



Lawgics

By Nidhi, Advocate



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Section 19 of CGST Act, 2017

19. Taking input tax credit in respect of inputs and capital goods sent for job work.

(1) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on inputs sent to a job worker for job work.

(2) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the principal shall be entitled to take credit of input tax on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business.

(3) Where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 within one year of being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out:

Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.

(4) The principal shall, subject to such conditions and restrictions as may be prescribed, be allowed input tax credit on capital goods sent to a job worker for job work.

(5) Notwithstanding anything contained in clause (b) of sub-section (2) of section 16, the principal shall be entitled to take credit of input tax on capital goods even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business.

(6) Where the capital goods sent for job work are not received back by the principal within a period of three years of being sent out, it shall be deemed that such capital goods had been supplied by the principal to the job worker on the day when the said capital goods were sent out:

Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker.

(7) Nothing contained in sub-section (3) or sub-section (6) shall apply to moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work.

Explanation. —For the purpose of this section, —“ principal” means the person referred to in section 143.

Relevant Rule	Subject	Relevant Forms
Rule 45	Conditions and restrictions in respect of inputs and capital goods sent to the job worker	ITC-04, GSTR-1

Our Interpretation

Section 19	<p><u>Job Work</u></p> <p>Job Worker is expected to work on the goods sent by the principal and whether the activity performed by job worker is a job work or not depends upon facts & circumstances of each case. Job Worker, can use his own goods, for providing job work services, and can avail ITC.</p>
Section 19(1)	The principal is entitled to ITC on inputs while sending to job worker for job work from his own place of business in accordance with Rule 45.
Section 19(2)	The principal is entitled to ITC on inputs even if the inputs are directly sent to a job worker for job work without being first brought to his place of business i.e., sent directly to job worker from supplier on principal's behalf.
Section 19(3)	<p>If inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker within 1 year of being sent out, then it is treated as supply to the Job Worker on the day when it was actually sent to job worker and ITC needs to be reversed and payment of tax along with interest on such deemed supply needs to be made in return filed by such principal.</p> <p>When the inputs are sent directly to a job worker, the period of 1 year shall be counted from the date of receipt of inputs by the job worker.</p>
Section 19(4)	The principal is also entitled to ITC on capital goods sent to job worker for job work from his own place of business in accordance with Rule 45.
Section 19(5)	The principal is entitled to ITC on inputs even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business i.e., sent directly to job worker from supplier on principal's behalf.
Section 19(6)	<p>If capital goods sent for job work are not received back by the principal within 3 years of being sent out, then it is treated as supply to the Job Worker on the day when it was actually sent to job worker and ITC needs to be reversed and payment of tax along with interest on such deemed supply needs to be made in return filed by such principal.</p> <p>When the capital goods are sent directly to a job worker, the period of 3 years shall be counted from the date of receipt of capital goods by the job worker.</p>
Section 19(7)	<p><u>Certain provisions not to apply in case of moulds, dies, jigs, fixtures, tools</u></p> <p>The provision regarding receiving back of inputs/capital goods within 1 year/3 years, or otherwise treating it as supply of the principal does not apply to Moulds, Dies, Jigs, Fixtures or Tools sent to Job Worker for Job Work process.</p>
Rule 45	<p><u>Conditions and restrictions in respect of inputs and capital goods sent to the job worker</u></p> <p>(1) The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker, and where the goods are sent from one job worker to another job worker, the challan may be issued either by the principal or the job worker sending the goods to another job worker: Provided that the challan issued by the principal may be endorsed by the job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal: Provided further that the challan endorsed by the job worker may be further endorsed by another job worker, indicating therein the quantity and description of goods where the goods are sent by one job worker to another or are returned to the principal.</p> <p>(2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.</p> <p>(3) The details of challans in respect of goods dispatched to a job worker or received from a job worker during a quarter shall be included in FORM GST ITC-04 furnished for that period on or before the</p>

twenty-fifth day of the month succeeding the said quarter or within such further period as may be extended by the Commissioner by a notification in this behalf:

Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.

- (4) Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall 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 and the said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Explanation. - For the purposes of this Chapter, -

- (1) the expressions "capital goods" shall include "plant and machinery" as defined in the Explanation to section 17;
- (2) for determining the value of an exempt supply as referred to in sub-section (3) of section 17-
 - (a) the value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty; and
 - (b) the value of security shall be taken as one percent of the sale value of such security.

