# Job Work under GST

##### Introduction

Job-work sector constitutes a significant industry in Indian economy. It includes outsourced activities that may or may not culminate into manufacture. The term Job-work itself explains the meaning. It is processing of goods supplied by the principal. The concept of job work already exists in Central Excise, wherein a principal manufacturer can send inputs or semi-finished goods to a job worker for further processing. Many facilities, procedural concessions have been given to the job workers as well as the principal supplier who sends goods for job work.The whole idea is to make principal responsible for meeting compliances on behalf of the job-worker on the goods processed by him (job-worker), considering the fact that typically the job- workers are small persons who are unable to comply with the discrete provisions of the law.

The GST Act makes special provisions with regard to removal of goods for job-work and receiving back the goods after processing from the job-worker without payment of GST. The benefit of these provisions shall be available both to the principal and the job-worker.

**What is Job work?**

Section 2(68) of the CGST Act, 2017 defines job work as ‘any treatment or process undertaken by a person on goods belonging to another registered person’. The one who does the said job would be termed as ‘job worker’. The ownership of the goods does not transferto the job-worker but it rests with the principal. The job-worker is required to carry out the process specified by the principal, on the goods.

**Job work Procedural aspects:**

Certain facilities with certain conditions are offered in relation to job work, some of which are as under:

1. A registered person (Principal) can send inputs/ capital goods under intimation and subject to certain conditions without payment of tax to a job worker and from there to another job worker and after completion of job work bring back such goods without payment of tax. The principal is not required to reverse the ITC availed on inputs or capital goodsdispatched to job-worker.
2. Principal can send inputsor capital goods directly to the job worker without bringing them to his premises, still the principal can avail the credit of tax paid on such inputs or capital goods.
3. However, inputs and/or capital goods sent to a job worker are required to be returned to the principal within 1 year and 3 years, respectively, from the date of sending such goods to the job worker.
4. After processing of goods, the job-worker may clear the goods to-
   1. Another job-worker for further processing;
   2. Dispatch the goods to any of the place of business of the principal without payment of tax;
   3. Remove the goods on payment of tax within India or without payment of tax for export outside India on fulfilment of conditions.

The facility of supply of goods by principal to the third party directly from the premises of the job-worker on payment of tax in India likewise with or without payment of tax for export may be availed by the principal on declaring premise of the job-worker as his additional place of business in registration. In case the job-worker is a registered person under GST, even declaring the premises of the job worker as additional place of business is not required.

Before supply of goods to job-worker, principal would be required to intimate the Jurisdictional Officer containing the details of description of inputs intended to be sent by the principal and the nature of processing to be carried out by the job-worker. The said intimation shall also contain the details of another job-worker, if any.

The inputs or capital goods shall be sent to the job worker under the cover of a challan issued by the principal. The challan shall be issued even for the inputs or capital goods sent directly to the job worker.The challan shall contain the details specified in rule 10of the Invoice Rules.

The responsibility for keeping proper accounts for the inputs or capital goods shall lie with the principal.

**Input Tax credit on goods supplied to jobworker** Section 19 of the CGST Act, 2017 provides that the principal (a person supplying taxable goods to the jobworker) shall be entitled to take the credit of input tax paid on inputs sent to the job- worker for the job work. Further, the proviso also provides that the principal can take the credit even when the goods have been directly supplied to the job-worker without bringing into the premise of the principal. The principal need not wait till the inputs are first brought to his place of business.

##### Time Limits for return of processed goods

As per section 19 of the CGST Act, 2017, inputs and capital goods after processing shall be returned back to principal within one year or three years respectively of their being sent out. Further, the provision of return of goods is not applicable in case of moulds and dies, jigs and fixtures or tools supplied by the principal to job-worker.

##### Extended meaning of input

As per the explanation provided in section 143 of the CGST Act, 2017, where certain process is carried out on the input before removal of the same to the job worker, such product after carrying out the process to be referred as the intermediate product. Such intermediate product can also be removed without the payment of tax. Therefore,

both input and intermediate product can be cleared without payment of duty to job-worker.

##### Waste clearing provisions

Pursuant to section 143 (5) of the CGST Act, 2017, waste generated at the premises of the job-worker may be supplied directly by the registered jobworker fromhis place of business on payment of tax or s such waste may be cleared by the principal, in case the job-worker is not registered.

**Transitional provisions:** Inputs as such or partially processed inputs which are sent to a job worker prior to introduction of GST under the provisions of existing law [Central Excise] and if such goods are returned within 6 months from the appointed day i.e. 1st July, 2017 no tax would be payable. If such goods are not returned within prescribed time, the input tax credit availed on such goods will be liable to be recovered.

