

From	Karvy Data Management Services Ltd.
Date	March 28, 2018
Subject	Clarification on issues related to Job Work
Category	Circular
Reference	Circular No. 38/12/2018 -GST dated 26th March, 2018
Series	Karvy/GST/57

Representations were made by the trade and industry before the GST Council on the difficulties being faced regarding the procedures to be followed for sending goods for job work and the related compliance requirements for the principal and the job worker. In order to ensure uniformity in the implementation of the provisions of the law across field formations, CBEC issued circular no. 38/12/2018 dated 26th March 2018 to provide clarification on the said matter.

Below mentioned is the summary of such circular issued by CBEC:

Sl. No.	Queries	Clarification
Basic provisions of job work		
1	Definition of the term "Job Work"	• It means any treatment or process undertaken by a person on goods belonging to another registered person – Sec. 2(68) of CGST Act 2017
2	Definition of the term "Job worker"	• The person carrying out the such treatment or process on goods belonging to another registered person is the "job worker"
3	Definition of the term "Principal"	• The registered person on whose goods (inputs or capital goods) job work is performed is called the "Principal"
4	Can a registered Principal send input/ capital goods to a Job worker without payment of tax?	Yes, such provision has been laid in Sec. 143 of CGST Act 2017
5	Can the goods be further sent from one job worker to another job worker subsequently?	Yes, such provision has been laid in Sec. 143 of CGST Act 2017

Sl. No.	Queries	Clarification
6	Can the goods be further directly supplied to the recipient from the job workers location?	Yes, such provision has been laid in Sec. 143 of CGST Act 2017
7	What happens to goods/inputs on completion of the Job Work?	<ul style="list-style-type: none"> On completion of the job work (by the last job worker), the principal shall either bring back the goods to his place of business or supply (including export) the same directly from the place of business /premises of the job worker within one year in case of inputs or within three years in case of capital goods (except moulds and dies, jigs and fixtures or tools) – Sec. 143(1) of CGST Act 2017
8	What happens if the time frame of one year / three years for bringing back or further supplying the inputs / capital goods is not adhered to?	<ul style="list-style-type: none"> If such time frame is not met, 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 – Sec. 143(1) of CGST Act 2017
9	Who is responsible for keeping proper accounts of the inputs and capital goods sent for job work?	<ul style="list-style-type: none"> The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal – Sec. 143(2) of CGST Act 2017
10	Who is responsible for sending the goods for job work as well as bringing them back or supplying them further?	<ul style="list-style-type: none"> It is the principal who has been cast with such responsibility
Scope / ambit of job work		
11	Scope/ambit of job work	<ul style="list-style-type: none"> As mentioned above, Job work is a treatment or process undertaken by a person on goods belonging to another registered person. The job worker is expected to work on the goods sent by the principal and whether the activity is covered within the scope of job work or not would have to be determined on the basis of facts and circumstances of each case.
12	Can a Job Worker use his own goods to provide job wok services?	Yes, the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work

Requirement of registration for the principal / job worker

13	Applicability of job work provision mentioned in Sec. 143 of CGST Act 2017	<ul style="list-style-type: none"> • The provisions of Sec. 143 of the CGST Act 2017 are applicable to a registered person. • It is only a registered person who can send the goods for job work under the said provisions. • It is his choice whether or not to avail of the benefit of these special provisions.
14	Does a job worker require registration under GST for supplying job work services to the principal?	<ul style="list-style-type: none"> • 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 (i.e. Rs 20 lakhs or Rs. 10 lakhs in case of special category States except Jammu & Kashmir) regardless of whether the principal and the job worker are located in the same State or in different States. - Notification no. 10/2017-IGST dated 13.10.2017

Supply of goods by the principal from job worker's place of business / premises

15	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?	The 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 - Sec. 143(1)(a) of the CGST Act 2017
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Legal provisions - Movement of goods from the principal to the job worker and the documents and intimation required therefor:

16	Documents required to be issued for sending the goods-by the principal to only one job worker	<ul style="list-style-type: none"> • The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules 2017, for sending the goods to a job worker. • Two copies of the challan may be 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 • The FORM GST ITC-04 will serve as an intimation as required under section 143 of the CGST Act, 2017
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Sl. No.	Queries	Clarification
17	Documents required to be issued while sending goods from one job worker to another job worker	<ul style="list-style-type: none"> • The goods may move under the cover of a challan issued either by the principal or the job worker • Alternatively, 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.
18	Documents required to be issued while returning the goods to the principal by the job worker	<ul style="list-style-type: none"> • The job worker should send one copy of the challan received by him from the principal while returning the goods to the principal after carrying out the job work
19	Documents required to be issued when the goods are sent directly by the supplier to the job worker	<ul style="list-style-type: none"> • The goods may move from the place of business of the supplier to the place of business/premises of 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 • The buyer (i.e. the principal) shall issue the challan under Rule 45 of the CGST Rules 2017 and send the same to the job worker directly • In case of import of goods by the principal which are then supplied directly from the customs station of import: <ul style="list-style-type: none"> (a) The goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry; and (b) The principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly
20	Documents required to be issued when the goods are returned in piecemeal by the job worker to the principal or sent to another job worker	In such a scenario, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker

