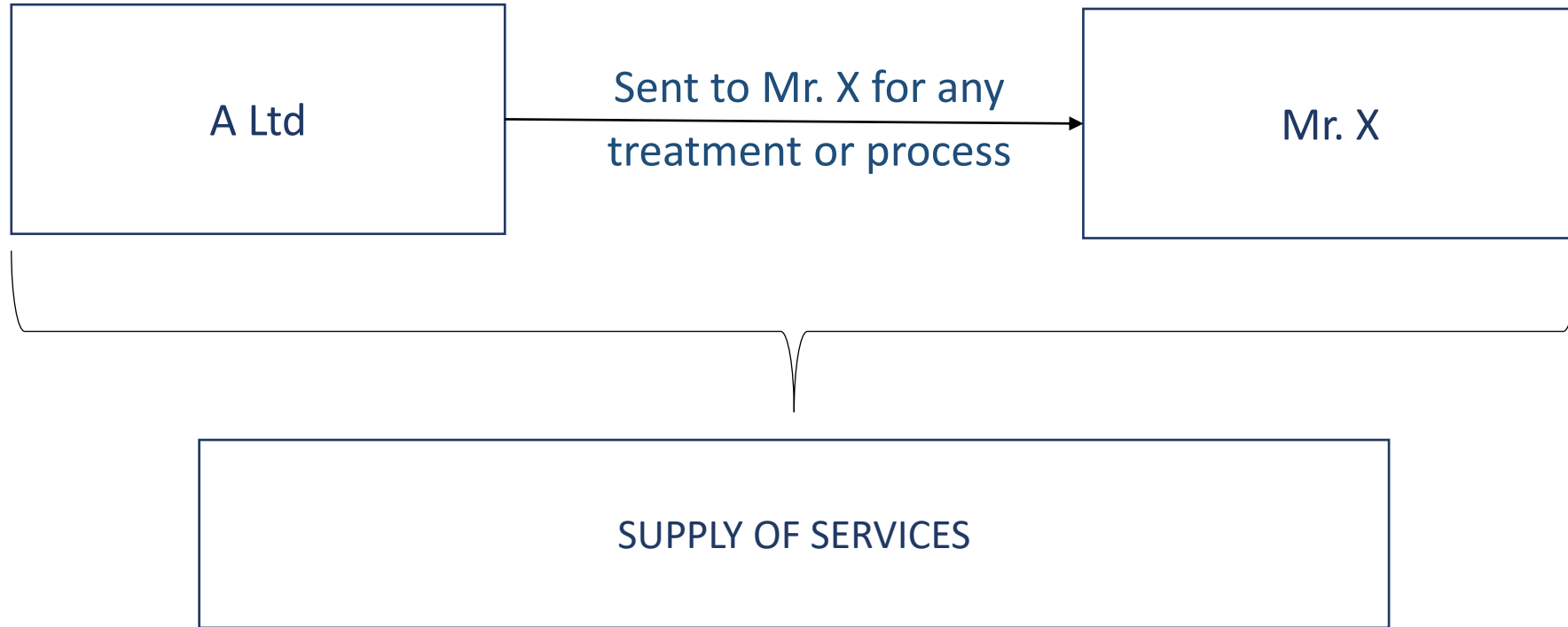
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Treatment or process to another person's goods



