

Chapter 10 - Job Work & ISD

Illustration 1

Who is principal for the purpose of job work?

Solution

A registered taxable person who sends any inputs or capital goods without payment of tax to a job worker for job - work.

Illustration 2

Can a job worker take input credit on the inputs used in the process of job work?

Solution

Yes, the job worker is eligible to claim input tax credit since the processing charges received in respect of labour charges and the supply of additional goods added is taxable in the hands of the job worker.

Illustration 3

Whether the job worker is liable to pay GST under reverse charge mechanism on the goods or services if notified?

Solution

Yes, in terms of **section 9(3) of the CGST Act, 2017** on the specified categories of supply of goods and / or services, the recipient of such goods and / or services is liable to pay GST under reverse charge basis. Further, **section 143 of the CGST Act, 2017** does not provide any exemption to job worker in this regard.

Illustration 4

Whether the goods of principal directly supplied from the job worker's premises will be included in the aggregate turnover of the Job Worker?

Solution

No, since the responsibility for accountability of inputs and / or capital goods lies with principal, it will be included in the aggregate turnover of the principal as enumerated in **section 143 of the CGST Act, 2017**.

Illustration 5

Should job worker and principal be located in same State or Union territory?

Solution

No, this is not necessary as provisions relating to job work have been adopted in the IGST act as well as in UTGST Act and therefore job worker and principal can be located either in same State or in same Union Territory or in different States or Union Territory

Illustration 6

What happens when the inputs or capital goods are not received back or supplied from the place of business of job worker within prescribed time period?

Solution

If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out by the principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus the principal would be liable to pay tax accordingly.

Illustration 7

Shall a manufacturer or a job worker become liable to pay tax if the inputs or semi - furnished goods sent for job work under the earlier law are returned after completion of job work after the appointed day?

Solution

No tax will be payable by the manufacturer or the job worker under the following circumstances:

- a. Inputs / semi - finished goods are sent to the job worker in accordance with the provisions of the earlier law before the appoint day.
- b. The job worker returns the same within six months from the appointed day (or within the extended period of maximum two months).
- c. Both the manufacturer and the job worker declare the details of inputs held in stock by the job worker on the appointed day in the prescribed form.

The relevant section are **141(1), 141(2) & 141(4)**.

However, if the said inputs / semi - finished goods **are not returned within six months** (or within the extended period of maximum two months), the input tax credit availed is liable to be recovered.

Illustration 8

When tax shall become payable in GST on manufactured goods sent to a Job worker for carrying out tests or any other process not amounting to manufacture under the earlier law?

Solution

Tax will be payable in GST on manufactured goods sent to a job worker prior to the appointed day for carrying out tests or any process not amounting to manufacture under the earlier law if such goods are not returned to the manufacturer within six months (or within the extended period of maximum two months) from the appointed day. Further, the input tax credit enjoyed by the manufacturer will liable to be recovered if the aforesaid goods are not returned within six months from the appointed day. - **section 141(3)**.

Illustration 9

Y Ltd. sends the goods to Y & Co. for making finished goods on 30.7.2017. What are the tax implications, in the following cases if GST @ 18% is levied:

- a. Y & Co. sends the goods back to X Ltd. within one year of being sent.
- b. Y & Co. sells the goods directly to the customer in behalf of X Ltd. Make suitable assumptions as required.

Solution

As per **section 143 of the Act**, supply of goods to a job worker without payment of tax is permissible upon an intimation. In the given example, the implications are as follows:

On supply of goods to Y & Co.; as per the **section 143 of the Act** no tax shall be payable on supply of goods to Y & Co. However, the tax will be payable if finished goods is not returned before one year from 30.7.2017.