Subcontracting process /Jobwork in GST

Purpose

The Purpose of this page is to clarify Subcontracting process and configuration for GST and to resolve common errors in J1GSUBCON and J1GRECON transactions.
As per the Model GST law, you can run Subcontracting process in one of the following ways:
1. With Challan
2. Without Challan

Overview

Customers have implemented below GST notes for Subcontracting scenario:
2484361 - GST IN: Data Dictionary Changes for Subcontracting/Jobwork
2483852 - GST IN: Subcontracting process /Jobwork
2492476 - GST India: Corrections and Improvements to Note 2483852
2450541 - GST IN: Corrections in MIRO/FB60/FB70

This document covers the configuration to set up Subcontracting process for GST and GST subcontracting cycle with Challan.

Subcontracting Configuration - GST

1. **Assign Sales Area to the Supplying Plant**
   - A sales organization, a distribution channel and a division must be assigned to the plant from which the components are to be delivered
   - Maintain the Sales org, Distribution Channel and Division using tcode SM30 foe the view 'V_001W_IV'.

2. **Maintain Customer for a Vendor**
   - The Subcontracting vendor must be assigned a customer number.
   - Create a Customer master with the necessary details (Partner Function, Recon Account etc) for the sales area assigned to plant in step 2.
2. Maintain this customer number in the Vendor(Subcontractor) master details. Execute XK02 and provide the subcontractor id. In the 'Control' details, maintain the customer number.

3. **New Billing Document Types**
   - A sales organization, a distribution channel and a division must be assigned to the plant from which the components are to be delivered.
   - A new document type to be created for outbound GST invoice.
   - Execute transaction code VOFA.
   - Copy existing document type FX into ZSP and ZSN.
     NOTE: The document types ZSP and ZSN are only for reference. You may create document with any other name.
     Change the Transaction Group to '8' (Proforma Invoice) and SD document Categ. for Billing type 'ZSN' and save.
   - ZSN Billing type
4. Maintain the view J_1IG_V_SUBINV
   - Execute tcode SM30 and provide the view J_1IG_V_SUBINV.
   - Select New Entries.
   - Classify the Billing Types created in previous step in this view.
   - ZSN is relevant for "Create Challan" and ZSP is relevant for "Create Invoice" option in J1IGSUBCON transaction.
5. Pricing Procedure
   - You can use an existing pricing procedure for the billing types created.
   - You may configure a separate pricing procedure as well.
   - Pricing procedure is determined based on Sales Organization, Distribution Channel, Division, Customer Pricing Procedure, Document Pricing Procedure. Sales Organization, Distribution Channel and Division are derived from Sales area assigned to Supplying Plant. Customer Pricing Procedure is fetched from the Customer maintained for Subcontracting vendor. Document Pricing Procedure is fetched from Billing Document Types ZSN/ZSP.

6. Set up ‘Delivery to Billing’ copy control
   - Execute transaction code VTFA.
   - Create copy control for the new Billing types (ZSP and ZSN) created in step 4, by copying the existing copy control setting of the Billing type ‘FX’ and Sales order type ‘OR’.
   - Save the settings.

7. Extend Material Master
   - For the material to be transferred, you must create the sales organization data for the sales organization/distribution channel of the supplying plant.

Subcontracting Process With Challan

1. Create subcontracting PO using transaction ME21N, with item category ‘L’.
1. Create material document with 541 movement type using transaction ‘MIGO’/ ‘MB1B’.

2. Execute transaction ‘J1IGSUBCON’
   In the Processing tab, you can either ‘create challan’ or ‘display’ existing challans.
In the next screen, you can select the material document (541 movement type) and choose the ‘Create Challan’ button to create the billing document (Proforma invoice).

Create the goods receipt for the subcontracting purchase order, using transaction ‘MIGO’.

Execute MIRO for the invoice verification for the service charges paid to the subcontractor. Enter the relevant tax code.

For the reconciliation of challans created, execute the transaction ‘J1IGRECON’.

There are two options provided for reconciliation:

- **First In, First Out (FIFO)** – It will automatically assign the existing challans to the goods receipt document.
- **Manual** – Enter the challan number to reconcile the challan for the material document.
Once the data is verified, click ‘Save’ to update the reconciliation table.

### J1IGSUBCON and J1IGRECON Errors

SAP KBA 2490351 - GST IN: J1IGSUBCON tcode- Create challan option not visible
Change the function key for &CLN to “Shift + F2” and activate the objects.
SAP KBA 2494348 - GST IN: J11G_SUBCON Pricing error V1801

Related Content

Related SAP Notes/KBAs

SAP Note 2484361 - GST IN: Data Dictionary Changes for Subcontracting/Jobwork
SAP Note 2483852 - GST IN: Subcontracting process /Jobwork