

# **Draft Handbook on** **Accounting Treatment under GST – For** **Suggestions**

Dear Members or Other Stakeholders,

The Committee has drafted a handbook on accounting treatment under GST given below. In this regard, we request you to provide your comments/suggestions at the link <https://goo.gl/forms/92zwewildriB4apm2> or [idtc@icai.in](mailto:idtc@icai.in) preferably in 15 days i.e 25<sup>th</sup> April, 2018.

Your valuable suggestions will definitely help the Committee in finalizing the said handbook.

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# Handbook on Accounting Treatment under GST

*(As there are similar provisions in respective State/UT Acts, reference to those provisions can be made, wherever required).*

## 1. Introduction

Goods and Services Tax (GST), a destination based tax, was introduced in India with effect from 1<sup>st</sup> of July, 2017 subsuming a large number of indirect taxes, cesses and duties levied by the Central and State Governments. Required amendments to the Constitution were made by The Constitution (One Hundred and First Amendment) Act 2017. The GST Council has been established thereafter. The GST Council consists of representatives of all the States and Union Territories with legislatures and its Chairman is the Finance Minister of India. GST Council deliberates on all aspects relating to GST and makes recommendations. In fact, without GST recommendations, changes in GST law cannot be made.

GST is a tax on supply of goods and/or services in terms of section 9 of the CGST Act, 2017 and section 5 of the IGST Act, 2017 and the liability to pay the tax arises at the time of supply as determined in terms of section 12 and 13 of the CGST Act. The tax has to be paid on the value of supply as determined in terms of section 15 of the CGST Act read with the Valuation rules. However, in case of import of goods, value shall be determined as per the provisions of Customs Act.

Supply is the taxable event under GST unlike manufacture in Excise, sale of goods in VAT/CST and provision of service in Service Tax. The nature of supply under GST may be intra-state or inter-state/inter-territory as determined in terms of section 7, 8 or 9 of the IGST Act. If the nature of supply is intra-state, then CGST and SGST shall be payable and if nature of supply is inter-state, then IGST shall be payable. While inter-head set off of eligible input tax credit of IGST is allowed with CGST and SGST/UTGST and vice versa, set off of CGST and SGST/UTGST with each other is not allowed in terms of section 49(5) of CGST Act.

## 2. Objective

The objective of this Guidance Note is to provide guidance in respect of accounting under Goods and Services Tax (GST). Salient features of GST are briefly set out hereinafter. Reference may be made to the Central Goods and Services Tax Act, 2017, State Goods and Services Tax Act, 2017 of the respective states, Union Territories Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, Central Goods and Services Tax Rules, 2017, State Goods and Services Tax Rules, 2017 of the respective states and Union Territories, Notifications and Circulars issued from time to time for details of the GST provisions.

### 3. Evolution of GST in India

**Year 1978:** A study on the need for implementing VAT in India was conducted by the Jha Committee which opined that VAT (GST) was needed for India to take its place among the developed nations.

**Year 2000:** Sri Atal Bihari Vajpayee, the then prime minister of India, set up a committee under the chairmanship of the then finance minister of West Bengal, Dr. Asim Dasgupta, to design the GST model and put in place the back-end technology and logistics for its implementation.

**February 2005:** In his budget speech for financial year 2005-06, the then union finance minister Mr. P. Chidambaram says: "In the medium-to-long term, it is my goal that the entire production-distribution chain should be covered by a national VAT (value added tax), or even better, a goods and services tax, encompassing both the centre and the states."

**February 2006:** In his budget speech for 2006-07, Mr. P. Chidambaram set April 1, 2010, as the date for introduction of GST. "The world over, goods and services attract the same rate of tax. That is the foundation of a GST. People must get used to the idea of a GST," he said.

**November 2009:** Empowered Committee of State Finance Ministers released first discussion paper on GST which was put in the public domain to generate a debate and obtain inputs from stakeholders.

**March 2011:** The Congress party-led government, introduced a Constitution amendment bill in the Lok Sabha to implement GST.

**May 2014:** The constitution amendment bill lapsed with the dissolution of the 15th Lok Sabha.

**December 2014:** Mr. Arun Jaitley, finance minister of India, introduces the Constitution (122nd Amendment) Bill in the 16th Lok Sabha on 19.12.2014.

**May 2015:** The Constitution Amendment Bill was passed by the Lok Sabha. The Bill was referred to the Select Committee of Rajya Sabha on 12.05.2015.

**July 2015:** The Select Committee submitted its Report on the Bill on 22.07.2015.

**August & September 2016:** The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further, the bill was ratified by required number of States and received assent of the President on 8th September, 2016. The bill has since been enacted as Constitution (101st Amendment) Act, 2016 with effect from 16th September, 2016. GST Council was notified with effect from 12.09.2016.

**July, 2017:** GST was launched at midnight on 1st of July 2017 by the President of India, Sri Pranab Mukherjee, and Prime Minister of India, Sri Narendra Modi. The launch was marked by a historic midnight (30th June–1st July) session of both the houses of parliament convened at the Central Hall of the Parliament.

### 4. Definitions

Definitions of some key phrases relevant for the understanding of accounting treatment are as follows:

**A. Supply:** Scope of the term 'supply' has been provided in section 7 of the CGST Act as follows:

1. For the purposes of this Act, the expression "supply" includes—

- a. all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- b. import of services for a consideration whether or not in the course or furtherance of business;
- c. the activities specified in Schedule I, made or agreed to be made without a consideration; and
- d. the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

2. Notwithstanding anything contained in sub-section (1),-

- a. activities or transactions specified in Schedule III; or
- b. such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

shall be treated neither as a supply of goods nor a supply of services.

3. Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as—

- (a) a supply of goods and not as a supply of services; or
- (b) a supply of services and not as a supply of goods.

**B. Goods:** "Goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply"- **Section 2(52) of the CGST Act, 2017.**

**C. Services:** "Services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged-**Section 2(102) of the CGST Act, 2017.**

**D. Input:** "Input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business-**Section 2(59) of the CGST Act, 2017.**

**E. Capital Goods:** "Capital goods" means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business-**Section 2(19) of the CGST Act, 2017.**

- F. **Input Services:** “Input service” means any service used or intended to be used by a supplier in the course or furtherance of business- **Section 2(60) of the CGST Act, 2017.**
- G. **Central Tax:** “Central tax” means the central goods and services tax levied under section 9- **Section 2(21) of the CGST Act, 2017.**
- H. **Integrated Tax:** “Integrated tax” means the integrated goods and services tax levied under this Act- **Section 2(12) of the IGST Act, 2017.**
- I. **Cess:** “Cess” means the goods and services tax compensation cess levied under section 8- **Section 2(1)(c) of The Goods and Services tax (Compensation to states) Act, 2017.**

## 5. Accounts and records under GST

**Section 35(1) of CGST Act read with Rule 56(1) of the CGST Rules**, requires every registered person to keep and maintain, at his principal place of business (as mentioned in the certificate of registration), a true and correct account of the following:

- Production or manufacture of goods;
- Inward supply of goods or services or both;
- Outward supply of goods and/or services or both
- Stock of goods;
- Input tax credit availed;
- Output tax payable and paid;
- Goods or services imported or exported;
- Supplies attracting payment of tax on reverse charge

along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.

**Details of Stock: Rule 56(2)** provides that every registered person other than a person paying tax under composition scheme, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

**Details of Advance: Rule 56(3)** provides that every registered person shall keep and maintain a separate account of advances received, paid and adjustment made thereto.

**Details of Tax: Rule 56(4)** provides that every registered person other than a person paying tax under composition scheme, shall keep and maintain an account, containing the details of tax payable including under reverse charge [Section 9(3) and 9(4) of CGST Act], tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes and debit notes.

**Details of supplier, recipient and storage of goods: Rule 56(5)** provides that every registered person shall keep the particulars of:

- (a) names and complete addresses of suppliers from whom taxable goods or services have been received;
- (b) names and complete addresses of the persons to whom goods or services have been supplied, where required under the provisions of this chapter;
- (c) the complete address of the premises where goods are stored including goods stored in transit along with the particulars of stock stored therein.

**Storage without proper documents: Rule 56(6)** provides that if any taxable goods are found to be stored at any place(s) other than those declared under Rule 56(5) without the cover of any valid documents, the proper officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.

**Keeping of accounts at different locations:** In case of multiple places of business (including additional place of business as specified in the certificate of registration), the accounts relating to each place of business shall be kept at the respective places of business concerned. Hence, all records are to be maintained at each place of business. **Rule 56(7)** provides that such books of accounts shall include any electronic form of data stored on any electronic device.

**Erasing, effacing, overwriting of manual entry, edit and delete of electronic entry: Rule 56(8)** prohibits erasing, effacing or overwriting of any entry in registers, accounts and documents and states that all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter, the correct entry shall be recorded. It further provides maintenance of a log of every entry edited or deleted where the registers and other documents are maintained electronically.

**Serial Numbering: Rule 56(9)** provides that where a registered person maintains books of accounts manually, each volume of such books of accounts shall be serially numbered.

**Presumption regarding books of accounts: Rule 56(10)** provides that unless proved otherwise, if any documents, registers or any books of accounts belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.

**Maintenance of accounts by an agent: Rule 56(11)** requires an agent to maintain:

- (a) particulars of authorisation received from each principal to receive or supply goods or services on behalf of each such principal;
- (b) particulars indicating description, value and quantity (wherever applicable), of goods or services received and supplied on behalf of every principal;
- (c) details of accounts furnished to every principal; and
- (d) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

**Maintenance of accounts by a manufacturer: Rule 56(12)** requires a manufacturer to maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of goods so manufactured including the waste and by-products thereof.

**Maintenance of accounts by a supplier of service: Rule 56(13)** requires a supplier of service to

maintain:

- (a) quantitative details of goods used in the provision of services;
- (b) details of input services utilised; and
- (c) details of services supplied.

**Maintenance of accounts by a works contractor: Rule 56(14)** requires a works contractor to maintain separate accounts for each works contract showing:

- (a) name and address of the person on whose behalf the works contract is executed;
- (b) description, value and quantity (wherever applicable) of goods or services received and utilised in the execution of works contract;
- (c) details of payments received in respect of each works contract; and
- (d) name and addresses of suppliers from whom he received goods or services.

**Keeping and maintenance of accounts and other particulars in electronic form:** Registered assessee may keep and maintain accounts and other particulars in the electronic form in such manner as may be prescribed. **Rule 56(15)** provides that such records shall be authenticated by means of a digital signature.

**Preservation of accounts: Rule 56(16)** provides that “accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 (i.e. until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records) and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.

**Rule 56(17)** provides that any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him and shall produce the details thereof as and when required by the proper officer.

**Rule 56(18)** provides that every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law for the time being in force.

#### **Generation and maintenance of electronic records (Rule 57)**

- a. **Rule 57(1)** provides that proper electronic back up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accident or natural causes, the information can be restored within a reasonable time.
- b. **Rule 57(2)** requires registered person to produce on demand, relevant electronic records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
- c. **Rule 57(3)** requires registered person to provide on demand, details of files stored

electronically, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stores in such files.

- (ii) **Section 35(2)** provides that every person who owns/ operates any warehouse, godown or any other place for storage of goods and every transporter should maintain the records of the consigner, consignee and other relevant details of the goods, even if such persons are not registered under the Act –i.e., both registered and unregistered persons are required to maintain such records/ details.
- (iii) **Section 35(3)**: Commissioner may notify a class of taxable persons to maintain additional accounts or documents for specified purpose.
- (iv) **Section 35(4)**: If Commissioner considers that any class of taxable persons are not in a position to keep and maintain accounts in accordance with section 35, he can, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in any other manner.
- (v) **Audit: Section 35(5)** provides that every registered person whose aggregate turnover during a financial year **exceeds Rs. 2 (two) crores** as mentioned in Rule 80(3) shall get his accounts audited by a chartered accountant or a cost accountant and shall submit to the proper officer a copy of the audited statement of accounts together with the electronic reconciliation statement u/s 44(2).
- (vi) **Section 35(6)** provides that subject to provisions of section 17(5)(h), where the registered person fails to account for the goods and/or services in accordance with the provisions of section 35(1), the amount payable in such case would be determined by the proper officer based on the demand provisions (Section 73/74) as the case may be as if such goods/services had been supplied by such person. Section 17(5)(h) provides that input tax credit shall not be available in cases where goods are lost, stolen, destroyed, written off, or disposed of as gifts or free samples.