Job Work

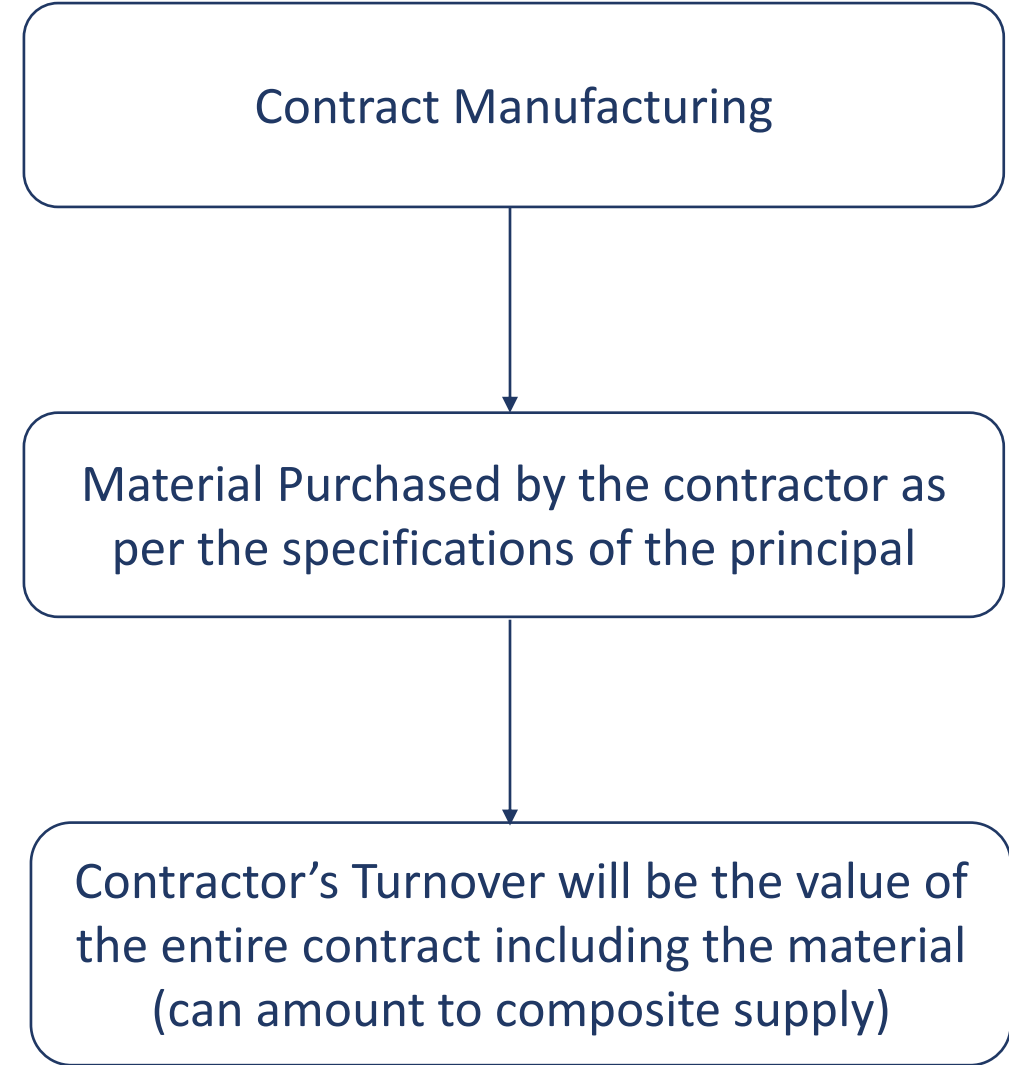
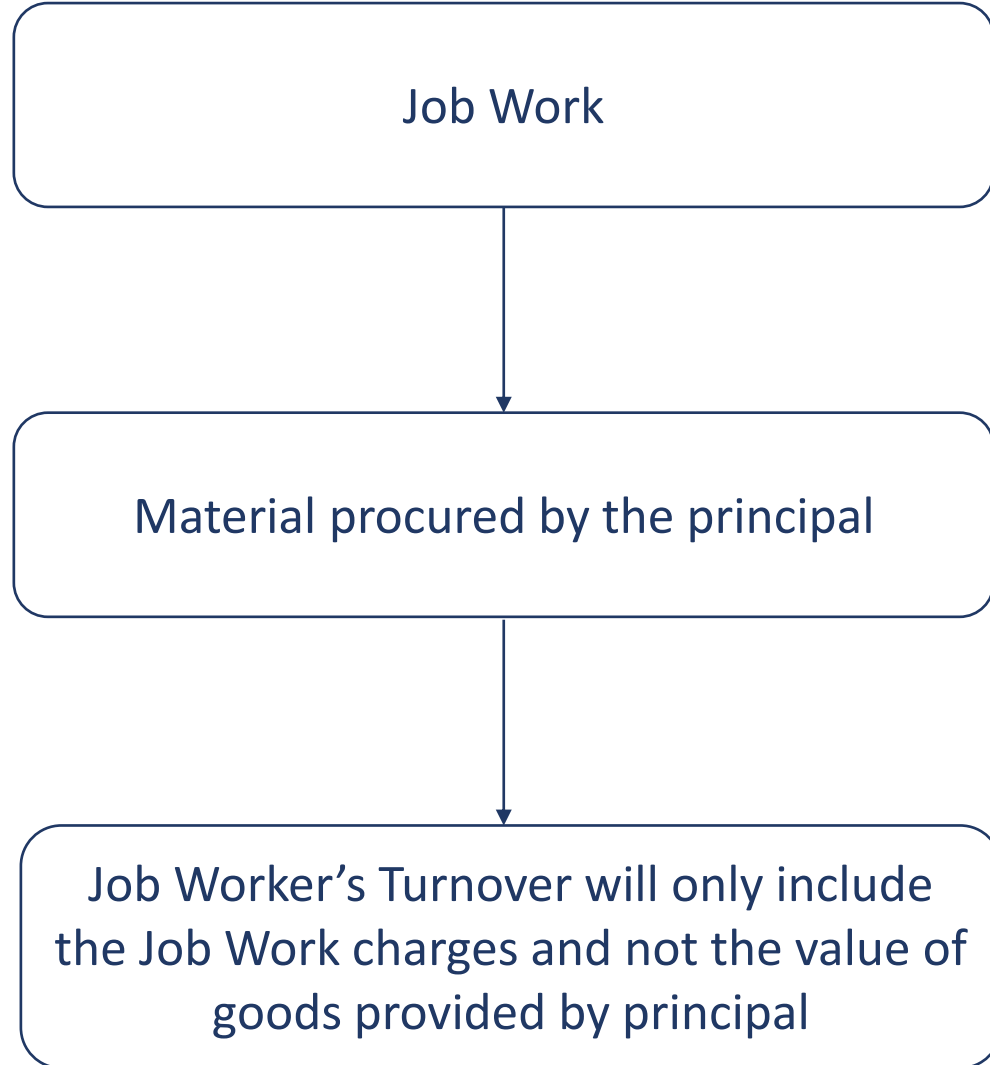
- Job work means
- **any treatment or process**
- undertaken by a person on **goods**
- **belonging to another registered person**
- and the expression job worker shall be construed accordingly

(may or may not amount to manufacture)

Interpretation of Job Work

- He should be engaged in processing or manufacture
- Such activity should be on goods (semi finished) supplied by the registered principal,
- Activity would be on behalf of or under the instruction of the principal,
- Activity would complete or be a part of process,
- Processed goods would be sent back to the principal or on his instruction to other job worker or even the customer of the principal and
- The principal should keep track of the goods, its movement and account for the goods sent and returned including scrap.
- The goods should be belonging to another registered person only

Job Work Vs Contract Manufacturing



Heading 9988 - (Manufacturing services on physical inputs (goods) owned by others)

Clauses	Description	Rates
(i)	<p>Services by way of job work in relation to-</p> <p>(a) Printing of newspapers;</p> <p>(b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975);</p> <p>(c) all products 107[, other than diamonds,] falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975);</p> <p>(d) Printing of books (including Braille books), journals and periodicals;</p> <p>(da) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5per cent. or Nil;</p> <p>.....</p>	2.5
(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	0.75
(ic)	Services by way of job work in relation to bus body building	9
(id)	Services by way of job work other than (i), (ia), (ib) and (ic) above	6

Heading 9988 - (Manufacturing services on physical inputs (goods) owned by others)

