

Provisions related to Job Work and ISD



Rajput Jain & Associates

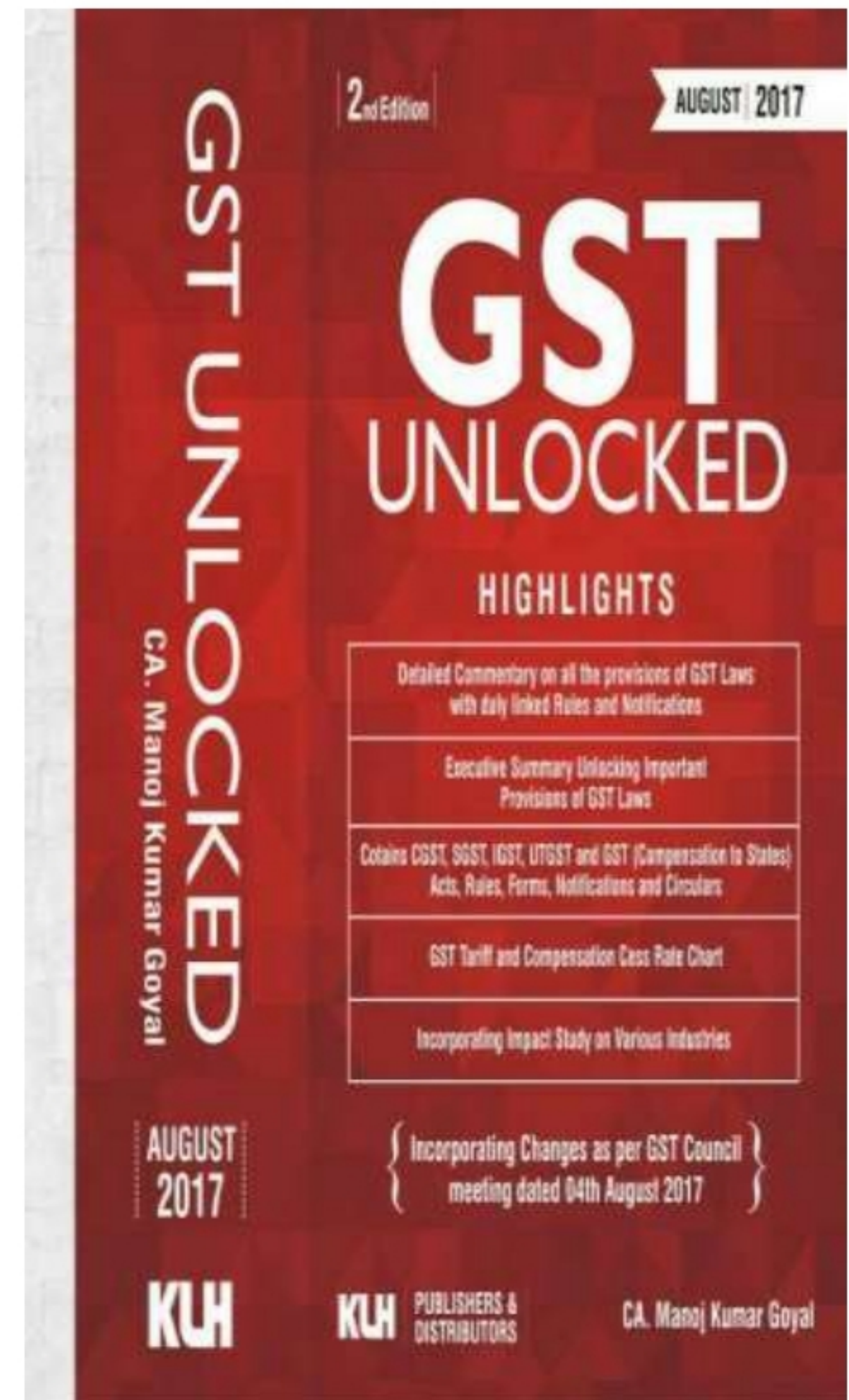
Chartered Accountant


An ISO 9001:2008 Certified Firm

Rajput Jain & Associates, Chartered Accountants offers its clients a full range of services. The company has been setup by a group of young, enthusiastic, highly skilled and motivated professional who have taken experience from the top consulting firm and are extensively experienced in their accounting, taxation, assurance, and business advisory service to various clients and other stakeholders.