**Rule 58 provides for maintenance of records by owner or operator of godown or warehouse and transporters as follows:**

- (a) If a person who is required to maintain records and accounts in accordance with the provision of section 35(2) is unregistered, then he shall submit his business details electronically on GST Portal in **Form GST ENR-01**, either directly or through a Facilitation Center notified by the Commissioner and upon validation, a unique enrolment number shall be generated and communicated to him.
- (b) The person enrolled in any other state or Union Territory (UT) shall be deemed to be enrolled in the state or UT.
- (c) Details furnished in ENR-01 can be amended electronically, whenever required.
- (d) Rule 58(4) provides that subject to provisions of Rule 56,
  - i. any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him alongwith the GSTIN of the registered consignor and consignee for each of his branches.
  - ii. Every owner or operator of a warehouse or godown shall maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt and disposal of such goods.



The owner or operator of the godown shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

## 6. Accounting Treatment under GST

- a. Accounting Treatment of Inward Supplies under GST
- b. Accounting Treatment of Outward Supplies under GST
- c. Accounting Treatment in case of advance payment/receipt/refund for goods/services
- d. Accounting Treatment in case of distribution of Input tax credit by Input Service Distributor
- e. Accounting Treatment in case of Job work
- f. Accounting Treatment in case of supply through agents and intermediaries
- g. Accounting treatment in case of goods sent on approval basis
- h. Accounting treatment in case of issue of debit note
- i. Accounting treatment in case of issue of credit note
- j. Accounting treatment in case of E-Commerce and TCS
- k. Accounting treatment in case of TDS
- l. Accounting treatment in case of Capital Goods
- m. Accounting treatment in case of reversal of Input tax credit
- n. Accounting treatment in case of offset of tax liability

### 6(a) Accounting Treatment of Inward Supplies under GST

**“Inward supply”** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration- **Section 2(67) of the CGST Act.**

Thus, inward supply may be of goods (inputs or capital goods) or of input services. The supplier may be a registered person or an unregistered person. Again, registered person may be a person supplying goods under composition scheme under section 10 of the CGST Act. If supply is received of notified goods or services, reverse charge provisions under section 9(3) of CGST Act or section 5(3) of the IGST Act will become applicable. Similarly, if supply is received by a registered person from an unregistered person, reverse charge provisions under section 9(4) of the CGST Act or section 5(4) of the IGST Act will become applicable. Inward supplies may be of goods and/or services attracting exempt, nil rated, non-taxable or other prescribed rates. The supply may also be of goods and/ or services on which input tax credit is not available. Further, the supply may be intra-state, inter-state, by way of import, from SEZ etc. In the following paras, an effort has been made to show accounting entries covering each of these transactions.

#### **A. Types of Inward Supply**

Inward supply may include:

1. Supply from registered person
2. Supply under reverse charge
  - a. of notified goods/services
  - b. from unregistered persons
3. Supply from a person registered under Composition scheme
4. Exempt/Nil rated/Non-Taxable supplies

5. Supply by way of Import/ from SEZ
6. Supply from Branch/another business vertical

Further, from taxability point of view, supply may be:

1. Taxable supply;
2. Non-taxable supply;
3. Exempt supply;
4. Nil rated supply

**Taxable Supply:** “Taxable supply” means a supply of goods or services or both which is leviable to tax under this Act -**Section 2(108) of the CGST Act, 2017.**

**Non-Taxable Supply:** “Non-Taxable supply” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act -**Section 2(78) of the CGST Act, 2017.**

**Exempt Supply:** “Exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply- **Section 2(47) of the CGST Act, 2017.**

**Nil-rated supply:** “Nil-rated supply” is not defined in the Act. However, supply of any goods or services or both which attracts nil rate of tax is a nil-rated supply.

### Nature of Supply

The nature of supply may be intra-state or inter-state. Import and supply from a SEZ developer or unit shall be treated as inter-state supply. The principle for determining the nature of supply has been given in section 7 (for inter-state supply) and section 8 (for intra-state supply) and section 9 (Supplies in Territorial Waters) of IGST Act, 2017.

### **Assumptions for Inward supply:**

- Purchase of 7 units @ 10/- each
- Incidental expenses like transportation charged by supplier- Rs. 30/-
- Total value of inward supply: Rs. 100/-
- CGST @9%
- SGST @ 9%
- IGST @ 18%

**Note:** For ease of understanding, we have used Purchase/Expense instead of ‘Inward Supply’. Further, it has been presumed that the recipient shall take credit of eligible input tax on provisional basis in terms of provisions of section 41 of the CGST Act. Alternatively, input tax credit can also be routed through a control account, say, interim account and on eligibility, shall be transferred to respective input tax credit account.

## 6(a)-A1: Inward supply from registered person (B2B Supply)

### Illustration for Inward supply:

- Purchase of 7 units @ 10/- each
- Incidental expenses like transportation charged by supplier- Rs. 30/-
- Total value of inward supply: Rs. 100/-
- CGST @9%
- SGST @ 9%
- IGST @ 18%
- Cess @ 5%

**Note:** For ease of understanding, we have used Purchase/Expense instead of 'Inward Supply'. Further, it has been presumed that the recipient shall take credit of eligible input tax on provisional basis in terms of provisions of section 41 of the CGST Act. Alternatively, input tax credit can also be routed through a control account, say, interim account and on eligibility, shall be transferred to respective input tax credit account.

Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
<b>a. For Intra State Supply from a registered person</b>			
Purchase/Expense A/c	Dr. 100		<b>Statutory reference:</b> Sec 9 of the CGST Act read with Sec 16(1) of CGST Act <b>GSTR Return Reference Table:</b> GSTR 2>>Table 3
SGST - Input A/c	Dr. 9		
CGST - Input A/c	Dr. 9		
Cess - Input A/c	Dr. 5		
To Vendor/Bank A/c (Being intra state purchase made)		123	
<b>b. For Inter State Supply from a registered person</b>			
Purchase/Expense A/c	Dr. 100		<b>Statutory reference:</b> Sec 7 of the IGST Act read with Sec 16(1) of CGST Act <b>GSTR Return Reference Table:</b> GSTR 2>>Table 3
IGST- Input A/c	Dr. 18		
Cess - Input A/c	Dr. 5		
To Vendor/Bank A/c (Being inter-state purchase made)		123	

### Notes:

- In case of goods, purchase account will be debited and in case of services, the expense account will be debited.
- In case of credit purchase, the Vendor will be credited and in case of cash purchase, bank or cash will be credited.
- Cess is charged in accordance with Section 8 of The Goods & Services Tax (Compensation to States) Act, 2017

## 6(a)-A2: Supply under reverse charge

“Reverse charge” means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act- **Section 2(98) of the CGST Act.**

Under section 9(3) of the CGST Act, SGST Act and section 5(3) of the IGST Act, recipient of the goods and/or services is liable to pay tax on notified categories of supply of goods and/or services. The Government has issued N.No.4/2017-Central Tax (Rate) and N.No.4/2017-Integrated Tax (Rate) in respect of goods and N.No.13/2017-Central Tax (Rate) and N. No.10/2017-Integrated Tax (Rate) in respect of services, all dated 28<sup>th</sup> June, 2017.

Under section 9(4) of the CGST Act, the central tax and under section 5(4) of the IGST Act, the integrated tax in respect of the supply of taxable goods and/or services by an unregistered supplier to a registered person shall be paid by such registered person on reverse charge basis.

However, the Government vide N. No. 38/2017- Central Tax (Rate) dated 13th October, 2017 has exempted such supplies by an unregistered supplier to a registered person from reverse charge till 31st March, 2018. Earlier such exemption was limited up to an aggregate value of Rs.5000/- per day from all unregistered persons vide Notification No. 8/2017 Central Tax (Rate) dated 28th June, 2017.

If taxable goods and/or services is received by a registered person from an unregistered supplier and such registered person is liable to pay tax under section 9(3) or section 9(4) of the CGST Act or under section 5(3) or 5(4) of the IGST Act, then he shall issue an invoice under section 31(3)(f) of the CGST Act and a payment voucher at the time of making payment to the supplier under section 31(3)(g) of the CGST Act read with Rule 46 and Rule 52 respectively.

Under 2nd proviso to Rule 46 of the CGST Rules, 2017, a consolidated invoice may be issued at the end of a month for supplies covered under section 9(4), where aggregate value of such supplies exceeds Rs. 5000/- in a day from any or all the suppliers.

Subject to such restrictions and conditions as prescribed in section 16 and 17 of the CGST Act and Rules 36 to 45 of the CGST Rules, Input Tax Credits (ITC) in respect of taxes paid on reverse charge basis shall be available to the recipient.

#### Accounting Entries:

S.No.	Particulars	Debit	Credit	Remarks
A. (I)	<b>For Intra-state Inward supply u/s 9(3)/9(4)</b>			<b>GSTR Return Reference Table:</b> GSTR 2>>Table 4A and 4B
	Purchase/Expense A/c Dr.	100		
	SGST - Interim Input A/c Dr.	9		
	CGST - Interim Input A/c Dr.	9		
	Compensation Cess - Interim Input A/c Dr.	5		
	To Output SGST (RCM) A/c		9	
	To Output CGST (RCM) A/c		9	

	To Output Compensation Cess (RCM) A/c			5	
	To Vendor/Bank A/c			100	
	(Being intra state purchases made)				
(II)	E-cash Ledger CGST A/c	Dr.	9		
	E-cash Ledger SGST A/c	Dr.	9		
	E-cash Ledger Cess A/c	Dr.	5		
	To Bank A/c			23	
	(Being tax deposited in the Electronic Cash Ledger)				
(III)	Output SGST (RCM) A/c	Dr.	9		
	Output CGST (RCM) A/c	Dr.	9		
	Output Compensation Cess (RCM) A/c	Dr.	5		
	To E-cash Ledger CGST A/c			9	
	To E-cash Ledger SGST A/c			9	
	To E-cash Ledger Cess A/c			5	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				
(IV)	SGST - Input A/c	Dr.	9		
	CGST - Input A/c	Dr.	9		
	Compensation Cess - Input A/c	Dr.	5		
	To SGST Interim Input A/c			9	
	To CGST Interim Input A/c			9	
	To Compensation Cess - Interim Input A/c			5	
	(Being Input tax transferred on payment of tax under RCM on intra-state supply)				
B. (I)	<b>For Inter-state Inward supply u/s 5(3)/5(4)</b>				
	Purchase/Expense A/c	Dr.	100		
	IGST- Interim Input A/c	Dr.	18		
	Compensation Cess - Interim Input A/c	Dr.	5		
	To Output IGST (RCM) A/c			18	
	To Output Compensation Cess (RCM) A/c			5	
	To Vendor/Bank A/c			100	
	(Being inter-state purchases made)				
(II)	E-cash Ledger IGST A/c	Dr.	18		
	E-cash Ledger Cess A/c	Dr.	5		
	To Bank A/c			23	

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**GSTR Return Reference Table:**  
GSTR 2>>Table 4A & 4B

	(Being tax deposited in the Electronic Cash Ledger)			
(III)	Output IGST (RCM) A/c	Dr.	18	
	Output Compensation Cess (RCM) A/c	Dr.	5	
	To E-cash Ledger IGST A/c			18
	To E-cash Ledger Cess A/c			5
	(Being payment of tax under RCM on inter-state supply made through Electronic Cash ledger)			
(IV)	IGST - Input A/c	Dr.	18	
	Compensation Cess - Input A/c	Dr.	5	
	To IGST Interim Input A/c			18
	To Compensation Cess - Interim Input A/c			5
	(Being Input tax transferred on payment of tax under RCM on inter-state supply)			

**Note:** Input Tax Credit under Reverse Charge shall be available in the month in which self-invoice is issued under section 31(3)(f).

### 6(a)-A3: Inward Supply from a person under composition scheme

Under section 10(4) of the CGST Act, a person eligible to pay tax under composition scheme shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax. Further, reverse charge under section 9(4) shall also not be applicable, as a person under composition scheme is a registered person under GST. Such a person shall, issue a bill of supply instead of a tax invoice, containing such particulars and in such manner as provided in section 31(3)(c) read with Rule 49 of CGST Rules, 2017. Proviso to section 31(3)(c) further provides that a bill of supply may not be issued if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed.

However, GST levied on taxable inward supplies received by a person under composition scheme shall become a cost to him as he cannot avail input tax credit on that.