Clauses	Description	Rates
(ii)	Services by way of any treatment or process on goods belonging to another person, in relation to- (a) printing of newspapers; (b) printing of books (including Braille books), journals and periodicals. (c) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. or Nil	2.5
(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 CGST @ 6per cent	6
(iii)	Tailoring services	2.5
(iv)	Manufacturing services on physical inputs owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above	9

Job Work

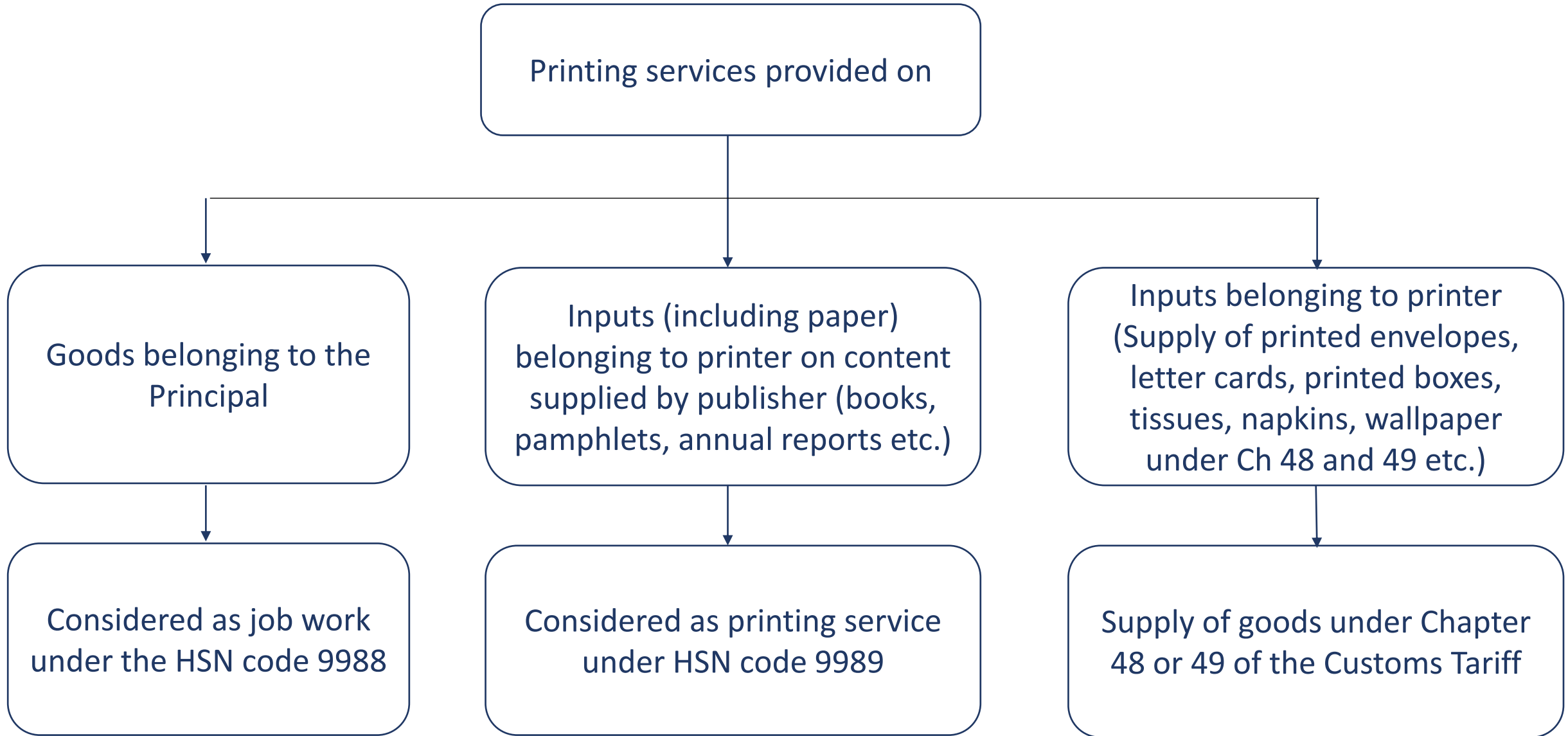
Inter-play between clause (id) and (iv)

- Linkage of (i) and (ii)
- Linkage of (i) and (iii)