Rule 45

Conditions & Restrictions while sending INPUT or CAPITAL GOODS to Job Worker

Rule 45(1) says that:

- 1) The principal shall make Delivery Challan in Triplicate and Two copies of challan shall be accompanied with Input or Capital Goods while in transportation.
- 2) In case of transfer of such input or capital goods to another job worker for further processing, a challan as such shall be issued by the principal or 1st job worker to such another job worker.
- 3) The 1st Job worker may even endorse the challan received from the principal in the name of another job worker under concern.
- 4) Such endorsed challan may be further endorsed by such job worker in duration of such processing of goods to subsequent Job worker. Alternatively, each job worker can raise challan on subsequent job worker under duration of such processing under the knowledge and concern of the principal.

Rule 45(2) specifies that the challan issued by the principal to the job worker shall contain the details specified in rule 55. The Rule 55 provides that challan shall be serially numbered not exceeding sixteen characters containing following particulars:

- (i) date and number of the delivery challan,
- (ii) name, address and GSTIN of the consigner, if registered,
- (iii) name, address and GSTIN or UIN of the consignee, if registered,
- (iv) HSN code and description of goods,
- (v) quantity (provisional, where the exact quantity being supplied is not known),
- (vi) taxable value,
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee,
- (viii) place of supply, in case of inter-State movement, and
- (ix) signature.

Rule 45(3) mandates that details of challans under which goods are dispatched to a job worker or received from job worker or sent from one job worker to another job worker during a quarter shall be shown in GSTR ITC –04 on or before 25th day of the end of the respective quarter or any extended period. Form ITC-04 needs to be filed by the principal only and none of the Job worker is obliged to file ITC-04 in the chain of processing. Please note that the requirement of furnishing ITC-04 for financial year 2017-18 and 2018-19 has been removed vide **Notification No. 38/2019- Central Tax dated 31.08.2019**. With effect from 01.10.2021, the frequency of filing the ITC-04 form has been revised **Notification No. 35/2021- Central Tax dated 24.09.2021**, as follows-

- (1) Those with AATO more than Rs.5 crore – Half-yearly from April-September- due on 25th October and October-March due on 25th April.
- (2) Those with AATO up to Rs.5 crore – Yearly from FY 2021-22 due on 25th April.

	<p>Rule 45(4) provides for taxing transaction as deemed supply of input goods or capital goods on the date on which they were sent out for job work if the input goods are not returned back to principal or supplied from the place of job worker within a period of 1 year in case of input goods and within a period of 3 years in case of capital goods or within extended period by Commissioner. Therefore, it can be said that by deeming fiction a supply which is not supply u/s 7 or liable to tax u/s 9 are made liable to GST by deeming fiction. The details of such deemed supply shall be disclosed by the principal in Form GSTR 1 and ITC needs to be reversed and payment of tax along with interest on such deemed supply needs to be made in return filed by such principal.</p>
Rule 138	<p><u>Applicability of E-way Bill</u></p> <p>Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees—</p> <ul style="list-style-type: none"> (i) in relation to a supply; or (ii) for reasons other than supply; or (iii) due to inward supply from an unregistered person, <p>shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of FORM GST EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal:</p> <p>Provided that the transporter, on an authorization received from the registered person, may furnish information in Part A of FORM GST EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal:</p> <p>Provided further that where the goods to be transported are supplied through an ecommerce operator or a courier agency, on an authorization received from the consignor, the information in Part A of FORM GST EWB-01 may be furnished by such e-commerce operator or courier agency and a unique number will be generated on the said portal:</p> <p>Provided also that where goods are sent by a principal located in one State or Union territory to a job worker located in any other State or Union territory, the e-way bill shall be generated either by the principal or the job worker, if registered, irrespective of the value of the consignment:</p> <p>Provided also that where handicraft goods are transported from one State or Union territory to another State or Union territory by a person who has been exempted from the requirement of obtaining registration under clauses (i) and (ii) of section 24, the e-way bill shall be generated by the said person irrespective of the value of the consignment.</p> <p><u>Explanation 1</u>– For the purposes of this rule, the expression "handicraft goods" has the meaning as assigned to it in the Government of India, Ministry of Finance, notification No. 56/2018-Central Tax, dated the 23rd October, 2018, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1056 (E), dated the 23rd October, 2018 as amended from time to time.</p> <p><u>Explanation 2</u>- For the purposes of this rule, the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes the central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.</p>
Rule 138	<p><u>E-way Bill provisions in relation to Job Work</u></p> <p>As per Rule 138, E-way bill is required for all movement of Goods even in case where such movement is for reason other than for supply.</p> <p>3rd proviso to Rule 138(1) says, E-way bill is required, irrespective of value of the consignment, while movement took place from one state to another from Principal to Job Worker or vice-versa.</p> <p>Please note that E-way bill can be filled either by the principal or by the Job Worker. In case Job worker is un-registered, then E-way Bill shall be generated by Principal.</p>