

SBS Hyderabad
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JOBWORK Under GST

by

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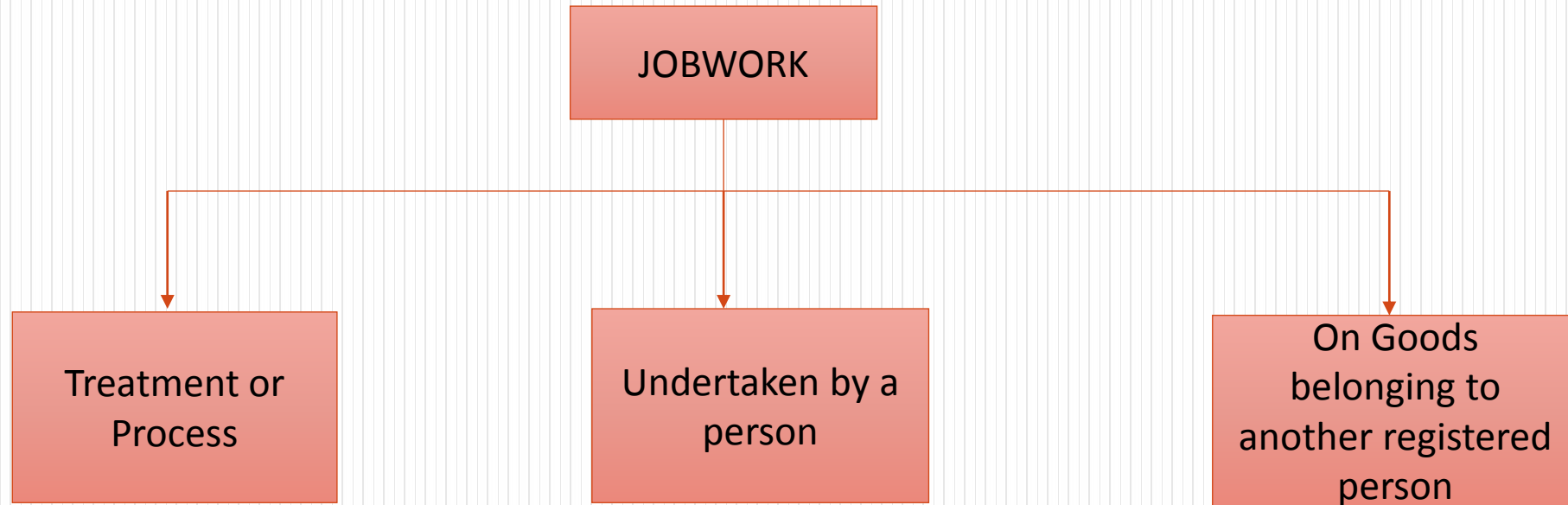
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OBJECTIVES:

- ✓ Definition
- ✓ Job work Procedure u/s 143 of CGST Act, 2017.
- ✓ Input tax credit as per Section 16 and 19 of the CGST Act, 2017.
- ✓ Other clarifications relating to Job work as per Circular No. 38/12/2017 – Central Tax dated 26th of March 2018.

SECTION 2(68):

