



GST ALERT I

Goods sent for processing (before cut-off date)

Very often the manufactures send raw materials or semi-finished goods to job worker for processing and get back the finished or semi-finished goods from the job worker. Such job worker may be in the same state or in another state. Currently there is no VAT/Central sales tax applicable on such goods sent or received back, subject to certain conditions.

The legal position under the GST law in respect of goods sent for processing before the cut-off date i.e. the date on which GST comes into force, (say 1st July 2017) and not received back till cut-off date is briefly as under:

1. Such good should be returned to the owner (whether processed or not) within 6 month from the cut-off date (say by 31st December 2017). This period of 6 months can be extended by the Commissioner by 2 months, subject to conditions.

In such case, supply by job worker back to the owner will not be liable to GST.

2. If the goods are not returned to the owner in the aforesaid prescribed period, the input tax credit claimed on purchase of the said goods before cut-off date, shall be recovered with interest.
3. Re: Excisable good manufactured and removed without payment of duty.

Similar provision (explained in para 1 & 2 above) applies to excisable good manufactured and removed without payment duty, for carrying out test or any other process, not amounting to manufacture.

4. Option to Owner in GST era :

The owner of goods referred to in Para 1 & 3 above, has option to supply such goods directly from the place of jobs worker, within prescribed time, on payment of tax under GST or export out of India, subject to conditions.

5. Declaration of Stock lying on cut-off date :

The owner/manufacturer and the job worker are required to submit electronically Form GST TRAN-I within 60 days from cut-off date, specifying therein details of such stock lying with job worker.

Goods sent on Approval (before cut-off date)

When any good sent on approval basis, not earlier than 6 months before the cut-off date, are rejected & returned within 6 months from the cut-off date, no tax shall apply under GST law. This period can be extended by the commission by 2 months, subject to conditions.

Consequences if good sent on approval basis, are not returned within prescribed time:

If the said goods are taxable under GST, both sender & receiver of goods shall be liable to tax under GST.

Declaration to be filed:

The sender of goods (on approval basis) shall, within 60 days of the cut-off date, submit details of such good sent on approval , in Form GST TRAN – I.

Note: The above GST Alert is prepared on the basis of Draft Rules and is for your general information. Final Rules will be announced in due course.

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