As per section 10(2), a registered person shall be eligible to opt for composition scheme, only if:

- he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II;
- he is not engaged in making any supply of goods which are not leviable to tax;
- he is not engaged in making any inter-State outward supplies of goods;
- he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
- he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council:

### Accounting Entries:

Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
<b>For Inter State and Intra State Supply from a composite dealer</b>			
Purchase/Expense A/c To Vendor/Bank A/c (Being inward supply made from a person under Composition Scheme)	Dr. 118	118	GSTR Return Reference Table: GSTR 2>>Table 7(2)

#### 6(a)-A4: Inward Supply [Exempt/Nil rated/Non-Taxable]

A registered person supplying exempted goods or services or both shall issue a bill of supply, instead of a tax invoice, containing such particulars and in such manner as provided in section 31(3)(c) read with Rule 49 of CGST Rules, 2017. Proviso to section 31(3)(c) further provides that a bill of supply may not be issued if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed.

#### Accounting Entries:

Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
<b>For Inter State and Intra State Supply of Nil rated/Exempt/Non-taxable goods or services</b>			
Purchase/Expense A/c To Vendor/Bank A/c (Being Intra-state/Inter-state Inward supply of Exempt/Nil rated/Non-Taxable goods or services undertaken)	Dr. 118	118	GSTR Return Reference Table: GSTR 2>>Table 7(3/4/5)

#### 6(a)-A5: Inward Supply by way of import/from SEZ

**Import of Goods:** 'Import of goods' with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India and shall be treated as inter-state supply- **Section 2(10) read with section 7(2) of the IGST Act, 2017.**

Import of goods being an inter-state supply as per section 7(2) [supra], will be subject to levy of IGST as provided in section 5(1) of the IGST Act. Additional duty of customs (CVD) or Special Additional Duty (SAD) hitherto levied on imported goods in pre-GST regime, shall no longer be levied except on few commodities such as pan masala, certain petroleum products. The levy, collection, valuation and point of taxation of IGST, however, shall not be as per GST law but as per the provisions of Customs Act as provided in the **proviso to Section 5(1) of IGST Act** as follows:

"Integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at

the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.”

Thus,

- **Levy and collection of IGST on import of goods into India:** shall be in accordance with the provisions of section 3 of the Customs Tariff Act, 1975;
- **Valuation:** shall be determined under the Customs Tariff Act, 1975 and
- **Point of Taxation:** shall be at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

In addition, a few products such as aerated waters, tobacco products, motor vehicles etc. would also attract levy of GST Compensation Cess, over and above IGST.

**Valuation and method of calculation in case of import of goods:** For calculating IGST on any imported goods, the value of such imported goods shall be the aggregate of -

- i. the value determined under section 14(1) or the tariff value fixed under section 14(2) of the Customs Act, 1962; and
- ii. any duty of Customs chargeable on that article under section 12 of the Customs Act, 1962; and
- i. any sum chargeable on that article under any law for the time being in force as an addition to, or as duty of Customs. These would include education cess or higher education cess as well as anti-dumping and safeguard duties.

but does not include IGST and GST Compensation Cess as referred to in section 3(7) and 3(9) of the Customs Tariff Act.

The value of the imported article for the purpose of levying GST Compensation cess shall be the aggregate of the followings:

- i. Assessable value;
- ii. Basic Customs Duty (BCD) levied under the Act;
- iii. any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include education cess or higher education cess as well as anti-dumping and safeguard duties.

Prior to 1st July, 2017, anti-dumping duties and safeguard duty were not included in the value for the levy of additional duty of customs (CVD) or Special Additional Duty (SAD). However, now for calculating IGST on imported goods, these duties will be included. The IGST paid shall not be added to the value for the purpose of calculating Compensation Cess.

**Import of Services:** “Import of services” as defined in **section 2(11) of the IGST Act** means the supply of any service, where-

- (i) the supplier of service is located outside India;
- (ii) the recipient of service is located in India; and
- (iii) the place of supply of service is in India



Import of services being an inter-state supply as per section 7(2) [supra], will be subject to levy of IGST as provided in section 5(1) of the IGST Act. However, unlike import of goods, such levy will be on the value determined under section 15 of the CGST Act and collected in such manner as may be prescribed. The tax shall be payable under reverse charge by the recipient of services (other than a non-taxable online recipient) as provided in Sl. No. 1 of N. No. 10/2017-Integrated Tax (Rate) dated 28<sup>th</sup> June, 2017.

**Special Economic Zone:** "Special Economic Zone" shall have the same meaning as assigned to it in clause (za) of section 2 of the Special Economic Zones Act, 2005- **Section 2(19) of the IGST Act.**

**Special Economic Zone developer:** "Special Economic Zone Developer" shall have the same meaning as assigned to it in clause (g) of section 2 of the Special Economic Zones Act, 2005 and includes an Authority as defined in clause (d) and a Co-Developer as defined in clause (f) of section 2 of the said Act - **Section 2(20) of the IGST Act.**

Supply of goods or services or both to or by a Special Economic Zone developer or a Special Economic Zone unit shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce- **Section 7(5)(b) of IGST Act.** Such supplies shall not be treated an intra-state supply as also mentioned in clause (i) of proviso to section 8(1) and proviso to section 8(2) of IGST Act.

**Illustration:**

- Import 9 units @ 10/- each
- Total Custom Duty Rs. 10.
- Total value of inward supply: Rs. 100/-
- IGST @ 18%

**Accounting Entries**

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)	Remarks
a.	Purchase A/c	Dr.	90		<b>GSTR Return Reference Table: For goods: GSTR 2&gt;&gt;Table 5A and 5B For services: GSTR 2&gt;&gt;Table 4C</b>
	Custom Duty A/c	Dr.	10		
	CGST - Interim Input A/c	Dr.	18		
	To Vendor/Bank A/c			90	
	To Output IGST (RCM) A/c			18	
	To Custom Duty Payable A/c			10	
	(Being goods/services imported from outside India/SEZ)				
b.	Custom Duty Payable A/c	Dr.	10		
	To Bank A/c			10	
	(Being inter-state purchases made)				
c.	E-cash Ledger IGST A/c	Dr.	18		

	To Bank A/c (Being tax payable deposited in the Electronic Cash Ledger)		18	
d.	Output IGST (RCM) A/c To E-cash Ledger IGST A/c (Being payment of tax under RCM on import supply made through Electronic Cash ledger)	Dr.	18	18
e.	IGST - Input A/c To IGST Interim Input A/c (Being Input tax transferred on payment of tax under RCM on inter-state supply)	Dr.	18	18

#### 6(a)-A6: Inward Supply from Branch/another business vertical

As per Para 2 of Schedule-I to the CGST Act, 2017, Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business shall be treated as supply even if made without any consideration. This will include the cases of stock transfer between branches from other states as well as supply from another business vertical, being a distinct person, within the same state.

#### Accounting Entries:

Particulars		Debit (Rs.)	Credit (Rs.)
<b>a. For Intra State Supply from a business vertical</b>			
Purchase/Expense A/c	Dr.	100	
SGST - Input A/c	Dr.	9	
CGST - Input A/c	Dr.	9	
Cess - Input A/c	Dr.	5	
To Business vertical A/c (Being intra state transfer made from a business vertical of the company)			123
<b>b. For Inter State Supply from a business vertical</b>			
Purchase/Expense A/c	Dr.	100	
IGST- Input A/c	Dr.	18	
Cess - Input A/c	Dr.	5	
To Business vertical A/c			123

(Being inter state transfer made from a business vertical of the company)		
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## 6(b): Accounting Treatment of Outward Supplies under GST

“**Outward supply**” in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business- **Section 2(83) of the CGST Act.**

### A. Types of Outward Supply

Outward supply may include:

1. Supply under forward charge
2. Supply under reverse charge
3. Supply by way of Export/SEZ/Deemed Export
4. Supply by a person under Composition scheme
5. Supply to Branch/another business vertical

### Illustrations for Outward supply:

- Supply of 5 units @ 15/- each
- Incidental expenses like transportation etc.- Rs. 25/-
- Total value of supply-Rs. 100/-
- CGST @9%
- SGST @ 9%
- IGST @ 18%
- Compensation Cess @ 5%

### 6(b)-A1: Outward supply under forward charge

Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
<b>a. For Intra State Supply made</b>			
Debtor/Bank A/c	Dr. 123		<b>GSTR Return Reference Table:</b> <b>To Registered Person: GSTR 1&gt;&gt;Table 4A</b> <b>To Unregistered Person: GSTR 1&gt;&gt;Table 7A(1)</b>
To Output SGST A/c		9	
To Output CGST A/c		9	
To Output Cess A/c		5	
To Sales/Services A/c (Being intra state supply made)		100	
<b>b. For Inter State Supply made</b>			
Debtor/Bank A/c	Dr. 123		<b>GSTR Return Reference Table:</b>

To Output IGST A/c		18	<b>To Registered Person: GSTR 1&gt;&gt;Table 4A</b>
To Output Cess A/c		5	
To Sales/Services A/c		100	
(Being inter-state purchase made)			<b>To Unregistered Person:</b> <b>GSTR 1&gt;&gt;Table 7B(1)- If invoice value upto Rs. 2.50 lacs</b> <b>GSTR 1&gt;&gt;Table 5A- If invoice value is &gt; Rs. 2.50 lacs</b>

**Note:** In case of exempt sales/service, there would be no entries for tax.

### 6(b)-A2: Outward supply under reverse charge

In case the supplier makes supply under Section 9(3) of CGST or Section 5(3) of IGST, following journal entries are to be passed:

Particulars		Debit (Rs.)	Credit (Rs.)
Debtor/Bank A/c	Dr.	100	
To Sales/Services A/c			100
(Being inter/intra state supply made)			

S.No.	Particulars	GSTR 1 Table Reference
1	Intra state supply made to a registered person	4B
2	Inter state supply made to a registered person	4B
3	Intra state supply made to an unregistered person	7A
4	Inter state supply made to an unregistered person	7B(1)

### 6(b)-A3: Outward supply by way of Export/SEZ

As per section 16(1) of the IGST Act, export of goods and/or services or supply of goods and/or services to a SEZ developer or a SEZ unit shall be treated as “**zero rated supply**”, meaning thereby no tax shall be leviable on such supplies.

Section 16(2) further provides that “subject to the provisions of section 17(5) of the CGST Act, input tax credit may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply”.

As per section 16(3), a registered person making zero rated supply shall be eligible to claim refund in accordance with the provisions of section 54 of the CGST Act or the rules made thereunder. He may supply goods or services or both, subject to such conditions, safeguards and procedure as prescribed in Rules 89 to 97A of the CGST Rules and the notifications/circulars issued in this regard, under either of the following options:

(a) Under bond or Letter of Undertaking, without payment of integrated tax and claim refund of unutilised input tax credit; or

(b) On payment of integrated tax and claim refund of such tax paid on goods or services or both supplied.

### Accounting Entries:

#### (I) Export Under Payment of GST

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)	Remarks
a.	Debtor/Bank A/c IGST Refundable A/c	Dr Dr	100 18		<b>GSTR Return Reference</b> Table: GSTR 1>>Table 6A & 6B
	To Sales/Services A/c To Output IGST A/c (Being goods/services exported)			100 18	
b.	Output IGST A/c To IGST Input A/c (Being output IGST being reduced with the eligible Input of tax)	Dr.	12	12	
c.	E-Cash Ledger IGST A/c To Bank A/c (Being balance tax payable deposited in the Electronic Ledger of IGST)	Dr.	6	6	
d.	Output IGST A/c To E-Cash Ledger IGST A/c (Being balance output liability adjusted with the E-Cash Ledger of IGST)	Dr.	6	6	
e.	IGST Refund Claim A/c To IGST Refundable A/c	Dr.	18	18	GSTR Return Reference Table: IGST paid amount of

	(Being balance output liability adjusted with the E-Cash Ledger of IGST)			6/- out of 18/- to be shown in Table 14 of GSTR - 3.
f.	Bank A/c To IGST Refund Claim A/c (Being refund received)	Dr.	18	18

## (II) Export under Bond/LUT

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)	Remarks
a.	Debtor/Bank A/c To Sales/Services A/c (Being goods/services exported under Bond/LUT))	Dr.	100	100	
b.	CGST/SGST/IGST Refund Claim A/c To Input- CGST/SGST/IGST A/c (Being refund of eligible ITC as per Rule 89 in case of export/SEZ Supply under Bond/LUT claimed)	Dr.	12	12	GSTR Return Reference Table: GSTR 1>>Table 6A & 6B
c.	Bank A/c To CGST/SGST/IGST Refund Claim A/c (Being refund received)	Dr.	12	12	

### 6(b)-A4: Outward supply to another branch/business vertical having same PAN

Para 2 of Schedule-I read with Section 7 states that supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business shall be treated as supply even if made without consideration.