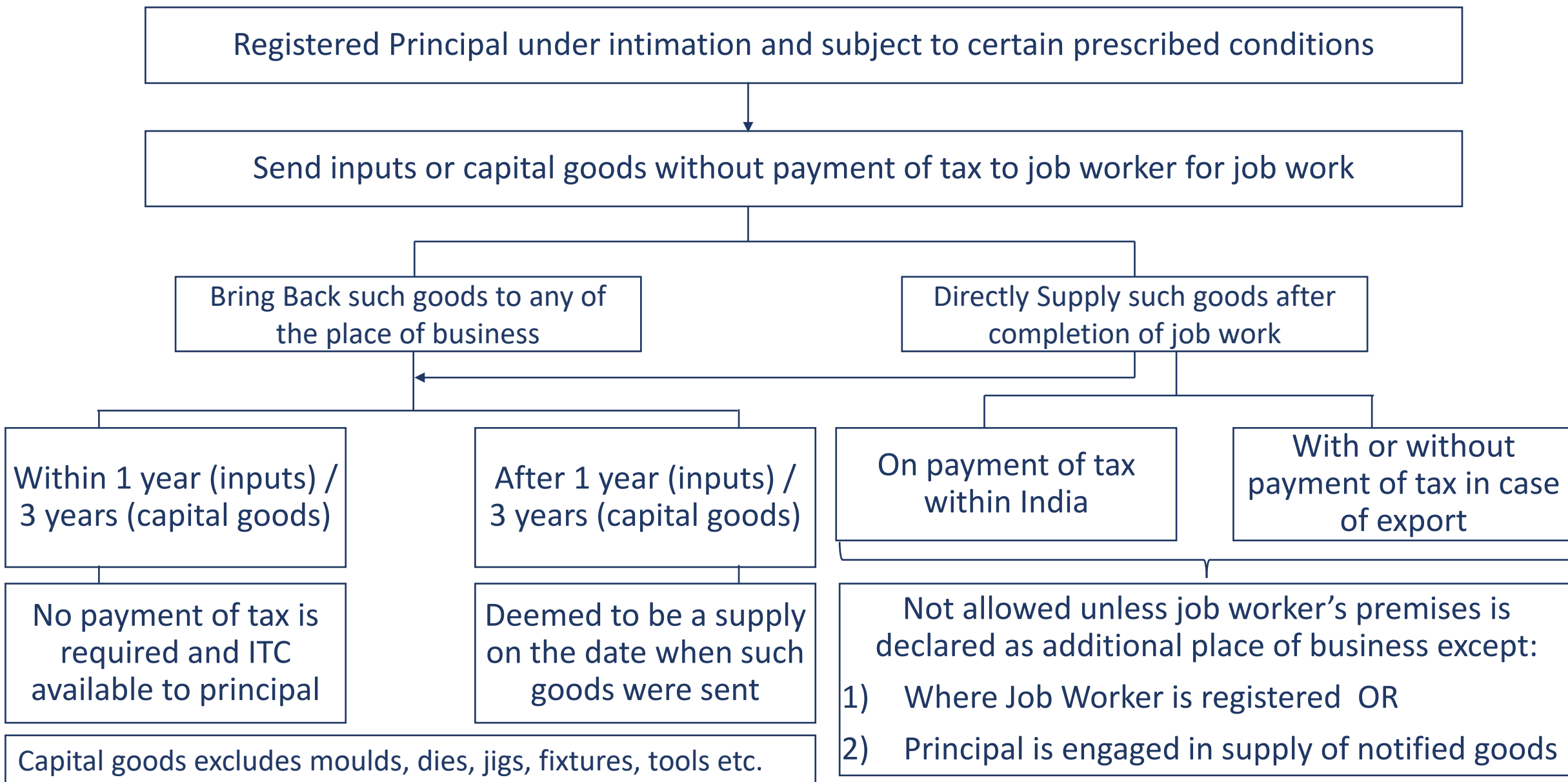
Differential factor is not manufacture because

- Entire heading talks about manufacturing services (different from the word manufacture)
- What was the position before 1st October 2019 when the residuary heading (id) was not there
- Clause (id) – specific clause and clause (iv) – a residuary clause with exception of (id)

Printing Services



Job Work



Some liabilities and responsibilities

Liability of principal in case of unregistered job worker

- Direct supply from job worker's premises where principal not registered in state

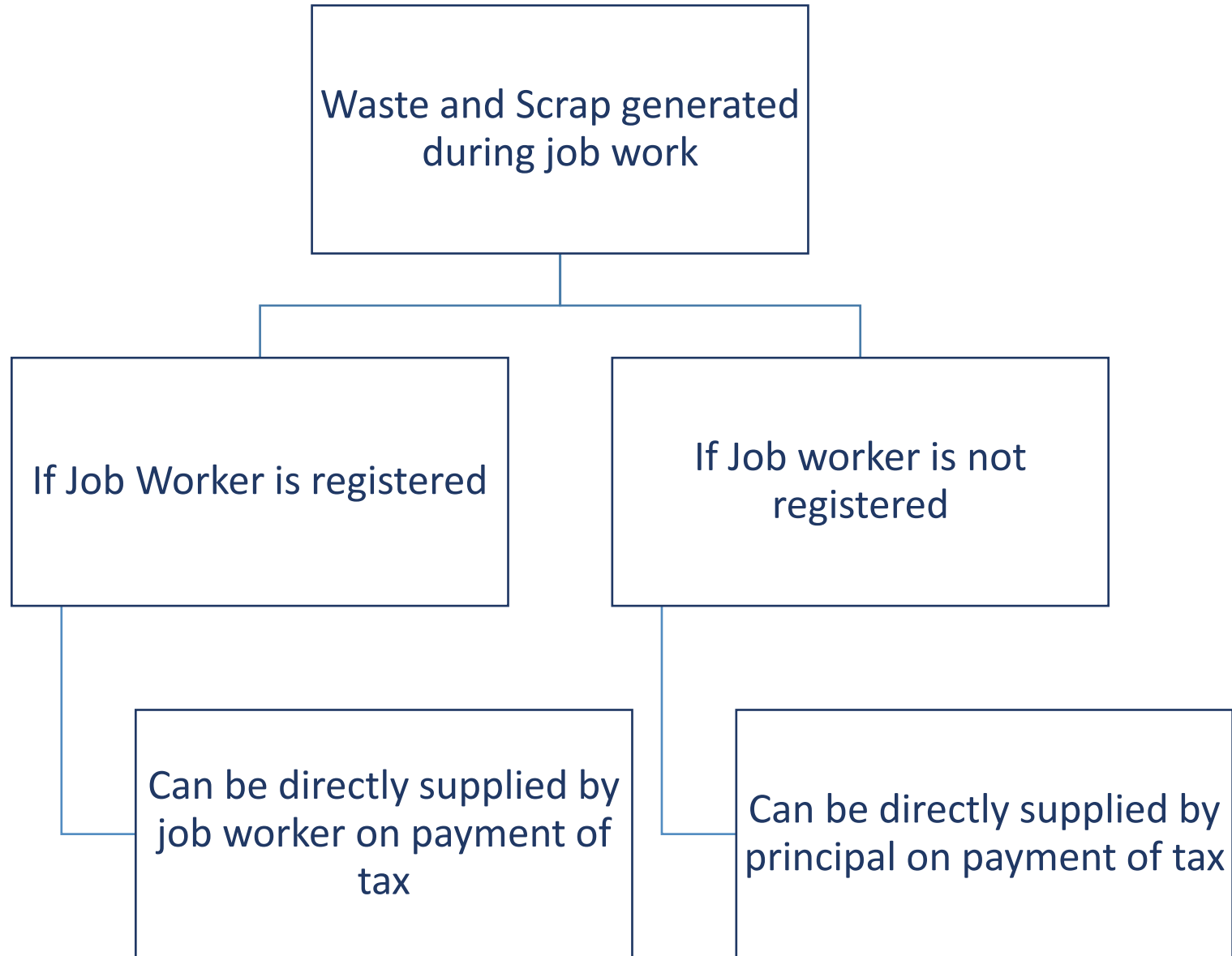
Major Responsibility of Principal

- Principal – to justify return of goods / direct supply of goods within relevant time period
- Document who was liable to supply dies, moulds, jigs etc. and factoring into price of JW