We are the exclusive member in India of the associates of international tax consultants, an associates of independent professional firm represented throughout Europe, US, Canada,





**Provisions related to Job Work,
ITC in case of goods sent to Job work,
Manner & distribution of credit by
ISD, Recovery in case of excess
distribution, Rule 40 to 44 with detailed
illustrations for credit reversal**

JOB WORK



SECTION 143

Special procedure to exempt outward and inward supplies from payment of GST by a Principal to a Job Worker subject to certain conditions and procedures.

Meaning of job work and job worker: Section 2(68) of CGST Act, 2017 defines the meaning of the term „**job work**“. In terms of the said provision, it means a person undertaking any treatment or processing of goods belonging to another **registered** person. Any person who executes such job work will be considered as “Job worker”. As per the Section 2(68) the Job worker may or may not be registered but the principal is required to be registered.

Note: Goods sent by an Unregistered person for treatment or process can not be treated as Job Work.

Supply of Goods from Job Worker

Place- GST Sec.143

Tax Shall Not Be Payable, if returned

- Inputs :- Within 1 year
- Capital Goods :- Within 3 years
- On any of his place of business.

Tax Shall Be Payable, if returned

- Inputs :- After 1 year
- Capital Goods :- After 3 Years.
- Than Deemed supply on the day when the said inputs were originally sent out

Dispatches Of Goods From JW Premises

- Supply Input & Capital Goods within 1 year / 3 year
- With in India :- on payment of tax
- Export :-with or without payment of tax for export
- Subject to :
- Job-worker place as his additional place of business except .
- Job Worker registered u/s 25
- Notified Goods by Commissioner

Provided further that the period of one year and three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding one year and two years respectively.

(Amended by CGST Amendment Act)



