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Chartered Accountants

Job Work under GST Act

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CONTENT

- **Meaning of job-work under GST**
- **ITC on goods sent for job work**
- **Accompanying documents**
- **Form ITC-04**
- **Transitional provisions**
- **FORM GST TRAN-1**
- **GST Rates on Job work**

Job Work under GST Act



Meaning of job-work under GST

“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” [Section 2(68)]

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.

For example, big shoe manufacturers (principals) send out the half-made shoes (upper part) to smaller manufacturers (job workers) to fit in the soles. The job workers send back the shoes to the principal manufacturer.

As per GST Act, job work means any treatment or process undertaken by a person on goods belonging to another registered person. The person doing the job work is called job worker.

ITC on goods sent for job work

The principal manufacturer will be allowed to take credit of tax paid on the purchase of goods sent on job work.

However, there are certain conditions.

A. Goods can be sent to job worker:

1. From principal's place of business
2. 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:

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

Effective date is important because it will help to determine the point of taxation if the goods are not returned back within the specified time (see point C below)

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

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

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

Accompanying documents

Accounts & records

The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

Challan

- All goods sent for job work must be accompanied by a challan.
- The challan will be issued by the principal.
- It will be issued even for the inputs or capital goods sent directly to the job-worker.
- The details of challan must be shown in **FORM GSTR-1**.
- Details of challan must also be filed through Form GST ITC – 04.

The challan issued must include the following particulars:

1. Date and number of the delivery challan
2. Name, address and GSTIN of the consigner and consignee
3. HSN code, description and quantity of goods
4. Taxable value, tax rate, tax amount- CGST, SGST, IGST, UTGST separately

5. Place of supply and signature

Form ITC-04

FORM GST ITC-04 must be submitted by the principal every quarter. He must include the details of challans in respect of the following-

- Goods dispatched to a job worker or
- Received from a job worker or
- Sent from one job worker to another

It must be furnished on or before 25th day of the month succeeding the quarter. For example, for Oct-Dec quarter, the due date is 25th Jan.

Transitional provisions

This applies for items removed for job work before GST and returned on or after GST implementation.

No tax will be payable if the following conditions are satisfied:

- The goods are returned to the factory within 6 months from 1st July (i.e. by 31st Dec 2017) (extendable for a maximum period of 2 months).
- Goods held by job worker is declared in Form TRAN-1
- The principal manufacturer can sell off the items under job work only after paying required taxes (Excise & VAT if before GST. If he sells after 1st July 2017, then GST applies). This rule does not apply to goods exported out of India within 6 months from the appointed date (extendable by not more than 2 months).

If the goods are not returned within the time period then ITC will be recovered from the principal manufacturer.

FORM GST TRAN-1

Both the job worker and the principal manufacturer must submit FORM GST TRAN-1 and mention the details of stock held by job worker for principal/ with job worker/by job

Due date is 30th November 2017

They must specify the stock of the inputs, semi-finished goods or finished goods held by them on 1st July 2017.

GST Rates on Job work

Job Work on	GST Rate
Agriculture, forestry, fishing, animal husbandry	0%
Intermediary services related to cultivation and animal rearing	0%
a) Printing of newspapers (b) Textile and textile products (c) Jewellery (d) Printing of books (including Braille books), journals and periodicals (e) Processing of hides, skins and leather	5%

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