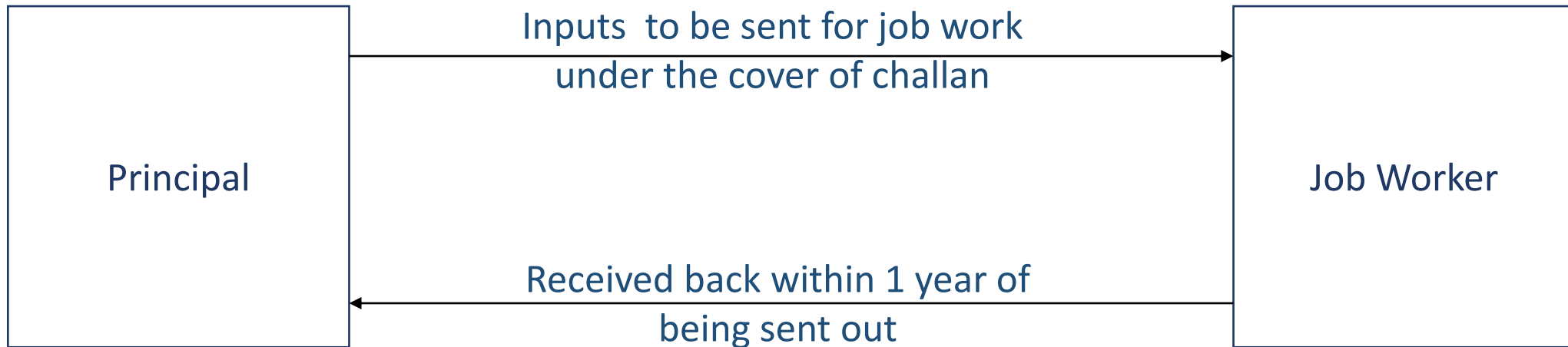
Major Responsibility of Job Worker

- Job worker – to prove which person is the owner for the goods dealt by him

Waste and Scrap generated during job work

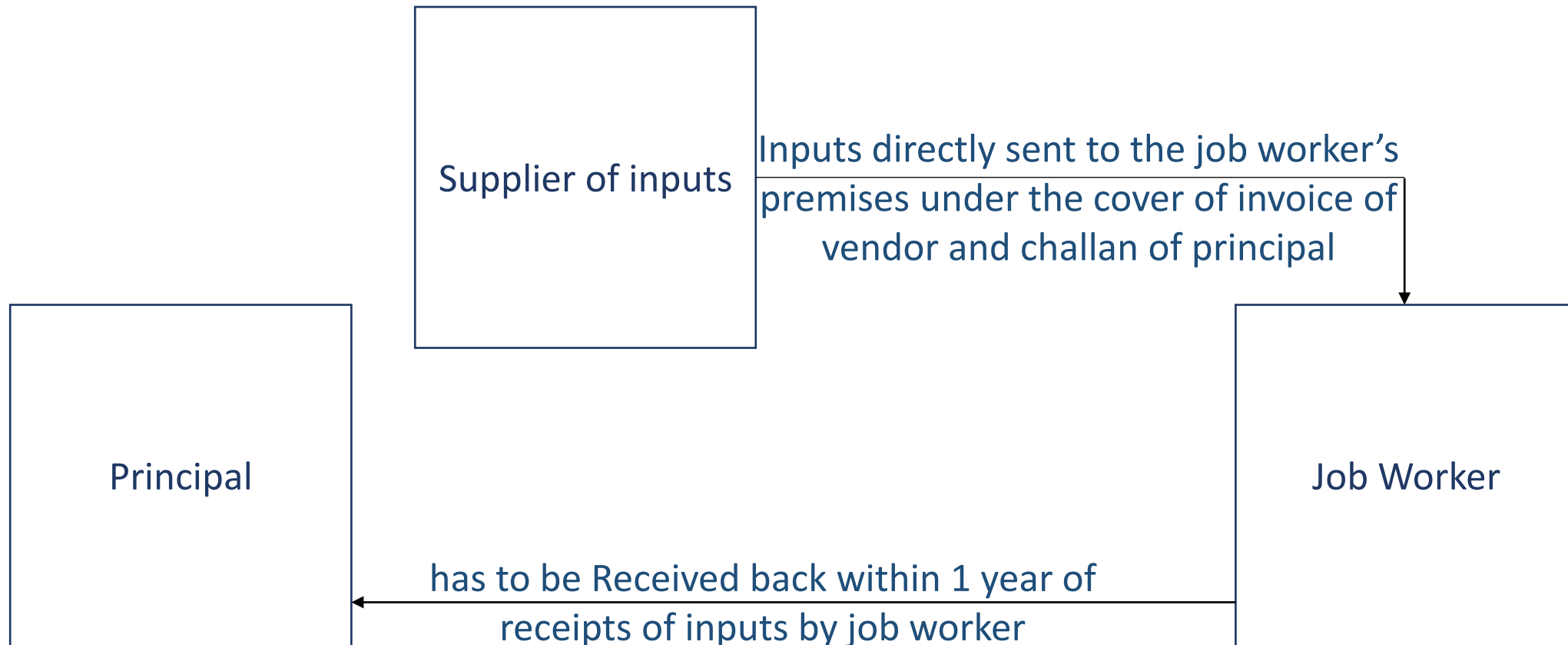


Taking ITC in respect of inputs sent for job work



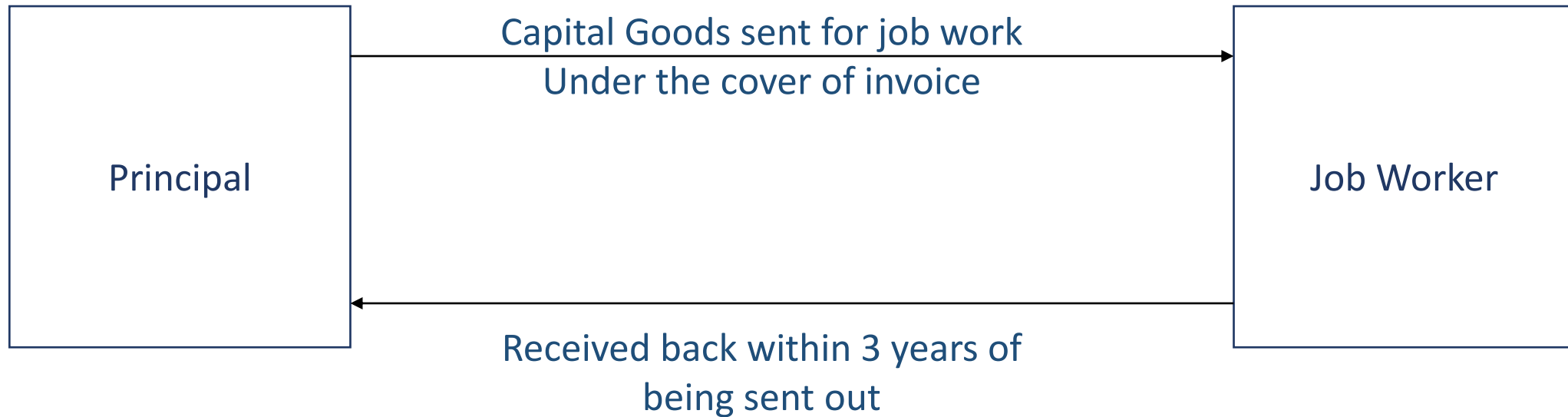