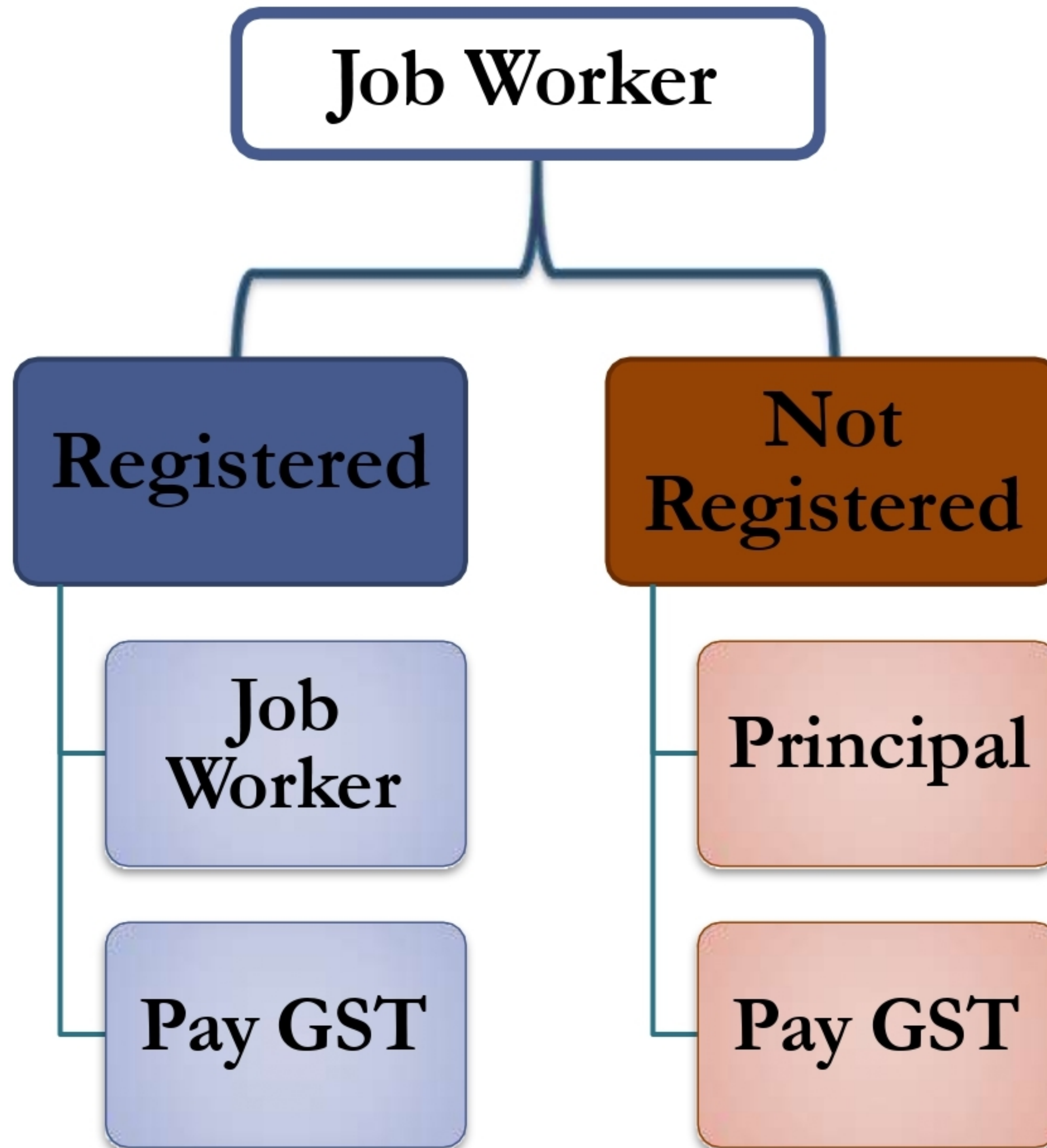
Goods can be sent for job work without payment of tax only under an intimation.

Why is the intimation so required ?

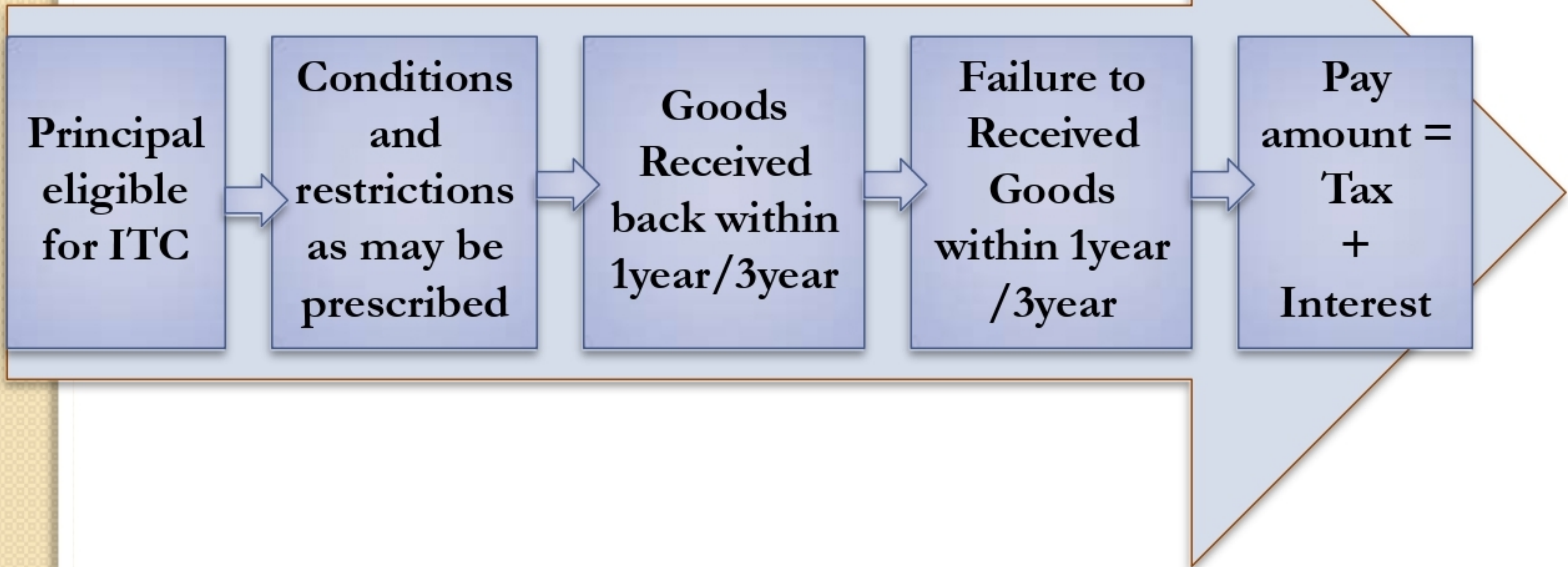
Rule 55 of CGST Rules, 2017 provides that transaction of goods sent for job work can be without an invoice, but a proper delivery challan must be issued while sending goods to the job worker . **E-WAY BILL** is important along with delivery challan.

