

GST ACCOUNTING ENTRIES

Under GST all these taxes (excise, VAT, service tax) will get subsumed into one account.

The trader has to then maintain the following a/c (apart from accounts like purchase, sales, stock) –

- Input CGST a/c
- Output CGST a/c
- Input SGST a/c
- Output SGST a/c
- Input IGST a/c
- Output IGST a/c
- Electronic Cash Ledger (to be maintained on Government GST portal to pay GST)

While the number of accounts is more apparently, once you go through the accounting you will find it is much easier for record keeping. One of the biggest advantages X will have is that he can setoff his input tax on service with his output tax on sale.

Accounting entries under GST

How to pass accounting entries in GST

Let us consider a few basic business transactions (all amounts excluding GST)-

Example 1: Intra-state

1. Mr. X purchased goods Rs. 1,00,000 locally (intrastate)
2. He sold them for Rs. 1,50,000 in the same state
3. He paid legal consultation fees Rs. 5,000
4. He purchased furniture for his office for Rs. 12,000

Assuming CGST @8% and SGST@8%

The entries will be-

1	Purchase A/cDr.	1,00,000	
	Input CGST A/cDr.	8,000	
	Input SGST A/cDr.	8,000	
	To Creditors A/c		1,16,000
2	Debtors A/cDr.	1,74,000	
	To Sales A/c		1,50,000
	To Output CGST A/c		12,000
	To Output SGST A/c		12,000
3	Legal fees A/cDr.	5,000	
	Input CGST A/cDr.	400	
	Input SGST A/cDr.	400	
	To Bank A/c		5,800
4	Furniture A/cDr.	12,000	
	Input CGST A/cDr.	960	
	Input SGST A/cDr.	960	
	To ABC Furniture Shop A/c		13,920

Total Input CGST=8,000+400+960= Rs. 9,360

Total Input SGST=8,000+400+960= Rs. 9,360

Total output CGST=12,000

Total output SGST=12,000

Therefore Net CGST payable=12,000-9,360=2,640
 Net SGST payable=12,000-9,360=2,640

5	Output CGST A/cDr.	12,000	
	Output SGST A/cDr.	12,000	
	To Input CGST A/c		9,360
	To Input SGST A/c		9,360
	To Electronic Cash Ledger A/c		5,280

Thus due to input tax credit, tax liability of Rs. 24,000 is reduced to only Rs.5,280. Also, GST on legal fees is also adjusted which was not possible in current tax regime.

If there had been any input tax credit left it would have been carried forward to the next year.

Example 2: Inter-state

1. Mr. X purchased goods Rs. 1,50,000 from outside the State
2. He sold Rs. 1,50,000 locally
3. He sold Rs.1,00,000 outside the state
4. He paid telephone bill Rs. 5,000
5. He purchased an air cooler for his office for Rs. 12,000 (locally)

Assuming CGST @8% and SGST@8%

1	Purchase A/cDr.	1,50,000	
	Input IGST A/cDr.	24,000	
	To Creditors A/c		1,74,000
2	Debtors A/cDr.	1,74,000	
	To Sales A/c		1,50,000
	To Output CGST A/c		12,000
	To Output SGST A/c		12,000
3	Debtors A/cDr.	1,16,000	
	To Sales A/c		1,00,000
	To Output IGST A/c		16,000

4	Telephone Expenses A/cDr.	5,000	
	Input CGST A/cDr.	400	
	Input SGST A/cDr.	400	
	To Bank A/c		5,800
5	Office Equipment A/c.....Dr.	12,000	
	Input CGST A/cDr.	960	
	Input SGST A/cDr.	960	
	To ABC Furniture Shop A/c		13,920

Total CGST input =400+960=1,360

Total CGST output =12,000

Total SGST input =400+960=1,360

Total SGST output =12,000

Total IGST input =24,000

Total IGST output =16,000

Particulars	CGST	SGST	IGST
Output liability	12,000	12,000	16,000
Less: Input tax credit			
CGST	1,360		

SGST		1,360	
IGST	8,000		16,000
Amount payable	2,640	10,640	NIL

Any IGST credit will first be applied to set off IGST and then CGST. Balance if any will be applied to setoff SGST. So out of total input IGST of Rs. 24,000, firstly it will be completely setoff against IGST. Then balance Rs.8,000 against CGST. From the total Rs.40,000, only Rs. 13,280 is payable. So the setoff entries will be-

	Setoff against CGST output		
1	Output CGSTDr.	9,360	
	To Input CGST A/c		1,360
	To Input IGST A/c		8,000
2	Setoff against SGST output		
	Output SGSTDr.	1,360	
	To Input SGST A/c		1,360
3	Setoff against IGST output		

	Output IGSTDr.	16,000	
	To Input IGST A/c		16,000
4	Final payment		
	Output CGST A/cDr.	2,640	
	Output SGST A/cDr.	10,640	
	To Electronic Cash Ledger A/c		13,280