
	KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM	
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BEFORE THE AUTHORITY OF: *Shri. B.G. Krishnan IRS &*

: Shri. B.S. Thyagarajababu B.Sc, LL.M

Legal Name of the applicant	M/s.Industrial Engineering Corporation
GSTIN	32AAAFI7761E1ZN
Address	Plot No.50, Major Industrial Estate, South Kalamassery, Ernakulam – 683104.
Advance Ruling sought for	<ul style="list-style-type: none"> i) The rate of tax under GST applicable to the professional / jobworks charges to be paid by the applicant? ii) Is there any restriction in GST laws to supply raw materials to the jobwork unit and get the finished goods to the applicant from the jobwork unit as per the required design and supervision of the engineers of the applicant and what will be the rate of tax under GST law for the above works chargeable by the service provider? iii) What are the documents or formats to be maintained by the applicant under GST laws to transfer the raw materials to the jobwork unit and also the documents to be maintained after the processing and return of finished goods from the jobwork unit to the applicant or despatch of finished goods from the jobwork unit directly to the destination of the applicant's customers? iv) In case consumables like paints, primers and consumable spares like locking ring are arranged by the jobwork unit, is there any change on the rate of tax under GST law on such jobworks provided by the jobwork unit? v) Is there any tax liability on the applicant under GST laws on the value of the scrap held with the jobwork unit?
Date of Personal Hearing	05.09.2019
Authorized Representative	Adv.K.S.Hariharan.

ADVANCE RULING No. KER/ 59 /2019 Dt.16.09.2019

The applicant is a manufacturer of packing containers such as empty barrels and drums mainly used by manufacturers like paint industries, petrochemical industries etc as packing material. In order to meet timely delivery of packing containers, the applicant is planning to execute the supply order through another firm doing same line of business, having greater capacity. In the circumstances the applicant requested advance ruling on the following:

- i) *What will be the rate of tax under GST applicable to the professional / jobworks charges to be paid by the applicant in this case as explained above?*

- ii) *Is there any restriction in GST laws to supply raw materials to the job work unit and get the finished goods to the applicant from the job work unit as per the required design and supervision of the engineers of the applicant and what will be the rate of tax under GST law for the above works chargeable by the service provider?*
- iii) *What are the documents or formats to be maintained by the applicant under GST laws to transfer the raw materials to the job work unit and also the documents to be maintained after the processing and return of finished goods from the job work unit to the applicant or despatch of finished goods from the job work unit directly to the destination of the applicant's customers?*
- iv) *In case consumables like paints, primers and consumable spares like locking ring are arranged by the job work unit, is there any change on the rate of tax under GST law on such job works provided by the job work unit?*
- (in this case, the consumables which are estimated at less than 9% of the total cost of raw materials are arranged by the job work unit and the said 9% of the estimated cost of consumables is going to be added to the job work charges).*
- v) *Is there any tax liability on the applicant under GST laws on the value of the scrap held with the job work unit?*

(in this case, the applicant is not collecting the scrap of raw materials from the jobwork place due to the fact that if the applicant has collected the same the applicant would suffer excess amount for transportation and labour charges for the scrap than the cost realizable from the scrap. However, the job work unit would pay GST on any receipt of their disposal of scrap.)

The authorized representative was heard. It is pointed out that the applicant purchases all raw materials such as CR sheets/Tin sheets, paints, closure fittings and locking ring and delivers the same as such to the job work unit. The purchase orders are directly placed to the suppliers and direct delivery made to job worker by using the process "Bill to the applicant and ship" to the job work unit. The job worker executes the work in accordance with the specific terms and conditions of the applicant. The job work unit will execute the manufacturing works including finishing process at their premises under the supervision and expertise of the applicant. The job work unit is having sufficient facility and utilize their machinery also. The finished goods are required to be directly dispatched from job work unit to the prospective customers using the delivery challan and E-way bill of the applicant. The job worker unit is free to dispose the scrap and applicant is not claiming any cost on such scrap.

The matter was examined in detail. Section 2(68) of the CGST/SGST Act, 2017 defines job work as 'any treatment or process undertaken by a person on goods belonging to another

registered person'. The person who does the job work is termed as 'job worker'. The ownership of the goods does not transfer to 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. Sending goods for job work is not a supply as such, but it acquires the character of supply only when the inputs sent for job work are neither received back by the principal nor supplied further by the principal from the premises of the job worker within a period of one year of being sent out. The responsibility for sending the goods for job work as well as bringing them back or further supply has been cast on the principal.