Section 25(4) states that “a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act”

Section 25(5) states that “where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act”

## Accounting entries

A. In the books of the transferring Branch

Particulars	Debit (Rs.)	Credit (Rs.)	
<b>a. For Intra State Supply to a business vertical</b>			
Business vertical A/c Dr.	123		<b>GSTR Return Reference Table: GSTR 1&gt;&gt;Table 4A</b>
To Output SGST A/c		9	
To Output CGST A/c		9	
To Output Cess A/c		5	
To Sales/Services A/c		100	
(Being intra state transfer made to a business vertical of the company)			
<b>b. For Inter State Supply from a business vertical</b>			
Business vertical A/c Dr.	123		<b>GSTR Return Reference Table: GSTR 1&gt;&gt;Table 4A</b>
To Output IGST A/c		18	
To Output Cess A/c		5	
To Sales/Services A/c		100	
(Being inter state transfer made to a business vertical of the company)			

B. In the books of the recipient branch

Particulars	Debit (Rs.)	Credit (Rs.)	
<b>a. Where credit of GST paid is availed by the Recipient branch</b>			
Purchase A/c Dr.	100		<b>GSTR Return Reference Table: GSTR 1&gt;&gt;Table 4A</b>
SGST - Input A/c Dr.	9		
CGST - Input A/c Dr.	9		
Cess - Input A/c Dr.	5		
To Business Vertical A/c		123	In case of Interstate supply, CGST and SGST will be replaced by IGST.
(Being intra state transfer made to a business vertical of the company)			
<b>b. Where credit of GST paid is not availed by the Recipient branch</b>			
Business vertical A/c Dr.	123		
To Sales/Services A/c		123	
(Being intra/inter state transfer made to a business vertical of the company)			

**6(c): Accounting Treatment in case of Advance payment/receipt/refund for goods/services**

Accounting treatment in case of advance payment/receipt and refund for goods and services, from the point of view of the recipient and the supplier is discussed below:

**A. Accounting treatment in case of advance payment for goods and services by the recipient**

In case of inward supply of services from unregistered suppliers, a registered person is liable to pay tax under reverse charge as per the provisions of section 12(3) and 13(3) of the CGST Act. When advance payment is made to such unregistered supplier, date of advance payment being the earliest event, becomes the time of supply and accordingly the liability to pay the tax crystallizes.

However, in case of supply of goods from unregistered supplier, in view of Notification No 66/2017 – Central Tax, a registered person is liable to pay tax under reverse charge as per the provisions of section 12(1)(a). When advance payment is made to such unregistered supplier, date of issue of invoice or the last date on which the supplier is required to issue invoice under Section 31(1) of CGST Act, becomes the time of supply and accordingly the liability to pay the tax crystallizes.

**Accounting Entries:**

**1. Advance paid for services to unregistered dealer in one month and purchase in subsequent month**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
A. (I)	<b>For Intra-state advance</b>			
	Vendor A/c	Dr. 100		<b>GSTR Return Reference Table: GSTR 2&gt;&gt;Table 10A(1) and GSTR 3&gt;&gt;5A(II)</b>
	SGST - Interim Input A/c	Dr. 9		
	CGST - Interim Input A/c	Dr. 9		
	Compensation Cess - Interim Input A/c	Dr. 5		
	To Output SGST (RCM) A/c		9	
	To Output CGST (RCM) A/c		9	
	To Output Compensation Cess (RCM) A/c		5	
	To Bank A/c		100	
	(Being advance payment made to an unregistered supplier and recognition of GST Liability)			
(II)	E-cash Ledger CGST A/c	Dr. 9		<b>Note: This entry not to be passed if URD purchase is recorded in the same month.</b>
	E-cash Ledger SGST A/c	Dr. 9		
	E-cash Ledger Cess A/c	Dr. 5		
	To Bank A/c		23	
	(Being tax deposited in the Electronic Cash Ledger)			
(III)	Output SGST (RCM) A/c	Dr. 9		



	Output CGST (RCM) A/c	Dr.	9	<b>Note: This entry not to be passed if URD purchase is recorded in the same month.</b>
	Output Compensation Cess (RCM) A/c	Dr.	5	
	To E-cash Ledger CGST A/c		9	
	To E-cash Ledger SGST A/c		9	
	To E-cash Ledger Cess A/c		5	
	(Being payment of tax under RCM on intra-state advance made through Electronic Cash ledger)			
(IV)	Purchase/Expense A/c	Dr.	500	Intra-state Inward supply u/s 9(3)/9(4) GSTR Return Reference Table: GSTR 2>>Table 4B
	SGST - Interim Input A/c	Dr.	45	
	CGST - Interim Input A/c	Dr.	45	
	Compensation Cess - Interim Input A/c	Dr.	25	
	To Output SGST (RCM) A/c		45	
	To Output CGST (RCM) A/c		45	
	To Output Compensation Cess (RCM) A/c		25	
	To Vendor A/c		500	
(V)	Output SGST (RCM) A/c	Dr.	9	
	Output CGST (RCM) A/c	Dr.	9	
	Output Compensation Cess (RCM) A/c	Dr.	5	
	To SGST Interim Input A/c		9	
	To CGST Interim Input A/c		9	
	To Compensation Cess - Interim Input A/c		5	
	(Being amount transferred from Input A/c on payment of tax on RCM)			
(VI)	E-cash Ledger CGST A/c	Dr.	36	
	E-cash Ledger SGST A/c	Dr.	36	
	E-cash Ledger Cess A/c	Dr.	20	
	To Bank A/c		92	
	(Being tax under RCM deposited in the Electronic Cash Ledger)			
(VII)	Output SGST (RCM) A/c	Dr.	36	
	Output CGST (RCM) A/c	Dr.	36	
	Output Compensation Cess (RCM) A/c	Dr.	20	
	To E-cash Ledger CGST A/c		36	
	To E-cash Ledger SGST A/c		36	
	To E-cash Ledger Cess A/c		20	

	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				
(VIII)	SGST - Input A/c	Dr.	45		
	CGST - Input A/c	Dr.	45		
	Compensation Cess - Input A/c	Dr.	25		
	To SGST Interim Input A/c			45	
	To CGST Interim Input A/c			45	
	To Compensation Cess - Interim Input A/c			25	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				
B. (I)	<b>For Inter-state Advance</b>				
	Vendor A/c	Dr.	100		
	IGST - Interim Input A/c	Dr.	18		
	Compensation Cess - Interim Input A/c	Dr.	5		
	To Output IGST (RCM) A/c			18	
	To Output Compensation Cess (RCM) A/c			5	
	To Bank A/c			100	
	(Being advance payment made to an unregistered supplier and recognition of GST Liability)				
(II)	E-cash Ledger IGST A/c	Dr.	18		
	E-cash Ledger Cess A/c	Dr.	5		
	To Bank A/c			23	
	(Being tax deposited in the Electronic Cash Ledger)				
(III)	Output IGST (RCM) A/c	Dr.	18		
	Output Compensation Cess (RCM) A/c	Dr.	5		
	To E-cash Ledger IGST A/c			18	
	To E-cash Ledger Cess A/c			5	
	(Being payment of tax under RCM on intra-state advance made through Electronic Cash ledger)				
(IV)	Purchase/Expense A/c	Dr.	500		
	IGST - Interim Input A/c	Dr.	90		
	Compensation Cess - Interim Input A/c	Dr.	25		
	To Output IGST (RCM) A/c			90	

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**GSTR Return Reference Table: GSTR 2>>Table 4A & 4B**

**Note: This entry not to be passed if URD purchase is recorded in the same month.**

**Note: This entry not to be passed if URD purchase is recorded in the same month.**

Intra-state Inward supply u/s 5(3)/5(4)  
GSTR Return Reference Table: GSTR 2>>Table 4B

	To Output Compensation Cess (RCM) A/c			25	
	To Vendor A/c			500	
(V)	Output IGST (RCM) A/c	Dr.	18		
	Output Compensation Cess (RCM) A/c	Dr.	5		
	To IGST Interim Input A/c			18	
	To Compensation Cess - Interim Input A/c			5	
	(Being amount transferred from Input A/c on payment of tax on RCM)				
(VI)	E-cash Ledger IGST A/c	Dr.	72		
	E-cash Ledger Cess A/c	Dr.	20		
	To Bank A/c			92	
	(Being tax under RCM deposited in the Electronic Cash Ledger)				
(VII)	Output IGST (RCM) A/c	Dr.	72		
	Output Compensation Cess (RCM) A/c	Dr.	20		
	To E-cash Ledger IGST A/c			72	
	To E-cash Ledger Cess A/c			20	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				
(VIII)	IGST - Input A/c	Dr.	90		
	Compensation Cess - Input A/c	Dr.	25		
	To IGST Interim Input A/c			90	
	To Compensation Cess - Interim Input A/c			25	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				

**2. Advance paid for goods to unregistered dealer in one month and purchase in subsequent month**

**a. Invoice is issued before the last date of issuance of Invoice**

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)	Remarks
(I)	Vendor A/c	Dr.	100		
	To Bank A/c			100	
	(Being advance payment made to an unregistered supplier for supply of goods)				

(II)	Purchase/Expense A/c	Dr.	500		Intra-state Inward supply u/s 9(3)/9(4) GSTR Return Reference Table: GSTR 2>>Table 4B
	SGST - Interim Input A/c	Dr.	45		
	CGST - Interim Input A/c	Dr.	45		
	Compensation Cess - Interim Input A/c	Dr.	25		
	To Output SGST (RCM) A/c			45	
	To Output CGST (RCM) A/c			45	
	To Output Compensation Cess (RCM) A/c			25	
	To Vendor A/c			500	
(VI)	E-cash Ledger CGST A/c	Dr.	45		
	E-cash Ledger SGST A/c	Dr.	45		
	E-cash Ledger Cess A/c	Dr.	25		
	To Bank A/c			115	
	(Being tax under RCM deposited in the Electronic Cash Ledger)				
(VII)	Output SGST (RCM) A/c	Dr.	45		
	Output CGST (RCM) A/c	Dr.	45		
	Output Compensation Cess (RCM) A/c	Dr.	25		
	To E-cash Ledger CGST A/c			45	
	To E-cash Ledger SGST A/c			45	
	To E-cash Ledger Cess A/c			25	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				
(VIII)	SGST - Input A/c	Dr.	45		
	CGST - Input A/c	Dr.	45		
	Compensation Cess - Input A/c	Dr.	25		
	To SGST Interim Input A/c			45	
	To CGST Interim Input A/c			45	
	To Compensation Cess - Interim Input A/c			25	
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)				

Please note that in case of Inter state supply, CGST & SGST will be replaced by IGST

**b. Invoice is not issued on or before the last date of issuance of invoice**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	Vendor A/c Dr. To Bank A/c (Being advance payment made to an unregistered supplier for supply of goods)	100	100	Intra-state Inward supply u/s 9(3)/9(4)
(II)	SGST - Interim Input A/c Dr. CGST - Interim Input A/c Dr. Compensation Cess - Interim Input A/c Dr. To Output SGST (RCM) A/c To Output CGST (RCM) A/c To Output Compensation Cess (RCM) A/c (Being liability of GST under Reverse Charge booked)	9 9 5	9 9 5	Intra-state Inward supply u/s 9(3)/9(4) GSTR Return Reference Table: GSTR 2>>Table 4B This transaction will take place on the last date on which the invoice was required to be issued.
(III)	E-cash Ledger CGST A/c Dr. E-cash Ledger SGST A/c Dr. E-cash Ledger Cess A/c Dr. To Bank A/c (Being tax under RCM deposited in the Electronic Cash Ledger)	9 9 5	23	
(IV)	Output SGST (RCM) A/c Dr. Output CGST (RCM) A/c Dr. Output Compensation Cess (RCM) A/c Dr. To E-cash Ledger CGST A/c To E-cash Ledger SGST A/c To E-cash Ledger Cess A/c (Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)	9 9 5	9 9 5	
(V)	Purchase/Expense A/c Dr. SGST - Interim Input A/c Dr. CGST - Interim Input A/c Dr. Compensation Cess - Interim Input A/c Dr. To Output SGST (RCM) A/c To Output CGST (RCM) A/c To Output Compensation Cess (RCM) A/c To Vendor A/c (Being purchases made)	500 45 45 25	45 45 25 500	Intra-state Inward supply u/s 9(3)/9(4) GSTR Return Reference Table: GSTR 2>>Table 4B

