

Revised model GST law vis-à-vis Old Model GST Law: Part III-Job Work

Heading	Draft Model GST Law dated 7.6.2016 [Section 16A, 43A, Schedule I]	Revised model GST law dated 25.11.2016 [Section 20, 55, Schedule V]	Impact
<b>Definition of job work</b>	Undertaking any treatment or process by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly	Undertaking any treatment or process by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly	<p>There is no change in the definition in the revised version.</p> <p>It is important to <b>note</b> that <i>as compared to current regime, definition under GST has been enhanced which includes any treatment or process which will also cover repairs, calibration, testing etc. etc.</i></p> <p>Also by virtue of such extension, there will be plenty of jobs that will get covered. Clarity as to scope is warranted.</p>
<b>Definition of job work</b>	Undertaking any treatment or process by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly	Undertaking any treatment or process by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly	<p>To fall within the criteria of job work, goods must be supplied by a registered taxable person.</p> <p>In case, goods are supplied by unregistered person, it will not amount to job work and job work provisions shall not apply.</p>
<b>Scope of supply</b>	Proviso to Schedule I requires that the supply of goods by a registered taxable person to a job-worker in terms of section 43A shall not be treated as supply of goods.	-	<p>There is no impact as such.</p> <p>The goods even in the revised version can be sent to job worker without payment of tax. The older version does not treat the aforesaid supply as supply of goods.</p>
<b>Registration</b>	Schedule II specifies that any treatment or process which is being applied to another person’s goods is a supply of services. Accordingly, <b>Job worker is</b>	Schedule II specifies that any treatment or process which is being applied to another person’s goods is a supply of services. Accordingly, <b>Job worker is</b>	Registration provisions significantly differ from existing excise and service tax law.

	<p><b>a supplier of services.</b></p> <p>Registration is required if aggregate turnover exceeds the prescribed threshold. The supply of goods, after completion of job-work, by a registered job worker shall be treated as the supply of goods by the “principal” referred to in section 43A, and the value of such goods shall not be included in the aggregate turnover of the registered job worker.</p>	<p><b>a supplier of services.</b></p> <p>Registration is required if aggregate turnover exceeds the prescribed threshold. The supply of goods, after completion of job-work, by a registered job worker shall be treated as the supply of goods by the “principal” referred to in section 43A, and the value of such goods shall not be included in the aggregate turnover of the registered job worker.</p>	
<b>Levy of tax on principal</b>	Where goods are supplied locally by principal to the job worker, both CGST and SGST would be applicable. In case of interstate supply, IGST would be applicable.	Where goods are supplied locally by principal to the job worker, both CGST and SGST would be applicable. In case of interstate supply, IGST would be applicable.	<b>There is no change.</b>
<b>Exemption from levy of tax available to principal</b>	Exemption available subject to permission of the Commissioner obtained by special order and subject to conditions as may be specified by him. Otherwise GST charged by principal eligible for set off by job worker.	Yes. Goods may be removed by a principal without payment of tax, to a job worker for job-work, under intimation and subject to such conditions as may be prescribed	<p><b>Under current regime as well as old version, Job work permission needs to be obtained from Commissioner by special order.</b></p> <p>Revised version does not specify such requirement. It speaks about “intimation” only. Clarity as to this procedural aspect is warranted in the revised version.</p>
<b>Levy of tax on job worker</b>	<p>Schedule II specifies that any treatment or process which is being applied to another person’s goods is a supply of services. Accordingly, Job worker is a supplier of services. He is required to pay GST on job charges.</p> <p>However, where exemption is not sought by principal,</p>	<p>Schedule II specifies that any treatment or process which is being applied to another person’s goods is a supply of services. Accordingly, Job worker is a supplier of services. He is required to pay GST on job charges.</p> <p>However, where exemption is not sought by principal,</p>	<p><b>This appears to be a diversion from current service tax and excise provisions, where job-workers are exempted from Central excise duty as well as Service tax on their job-work charges, if the principal manufacturer pays duty on final product.</b></p>