If manufactured goods are removed, prior to the appointed day, without payment of duty for testing or any other process which does not amount to manufacture, and such goods are returned within 6 months from the appointed day, then no tax will be payable. For the purpose of these provisions during the transitional period, the manufacturer and the job worker are required to declare the details of such goods sent/received for job work in prescribed format GST TRAN-1, within 90 days of the introduction of GST.

**Job Work under the GST Regime: A Professional Overview**

### **Introduction**

The job work sector represents a vital segment of the Indian economy, encompassing a wide range of outsourced processing and manufacturing services. Under the Goods and Services Tax (GST) framework, job work refers to the undertaking of any treatment or process by a third party (the job worker) on goods owned by a registered principal. The legal framework governing job work under GST has been designed to facilitate seamless movement and processing of goods while maintaining compliance and ensuring tax neutrality.

This concept, inherited from the erstwhile Central Excise regime, continues under GST with enhanced procedural clarity and flexibility, particularly benefiting micro and small enterprises involved in contract manufacturing. The GST law recognizes the principal as the person responsible for compliance, thereby easing the regulatory burden on job workers.

### **Definition of Job Work**

As per Section 2(68) of the Central Goods and Services Tax (CGST) Act, 2017, “job work” means any treatment or process undertaken by a person on goods belonging to another registered person. The person performing the activity is referred to as the **job worker**, while the goods remain the property of the **principal**. Importantly, job work does not entail transfer of ownership; it strictly relates to processing activities prescribed by the principal.

### **Key Procedural Aspects**

The GST law lays out specific provisions and compliance mechanisms to ensure transparency and accountability in job work arrangements:

* **Removal of Goods without Payment of Tax**  
  A registered principal may send inputs or capital goods to a job worker without payment of tax, either from their premises or directly from the supplier's location. These goods can then move from one job worker to another for further processing.
* **Eligibility to Claim ITC**  
  The principal is eligible to claim input tax credit (ITC) on inputs or capital goods dispatched for job work, even if the goods are sent directly to the job worker without being brought to the principal’s premises.
* **Time-bound Return**  
  Inputs sent for job work must be returned to the principal within **one year**, and capital goods within **three years**, failing which the transaction is deemed a supply, attracting tax liability. Exceptions include moulds, dies, jigs, fixtures, and tools.
* **Clearance Options Post-Processing**  
  Processed goods can be:
  + Returned to the principal's business location without payment of tax,
  + Transferred to another job worker for further processing,
  + Supplied directly to a third party (domestically or internationally) from the job worker’s premises, subject to prescribed conditions.
* **Declaration of Job Worker’s Premises**  
  For direct supply of goods from the job worker’s premises, the location must either be declared as the principal’s additional place of business or the job worker must be registered under GST.

### **Challan and Documentation**

Goods sent for job work must be accompanied by a **challan** issued by the principal in accordance with Rule 10 of the Invoice Rules. The challan should clearly mention:

* Description and quantity of goods,
* Details of the job worker,
* Nature of processing to be undertaken,
* Information of subsequent job workers, if applicable.

The principal is responsible for maintaining **accurate and updated records** of goods sent and received under job work arrangements.

### **Input Tax Credit Provisions**

Under Section 19 of the CGST Act, the principal is entitled to avail ITC on inputs and capital goods sent for job work, even if the goods are dispatched directly to the job worker. There is no requirement to first receive the goods at the principal’s premises to claim credit.

### **Treatment of Intermediate Goods**

Section 143 of the CGST Act clarifies that if an intermediate product is generated through preliminary processing of inputs before being sent for job work, such intermediate goods can also be dispatched without payment of tax.

### **Waste and Scrap Disposal**

As per Section 143(5), waste or scrap generated at the job worker’s premises:

* May be disposed of by the registered job worker on payment of tax, or
* May be cleared by the principal, if the job worker is not registered under GST.

### **Transitional Provisions**

Inputs or semi-finished goods sent to a job worker under the earlier law (e.g., Central Excise) and returned within **six months** from July 1, 2017 (the appointed day) are **not liable to tax** under GST. Goods not returned within this timeline shall attract tax, and any ITC claimed earlier will be **recoverable**.

To avail these transitional benefits, both the principal and the job worker were required to file details in **Form GST TRAN-1** within 90 days of the introduction of GST.

### **Conclusion**

The GST regime provides a robust and facilitative framework for job work transactions, preserving tax neutrality and encouraging operational efficiency. By enabling seamless movement of goods without tax implications and granting ITC eligibility, the law supports ease of doing business, especially for SMEs and contract manufacturers. However, the compliance burden in terms of documentation, timely returns, and accurate records remains a shared responsibility, predominantly resting with the principal.