

Subject: **GST Update || Clarification regarding issues relating to Job work**

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Jobwork\_Circular\_38\_of\_2018.pdf (415kB)

Dear Sir

This is to apprise you with the recent circular no. 38 dated 26<sup>th</sup> March, 2018 issued by the Government of India wherein clarifications has been provided on the issues pertaining to the job work process. The key takeaways of the circular are cited below:

### **Scope of Job work**

As per clause (68) of section 2 of the CGST Act, the definition of job work has reproduced below

“job work is a treatment or process undertaken by a person on goods belonging to another registered person”

On perusal of above, the circular has highlighted that job worker, is expected to work on the goods sent by the principal, along with, may use his own goods in job work process. Although, 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.

### **Requirement of registration for the principal/ job worker**

The circular has 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 (*i.e. INR 20 lakhs or INR 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.

### **Movement of goods from the principal to the job worker and the documents and intimation required therefore**

The circular has categorised certain cases where in documentary requirements are laid down:

a. Where goods are sent by principal to only one job worker

The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, 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.

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b. Where goods are sent from one job worker to another job worker

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.

c. Where the goods are returned to the principal by the job worker

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.

d. Where the goods are sent directly by the supplier to the job worker

In this case, 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 buyer (i.e. principal) wherein the job worker's name and address should be mentioned as the consignee. Also, buyer (i.e., principal) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly in terms of para (a) above. In case of import of goods by the principal which are then supplied directly from the customs station of import, 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 the principal shall issue the challan and send the same to the job worker directly.

e. Where goods are returned in piecemeal by the job worker

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.

**Submission of intimation:** As per the provisions of rule 45(3) of the CGST Rules, principal is required to furnish the details of challans 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** by the 25th day of the month succeeding the quarter or within such period as may be extended by the Commissioner.

It has been clarified that 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 or from one job worker to another and its return therefrom and **FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act.**

### **Supply of goods by the principal from the place of business/premises of job worker**

This facility is available only if the principal declares the job worker's place of business as his additional place of business or the job worker is registered.

It has been clarified that supply of goods by the principal from the job-workers place of business/ premises will be treated as supply made by the principal and not by the job-worker as specified in Section 143(1)(a) of the CGST Act, 2017.

Further aforesaid case has been articulated vide following 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.*

### **Violation of conditions laid down in Section 143**

If the inputs or the capital goods are neither returned nor supplied from the job worker's place of business/ premises within the specified time period, the principal shall issue invoice for the same and declare such supplies in his return for the particular month in which the time period expired. The date of supply shall be the date on which 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, the same would be treated as supply by the job worker to the principal and the job worker would be liable to pay GST if he is registered. If the job worker is not registered, GST would be payable by the principal on the reverse charge basis. However, such provision is deferred for the time being.

The abovementioned circular is attached for kind reference.

Should you require any clarifications, please feel free to revert us.

Regards,



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