(VI)	Output SGST (RCM) A/c	Dr.	9	
	Output CGST (RCM) A/c	Dr.	9	
	Output Compensation Cess (RCM) A/c	Dr.	5	
	To SGST Interim Input A/c			9
	To CGST Interim Input A/c			9
	To Compensation Cess - Interim Input A/c			5
	(Being output RCM and Input on advance paid reversed)			
(VII)	E-cash Ledger CGST A/c	Dr.	36	
	E-cash Ledger SGST A/c	Dr.	36	
	E-cash Ledger Cess A/c	Dr.	20	
	To Bank A/c			92
	(Being tax under RCM deposited in the Electronic Cash Ledger)			
(VIII)	Output SGST (RCM) A/c	Dr.	36	
	Output CGST (RCM) A/c	Dr.	36	
	Output Compensation Cess (RCM) A/c	Dr.	20	
	To E-cash Ledger CGST A/c			36
	To E-cash Ledger SGST A/c			36
	To E-cash Ledger Cess A/c			20
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)			
(IX)	SGST - Input A/c	Dr.	45	
	CGST - Input A/c	Dr.	45	
	Compensation Cess - Input A/c	Dr.	25	
	To SGST Interim Input A/c			45
	To CGST Interim Input A/c			45
	To Compensation Cess - Interim Input A/c			25
	(Being payment of tax under RCM on intra-state supply made through Electronic Cash ledger)			

Please note that in case of Inter state supply, CGST & SGST will be replaced by IGST

**B. Accounting treatment in case of receipt for advance payment for goods and services by the supplier**

Section 31(3)(d) of the CGST Act provides that on receipt of advance payment with respect to any supply of goods or services or both, a registered person shall issue a receipt voucher or any other document, containing such particulars as prescribed in Rule 50 of the CGST Rules, evidencing receipt of such payment. 1<sup>st</sup> proviso to Rule 50 further states that where at the time of receipt of advance-

- (i) the rate of tax is not determinable, the tax shall be paid at the rate of 18%;
- (ii) the nature of supply is not determinable, the same shall be treated as inter-State supply.

In case of receipt of advance payment against supply of goods and/or services, date of receipt of advance payment being the earlier event, is the time of supply as per the provisions of section 12(2)(b) and 13(2)(a) and (b) of the CGST Act. However, by virtue of N. No. 66/2017-Central Tax dated 15<sup>th</sup> November, 2017, receipt of advance against supply of goods is no longer a determining factor to ascertain time of supply. Effective from 15<sup>th</sup> November, 2017, only the date of issue of invoice or the last date when an invoice is required to be issued under section 31(1) of the CGST Act shall determine the time of supply in case of supply of goods. This notification has superseded N. No. 40/2017-Central Tax dated 13<sup>th</sup> October, 2017, by which only a registered person with aggregate turnover upto 1.50 crores is entitled to this benefit.

However, on receipt of advance against supply of services, date of receipt of advance, being earliest event, shall continue to be time of supply as per the provisions of section 13(2)(a) and (b).

#### Accounting Entries:

##### 1. In case of Advance for Services

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	Bank A/c	Dr. 123		<b>GSTR Return Reference Table: GSTR 1&gt;&gt; Table 1A</b>  It has been assumed that the amount has been received inclusive of tax. If not, then the amount received shall be grossed up and the amount of tax shall be calculated accordingly.
	SGST on advance A/c	Dr. 9		
	CGST on advance A/c	Dr. 9		
	Compensation Cess on advance A/c	Dr. 5		
	To Output SGST A/c		9	
	To Output CGST A/c		9	
	To Output Compensation Cess A/c		5	
	To Vendor A/c		123	
	(Being advance payment received and recognition of GST Liability)			
(II)	E-cash Ledger CGST A/c	Dr. 9		
	E-cash Ledger SGST A/c	Dr. 9		
	E-cash Ledger Cess A/c	Dr. 5		
	To Bank A/c		23	
	(Being tax deposited in the Electronic Cash Ledger)			

(III)	Output SGST A/c	Dr.	9	
	Output CGST A/c	Dr.	9	
	Output Compensation Cess A/c	Dr.	5	
	To E-cash/credit Ledger CGST A/c			9
	To E-cash/credit Ledger SGST A/c			9
	To E-cash/credit Ledger Cess A/c			5
	(Being payment of tax made through Electronic Cash ledger)			
(IV)	Vendor A/c	Dr.	73.8	
	To Output SGST A/c			5.4
	To Output CGST A/c			5.4
	To Output Compensation Cess A/c			3
	To Sales A/c			60
	(Being sales made to the Vendor)			
(V)	Output SGST A/c	Dr.	5.4	
	Output CGST A/c	Dr.	5.4	
	Output Compensation Cess A/c	Dr.	3	
	To SGST on Advance A/c			5.4
	To CGST on Advance A/c			5.4
	To Compensation Cess on Advance A/c			3
	(Being amount of GST adjusted with the amount paid)			
(VI)	Vendor A/c	Dr.	49.2	
	To Bank A/c			49.2
	(Being amount refunded to the vendor)			
(VII)	CGST Refund A/c	Dr.	3.6	
	SGST Refund A/c	Dr.	3.6	
	Compensation Cess Refund A/c	Dr.	2	
	To SGST on Advance A/c			3.6
	To CGST on Advance A/c			3.6
	To Compensation Cess on Advance A/c			2
	(Being balance GST refundable under Section 54(8) booked)			
(VIII)	Bank A/c	Dr.	9.2	
	To CGST Refund A/c			3.6
	To SGST Refund A/c			3.6
	To Compensation Cess Refund A/c			2



(Being balance GST refund received directly in the bank)			
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Note: In case of Inter state supply, CGST and SGST will be replaced by IGST.

## 2. Advance for goods

### a. Invoice is issued before the last date of issuance of Invoice

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	Bank A/c To Vendor A/c (Being advance payment received for supply of goods)	Dr. 100	100	GSTR Return Reference Table: GSTR 1>> Table 1A
(II)	Vendor A/c To Output SGST A/c To Output CGST A/c To Output Compensation Cess A/c To Sales A/c (Being sales made to the Vendor)	Dr. 615	45 45 25 500	
(III)	E-cash Ledger CGST A/c E-cash Ledger SGST A/c E-cash Ledger Cess A/c To Bank A/c (Being tax deposited in the Electronic Cash Ledger)	Dr. Dr. Dr.	45 45 25 115	
(IV)	Output SGST A/c Output CGST A/c Output Compensation Cess A/c To E-cash Ledger CGST A/c To E-cash Ledger SGST A/c To E-cash Ledger Cess A/c (Being payment of tax made through Electronic Cash ledger)	Dr. Dr. Dr.	45 45 25 45 45 25	
(V)	Vendor A/c To Bank A/c (Being amount refunded to the vendor)	Dr. 515	515	

Note: In case of Inter state supply, CGST and SGST will be replaced by IGST.

b. Invoice is issued after the last date of issuance of Invoice

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	Bank A/c Dr. To Vendor A/c (Being advance payment received for supply of goods)	100	100	<b>GSTR Return Reference Table: GSTR 1&gt;&gt; Table 1A</b>
(II)	E-cash Ledger CGST A/c Dr. E-cash Ledger SGST A/c Dr. E-cash Ledger Cess A/c Dr. To Bank A/c (Being tax deposited in the Electronic Cash Ledger)	9 9 5	23	This transaction will take on the last date on which invoice should have been issued.
(III)	Output SGST A/c Dr. Output CGST A/c Dr. Output Compensation Cess A/c Dr. To E-cash Ledger CGST A/c To E-cash Ledger SGST A/c To E-cash Ledger Cess A/c (Being payment of tax made through Electronic Cash ledger)	9 9 5	9 9 5	
(IV)	Vendor A/c Dr. To Output SGST A/c To Output CGST A/c To Output Compensation Cess A/c To Sales A/c (Being sales made to the Vendor)	615	45 45 25 500	
(V)	E-cash Ledger CGST A/c Dr. E-cash Ledger SGST A/c Dr. E-cash Ledger Cess A/c Dr. To Bank A/c (Being tax deposited in the Electronic Cash Ledger)	36 36 20	92	

(VI)	Output SGST A/c	Dr.	36	
	Output CGST A/c	Dr.	36	
	Output Compensation Cess A/c	Dr.	20	
	To E-cash Ledger CGST A/c			36
	To E-cash Ledger SGST A/c			36
	To E-cash Ledger Cess A/c			20
	(Being payment of tax made through Electronic Cash ledger)			
(VII)	Vendor A/c	Dr.	515	
	To Bank A/c			515
	(Being amount refunded to the vendor)			

Note: In case of Inter state supply, CGST and SGST will be replaced by IGST.

#### 6(d): Accounting Treatment in case of distribution of Input tax credit by Input Service Distributor

**Input Service Distributor:** “Input Service Distributor” (ISD) means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office- **Section 2(61) of CGST Act and SGST, 2017. Thus, credit transfer by an ISD can only be for services and not for goods.**

Section 20(1) of CGST Act states that “the Input Service Distributor shall distribute the credit of:

- central tax as central tax or integrated tax and
- integrated tax as integrated tax or central tax,

by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed”. An ISD invoice or credit note shall contain the details as prescribed in Rule 54 of the CGST and SGST Rules.

Section 20(1) of the SGST Act states that “the Input Service Distributor shall similarly distribute the credit of:

- state tax as state tax or integrated tax and
- integrated tax as integrated tax or state tax,

The distribution of credit shall be subject to such conditions as specified in section 20(2) of the CGST and SGST Act.

#### Accounting Entries (In the books of ISD)

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	<b>a. For Intra State Supply</b>			
	Purchase/Expense A/c	Dr. 100		<b>GSTR Return Reference Table: GSTR 6&gt;&gt;Table 3</b>
	SGST - Input A/c	Dr. 9		
	CGST - Input A/c	Dr. 9		
	Cess - Input A/c	Dr. 5		
	To Vendor/Bank A/c		123	
	(Being intra state purchase made by ISD)			
	<b>b. For Inter State Supply</b>			
	Purchase/Expense A/c	Dr. 100		<b>GSTR Return Reference Table: GSTR 6&gt;&gt;Table 3</b>
	IGST- Input A/c	Dr. 18		
	Cess - Input A/c	Dr. 5		
	To Vendor/Bank A/c		123	
	(Being inter-state purchase made by ISD)			
(II)	Business Vertical A/c	Dr. 18		GSTR Return Reference Table: GSTR 2>>Table 8A of branch (BY recipient) GSTR 6>>Table 5 of ISD
	To CGST - Input A/c		9	
	To SGST - Input A/c		9	
	(Being intra state credit transfer to one or more than one business vertical having separate GSTIN)			Note: CGST and SGST can be transferred as IGST also within the state as per section 20(1).
(III)	Business Vertical A/c	Dr. 18		GSTR Return Reference Table: GSTR 2>>Table 8A of branch (BY recipient) GSTR 6>>Table 5 of ISD
	To IGST - Input A/c		18	
	(Being inter state credit transfer to one or more than one business vertical having separate GSTIN)			Note: IGST can be transferred as CGST or SGST also within the state as per section 20(1).
(IV)	Branch A/c	Dr. 36		GSTR Return Reference Table: GSTR 2>>Table 8A of branch (Recipient) GSTR 6>>Table 5 of ISD
	To CGST - Input A/c		9	
	To SGST - Input A/c		9	
	To IGST - Input A/c		18	
	(Being inter state credit transfer to one or more than one branch in separate states having separate GSTIN)			Note: Credit transfer will always be IGST

## **6(e): Accounting Treatment in case of Job work**

The term “**Job work**” as defined in section 2(68) of the CGST Act, 2017 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.”

Explanation (ii) to section 22 of the CGST Act states that the supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in section 143, and the value of such goods shall not be included in the aggregate turnover of the registered job worker.

As per section 143 of the CGST Act, principal may under intimation and subject to such conditions as may be prescribed, send any inputs (including intermediate goods) or capital goods, without payment of tax, to a job worker for job work and from there subsequently to another job worker and likewise. The goods shall be sent to the job worker under the cover of a delivery challan as mentioned in Rule 45 containing the details as specified in Rule 55. Such details, amongst other things, shall include taxable value of the goods.

### **Conditions for removal of goods without payment of tax:**

- a) such Inputs are brought back to any of his place of business within one year of their being sent out; or
- b) such capital goods (other than moulds and dies, jigs and fixtures, or tools) are brought back to any of his place of business within three years of their being sent out.

