

# JOBWORK

## SEC 143 : JOB WORK PROCEDURE

### Extension of period for receiving back the goods sent for job work [Section 143 of the CGST Act]

In terms of section 143 of the CGST Act, a registered person (Principal) is allowed to send inputs or capital goods to a job worker for job work without payment of tax subject to the conditions, inter alia, that the inputs and capital goods are brought back within a period of 1 year and 3 years respectively.

Second proviso has been inserted to section 143(1) of CGST Act, to provide that the period of 1 year and 3 years may, on sufficient cause being shown, be **extended by the Commissioner for a further period not exceeding 1 year and 2 years respectively.**

This amendment would cover situations where the period of 1 year specified is not adequate in respect of job works such as hull construction/fabrication of vessels (for defence purposes), since these processes complete in a period of around 14 to 16 months.

### Clarification on issues related to Job Work via Circular no 38/12/2018 dt 26.03.2018 and Amended as per Circular No. 88/07/2019-GST

#### Issues

**Is it compulsory to take registration for a principal involved in job work transaction?**

#### Clarifications

It is his choice whether or not to register & avail the benefit of the provisions of section 143 of the CGST Act which are applicable only to a registered person.

#### Issues

**Whether a job worker is required to obtain registration when they are located**

- i) In the same State where the principal is located.
- or
- ii) In a State different from that of the principal.

**Job work is a supply of service. Hence exemption under section 23 is not applicable i.e. ₹ 40 lakhs.**

#### **Job worker & principle is located in same state:**

Job worker is required to obtain registration only if his aggregate turnover, to be computed on all India basis, in a financial year exceeds the specified threshold limit as specified in section 22(1) of the said Act, read with clause (iii) of the Explanation to the said section in case both the principal and the job worker are located in the same State.

#### **Job worker & principle is located in different state:**

The requirement for registration flows from clause (i) of section 24 of the CGST Act which provides for compulsory registration of suppliers making any inter-State supply of services.

However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed the specified threshold limit as specified in section 22(1) of the said Act, read with clause (iii) of the Explanation to the said section in a financial year vide N/No. 10/2017 – IT dt. 13/10/2017

#### **Clarification:**

Therefore, it is clarified that a job worker is required to obtain registration only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit regardless of whether the principal and the job worker are located in the same State or in different States.

### Issues

**Whether the principal can supply goods directly from the job worker's place of business / premises to its end customer and if yes, whether the supply will be regarded as having been made by the principal or by the job worker.**

### Clarifications

Supply of goods by the principal from the place of business/premises of the job worker will be regarded as supply by the principal and not by the job worker (provided it is an additional place to the principal).

### Issues

**Whether the e-way bill is required to be generated in case of job work?**

### Clarifications

An e-way bill is required to be generated by every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees even in cases where such movement is for reasons other than for supply (e.g. in case of movement for job work). However, for interstate movement of goods e-way bill shall be generated either by the principal or by the registered job worker irrespective of the value of the consignment.

### Issues

**What are the documents required to be issued for sending the goods**

- i) From the principal to the job worker
- ii) From one job worker to another job worker
- iii) From the job worker back to the principal.
- iv) Directly by the supplier to the job worker
- v) Where goods are returned in piecemeal by the job worker to another job worker or principal

### Clarifications

The documents required to be issued for sending the goods in the given cases :-

- i) Challan in terms of Rule 55 to be issued by the principal in triplicate. Two copies of the challan are sent to the job worker along with the goods. The job worker should send one copy of the said challan along with the goods while returning them to the principal.
- ii) the goods may move under the cover of a challan issued either by the principal or the job worker. In the alternative, the challan issued by the principal may be endorsed by the job worker sending the goods to another job worker, indicating therein the quantity and description of goods being sent. The same process may be repeated for subsequent movement of the goods to other job workers.
- iii) The job worker should send one copy of the challan received by him from the principal after carrying out the job work.
- iv) The goods may move from the supplier to the job worker with a copy of the invoice issued by the supplier in the name of the buyer (i.e. the principal) wherein the job worker's name and address should also be mentioned as the consignee and the Principal shall issue challan as per Rule 45
- v) 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.

**Issues - Filing ITC-04 will be considered as a submission of intimation under sec 143 of CGST act, 2017?**

**Clarifications :** Yes, Form GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act and 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 from one job worker to another and its return there from.

**Issues** In case of supply of services by the job worker what are the provisions with respect to :

- i) Time, value and place of supply in the hands job worker
- ii) Issuance of invoices by the job worker

**Clarifications :**

**TOS:** In case of supply by job worker shall issue an invoice at the time of supply of the services as determined in terms of section 13 of CGST Act.

**Invoicing:** Invoice shall be issued within a period of 30 days from the date of supply of service as per section 31

**Value:** It shall be determined in terms of section 15 (i.e. transaction value) of the CGST Act and

it would **include not only the service charges**

**but also**

*the value of any goods or services used by job worker for supplying the job work services, if recovered from the principal.*

**Note:** Value of such moulds and dies, jigs and fixtures or tools may not be included in the value of job work services provided its value has been factored in the price for the supply of such services by the job worker

**Issues** Whether ITC can be availed by

- i) Principal in respect of inputs / capital goods that are directly received by the job worker
- ii) Job worker in respect of inputs, etc. used by him in supplying job work services

**Clarifications**

➡ ITC would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker for processing or they are directly received at the job.

➡ Job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered.

**Issues**

**Explain the provision with respect to Supply of goods by principal from the place of business of job worker**

**Clarifications :**

**Time of Supply , value and place of supply :-** Since the supply is being made by the principal, it is clarified that the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises. Further, the invoice would have to be issued by the principal.

**In case of export :-** Clarified that in case of exports directly from the job worker's place of business/premises, the LUT or bond, as the case may be, shall be executed by the principal.

**Illustration :-** Illustration: The principal is located in State A, the job worker in State B and the recipient in State C. In case the supply is made from the job worker's place of business / premises, the invoice will be issued by the supplier (principal) located in State A to the recipient located in State C. The said transaction will be an inter-State supply. In case the recipient is also located in State A, it will be an intra-State supply.

**Issues**

**Whether principle is responsible to keep proper account for input & capital goods sent for job work**

It may be noted that the responsibility of keeping proper accounts of the inputs and capital goods sent for job work lies with the principal. Moreover, if the time frame specified under section 143 for bringing back or further supplying the inputs / capital goods is not adhered to, **the activity of sending the goods for job work shall be deemed to be a supply by the principal on the day when the said inputs / capital goods were sent out by him.**

Thus, essentially, sending goods for job work is not a supply as such, but it acquires the character of supply only when the inputs/capital goods sent for job work are neither received back by the principal nor supplied further by the principal from the place of business / premises of the job worker within the specified time period (under section 143) of being sent out.

*It may be noted that the responsibility for sending the goods for job work as well as bringing them back or supplying them has been cast on the principal.*