Sl. No.	Queries	Clarification
21	Submission of intimation on movement of goods for job work	<ul style="list-style-type: none"> The principal is required to furnish the details of challan in respect of goods sent to a job worker or received from a job worker or sent from one job worker to another job worker during a quarter in FORM GST ITC-04. FORM GST ITC-04 needs to be filed by the 25th day of the month succeeding the quarter or within such period as may be extended by the Commissioner. It is the responsibility of the principal to include the details of all the challan relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act 2017
Liability to issue invoice, determination of place of supply and payment of GST		
22	Liability to issue invoice, determination of place of supply and payment of GST: Supply of job work services	<ul style="list-style-type: none"> The job worker, as a supplier of services, is liable to pay GST if he is liable to be registered He shall issue an invoice at the time of supply of the services as determined in terms of Sec. 13 read with Sec. 31 of the CGST Act 2017 The value of services would be determined in terms of Sec. 15 of the CGST Act 2017 and would include not only the service charges but also the value of any goods or services used by him for supplying the job work services, if recovered from the principal If the job worker is not registered, GST would be payable by the principal on reverse charge basis in terms of the provisions contained in section 9(4) of the CGST Act. (The said provision is presently deferred till 30.06.2018)
23	Whether the value of moulds and dies, jigs and fixtures or tools which are provided by the principal to the job worker would be included in the value of job work services?	<ul style="list-style-type: none"> Any amount that the supplier is liable to pay in relation to the supply but which has been incurred by the recipient will form part of the valuation for that particular supply, provided it has not been included in the price for such supply - Sec. 15(2)(b) of CGST Act 2017 It is clarified that the value of such moulds and dies, jigs and fixtures or tools provided by the principal to the job worker for use in the job work process 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.

Sl. No.	Queries	Clarification
24	Liability to issue invoice, determination of place of supply and payment of GST: Supply of goods by the principal from the place of business/premises of job worker	<ul style="list-style-type: none"> • The principal may supply, from the place of business / premises of a job worker, inputs after completion of job work within one year or capital goods (other than moulds and dies, jigs and fixtures or tools) within three years of their being sent out, on payment of tax within India, or with or without payment of tax for exports, as the case may be. • This facility is available to the principal only: <ul style="list-style-type: none"> (a) if he declares the job worker's place of business / premises as his additional place of business when the job worker is un-registered; or (b) if the job worker is registered. • Since the supply is 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 exports directly from the job worker's place of business/premises without payment of tax, the LUT or bond, as the case may be, shall be executed by the principal. <p>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 with POS as State C. In case the recipient is also located in State A, it will be an intra-State supply with POS as State A.</p>
25	Liability to issue invoice, determination of place of supply and payment of GST: Supply of waste and scrap generated during the job work:	<ul style="list-style-type: none"> • The waste and scrap generated during the job work may be supplied by the registered job worker directly from his place of business or by the principal in case the job worker is not registered - Sec. 143(5) of CGST Act 2017 • The principles mentioned in point 24 above would apply in this case too.

Violation of conditions laid down in section 143 of CGST Act 2017

26	<p>What happens if the inputs or capital goods (other than moulds and dies, jigs and fixtures or tools) are neither received back by the principal nor supplied from the job worker's place of business within the specified time period?</p>	<ul style="list-style-type: none"> • In such a scenario, the inputs or capital goods (other than moulds and dies, jigs and fixtures or tools) would be deemed to have been supplied by the principal to the job worker on the day when such inputs or capital goods were sent out to the first job worker. • The principal would issue an invoice for such deemed supply and declare such supplies in his return for that particular month in which the time period of one year / three years has expired. • The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker and interest for the intervening period shall also be payable on the tax. • If such goods are returned by the job worker after the stipulated time period: <ul style="list-style-type: none"> (a) It would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is registered (b) If the job worker is not registered, GST would be payable by the principal on reverse charge basis (the said provision is presently deferred till 30.06.2018) • There is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned
<p>Availability of input tax credit to the principal and job worker</p>		
27	<p>Availability of input tax credit to the principal when inputs / capital goods are directly received by the job worker from the suppliers location</p>	<ul style="list-style-type: none"> • The input tax credit 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 whether they are directly received at the job worker's place of business/premises, without being brought to the premises of the principal.
28	<p>Availability of input tax credit to the job worker on the inputs, etc. used by him in supplying job work services</p>	<ul style="list-style-type: none"> • The job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered.

Circular No. 38/12/2018 -GST dated 26th March, 2018 can be viewed by accessing the link: [http://www.cbec.gov.in/resources//htdocs-cbec/gst/Jobwork Circular 38 of 2018.pdf;jsessionid=9D41FF58357315373DE25ED8AD1E7D0C](http://www.cbec.gov.in/resources//htdocs-cbec/gst/Jobwork_Circular_38_of_2018.pdf;jsessionid=9D41FF58357315373DE25ED8AD1E7D0C)

About KARVY DATA MANAGEMENT SERVICES LTD.

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com

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