ITC available to principal if the conditions and restrictions under job work are satisfied and details of challan for goods dispatched included in Form GSTR-1 for that period

When inputs are directly sent to job worker



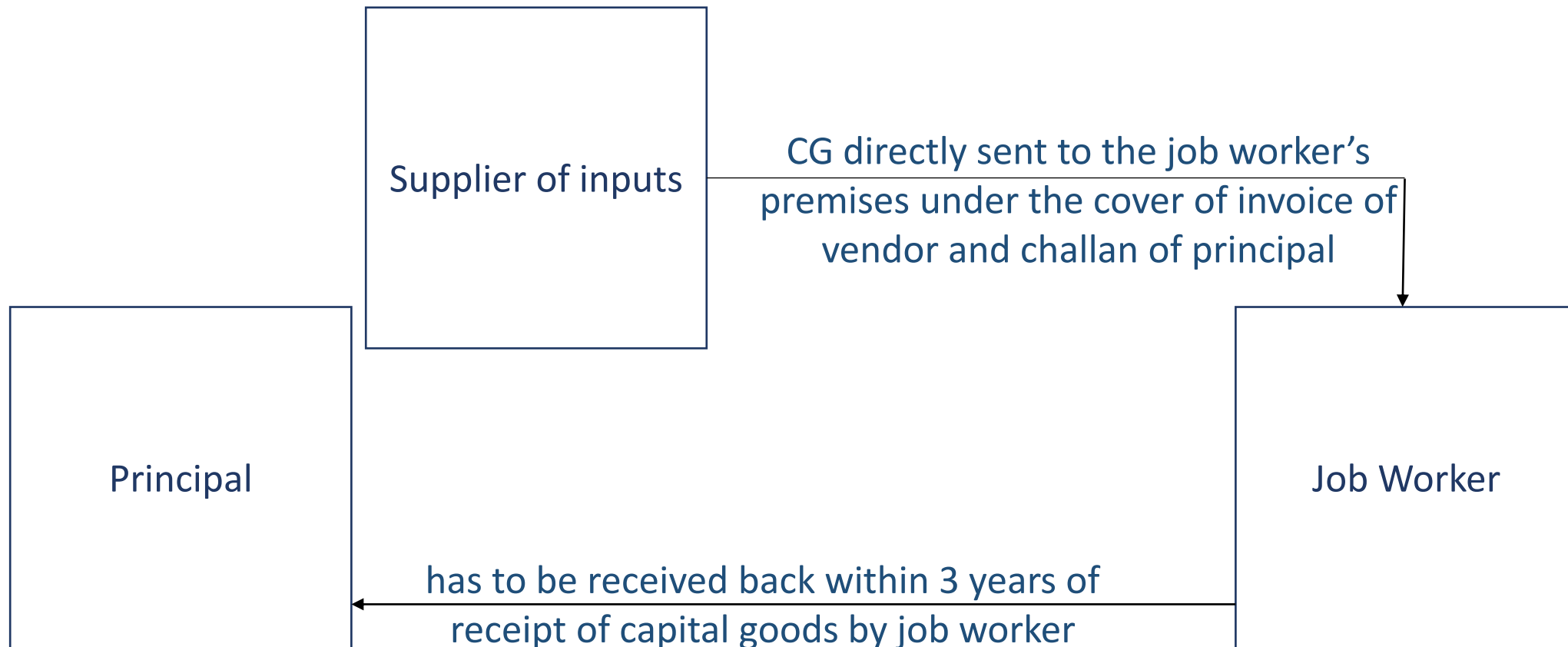
ITC available to principal if the conditions and restrictions under job work are satisfied and details of challan for goods dispatched included in Form GSTR-1 for that period

