Job Work Rate Notification in GST

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Sl. No	**Chapter Heading**	**Description**	**Rate**
26	9988	(i) Services by way of job work n relation to -	2.5
Â	[Manufacturing Services on physical inputs (goods owned by others}	(a) Printing of Newspapers;	Â
Â		(b) Textiles and textile products falling under Chapter 50 to 63 in the first Schedule to the Customs Tariff Act, 1975 (51 of 1975);	Â
Â		***(c) all products other than diamonds falling under Chapter 71 in the First Schedule to the Custroms Tariff ACT,1975.***	Â
Â		(d) Â Printing of books (including Braille books), Journals and periodicals;	Â
Â		(da)] printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. Or Nil;	Â
Â	Â	(e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975 (51 pf 1975);.	Â
Â	Â	(ea)] manufacture of leather goods or foot wear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) respectively;	Â
Â	Â	(f) all food and food products falling under Chapters 1 to 22 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);	Â
Â	Â	(g) all products falling under Chapter 23 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), except dog and cat food put up for retail sale falling under Tariff item 2309 10 00 of the said Chapter;	Â
Â	Â	(h) manufacture of clay bricks falling under tariff item 6901 00 10 in the First Schedule to the Customs Tariff Act. 1975 (51 of 1975;	Â

Â	Â	(i) manufacture of handicraft goods.	Â
Â	Â	Explanation. - The expression "handicraft goods" shall have the same meaning as assigned to it in the Notification No. **32/2017-Central Tax** , dated the 15th September, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3,Sub-section (i), vide number G.S.R. 1158 (E), dated the 15th September, 2017 as amended from time to time	Â
Â	Â	1[x x x]	Â
Â	Â	(ia) Services by way of job work in relation to -	6
Â	Â	(a) manufacture of Umbrella;	Â
Â	Â	(b) printing of all goods falling under Chapter 48 or 49,, which attract CGST @ 6 per cent.	Â
Â	Â	***(ib) Services by way of Job work in relation to diamonds falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975***	2.75
Â	Â	***(ic) Service by way of Job Work in relation to Bus Body Building.***	9
Â	Â	***(id) Services by way of Job Work other than (i), (ib), & (ic) above***	6
Â	Â	(ii) Services by way of any treatment or process on goods belonging to another person, 2.5 in relation to -	2.5
Â	Â	(a) printing of newspapers;	Â
Â	Â	(b) printing of books (including Braille books), journals and periodicals.	Â
Â	Â	(c) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. Or Nil.	Â
Â	Â	(iia) Services by way of any treatment or process on goods belonging to another person, 6 in relation to printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6%	6
Â	Â	(iii) Tailoring services.	2.5
Â	Â	(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), ***(ib), (ic), (id)*** , (ii), (iia) and (iii) above.	9

(AMENDING notification 20/2019-CTR dated 30.09.2019. Principal notification 11/2017-CTR)

- The effective rate for job work has been revised by amending Sr.No. 26 of the Notfn. **No.11/2017-CT(R)** vide Notfn. No. **20/2019-CTR** dtd 30/09/2019 at clause (m), (n) & (o) respectively. Accordingly the amended sr.No.26 has been reproduced above along with the effective rate.

- On perusal of **clause (id)**
, it would be observed that all services by way of job work other than those services covered under clause(i), (ia), (ib) & (ic) were chargeable to CGST @ 6% and SGST @ 6%.

However there is another entry at **clause (iv)**
which visualizes manufacturing services on physical inputs (goods) owned by others, other than at **clause (i), (ia), (ib), (ic), (id)(ii), (iia) & (iii)**
which is chargeable to CGST @ 9% and SGST @ 9%.

- Accordingly there is some confusion as regards to the effective rate of GST with reference to job work so carried out by the job worker for the parent company and for critical evaluation we are referring to the definition of the term "job work" and "manufacture" under sub-section (68) and (72) to Section 2 of **CGST Act,2017**.

> ***"(68) "job work" means***
> ***any treatment or process undertaken by a person on goods belonging to another registered person***
> ***and the expression "job worker" shall be construed accordingly";***

"(72) "manufacture" means processing of raw material or inputs in any manner
<u>that results in emergence of a new product having a distinct name, character and use</u>
and the term "manufacturer: shall be construed accordingly".

[Emphasis separately provided]

- Further we refer to the scope of Heading 9988 which is covered under Sr.No.26 of the Notfn.No.**11/2012-C.T(R)** which is duly amended by Notfn. **No.20/2019-CT(R)** and which is under discussion. The Explanatory Note for HSN **Code 9988** reads as under;

"9988 Manufacturing services on physical inputs owned by others

The services included under Heading 9988 are performed on physical inputs owned by units other than the units providing the service.
<u>As such, they are characterized as outsourced portions of a manufacturing process or a complete outsourced manufacturing process</u>
. Since this Heading covers manufacturing services, the output is not owned by the unit providing this service. Therefore, the value of the services in this Heading is based on the service fee paid, not the value of the goods manufactured."

[Emphasis separately provided]

In view of the above, it would be observed that HSN 9988 covers manufacturing services on inputs owned by others and it includes outsourced portion of a manufacturing process or a complete outsource manufacturing process. The said services of HSN 9988 is covered under Sr.No.26 of the Notfn.No.**11/2012-C.T(R)** which is duly amended by Notfn. **No.20/2019-CT(R)** as per table above.

- On perusal of the above amendments to Sr.No.26 of the Notification and on perusal of the scope of the definition of the term "job work" and "manufacture" under Section 2(68) and 2(72) of **CGST Act, 2017** and on perusal of the scope of Heading 9988, it is our opinion that the job work charges [other than for printing industry, umbrella, diamond, bus body building, tailoring, covered under clause (i), (ia), (ib), (ic),(ii), (iia) & (iii)] are subject to levy of Service Tax at two rates i.e. @ 12% and @ 18% respectively as visualized under Clause(id) and Clause(iv) respectively.

Sr.No.26 at Clause (id) visualizes ***"Services by way of job work other than, (i), (ia), (ib) & (ic) above"*** with CGST @ 6%. Similarly at Clause(iv) it visualizes ***"Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above."*** With CGST @ 9%.

The services by way of job work at clause(id) in our opinion visualizes those services which do not amount to manufacture and which do not bring in to existence new product with new identity and new character. IN other words only those job work which do not change the character of the product and which does not bring about new product in to existence shall be covered under clause (id) with CGST @ 6%.

On the other hand the services in the nature of job work so referred in clause(iv) which brings in to existence a new product with new identity and new character which is referred as manufacturing services on others input shall be covered under said clause(iv) with CGST @ 9%.

In fact the said two types of services are visualized in the scope of HSN 9988 as referred above and for levy of GST, the above bifurcation has been made in the exemption Notification.

- In fact the Press Release of the 37th Council Meeting dated 20/09/2019 issued for the concessions given for services and the said Press Release also visualized the concessional rate for restricted services only and it did not cover all services for the concessional rate of 12% [i.e. 6% CGST and 6% SGST]. For your ready reference we are reproducing the said Para-3 of Press Release with reference to Job Work Service as under;

"Job Work Service:

3. To reduce rate of GST from 5% to 1.5% on supply of job work services in relation to diamonds.

4. To reduce rate of GST from 18% to 12% on supply of machine job work such as in engineering industry, except supply of job work in relation to bus body building which would remain at 18%.".

From above it is clear that the Council intended to have two slabs of GST rate for job work services i.e. 12% and 18% and the rate applicable as per clause(id) and Clause(iv) is illustrated above.

(The views expressed are strictly personal.)

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