### **Supply from the place of business of job worker- Section 143(1)(b) of CGST Act**

Instead of bringing the input or capital goods back to any of his place of business, principal may supply such inputs or capital goods within above mentioned period of one year and three years respectively, from the place of business of the job worker itself:

- on payment of tax within India; or
- with or without payment of tax for export; as the case may be.

However, to do so, principal has to declare job worker’s place of business as his additional place of business except:

- where the job worker himself is registered under section 25; or
- where the principal is engaged in the supply of such goods as may be notified by the Commissioner.

In terms of section 143(2) of CGST Act, 2017 the principal shall be responsible for keeping proper accounts for the inputs or capital goods sent to the job worker.

### **Consequences of not receiving goods back or directly supplying from Job Worker’s place within prescribed time limit- Section 143(3) and 143(4)**

If the inputs/capital goods are not received back or supplied directly from job worker's place of business as stated above, within the prescribed period of 1/3 years respectively, then such inputs/capital goods shall be deemed to be "supply" from the principal to the job worker on the day when said inputs/capital goods were sent out.

The said supply shall have to be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest- **Rule 45(4) of CGST Rules.**

After completion of the job work, the job worker shall return the said goods to the principal's premises under delivery challan or the principal may supply the said goods from the premises and Job worker will prepare his invoice for job work charges.

### **Reporting of stock movement with their taxable values in ITC-04- Rule 45(3)**

The details of following challans issued during a quarter shall be furnished in **FORM GST ITC-04** on or before the 25<sup>th</sup> day of the month succeeding the said quarter or such further period as may be extended:-

- i. Goods dispatched to a job worker or
- ii. Goods received from a job worker or
- iii. Goods sent from one job worker to another.

### **Waste and Scarp during Job Work- Section 143(5) of CGST Act**

Any waste and scrap generated during the job work may be supplied by the job worker directly from his place of business on payment of tax, if he is registered; or by the principal, if the job worker is not registered.

## **Inventories & Accounting Entries**

### **A. In the books of Principal**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	<b>Dispatch of Inputs to the Job Worker</b> Stock with Job Worker A/c Dr. To Stock Control A/c (Being goods sent on job work)	****	****	Stock with Job worker will appear in Balance Sheet with Inventories as stock lying with third party.  Stock Control A/c will appear in Trading A/c /Statement of profit and loss with Inventories as stock lying with third party.

(II)	<b>Receipt of inputs/capital goods within one year</b> Stock Control A/c Dr. **** To Stock with Job Worker A/c **** (Being goods received back from the job worker within one year)			
(III)	<b>Receipt of Job Work invoice from Job Worker</b> <b>(A) Job Worker is registered</b> Job Work Charges A/c Dr. **** CGST - Input A/c Dr. *** SGST - Input A/c Dr. *** To Job Worker A/c **** (Being job work invoice received from Job worker)			
	<b>(B) Job Worker is unregistered</b> Accounting entry will be the same in case of reverse charge as mentioned in Para 6(a)-A2			
(IV)	<b>Transfer of input from one job worker to another</b> Stock with Job Worker 'A' A/c Dr. **** To Stock with Job Worker 'B' A/c **** (Being stock transferred from one job worker to another)			
(V)	<b>Supply of inputs from Job worker's place of business on payment of tax in India.</b>			
	A. Stock Control A/c Dr. **** To Stock with Job Worker A/c **** (Being inputs supplied from Job Worker's place of business on payment of tax)		****	In this case, Principal has to declare job worker's place of business as his additional place of business, if job worker is unregistered.
	B. For other entries, refer Outward Supply - Para No. 6(b)-A1			
(VI)	<b>Supply of inputs from Job worker's place of business with payment of tax for export.</b>			
	A. Stock Control A/c Dr. **** To Stock with Job Worker A/c **** (Being inputs supplied from Job Worker's place of business on payment of tax)		****	
	B. For other entries, refer Outward Supply - Para No. 6(b)-A3			
(VII)	<b>Supply of inputs from Job worker's place of business without payment of tax for export</b>			
	A. Stock Control A/c Dr. **** To Stock with Job Worker A/c ****		****	

	(Being inputs exported from Job Worker's place of business without payment of tax)			
	B. For other entries, refer Outward Supply - Para No. 6(b)-A3			
(VIII)	<b>Non-receipt of inputs from Job worker within prescribed time limit of one year</b>			
	A. Stock Control A/c To Stock with Job Worker A/c (Being Inputs supplied from Job Worker's premises to the Principal's)	Dr.	****	**** Supply shall be deemed to have taken place on the date of dispatch to job worker and applicable interest has to be paid.
	B. For other entries, refer Outward Supply - Para No. 6(b)-A1			
(IX)	<b>Receipt of inputs from Job worker after prescribed time limit of one year</b>			
	A. No Entry for stock transfer			Note: To be treated as Inward supply from job worker
	B. Accounting entry if job worker is registered, refer inward supply - Para No. 6(a)A1			
	C. Accounting entry if job worker is unregistered, refer inward supply - Para No. 6(a)A2			
(X)	<b>Supply of waste and scrap from Job worker's place of business if job worker is unregistered.</b>			
	Debtor/Bank A/c To Output SGST A/c To Output CGST A/c To Output Cess A/c To Sale of waste & Scrap A/c (Being waste & Scrap sold on payment of tax)	Dr.	****	** ** ** ****
(XI)	<b>Process Loss/ Normal Loss of goods at job worker's place of business</b>			
	Stock with Job Worker A/c To Stock Control A/c (Being normal/process loss at job worker's premises recorded in the books of accounts)	Dr.	****	****
(XII)	<b>Abnormal loss for example-goods at job worker's place of business-lost, stolen, destroyed, written off etc.</b>			
	Stock with Job Worker A/c To Stock Control A/c (Being abnormal loss at job worker's premises recorded in the books of accounts)	Dr.	****	****
	Goods lost/destroyed A/c To Stock A/c	Dr.	****	****



(Being stock lost or destroyed at job worker's premises)			
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### B. In the books of Job Worker

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
(I)	<b>Receipt of inputs from Principal</b> Job Work Stock A/c Dr. **** To Stock of Principal A/c **** (Being inputs received for job work)			
(II)	<b>Return of inputs to principal within one year</b> Stock of Principal A/c Dr. **** To Job Work Stock A/c **** (Being inputs returned to the principal within one year)			
(III)	<b>Raising of invoice on the Principal for job work charges</b>			
	<b>(A) Job Worker is registered</b> Principal A/c Dr. **** To CGST - Output A/c *** To SGST - Output A/c *** To Job Work Charges A/c **** (Being job work invoice issued to the principal)			
	<b>(B) Job Worker is unregistered</b> Principal A/c Dr. **** To Job Work Charges A/c *** (Being job work invoice issued to the principal)			
(IV)	<b>Dispatch of input from one job worker to another</b> Stock with Principal 'A' A/c Dr. **** To Job Work Stock A/c **** (Being stock transferred to another job worker)			
(V)	<b>Supply of inputs from Job worker's place of business on payment of tax in India.</b>			
	Stock with Principal 'A' A/c Dr. ****			

	To Job Work Stock A/c (Being inputs supplied from Job Worker's place of business on payment of tax)		****	Note: No accounting entry in the books of registered job worker except for job work charges.
(VI)	<b>Supply of inputs/capital goods by the principal from Job worker's place of business with payment of tax for export</b>			
	Stock with Principal 'A' A/c To Job Work Stock A/c (Being inputs supplied for export from Job Worker's place of business on payment of tax)	Dr.	****	**** Note: No accounting entry in the books of registered job worker except for job work charges.
(VII)	<b>Supply of inputs from Job worker's place of business without payment of tax for export</b>			
	Stock with Principal 'A' A/c To Job Work Stock A/c (Being inputs exported from Job Worker's place of business without payment of tax)	Dr.	****	**** Note: No accounting entry in the books of registered job worker except for job work charges.
(VIII)	<b>Non-dispatch of inputs to Principal within prescribed time limit of one year</b>			
	A. Stock with Principal 'A' A/c To Job Work Stock A/c (Being stock entry passed on non dispatch of inputs to the principal within the period of one year.	Dr.	****	**** Note: Supply shall be deemed to have taken place on the date of dispatch to job worker and applicable interest has to be paid.
	B. For other entries, if job worker is registered, refer Inward Supply - Para No. 6(a)-A1			
	C. For other entries, if job worker is unregistered:			
	Purchase A/c To Principal 'A' A/c (Being accounting entry passed at the time of non transfer of inputs within a period of one year.	Dr.	****	**** Note: The purchase amount includes the GST amount.
(IX)	<b>Dispatch of inputs to principal after prescribed time limit of one year</b>			
	A. No Entry for stock transfer			Note: To be treated as Outward supply to Principal
	B. Accounting entry if job worker is registered, refer outward supply - Para No. 6(b)A1			
	C. For accounting entries, if job worker is unregistered:			
	Principal 'A' A/c To Sales A/c (Being accounting entry passed on dispatch of inputs to principal after a period of one year)	Dr.	****	****
(X)	<b>Supply of waste and scrap by Job worker if he is registered</b>			
	Debtor/Bank A/c To Output SGST A/c	Dr.	****	**

	To Output CGST A/c To Output Cess A/c To Sale of waste & Scrap A/c (Being waste & Scrap sold on payment of tax)		** ** ****	
(XI)	<b>Issue of credit note to Principal for sale of waste/scrap, if sale of waste/scrap is on account of principal</b>			
	Waste & Scrap A/c To Principal A/c  (Being credit note issued to the Principal for sale of waste/scrap, if sale of waste/scrap is on account of principal)	Dr.	****  ****	

### 6(f): Accounting Treatment in case of supply through agents/intermediaries

“**Agent**” as defined in section 2(5) of the CGST Act means “a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another.”

An “**Intermediary**” on the other hand, has been defined in section 2(13) of the IGST Act and it means “a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account”

Thus, an intermediary does not carry on the business of supply or receipt of goods or services or both on behalf of another but arranges or facilitates the supply of goods or services or both, or securities, between two or more persons.

As per section 2(85) of the CGST Act, “Place of business” includes a place where a taxable person is engaged in business through an agent, by whatever name called.

The word “Principal” has been defined in section 2(88) of the CGST Act to mean “a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both.

Explanation (c) to section 15 of the CGST Act states that persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

Clause (vii) of section 24 of the CGST Act states that “persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise” are compulsorily required to be registered irrespective of their turnover.

Section 86 of the CGST Act states that “where an agent supplies or receives any taxable goods on behalf of his principal, such agent and his principal shall, jointly and severally, be liable to pay the tax payable on such goods under this Act.”

As per Para 3 of Schedule I of the CGST Act, Supply of goods,

- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
- (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

shall be treated as supply even if made without consideration.

### Accounting Entries

#### A. Supplies through agents

##### A1. In the books of Principal

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
A. (I)	<b>For Intra-state supply</b>		
	Agent A/c Dr.	123	
	To Output SGST A/c		9
	To Output CGST A/c		9
	To Output Compensation Cess A/c		5
	To Intra State Consignment A/c		100
	(Being intra state supply made through an agent)		
(II)	Commission A/c Dr.	10	
	Input SGST A/c Dr.	0.9	
	Input CGST A/c Dr.	0.9	
	To Agent A/c		11.8
	(Being receipt of invoice from the agent for commission for intra state supply)		
B. (I)	<b>For Inter-state supply</b>		
	Agent A/c Dr.	123	
	To Output IGST A/c		18
	To Output Compensation Cess A/c		5
	To Inter State Consignment A/c		100
	(Being inter state supply made through an agent)		
(II)	Commission A/c Dr.	10	
	Input IGST A/c Dr.	1.8	
	To Agent A/c		11.8

(Being receipt of invoice from the agent for commission for inter state supply)			

## A2. In the books of agents

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)
A. (I)	<b>For Intra-state supply</b>			
	Intra State Consignment Purchase A/c	Dr.	100	
	SGST - Input A/c	Dr.	9	
	CGST - Input A/c	Dr.	9	
	Cess - Input A/c	Dr.	5	
	To Principal A/c			123
	(Being intra state receipt of goods from an agent)			
(II)	Principal A/c	Dr.	11.8	
	To Output SGST A/c			0.9
	To Output CGST A/c			0.9
	To Commission A/c			10
	(Being invoice raised for commission to the principal for intra state supply)			
B. (I)	<b>For Inter-state supply</b>			
	Inter State Consignment Purchase A/c	Dr.	100	
	IGST - Input A/c	Dr.	18	
	Cess - Input A/c	Dr.	5	
	To Principal A/c			123
	(Being inter state receipt of goods from an agent)			
(II)	Principal A/c	Dr.	11.8	
	To Output IGST A/c			1.8
	To Commission A/c			10
	(Being invoice raised for commission to the principal for inter state supply)			

**Note:** Accounting treatment in case of supply of goods by an agent to his customers shall be same as in case of outward supply. Please refer **Para No. 6(b)**.

