

Clarification on the scope of entries relating to Job Work

Recently a series of notifications were issued on 30th of September 2019 under Central Tax (rate) notification. Among them Notification No. 20/2019- Central tax (Rate) was issued to amend notification No. 11/2017- Central Tax (Rate) so as to notify CGST rates of various services as recommended by GST Council in its 37th meeting held on 20.09.2019. In this notification, government had prescribed the rates for Job work services which is as under :-

| Description of Service | Rate (per cent.) | Condition |
|--|------------------|-----------|
| (id) Services by way of job work other than (i), (ia), (ib) and (ic) above; | 6 | - |
| (iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above. | 9 | - |

There was a confusion regarding the scope of the above entries. Our update **“GST UPDATE ON CHANGE IN RATE FOR JOB WORK SERVICES-INCREASING COMPLEXITIES”** has been published on our website and circulated to clients

wherein the complexities arising due to this was discussed. It was interpreted that the all job work charges other than manufacturing process will be charged to 12 % but the job work charges amounting to manufacture will be charged @18%.

But Circular No 126/45/2019-GST dated November 22, 2019 was issued clarifying the scope of above entries related to job work under heading 9988. The circular reproduces the definition if job work as stated in Section 2(68) of the CGST Act as follows

*“Job work means any treatment or processing undertaken by a person on goods belonging to another **registered** person and the expression ‘job worker’ shall be construed accordingly.”*

This further clarifies that entry no. (id) uses the term “Services by way of **Job Work**” which means that services by way of treatment or processing undertaken by a person on goods belonging to another **registered** person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act.

Thus, it implies that if you do job work of registered person then 12% will be charged but in case of job work of unregistered person

then it will be charged @ 18%.

But it can't be understood by a common man. Why the law is drafted in such a complicated way that a normal man can't understand by reading it. It is to be interpreted by law scholars by applying all legal maxims then the meaning is clear. If it is drafted in a simple language then everyone can understand and it will be easy to implement the same. But then all the officers, legal scholars and consultants will have no work....