Taking ITC of capital goods sent for job work



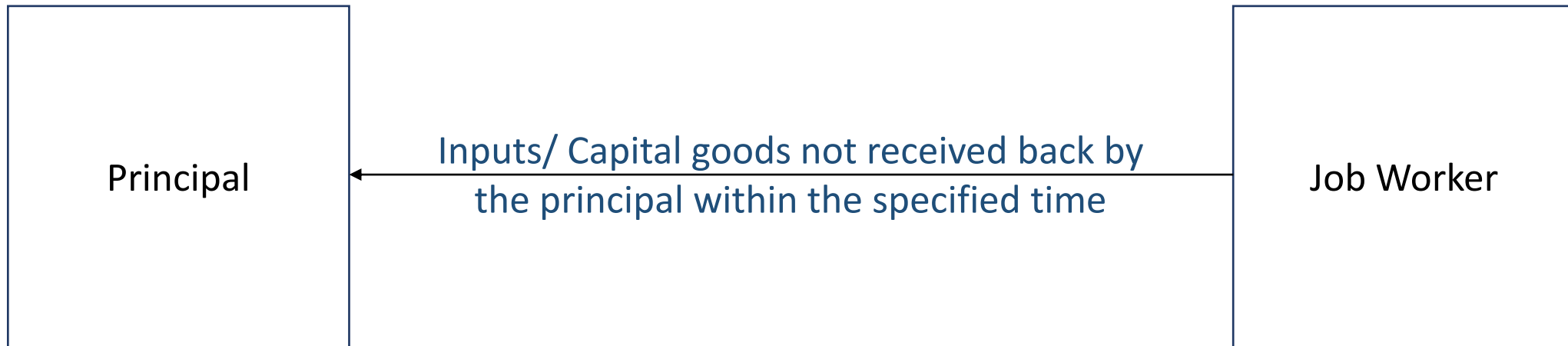
ITC available to principal if the conditions and restrictions under job work are satisfied and details of challan for goods dispatched included in Form GSTR-1 for that period

Capital goods directly sent to job worker



ITC available to principal if the conditions and restrictions under job work are satisfied and details of challan for goods dispatched included in Form GSTR-1 for that period

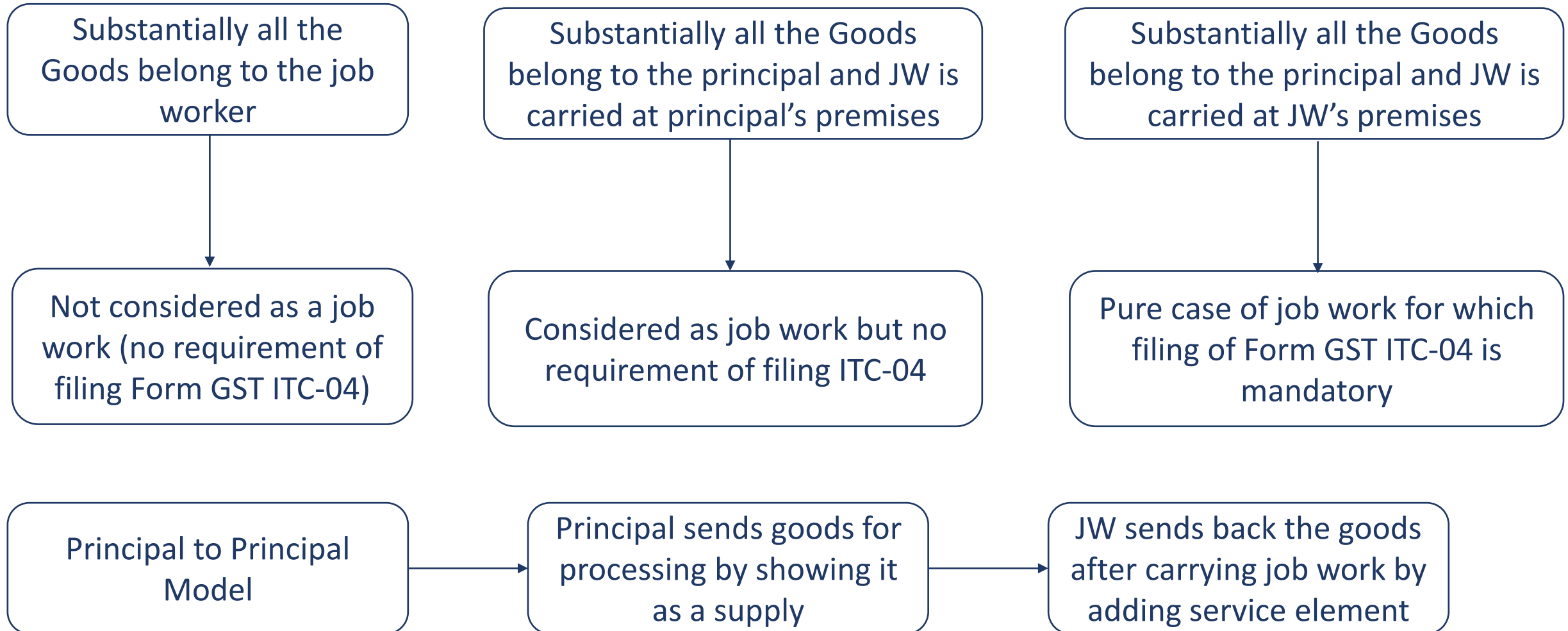
Inputs/Capital goods not received back in time



- The condition of receiving back inputs/capital goods is not applicable for moulds and dies, jigs and fixtures

Deemed to be a supply by the principal on the date when the goods are sent out and the challan issued earlier shall be deemed to have been the invoice

Models of Job Work



Whether job worker can use his own goods?