## B. Supply through Intermediaries

### B1. In the books of Principal

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
A. (I)	<b>For Intra-state supply</b>		
	Commission A/c Dr.	10	
	Input SGST A/c Dr.	0.9	
	Input CGST A/c Dr.	0.9	
	To Agent A/c		11.8
	(Being receipt of invoice from the intermediary for commission for intra state supply)		
B. (I)	<b>For Inter-state supply</b>		
	Commission A/c Dr.	10	
	Input IGST A/c Dr.	1.8	
	To Agent A/c		11.8
	(Being receipt of invoice from the intermediary for commission for inter state supply)		

## B2. In the books of agents

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
A. (I)	<b>For Intra-state supply</b>		
	Principal A/c Dr.	11.8	
	To Output SGST A/c		0.9
	To Output CGST A/c		0.9
	To Commission A/c		10
	(Being invoice raised for commission to the principal for intra state supply)		
B. (I)	<b>For Inter-state supply</b>		
	Principal A/c Dr.	11.8	
	To Output IGST A/c		1.8
	To Commission A/c		10
	(Being invoice raised for commission to the principal for inter state supply)		

## 6(g): Accounting Treatment in case of goods sent on approval basis

**Section 31(7) of the CGST Act** provides that “Notwithstanding anything contained in sub-section (1), where the goods being sent or taken on approval for sale or return are removed before the supply takes

place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier”.

Whenever an invoice is issued, accounting treatment shall be same as mentioned in case of outward supply in **Para 6(b)**.

The goods on approval basis shall be sent under the cover of a delivery challan as mentioned in Rule 45 containing the details as specified in Rule 55. Such details, amongst other things, shall include taxable value of the goods.

### Inventory Entries

Particulars	Amount (Rs.)	Amount (Rs.)	Remarks
Goods sent on approval Stock Control A/c      Dr To Goods sent on approval A/c (Being stock entry passed for the goods sent on approval)	100	100	Goods sent on approval Stock Control A/c will appear in Balance Sheet under Inventories.  Goods sent on approval A/c will appear in Trading A/c under Inventories.

Accounting entry on ‘acceptance’ or end of ‘6<sup>th</sup> month’

.....

### 6(h): Accounting Treatment- Issue of Credit Note under GST

**Section 34(1)** of the CGST Act provides that “where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as prescribed in Rule 53.

**Section 34(2)** provides that “any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed. However, no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

A credit note can be issued by the supplier for different reasons. Three situations have been covered in the following paras for the purpose of accounting entries:

- Sales Return
- Post Supply Discount
- Downward Price Revision

Example:

Sales: Rs.1000

GST Rate: 18%

Cess Rate: 5%

Sales Return/Discount given/Downward Revision of price: Rs. 100

#### A. Accounting entries (In the books of Supplier)

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
(I)	<b>Return of goods from the recipient</b>		
	Sales Return A/c	Dr. 100	
	SGST - Output A/c	Dr. 9	
	CGST - Output A/c	Dr. 9	
	Cess - Output A/c	Dr. 5	
	To Debtors A/c		123
	(Being goods returned by the customer)		
(II)	<b>Discount given to the customer</b>		
	Discount Given A/c	Dr. 100	
	SGST - Output A/c	Dr. 9	
	CGST - Output A/c	Dr. 9	
	Cess - Output A/c	Dr. 5	
	To Debtors A/c		123
	(Being discount given to the customer)		
(III)	<b>Downward revision of price</b>		
	Sales A/c	Dr. 100	
	SGST - Output A/c	Dr. 9	
	CGST - Output A/c	Dr. 9	
	Cess - Output A/c	Dr. 5	
	To Debtors A/c		123
	(Being downward revision in sale price recorded)		

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST.

#### B. Accounting entries (In the books of Recipient)



S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
(I)	<b>Return of goods to the recipient</b>		
	Creditor A/c Dr.	123	
	To SGST - Input A/c		9
	To CGST - Input A/c		9
	To Cess - Input A/c		5
	To Purchase return A/c		100
	(Being goods returned to the supplier)		
(II)	<b>Discount received from the supplier</b>		
	Creditor A/c Dr.	123	
	To SGST - Input A/c		9
	To CGST - Input A/c		9
	To Cess - Input A/c		5
	To Discount received A/c		100
	(Being discount received from the supplier)		
(III)	<b>Downward revision of price</b>		
	Creditor A/c Dr.	123	
	To SGST - Input A/c		9
	To CGST - Input A/c		9
	To Cess - Input A/c		5
	To Purchase A/c		100
	(Being downward revision in purchase price recorded)		

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST.

### 6(i) Accounting Treatment- Issue of Debit Note under GST

**Section 34(3)** of the CGST Act provides that “where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing such particulars as prescribed” i.e. particulars as prescribed in Rule 53.

**Section 34(4)** provides that “any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.

**Explanation:** For the purposes of this Act, the expression “debit note” shall include a supplementary invoice.

A debit note can be issued by the supplier for different reasons. One situation has been covered in the following paras for the purpose of accounting entries:

- Upward Price Revision

Example:

Sales: Rs. 1000

GST Rate: 18%

Cess Rate: 5%

Downward Revision of price: Rs. 100

#### Accounting entries (In the books of Supplier)

Particulars	Debit (Rs.)	Credit (Rs.)
<b>a. For Intra State upward price revision made</b>		
Debtor A/c Dr.	123	
To Output SGST A/c		9
To Output CGST A/c		9
To Output Cess A/c		5
To Sales/Services A/c		100
(Being upward revision in price in intra state supply made)		
<b>b. For Inter State upward price revision made</b>		
Debtor A/c Dr.	123	
To Output IGST A/c		18
To Output Cess A/c		5
To Sales/Services A/c		100
(Being upward revision in price in inter state supply made)		

#### Accounting entries (In the books of Recipient)

Particulars	Debit (Rs.)	Credit (Rs.)
<b>a. For Intra State upward price revision made</b>		
Purchase/Expense A/c Dr.	100	
SGST - Input A/c Dr.	9	
CGST - Input A/c Dr.	9	

Cess - Input A/c To Vendor/Bank A/c (Being upward revision in price in intra state purchase made/expense incurred)	Dr.	5	123
<b>b. For Inter State upward price revision made</b>			
Purchase/Expense A/c	Dr.	100	123
IGST- Input A/c	Dr.	18	
Cess - Input A/c	Dr.	5	
To Vendor/Bank A/c (Being upward revision in price in inter state purchase made/expense incurred)			

### 6(j): Accounting Treatment for E-Commerce and TCS

“**Electronic commerce**” as defined in section 2(44) of CGST Act means “the supply of goods or services or both, including digital products over digital or electronic network”

“**Electronic commerce operator**” as defined in section 2(45) of the CGST Act means “any person who owns, operates or manages digital or electronic facility or platform for electronic commerce”

**Section 9(5) of the CGST Act and section 5(5) of the IGST Act** provides that electronic Commerce Operator shall be liable to pay tax on notified services supplied through it. For example- Aggregator services like Uber, Ola.

#### Illustrations for aggregator’s services under section 9(5):

- Supply of services Rs 100/- Commission @ 20% will be deducted and paid to Supplier
- CGST @9%
- SGST @ 9%

**Option I:** Aggregator services under section 9(5)-Amount collected by E-Commerce Operator

**Option II:** Amount collected by supplier

#### Option I

**Aggregator services under section 9(5)-Amount collected by E-Commerce Operator (In the books of Aggregator)**

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)
a.	Debtors/Bank A/c To Output CGST - Aggregator A/c	Dr.	123	9

	To Output SGST - Aggregator A/c			9
	To Output Cess - Aggregator A/c			5
	To Aggregator Services A/c			100
	(Being collection liability with aggregator booked for aggregator services provided)			
b.	Aggregator Service A/c	Dr.	80	
	To Service Provider A/c			80
	(Being amount transferable to service provider)			
c.	Service Provider A/c	Dr.	20	
	Input CGST as aggregator A/c	Dr.	1.8	
	Input SGST as aggregator A/c	Dr.	1.8	
	To Commission A/c			20
	To Output CGST A/c			1.8
	To Output SGST A/c			1.8
	(Being commission charged)			

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

#### Outward supply (Supplier's Books)

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)
a.	Aggregator/Debtor A/c	Dr.	100	
	To Sale/Services A/c			100
	(Being services provided)			
b.	Commission Expense A/c	Dr.	20	
	To Aggregator/Debtor A/c			20
	(Being expense booked)			

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

#### Option II

#### Aggregator services under section 9(5)-Amount collected by service provider (Accounting entries in the books of Aggregator)

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)
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a.	Service Provider/Debtors A/c	Dr.	23	
	To Output CGST as Aggregator A/c			9
	To Output SGST as Aggregator A/c			9
	To Output Cess as Aggregator A/c			5
	(Being collection liability with service provider booked)			
b.	Service Provider A/c	Dr.	20	
	Input CGST as aggregator A/c	Dr.	1.8	
	Input SGST as aggregator A/c	Dr.	1.8	
	To Commission A/c			20
	To Output CGST A/c			1.8
	To Output SGST A/c			1.8
	(Being commission charged)			

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

#### Outward supply (Supplier Books)

S.No.	Particulars		Debit (Rs.)	Credit (Rs.)
a.	Debtor/Bank A/c	Dr.	118	
	To Sale/Services A/c			100
	To Aggregator/Debtor A/c			18
	(Being services provided)			
b.	Commission Expense A/c	Dr.	20	
	To Aggregator/Debtor A/c			20
	(Being expense booked)			

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

**Supplies made through e-commerce operator and collection of Tax at source (TCS):** Section 52(1) of the CGST Act provides that where supply is made by the suppliers through an ECO and the consideration with respect to such supplies is to be collected by the ECO, then such ECO, not being an agent, shall, notwithstanding anything to the contrary contained in this Act, collect an amount calculated at such rate not exceeding 1%, as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers.

**Explanation to section 52(1)** further provides that “the expression “net value of taxable supplies” shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under section 9(5), made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

**Illustrations:**

- Supply of goods 10 items @ Rs 100/-
- Goods Returned 1 item
- CGST @9%
- SGST @ 9%
- TCS @ 1% for CGST and SGST

**Supplies through ecommerce (e-commerce operator Books)**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
<b>a.</b>	<b>At the time of sales</b>		
	Bank A/c Dr.	1180	
	To TCS CGST A/c		10
	To TCS SGST A/c		10
	To Vendor A/c		1160
	(Being supplies made through E-commerce operator with TCS @ 1%)		
<b>b.</b>	<b>At the time of Sales Return</b>		
	Vendor A/c Dr.	116	
	TCS CGST A/c Dr.	1	
	TCS SGST A/c Dr.	1	
	To Bank A/c		118
	(Being supplies returned)		

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

**Supplies through e-commerce (Vendor Books)**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)	Remarks
<b>(I)</b>	<b>At the time of sales</b>			
<b>a.</b>	E-commerce Operator A/c Dr.	1180		Party name given since we may require to pass on the GST credit
	To Output SGST A/c		90	
	To Output CGST A/c		90	
	To Sale A/c		1000	
	(Being sales made through E-commerce operator)			

b.	Bank A/c	Dr.	1160		Since payment will be made by e-commerce operator. Debtor's name replaced by ecommerce operator.
	TCS CGST A/c	Dr.	10		
	TCS SGST A/c	Dr.	10		
	To E-commerce Operator A/c (Being e-commerce operator debited)			1180	
<b>(II)</b>	<b>At the time of sales return</b>				
a.	Sales Return A/c	Dr.	100		
	CGST - Output A/c	Dr.	9		
	SGST - Output A/c	Dr.	9		
	To Vendor/Bank A/c (Being sales return recorded)			118	
b.	Debtor A/c	Dr.	118		Since payment to customer will be made by e-commerce operator, credit given to him and TCS reversed.
	To TCS SGST A/c			1	
	To TCS CGST A/c			1	
	To E-commerce Operator A/c (Being e-commerce operator credited)			116	

Note: In case of Inter state supply, CGST & SGST will be replaced by IGST

### 6(k): Accounting Treatment in case of TDS

**Section 51 of CGST Act** provides that "Notwithstanding anything to the contrary contained in this Act, the Government may mandate:

- a department or establishment of the Central Government or State Government; or
- local authority; or
- Governmental agencies; or
- such persons or category of persons as may be notified by the Government on the recommendations of the Council,

(hereafter in this section referred to as "the deductor"), to deduct tax at the rate of 1% from the payment made or credited to the supplier (hereafter in this section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs. 2,50,000/-.

