

Understanding Job Work



GST JOB-WORK COMPLIANCES

- Job work is defined at Section 2(68) of CGST Act, 2017.
- In simple terms, Job work means processing or working on raw materials or semi-finished goods supplied by the principal manufacturer to the job worker. This is to complete a part or whole of the process which results in the manufacture or finishing of an article or any other essential operation.
- The job worked goods can be sent back to the Principal or cleared directly from job work premises (only if job worker is GST registered else Principal has to take registration at job worker premises in own name).



WHAT IS JOB-WORK?

The principal manufacturer is allowed to take credit for tax paid on purchase of goods sent on job work, subject to certain conditions.

INPUT TAX CREDIT ON JOB WORK

**Claiming Input
Tax Credit on
Job Work**



PLACE OF BUSINESS

GOODS PURCHASED AND SENT TO A JOB WORKER

**I. From principal's
place of Business**

**II. Directly from the
principal's suppliers-
without going to the
principle first**

EFFECTIVE DATE

**Effective
dates for
goods sent :**

- If sent from
principal's place of
business



Date of goods sent
out

- If sent directly
from principal's
sellers



Date of receipt of goods
by job worker

TIME LIMIT TO RECEIVE BACK GOODS AFTER JOB WORK

Capital Goods - 3 years from
effective date

Input Goods - 1 year
from effective date

Moulds/Dies/Jigs etc. - No Time
Limit for return

Q. What happens if the goods are not received within the specified time?

Ans. In case goods are not received within the period as mentioned above, such goods will be deemed as supply from the effective date. The principal manufacturer will have to pay tax on such deemed supply. The challan issued will be treated as an invoice for such supply.

Q. Can the principal directly sell from the job worker's place?

Ans. Yes, a principal can directly sell goods from the job worker's place in India under the GST regime, subject to **specific conditions**:

- **Job Worker is Registered**: The principal can supply the goods directly from the job worker's premises if the job worker is a registered person under GST.
- **Declaring an Additional Place of Business**: If the job worker is not registered under GST, the principal must declare the job worker's place of business as their own additional place of business in their GST registration.
- **Notified Goods**: This condition (declaring the place as an additional place of business) also does not apply if the principal is engaged in the supply of such goods as may be specifically notified by the Commissioner in this behalf.

In all cases, the responsibility for maintaining the accounts of goods, including payment of tax on the supply, lies with the principal. The principal must also ensure that the goods are removed from the job worker's premises within the stipulated time limits (one year for inputs and three years for capital goods, except for moulds, dies, jigs, fixtures, and tools) to avoid "deemed supply" and associated penalties.

Proper documentation, including the use of delivery challans for the movement of goods and filing of Form GST ITC-04, is mandatory.



CONDITIONS FOR CLAIMING ITC ON GOODS SENT FOR JOB WORK

A. Goods can be sent to job worker:

- From principal's place of business
- Directly from the place of supply of the supplier of such goods

[ITC will be allowed in both the cases.]

B. Effective date for goods sent depends on place of business:

- Sent from principal's place of business- Date of goods sent out
- Sent directly from the place of supply of the supplier of such goods- Date of receipt by job worker

C. The goods sent must be received back by the principal manufacturer within the following period:

- Capital Goods- 3 years
- Input Goods- 1 year

D. In case goods are not received within the period mentioned above, such goods will be treated as supply from the effective date and tax will be payable.

Understanding Special Provisions

➤ **Special provisions for job worker & filing :**

Where the Principle sends goods from one job worker to another job worker, the same conditions shall apply as those applicable to the Principal manufacturer. Accordingly, the job worker can endorse the challan issued by the principal to indicate the quantity and description of goods when he sends goods to another job worker . The job worker is also required to file GSTR-1 and GSTR-3B returns like any other taxpayer. The overall time limit of 1 year for input goods and 3 years for capital goods shall continue to apply.

Form GST ITC-04 must be submitted by the **Principal** periodically.

ITC-04 should include challans relating to movement between:-

- ✓ Goods dispatched to a job worker or
- ✓ Received from a job worker (or sent directly to receiver from there) or
- ✓ Sent from one job worker to another job worker

DUE DATE OF FORM GST ITC-04



BEFORE THE 1ST OCTOBER, 2021:

It had to be furnished on or before the 25th day of the month succeeding the quarter.

ITC-04 was a **quarterly** basis.

AFTER THE 1ST OCTOBER, 2021:

has been revised through the Central Tax notification number 35/2021 dated 24th September 2021

1) Those with an annual aggregate turnover of more than Rs.5 crore – Half-yearly from April-September- due on 25th October and October-March due on 25th April.

2) Those with an annual aggregate turnover of up to Rs.5 crore – Yearly from FY 2021-22 due on 25th April.

DETAILS TO BE FURNISHED IN ITC-04

INPUTS/CAPITAL GOODS SENT FOR JOB-WORK

- Various details must be mentioned such as GSTIN, challan number, tax amount etc. All details will be available from the challans.