	GST will also be payable on goods by job worker while returning them.	GST will also be payable by job worker while returning goods.	
<b><u>Evaluation of exemption provisions</u></b>			
<b>Goods eligible for removal under exemption</b>	Only taxable goods may be removed by a principal without payment of tax.	Any inputs/or capital goods may be removed by a principal without payment of tax.	There is no impact <i>per se</i> as whatever goods are removed, are removed without payment of tax and tax liability arises only on taxable goods.
<b>Transfer from one job worker to another.</b>	Same procedure may be followed for transfer of goods from one job worker to another job worker	Same procedure may be followed for transfer of goods from one job worker to another job worker	There is no change. The provisions are aligned with current excise regime.
<b>Time limit for bringing back goods from premises of job worker without payment of tax.</b>	Goods may be brought back to any of place of business of principal without payment of tax.  However, <b>no time limit</b> has been specified for bringing back such goods.	Goods may be brought back to any of place of business of principal without payment of tax.  Time limit for bringing back inputs, after completion of job-work or otherwise, and/or capital goods is <b>one year and three years</b> , respectively, of their being sent out.  <b>Time limit does not apply to moulds and dies, jigs and fixtures, or tools.</b>	The position contemplated under revised version is different from current excise regime.  <b>Revised version lays down the time limit for bringing back the goods from premises of job worker, on the expiry of which, it will amount to deemed supply to job worker on the date goods are sent for job work and GST shall be payable.</b>
<b>Direct supply from job worker premises</b>	Direct supply of goods from the place of business of a job-worker is allowed on payment of tax within India, or with or without payment of tax for export subject to some conditions.	Direct supply of goods from the place of business of a job-worker is allowed on payment of tax within India, or with or without payment of tax for export subject to some conditions.	Such a provision is welcomed, but, it may create a practical problem.  The transfer of such inputs to the job worker would not be subject to GST. On the other hand, the principal can claim <b>the credit of GST paid on inputs in the State from where such inputs are dispatched</b> . If goods are directly supplied from the job worker's location, <b>GST would be payable in the</b>

			<p><b>State from where the goods are dispatched.</b></p> <p>The result will be GST credit accumulating in dispatching State in case of lack of GST liability for the principal in the dispatching state.</p>
<b>Time limit for direct supply</b>	-	<p>Time limit of 1 year for inputs and 3 years for capital goods apply</p> <p>Time limit does not apply to moulds and dies, jigs and fixtures, or tools.</p>	<p>Revised version lays down the time limit for supplying the goods from premises of job worker, on the expiry of which, it will amount to deemed supply to job worker on the date goods are sent for job work and GST shall be payable.</p>
<b>Restriction on direct supply of goods</b>	For direct supply, principal shall declare place of business of the job-worker as his additional place of business except where the job worker is registered or where the “principal” is engaged in the supply of notified goods.	For direct supply, principal shall declare place of business of the job-worker as his additional place of business except where the job worker is registered or where the “principal” is engaged in the supply of notified goods.	The restrictions as to declaration of job worker location as additional place of business and registration of job workers are newly added in GST as compared to excise.
<b>Treatment of scrap/waste generated</b>	-	<p>Any waste and scrap generated during the job work may be supplied :</p> <ul style="list-style-type: none"> <li>• by the job worker directly from his place of business on payment of tax if such job worker is registered, or</li> <li>• by the principal, if the job worker is not registered.</li> </ul>	The provision inserted is aligned with current excise regime.
<b>Eligibility for ITC on inputs/capital goods sent for job work from place of business of principal.</b>	Tax credit eligible on inputs/capital goods sent to job worker for job work.	Tax credit eligible on inputs/capital goods sent to job worker for job work.	Aligned with current excise regime
<b>Taking input</b>	Tax credit is also eligible on	Tax credit eligible on	Aligned with current excise

<b>tax credit in respect of inputs/capital goods directly sent for job work</b>	inputs/capital goods sent directly to job worker for job work	inputs/capital goods sent directly to job worker for job work.	regime
<b>Restriction for ITC eligibility</b>	Inputs/capital goods after completion of job work are to be received back within 180 days or 2 years respectively, of their being sent out or their receipt by job worker. Otherwise, ITC shall be reversed.	No restriction	The revised version does not provide <b>any time limit restriction for availment of ITC</b> . This is different from current regime where 180days/2years limit has been specified.
<b>What if goods are not received back within time limit specified</b>	ITC availed of on inputs or capital goods along with interest specified under sub-section (1) of section 36, shall be payable.	In case inputs/capital goods are not received back or supplied within specified time, it shall be treated as deemed supply to the job worker on the day when the said inputs/capital goods were sent out or received by the job worker and tax shall become payable on that supply.	Revised version does not provide any time limit restriction for availment of ITC. <b>It does provide a time limit for bringing back the goods, on the expiry of which, instead of reversal of ITC, tax shall be payable considering the same as deemed supply.</b>
<b>Reclaim</b>	The credit can be reclaimed when the inputs or capital goods are actually received back.	There is no reclaim when goods are actually received back.	There is no provision in the revised version as to reclamation of tax paid on such deemed supply.
<b>Applicability of ITC provisions to moulds and dies, jigs and fixtures or tools</b>	No exemption available.	Concept of deemed supply not applicable to moulds and dies, jigs and fixtures or tools.	This is aligned with current excise regime.