

### **Job work carried out within the manufacturing unit & ITC 4**

It's a practice in Industries to outsource the certain production process within the factory to the labour contractors. In certain cases, this transaction is treated as man power supply where the services are being charged on man hour basis. While in other cases, the service charges are billed on MT basis or piece rate basis.

In terms of the recent job work Notification No 20/2019- Central tax (Rate) Dt. 30/9/19 , the job work attracts GST @ 12% w.e.f. 01.10.2019 if the principal is registered under GST. If the contract terms between the principal and job worker indicate that the consideration is payable on man hour basis, then it would attract GST @ 18% under SAC 9985 – Man power services. However, if the contract terms indicate that service charges are on MT/piece basis etc., then the transaction would be covered under job work and attract GST @ 12% w.e.f 01.10.2019 under SAC 9988.

As per Section 143 read with Rule 45, the tax payer shall have to furnish the details of inputs sent for job work in ITC -04 on quarterly basis. Therefore, a question may arise whether or not ITC-04 is mandatory if the entire job work is carried out within the manufacturing facility. In this connection, attention is invited to Rule 45 which reads as follows:

*(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***

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*in **FORM GST ITC-04** furnished for that period on or before the 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:*

As seen from the above, the principal has to file ITC-04 only if the goods are dispatched to a job worker. However, when the entire job work is carried out within the factory premises, ITC -04 is not mandated as the goods are not dispatched to the job worker.

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