The job worker, being a supplier of services, is liable to pay GST if he is registered. He shall issue an invoice at the time of supply of the services as determined in terms of section 13 read with section 31 of the CGST/SGST Act. The value of services would be determined in terms of section 15 of the CGST/SGST Act and would include not only the service charges but also the value of any goods or services used by him for supplying the job work services, if recovered from the principal. The waste and scrap generated during the job work may be supplied by the registered job worker directly from his place of business as per Section 143(5) of CGST/SGST Act. Detailed instructions in this regard was already issued by CBIC vide Circular No. 38/12/2018 dated 26.03.2018.

In view of the observations stated above, the following rulings are issued:

- i) *What will be the rate of tax under GST applicable to the professional / job works charges to be paid by the applicant in this case as explained above?*

The rate of GST applicable is 18% as per Sl No. 26 (iv) - Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ii), (iia) and (iii) above of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.

- ii) *Is there any restriction in GST laws to supply raw materials to the job work unit and get the finished goods to the applicant from the job work unit as per the required design and supervision of the engineers of the applicant and what will be the rate of tax under GST law for the above works chargeable by the service provider?*

As per Section 143 of the CGST/SGST Act, 2017; the registered principal may, without payment of tax, send inputs or capital goods to a job worker for job work and, if required, from there subsequently to another job worker and so on. Subsequently, on completion of

the job work, the principal shall either bring back the goods to his place of business or supply the same directly from the place of business / premises of the job worker within one year in case of inputs or within three years in case of capital goods. The rate of GST applicable is the same as that mentioned *supra*.

- iii) *What are the documents or formats to be maintained by the applicant under GST laws to transfer the raw materials to the job work unit and also the documents to be maintained after the processing and return of finished goods from the job work unit to the applicant or despatch of finished goods from the job work unit directly to the destination of the applicant's customers?*

As per the provisions of Section 143 (1) of the CGST Act, 2017 the principal can supply goods directly from the place of business / premises of the job worker to its end customer. The supply of goods by the principal from the place of business / premises of the job worker to the end customer will be regarded as supply by the principal and not by the job worker. If the job worker is not registered then the principal shall declare the place of business of the job worker as his additional place of business.

As per Rule 45 of the CGST/SGST Rules, 2017; the inputs, semi-finished goods or capital goods shall be sent to the job worker and received back by the principal under the cover of a delivery challan containing particulars as prescribed in Rule 55 *ibid* issued by the principal, including where such goods are sent directly to a job worker. The principal is required to file FORM GST ITC-04 every quarter furnishing the details of the goods sent for job work.

- iv) *In case consumables like paints, primers and consumable spares like locking ring are arranged by the job work unit, is there any change on the rate of tax under GST law on such job works provided by the job work unit?*

(in this case, the consumables which are estimated at less than 9% of the total cost of raw materials are arranged by the job work unit and the said 9% of the estimated cost of consumables is going to be added to the job works charges).

The job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work.


The job worker, as a supplier of services, is liable to pay GST at the applicable rate. The job worker shall issue an invoice at the time of supply of the services as determined in terms of Section 13 read with Section 31 of the CGST/SGST Act. The value of services

would be determined in terms of Section 15 of the CGST/SGST Act and would include not only the service charges but also the value of any goods or services used by him for supplying the job work services. The use of own goods by the job worker in addition to the goods supplied by the principal for job work will not change the nature of the activity and will have no bearing on the rate of GST applicable for the job worker.

- v) *Is there any tax liability on the applicant under GST laws on the value of the scrap held with the job work unit?*

(in this case, the applicant is not collecting the scrap of raw materials from the job work place due to the fact that if the applicant has collected the same the applicant would suffer excess amount for transportation and labour charges for the scrap than the cost realizable from the scrap. However, the job work unit would pay GST on any receipt of their disposal of scrap.)

As per sub-section (5) of Section 143 of the CGST/SGST Act, 2017; any waste and scrap generated during the job work may be supplied by the registered job worker directly from his place of business on payment of tax, or by the principal if the job worker is not registered.



B. G. Krishnan, IRS
Joint Commissioner of Central Tax
Member



B.S. Thyagarajababu, B.Sc, LL.M
Joint Commissioner of State Tax
Member

To

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