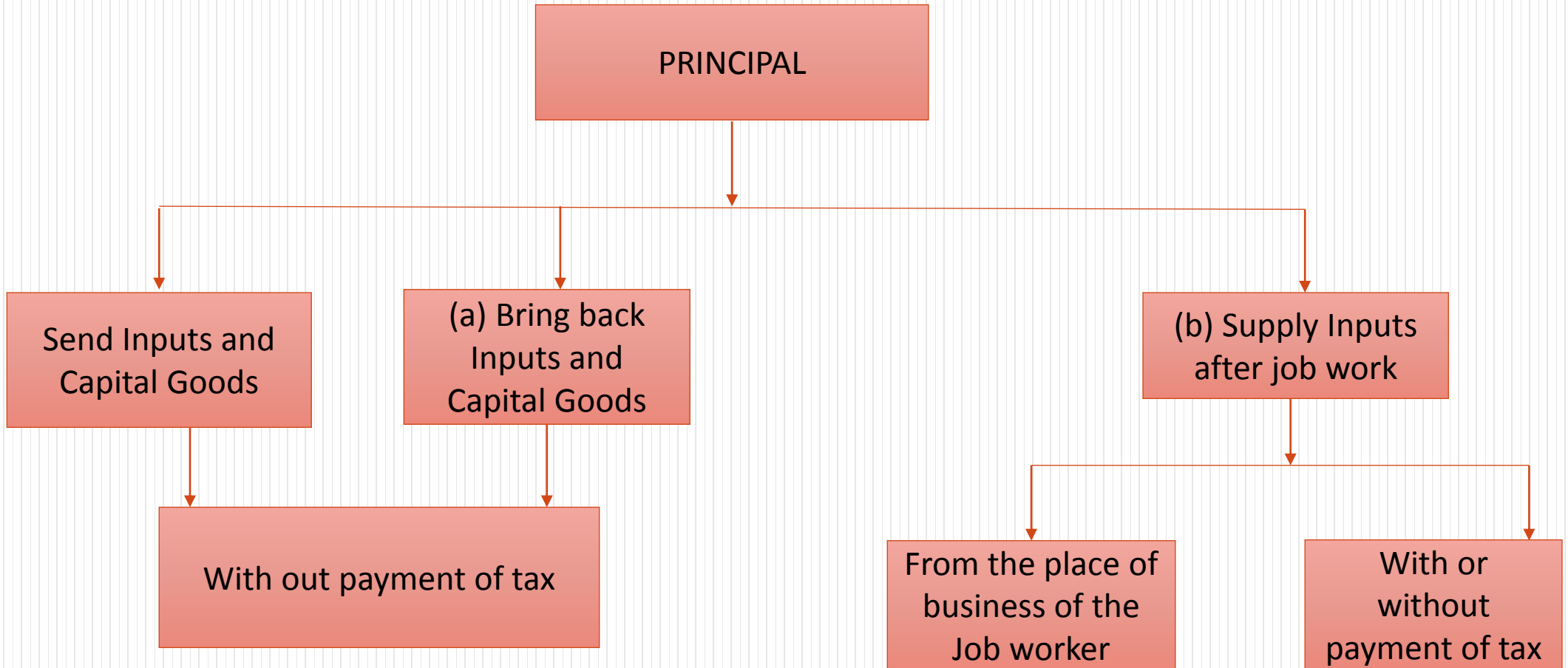


- ❖ Expression “*JOBWORKER*” shall be construed accordingly.
- ❖ Person sending the inputs is called as “*PRINCIPAL*”.

Illustration:

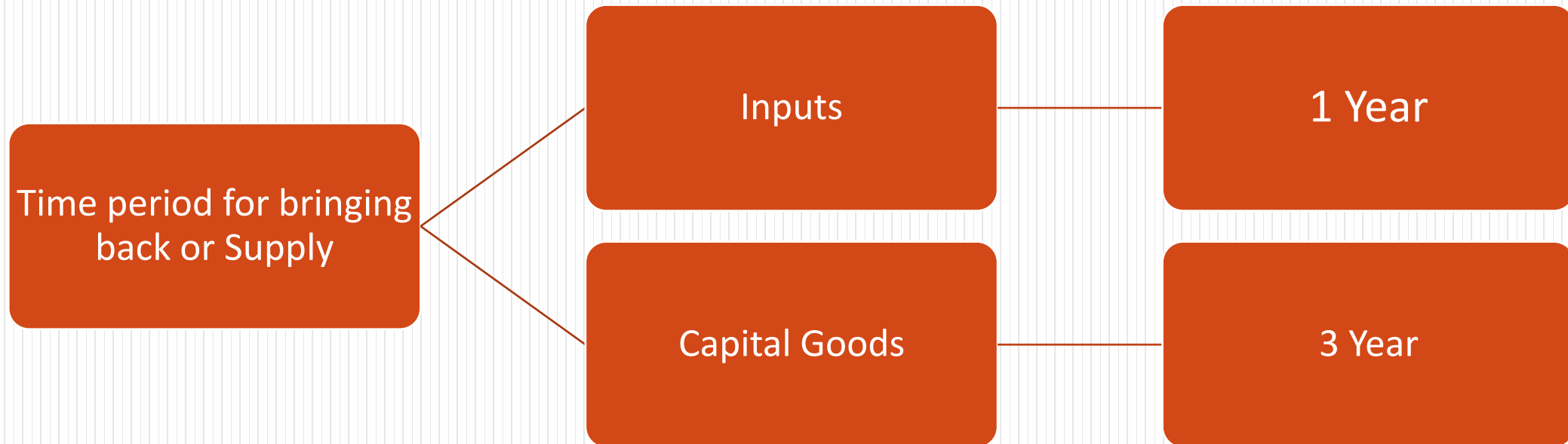
- A Ltd is engaged in the business of manufacturing of Bikes. He sent all the parts for assembling to B Ltd. Here the activity of assembling performed by Mr B amounts to Manufacture. Here the process is done on the parts sent by “A Ltd”. The assembling process done by B Ltd comes under Job work.