Requirement of bringing back the goods sent to the Job Worker is not applicable on moulds and dies, jigs and fixtures, or tools.

Taxability of waste and scrap – GST Sec 143(5)



Input Tax Credit for goods sent on Job Work – GST, Sec 19



Goods Removed For Job Work And Returned On Or After The Appointed Day Sec-141

Applicability

Goods were removed/
dispatched prior to
appointed day;

Returned on or After the
Appointed day

Goods held in stock by
the job worker on behalf
of the manufacturer

Manufacturer and Job worker
should declare details of
inputs held in stock

Returned Within

6 + 2
Months

No Tax Payable

Returned After

6 + 2 Months

Input tax credit
shall be
recovered
(Refer Sec 142 (8))

Liability of Job
Worker ??

GST DEFINITIONS w.r.t. ITC

Sec.2(63) “Input Tax Credit” means credit of “input tax”

Sec.2(62) “Input Tax” in relation to a registered person, means Central tax, State tax, integrated tax, Union Territory Tax charged on supply of Goods or Services or both to him and includes IGST on imports, tax paid under reverse charge but **does not include Tax paid under Composition Scheme.**

Sec.2(59) “Input” means Goods other capital goods used or intended to be used by a supplier in the course of furtherance of business

Sec.2(19) “Capital Goods” goods, the value of which is capitalised 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 of furtherance of business.


Sec.2(60) “Input Service” means any service used or intended to be used by a supplier in the course of furtherance of business.

Section 19 of CGST Act: Taking ITC in respect of inputs and capital goods sent for job work

(1) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on inputs sent to a job worker for job work.

(2) The principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business.

(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker as per section 143 within one year of being sent out, it shall be **deemed** that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out:



Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of **receipt** of inputs by the job worker.

(4) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on capital goods sent to a job worker for job work.

(5) The principal shall be entitled to take credit of input tax on capital goods even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business.