Prestige Engineering – Supreme Court

- When the job worker contributes his own raw material to the article supplied by the customers and manufactures different goods, it does not amount to job work.
- However addition or application of minor items by job worker would not detract it being a job work- Like a tailor stitching a shirt or suit out of the cloth supplied by his customer, may use his own buttons, thread and lining cloth and such as activity would amount to job work.

Clarification by Circular no. 38/12/2018 dated 26th March 2018

- 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.

Important judicial pronouncements

JSW Energy Ltd vs Union of India [2018] 95 taxmann.com 65 (AAAR – Maharashtra)

- Applicant JEL enters into an agreement with steel manufacturer JSL to generate electricity from coal supplied by JSL - Coal usually imported by JSL, as per SION is coking coal and has different usage to steam coal being used by power plants for generation of electricity - JSL is proposing to procure steam coal which is input for power-plant of JEL. Arguments by JEL that both are geologically same.
- Electricity produced by JEL is to be supplied to JSL through distribution system of State Electricity Distribution Company MSEDCL and, thus, Principal JSL will not be in a position to bring back inputs after processing by JEL independent of a third person/entity [Is it a required condition?]
- Other major input procured by job worker need to be added to the inputs supplied by principal. This is not minor material. As per SC in Prestige Engineering, job worker cannot make substantial addition.

Important judicial pronouncements

- a. Job workers is not a hired labour and cannot be considered as a manpower supplier liable under reverse charge mechanism as the responsibility of the work is on the job worker. (Electricals P Ltd Vs UOI – 1992 (61) ELT 413(Guj))

- a. This would be so even if the job worker works within the premises of the principal. (Apex Tata Iron & Steel Co Ltd Vs CCE – 2003 (156) ELT 681 (T-K))

- c. Contractor who works under the direct control and supervision of the principal's quality control staff in their factory. In such a case he could be said to be a hired labour and consequently a manpower supplier.
(Blue Star Ltd. Vs UOI- 2003 (161) 141(Bom))

Important judicial pronouncements

- d. Principal was sending naphtha for generation of electricity and steam. Electricity supplied back by job worker to principal. Principal eligible for ITC and considered as job work even though identity of inputs got lost. [Haldia Petrochemicals vs CCE (2005) 1 STT 261 (CESTAT)]
- e. Principal sending steel structures for galvanising to job worker with furnace oil, zinc, nickel etc. which are to be consumed in the process. Such consumables inseparable from galvanized goods which are itself returned. Considered as job work.[Ratan Engineering Co P Ltd [2019] taxmann.com 450 (AAR – WB)]
- f. Repairing and servicing of transformers owned by another person is not job work as defined under section 2(68) of the GST Act. It is composite supply unless the contract specifies that the goods and services are to be separately charged. [Alok Bhanuka., [2019] 103 taxmann.com 433 (AAR-West Bengal)]

Movement of goods under Job Work

Nature of movement	Value limit for e-waybill	Job Worker	Documents required
Inter-state	No limit	Registered	Delivery Challan E-waybill – to be generated either by the job worker or the principal
Inter-state	No limit	Unregistered	Delivery challan E-waybill – to be generated by principal only
Intra-state	Default limit – Rs. 50000 Statewise	Registered	Delivery challan E-waybill – to be generated either by the job worker or the principal
Intra-state	Default limit – Rs. 50000 Statewise	Unregistered	Delivery challan E-waybill – to be generated by principal only

Movement of goods under Job Work

- **Where goods are sent by principal to only one job worker** - The principal would prepare in triplicate, the challan for sending the goods to a job worker (one for job worker, one for principal and one when job worker returns the goods).
- **Where goods are sent from one job worker to another job worker:** In such cases, the goods may move under the cover of a challan issued either by the principal or the job worker or upon endorsement of the original challan (with quantity and description) by the job worker.
- **Where the goods are returned to the principal by the job worker:** The job worker should send one copy of the challan received by him from the principal while returning the goods to the principal after carrying out the job work.

Movement of goods under Job Work

- **Where the goods are sent directly by the supplier to the job worker:** In this case, the supplier should prepare an invoice with a 'bill to' address of the principal and 'ship to' address of the job worker. Further, the principal would issue the challan and send the same to the job worker.
- **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 challan is required to be issued by the job worker.

Submission of intimation

- Principal is required to furnish the details of challans in respect of goods sent to a job worker or received from a job worker or sent from one job worker to another job worker during a quarter in FORM GST ITC-04 by the 25th day of the month
- It is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return
- The requirements of furnishing Form GST ITC-04 has been waived off from the inception of GST (i.e. July 2017) to 31st March 2019.
- All the goods not received from a job worker or not supplied required to be declared in serial number 4 of FORM ITC-04 for the quarter April-June, 2019
- However, all the necessary records should be maintained showing the goods sent, received and directly sold from job worker's premises to ensure that the department cannot question the satisfaction of the job work provisions.

Records for Job Work

- GSTIN (if registered) and Name of the Job worker
- Challan details for sending (like challan number, challan date etc.)
- HSN, Description, Quantity and UQC of the goods being sent out for job work or from one job worker to the other
- Nature of the goods being in the form of inputs and capital goods
- Nature of job work process carried out on the said goods
- GST Rate of those goods
- Normal conversion ratio from inputs to outputs

Records for Job Work

- HSN, Description, Quantity and UQC of the goods being received
- Any normal and abnormal losses and wastages during the process carried out on the goods
- Challan details of the job worker used for returning the goods
- Tagging of the original challan through which goods were sent against the challan through which the goods have been received
- Invoice details if the goods are directly sent to job worker's premises
- Details of supply if carried out directly from job worker's premises

Issues with job work

- Absence of one to one correlation
- Different units of measure
- Value to be declared in the delivery challan
- Consequences of non filing of Form GST ITC-04



Thank You!

SPEAKER

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