SECTION 143(1) - Conditions for sending the goods to Job worker



Section 143(1)(a),(b)

Time period for the sending back of/further supply of inputs and capital goods from the place of Job worker:



Time period of one year or three years is not applicable for mould, dies, jigs and fixtures.

Section 143(b)

❑ **Supply from place of business of job worker shall be included in the turnover of the Principal if -**

- ✓ The place of business of job worker is mentioned as additional place of business of the principal

Except -

- ✓ If the Job worker is already registered under GST Act,2017
- ✓ Principal is engaged in supply of goods as may be notified by the commissioner.

Section 143(2)

Principal is responsible for keeping proper accounts for all the inputs and capital goods held with the Job worker.

- ✓ Sending the goods under the cover of a challan under rule 45
- ✓ Two copies of challan to be issued to the job worker.
- ✓ Challan to be issued by the supplier in the name of the buyer containing the details of the job worker as consignee – Goods directly sent from the suppliers place of business.

Illustration: Mr A(principal) have ordered the goods from Mr B(supplier of the principal) and said to give delivery of goods to Mr C(job worker). In this case challan has to be issued by B to C on behalf of A. Challan has to be raised in bill to ship to model.

- ✓ On subsequent movement of goods to another job worker. Challan can be endorsed to the second job worker.
- ✓ In case of imported goods – Goods are sent along with Bill of entry from customs station and the principal has to send a challan for the same to the job worker.

Section 143

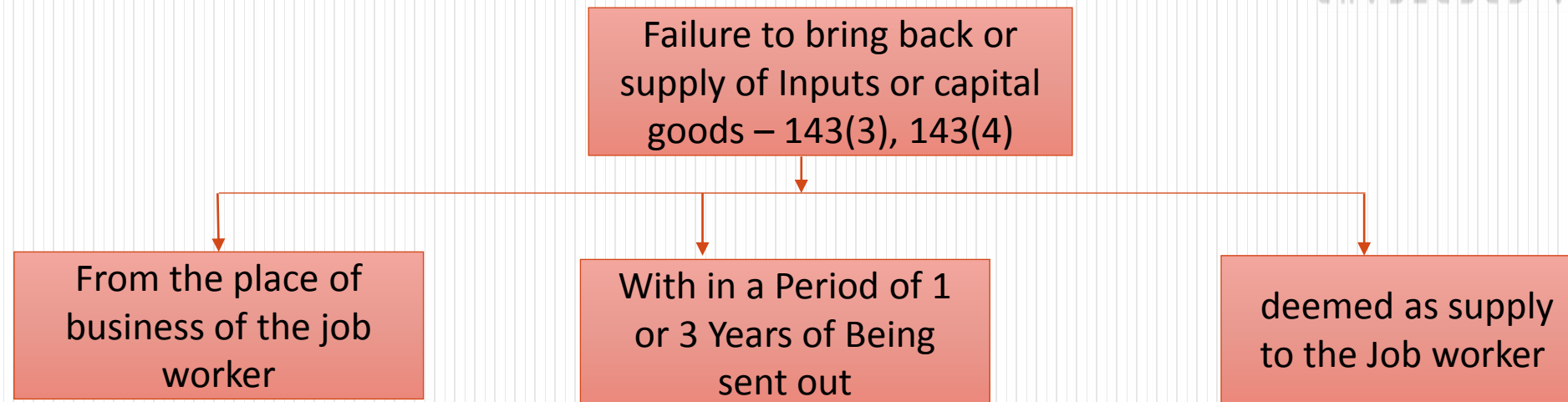
- ✓ Quarterly filing of GST ITC – 04 containing the details of goods sent to the job worker from the Principal or from another job worker and *vice versa*.

RULE 138 (1):

- ✓ Generate E-Way bill for movement of goods if the value of the consignment exceeds 50,000/- by the person who commences movement of goods in the course of supply and **for the reasons other than supply.**
- ✓ E – Way bill is required to be to be generated irrespective of the value of the consignment in case of interstate movement of inputs/capital goods for job worker. If Job worker is unregistered Principal has to generate the E – way bill.