Input Service Distributor

Sec. 2(61)- Input Service Distributor-

- means office of supplier of Goods or Services or both
- Receives tax invoices issued **under section 31** towards receipt of input services and
- Issues a prescribed document for issuing credit of CGST, SGST, UTGST, IGST paid on the said services
- To supplier of Taxable Goods or services or both having same PAN of that office

Input Service Distributor

Distribution of Credit

Recipient in the same state

CGST



CGST

SGST



SGST

IGST



CGST/SGST

UTGST



UTGST

Input Service Distributor

Distribution of Credit

Recipient in different state

CGST → IGST


SGST → IGST

IGST → IGST

UTGST → IGST

Input Service Distributor

- An ISD invoice clearly indicating „**issued only for distribution of input tax credit**“, should be issued by the distributor to the recipient of credit.
- The amount of credit distributed shall not exceed the amount of credit available for distribution.
- The input tax credit available for distribution in a month shall be distributed in the same month, and the details of the same shall be furnished in Form GSTR -6.
- The input tax credit should be distributed only to that branch which has consumed the input services
- The credit of tax paid on input services, availed by more than one recipient of credit or all, should be distributed only amongst such recipients or all recipients on pro rata on the basis of their respective turnover (only the operational branches)

- 
- The amount of ineligible credit (section 17(5)) shall be distributed separately through an invoice.

$$C1 = (t1/T) * C$$

C1- Amount of credit for a particular branch

t1- Turnover of the person to whom credit is to be distributed

T- aggregate of the turnover to all the recipients to whom credit is to be distributed

Relevant period means - preceding Financial year or preceding last quarter

Recovery in case of excess distribution of input tax credit by Input Service Distributor

- If the amount of input tax credit distributed by an Input Service Distributor is reduced later on for any reason that it was distributed to a wrong recipient by the Input Service Distributor, the process in clause (j) [of Rule 39(1) of CGST Rules] for reduction of credit.
- **Clause (j):-** any input tax credit required to be reduced on account of issuance of a credit note to the Input Service Distributor by the supplier and the amount shall be-
 - (i) reduced from the amount to be distributed in the month in which the credit note is included in the return in **FORM GSTR-6**;
 - (ii) added to the output tax liability of the recipient.

ITC under special circumstances

- Person liable to take registration and applies for registration within 30 days. **(ONLY INPUTS)**
- A person voluntarily obtains registration under section 25(3) **(ONLY INPUTS)**
- A person shifting from Composition scheme to Regular scheme **(INPUTS & CAPITAL GOODS)**
- Where an exempt supply becomes taxable **(INPUTS & CAPITAL GOODS)**

ITC under special circumstances

- Unutilised ITC in case of Sale, Merger, Demerger, Amalgamation, Lease or Transfer of a business. (Form GST ITC- 02)
- Reversal of ITC (Section 17(1) &(2) Rule 42

T – TotalITC

T1- ITC exclusively for non business T2-

Exclusively for Exempt supplies

Reversal of common credit

- ITC ineligible under 17(5)-T3
- ITC to be credited- C1
- $C1 = T - (T1 + T2 + T3)$
- ITC exclusively for taxable supplies –T4
- Common Credit – C2
- $C2 = C1 - T4$
- D1 = ITC attributable to exempt supplies
- $D1 = (E/F) * C2$

Reversal of common credit

- $D2 = \text{Common ITC towards non business}$
- $D2 = 5\% C2$
- $C3 = \text{Final eligible common credit}$
- $C3 = C2 - (D1 + D2)$

MEMBER OF



association of international
tax consultants



WhatsApp



Reaches us.....

**Rajput Jain & Associates
Chartered Accountant**

CORPORATE OFFICE

P-6/90, Connaught Place,
Connaught Circus, New Delhi.
110001, India.

Phone No. 955555480,9811322785

www.carajput.com

E-mail : info@carajput.com

DISCLAIMER

No part of this article may be reproduced, reprinted or utilized in any form or by any means electronic or mechanical without prior permission of the publisher. While every care is taken in compilation of information contained herein,

The publisher can not accept any responsibility for error or omission or for the use of trademark, copyright, brand name, logos or other identifying symbols provided in supporting and participating companies and organizations.

However all possible and reasonable care has been taken to ensure that the information in this news letter is as accurate and up-to-date at the time of printing. This publication is for internal use only.