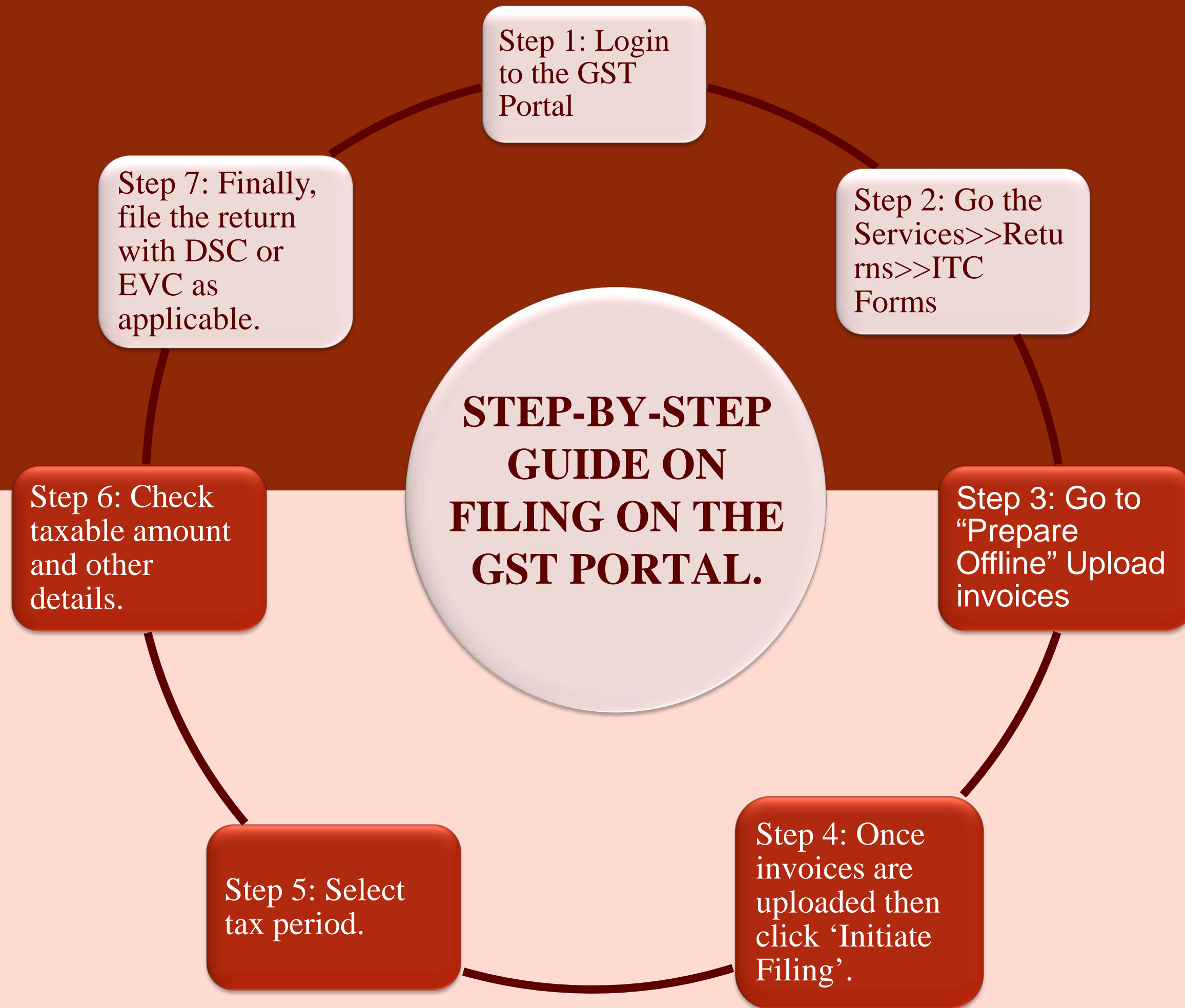
GOODS RECEIVED BACK FROM THE JOB WORKER

- The details of **goods received back will be mentioned here**. The goods may be received by the principal or sent to another job worker directly from the first job worker's place of business. All details of **original challans and new challans** must be mentioned.



ITC 04

ONLINE FILING PROCEDURE



WASTE AND SCRAP

Waste or scrap generated during job work can be supplied:

- By job worker (if registered) directly from their place of business, by paying tax.
- By principal (if job worker is not registered).
- Returned back to principal

Explanation:

Input includes intermediate goods arising from any treatment or process done by the principal or job worker.

MSMEs & job workers in sectors like pharma, leather, bricks, umbrellas

Big relief as **tax drops** from **12% → 5%**.
Makes services more **affordable & competitive.**



Residual/general job work where principal is GST registered

Rate goes **up from 12% to 18%**. Industries outside notified categories must prepare for higher working capital blockage

Unregistered job workers

Still 18% (as clarified by **Circular 126/45/2019**)

**PRACTICAL
IMPACT
FOR
BUSINESSES**

Section 19 CGST Act

Principal can avail ITC of GST paid on job work charges, subject to other compliances

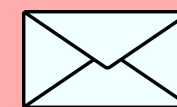
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