Illustration: Mr “X” has sent goods worth 75,000/- to Mr “Y” here the movement is commenced by A i.e. Principal and the value is more than 50,000/-. So now a has to raise E – Way bill for the respective transport.

Section 143(3),(4),(5)-Failure to comply with provisions of 143(1)



- ❑ Scrap if any generated during the job work process can be directly supplied from place of business of job worker if the job worker is registered, or from the place of business of Principal if the job worker is not registered.

Availment of Input tax credit - Section 16(2)

16(2)(a)

- Recipient should be in possession of tax invoice or debit note or any other document issued by the supplier

16(2)(b)

- Has received goods or services or both

16(2)(c)

- Tax has been paid to the government on the respective supply either in cash or through utilisation of Input tax credit

16(2)(c)

- Furnished return under section 39

Section 19: Eligibility of credit to the Principal

1. Entitled to take credit on inputs and capital goods sent to the job worker.
2. Not with standing anything contained in Section 16(2)(b)- Entitled to take credit on goods directly to job worker.

❖ The same provisions with respect to capital goods are dealt in the section 19 subsection 4,5,6.

3. When read along with 143(3),143(4) if inputs are not sent back with in a period of one year, then it is treated as supply by the Principal on the date of being sent out.

Inputs are directly sent to the Job worker the period of one year shall be counted from the date of receipt of inputs by the job worker.

Illustration: Mr P has sent goods for further processing to Mr Q on 17th of December 2017. Mr P failed to bring back the goods after completion of the job work (after a period of 1year). Here the supply of goods from Mr P is treated as supply and P is liable to pay tax on the value of goods sent to the Q from 17th December 2017 along with Interest.

Illustration:

- In continuation to the above example – Mr Q sent back the goods after paying of tax by Mr P. Now it is treated as supply by Mr Q to Mr P and now Q is required to pay tax on the date of supply. If Q is unregistered then P is required to pay tax under reverse charge as per section 9(4).

Clarifications with respect to Job work:

- **Registration (Section 22)**

- **Principal** – Obtain registration if his aggregate turnover exceeds 20 lakhs

- **Job worker** – Obtain registration if his turn over from job work services exceeds 20 lakhs.

- ❖ 10 lakhs in case of business located in special category states.

- Job worker and Principal are in different states – Required to obtain registration irrespective of Turnover limit (Section 24).

- Exemption from registration – If the Aggregate Turnover do not exceed 20 lakhs in case of Inter state supply of services.

Clarifications with respect to Job work: Circular No.38/12/2018

Taxability of Job work service:

- Job worker is required to pay tax on the Job work service provided to the Principal which is supply as per Section 7 of the CGST Act, 2017.
- Value on which tax is to be paid – Value determined as per section 15 of the CGST Act, 2017.
- Time of taxability is determined as per section 13 of the CGST Act, 2017.
- Place of supply is determined as per the provisions of Section 12 of the IGST Act 2017.
- Issue of Invoice - Job worker is liable to issue invoice only for the job work service provided by him.
- Job worker can also use other inputs for provision of Job work services and is eligible to take credit of the same.
- In case job worker is not registered principal is liable to pay tax under section 9(4).

Illustration:

- P (Principal) having registered premises in Andhra Pradesh sent goods to Q (Job worker - Unregistered) located in Telangana. Q processed the goods and sent goods back to the place of business of Principal with a challan for movement of goods and an invoice raised for the value of Job work service done by Q amounting to 50,000/- on 15th January, 2018 and P had made the payment for the same on 20th of January, 2018.

Form the above example-

- Whether the Job work service amounts to supply?

Ans: Yes, it is a supply of service as per section 7 of the CGST Act, 2017.

- Who is liable to pay tax?

Ans: As Section 9 of the CGST Act, 2017 supplier is liable to pay tax. Since Q is unregistered P is liable to pay tax under section 9(4) of the CGST Act, 2017.

Illustration:

- What is place of Supply?

Ans: As per Section 12 of the IGST Act, 2017 the place of supply is Andhra Pradesh. Since the recipient of service is a registered person i.e. P.

- What is the time of supply?

Ans: The Time of Supply should be determined as per Section 13 of CGST Act, 2017 since the transaction is being taxed under reverse charge. The time of supply shall be date of payment i.e. 20th of January, 2018.

At

Venue: SBS AND COMPANY LLP
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Thank you!!!

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