The section further provides that "no deduction shall be made if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient." This means no tax is to be deducted in case of inter-state supply.

**Explanation:** For the purpose of deduction of tax specified above, the value of supply shall be taken as the amount excluding the central tax, State tax, Union territory tax, integrated tax and cess indicated in the invoice.

The Central Government, vide Notification No. 33/2017-Central Tax dated 15th September, 2017 has notified following persons under clause (d) of section 51(1):

- a. an authority or a board or any other body, -
- i. set up by an Act of Parliament or a State Legislature; or
  - ii. established by any Government,

with 51% or more participation by way of equity or control, to carry out any function.

(b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860);

(c) public sector undertakings:

The notification is effective from 18<sup>th</sup> September, 2017, further provides that the persons specified under clause (a), (b) and (d) of section 51(1) as stated above, shall be liable to deduct tax with effect from a date to be notified subsequently, on the recommendations of the GST Council.

#### Accounting entries (In the books of deductor)

S.No.	Particulars	Debit	Credit	Remarks
a.	Purchase/Expense A/c	Dr. 100		<b>GSTR Return Reference Table:                      GSTR 2&gt;&gt;Table 9A                      (TDS credit will be auto populated                      in above table)                      GSTR 3&gt;&gt;Table 9</b>
	SGST – Input A/c	Dr. 9		
	CGST – Input A/c	Dr. 9		
	Cess – Input A/c	Dr. 5		
	To CTDS Payable A/c		1	
	To STDS Payable A/c		1	
	To Vendor A/c		121	
	(Being purchase/expense recorded and TDS @ 1% deducted at the time of credit to the account of supplier)			
b.	E-cash Ledger CGST A/c	Dr. 1		
	E-cash Ledger SGST A/c	Dr. 1		
	To Bank A/c		2	
	(Being TDS deposited in the Electronic Cash Ledger)			
c.	CTDS Payable A/c	Dr. 1		
	STDS Payable A/c	Dr. 1		
	To E-cash Ledger CGST A/c		1	
	To E-cash Ledger SGST A/c		1	
	(Being TDS Payable adjusted with the amount deposited in the e-cash ledger)			



### Accounting entries (In the books of deductee)

S.No.	Particulars		Debit	Credit	Remarks
a.	Debtor/Bank A/c	Dr.	121		
	CTDS Receivable A/c	Dr.	1		
	STDS Receivable A/c	Dr.	1		
	To Sale/Service A/c			100	
	To Output SGST A/c			9	
	To Output CGST A/c			9	
	To Output Cess A/c			5	
	(Being TDS @ 1% deducted by the recipient at the time of credit)				
b.	E-cash Ledger CGST A/c	Dr.	1		GSTR Return Reference Table:
	E-cash Ledger SGST A/c	Dr.	1		GSTR 2>>Table 9A
	To CTDS Receivable A/c			1	GSTR 3>>Table 9
	To STDS Receivable A/c			1	
	(Being TDS amount deposited by the recipient in the Electronic Cash Ledger recorded)				

### 6(I): Accounting Treatment in case of Capital Goods

“**Capital Goods**” has been defined in **Section 2(19) of the CGST Act, 2017** to mean “goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.”

**Section 16(3) of the CGST Act** provides that “where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.”

**Section 18(6) of the CGST Act read with Rule 40(2) of the CGST Rules** provides that “In case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered person shall pay an amount equal to:

- the input tax credit taken on the said capital goods or plant and machinery reduced by 5% points for every quarter or part thereof from the date of the issue of the invoice for such goods; or
- the tax on the transaction value of such capital goods or plant and machinery determined under section 15,

whichever is higher.

Section 18(6) further provides that “where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15.”

## **6(m): Accounting Treatment in case of reversal of Input Tax Credit**

### **Reversal of Input Tax credit in case of non-payment of consideration to the supplier**

**2nd proviso to Section 16(2) read with Rule 37** states that “where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier (say, month 1), he shall (means recipient) furnish the details of such supply, the amount of value not paid and the amount of input tax credit availed of proportionate to such amount not paid to the supplier in **FORM GSTR-2** for the month immediately following the period of 180 days from the date of the issue of the invoice (i.e. month 2) and an amount equal to the input tax credit availed by him shall be added to his output tax liability, along with interest thereon, for the month (i.e. month 2) in which such details are furnished. Interest has to be paid for the period starting from the date of availing credit on such supplies till the date when the amount is added to the output tax liability.

However, the value of supplies made without consideration as specified in Schedule I of the CGST Act, shall be deemed to have been paid for the purposes of the second proviso to section 16(2).

### **Apportionment of Credit**

**Section 17(1) of CGST Act** provides that “where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business”.

**Section 17(2) of CGST Act** provides that “where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the IGST Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

**Section 17(3) of CGST Act** provides that “the value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

**Section 17(4) of CGST Act** provides that “a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to 50% of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse. The option once exercised shall not be withdrawn during the remaining part of the financial year. However, the restriction of 50% shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.

### **Blocked Credits**

**Section 17(5) of the CGST Act** provides that “Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:

- (a) motor vehicles and other conveyances except when they are used:
  - (i) for making the following taxable supplies, namely:
    - (A) further supply of such vehicles or conveyances; or
    - (B) transportation of passengers; or
    - (C) imparting training on driving, flying, navigating such vehicles or conveyances;
  - (ii) for transportation of goods;
- (b) the following supply of goods or services or both:
  - (i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
  - (ii) membership of a club, health and fitness centre;
  - (iii) rent-a-cab, life insurance and health insurance except where:
    - B.** the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or
    - B.** such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and
  - (iv) travel benefits extended to employees on vacation such as leave or home travel concession;
- (c) Works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;
- (d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

*Explanation:* For the purposes of clauses (c) and (d), the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;
- (e) goods or services or both on which tax has been paid under section 10;
- (f) goods or services or both received by a non-resident taxable person except on goods imported by him;
- (g) goods or services or both used for personal consumption;
- (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- (i) any tax paid in accordance with the provisions of sections 74, 129 and 130.

**Manner of determination of input tax credit and reversal thereof has been prescribed in the following rules of CGST Rules:**

**Rule 42:** Manner of determination of input tax credit in respect of inputs or input services and reversal thereof

**Rule 43:** Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases

**Rule 44:** Manner of reversal of credit under special circumstances

Input tax credit may have to be reversed in the following two situations:

- (a) In case where payment is not made within 180 days of the issuance of invoice. In such case, the payment will have to be made along with interest.
- (b) ITC reversal made for any other reason.

**Accounting Entries:**

S.No.	Particulars	Debit	Credit	Remarks
a.	ITC Reversal CGST A/c ITC Reversal SGST A/c ITC Reversal IGST A/c To E-credit Ledger CGST A/c To E-credit Ledger SGST A/c To E-credit Ledger IGST A/c (Being ITC reversed)	Dr. *** Dr. *** Dr. ***	*** *** ***	GSTR Return Reference Table: GSTR 2>>Table 11
b.	Expense A/c To ITC Reversal CGST A/c To ITC Reversal SGST A/c To ITC Reversal IGST A/c (Being reversed ITC transferred to the respective expense head)	Dr. ***	*** *** ***	

**6(n): Accounting treatment in case of offset of tax liability**

**Accounting Entries:**

S.No.	Particulars	Debit (Rs.)	Credit (Rs.)
(I)	<b>Transfer of output liability to E-liability ledgers upon filing of GSTR-1</b>		
	Output SGST A/c	Dr. ****	

	Output CGST A/c	Dr.	****	
	Output IGST A/c	Dr.	****	
	Output Compensation Cess A/c	Dr.	****	
	To E-liability Ledger CGST A/c			****
	To E-liability Ledger SGST A/c			****
	To E-liability Ledger IGST A/c			****
	To E-liability Ledger Cess A/c			****
	(Being output liability transferred to E-liability ledgers upon filing of GSTR-1)			
(II)	<b>Transfer of ITC on Inward supply of goods or services or both), to Electronic Credit ledger upon filing of GSTR-2</b>			
	E-credit Ledger CGST A/c	Dr.	****	
	E-credit Ledger SGST A/c	Dr.	****	
	E-credit Ledger IGST A/c	Dr.	****	
	E-credit Ledger Cess A/c	Dr.	****	
	To CGST - Input A/c			****
	To SGST - Input A/c			****
	To IGST - Input A/c			****
	To Cess - Input A/c			****
	(Being ITC on Inward supply of goods or services or both transferred (To the extent of claim for ITC but including Provisional Credit), to Electronic Credit ledger upon filing of GSTR-2)			
(III)	<b>Mismatched ITC identified and reversed.</b>			
	Mismatch E-credit Ledger CGST A/c	Dr.	****	
	Mismatch E-credit Ledger SGST A/c	Dr.	****	
	Mismatch E-credit Ledger IGST A/c	Dr.	****	
	Mismatch E-credit Ledger Cess A/c	Dr.	****	
	To E-credit ledger CGST A/c			****
	To E-credit ledger SGST A/c			****
	To E-credit ledger IGST A/c			****
	To E-credit ledger Cess A/c			****
	(Being mismatched ITC identified and reversed)			
(IV)	<b>Mismatch ITC rectified by supplier</b>			
	E-credit ledger CGST A/c	Dr.	****	
	E-credit ledger SGST A/c	Dr.	****	
	E-credit ledger IGST A/c	Dr.	****	
	E-credit ledger Cess A/c	Dr.	****	
	To Mismatch E-credit Ledger CGST A/c			****

	To Mismatch E-credit Ledger SGST A/c		****	
	To Mismatch E-credit Ledger IGST A/c		****	
	To Mismatch E-credit Ledger Cess A/c		****	
	(Being credit transferred back to the E-credit Ledger, when mismatch ITC is rectified by the supplier)			
(V)	<b>Mismatch ITC not rectified by supplier</b>			
	Purchase/Expense/Vendor A/c	Dr.	****	
	To Mismatch E-credit Ledger CGST A/c		****	
	To Mismatch E-credit Ledger SGST A/c		****	
	To Mismatch E-credit Ledger IGST A/c		****	
	To Mismatch E-credit Ledger Cess A/c		****	
	(Being credit charged to the Expense or purchase or vendor, when mismatch ITC is not rectified by the supplier)			
(VI)	<b>On Deduction of tax by Govt. department etc OR On collection of tax by E-Commerce Operator</b>			
	E-cash ledger CGST A/c	Dr.	****	
	E-cash ledger SGST A/c	Dr.	****	
	E-cash ledger IGST A/c	Dr.	****	
	E-cash ledger Cess A/c	Dr.	****	
	To Government/Ecommerce Operator A/c		****	
	(Being credit of TDS deposited by Government or E-commerce Operator recognised)			
(VII)	<b>Payment of tax through E-Cash Ledger if credit balance is not sufficient</b>			
	E-cash ledger CGST A/c	Dr.	****	
	E-cash ledger SGST A/c	Dr.	****	
	E-cash ledger IGST A/c	Dr.	****	
	E-cash ledger Cess A/c	Dr.	****	
	To Bank A/c		****	
	(Being payment of tax made through E-Cash Ledger (if credit balance is not sufficient))			
(VIII)	<b>Adjustment entry upon filing of GSTR-3</b>			
	E-liability ledger CGST A/c	Dr.	****	
	E-liability ledger SGST A/c	Dr.	****	
	E-liability ledger IGST A/c	Dr.	****	

E-liability ledger Cess A/c	Dr.	****	
To E-credit ledger CGST A/c			****
To E-credit ledger SGST A/c			****
To E-credit ledger IGST A/c			****
To E-credit ledger Cess A/c			****
To E-cash ledger CGST A/c			****
To E-cash ledger SGST A/c			****
To E-cash ledger IGST A/c			****
To E-cash ledger Cess A/c			****
(Being adjustment entry made upon filing of GSTR 3)			

### 6(o): Accounting Treatment in case of Manufacturing Industries

As per Section 16(2),

“No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—

- he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;
- he has received the goods or services or both.”

In the manufacturing sector, the credit of tax is to be booked only when the above two conditions are satisfied i.e. the recipient is in possession of the tax invoice or the debit note issued by the supplier and has received the goods or services or both.

In certain cases, goods are not completely received; for example, in case the goods are received in more than one consignment under a single invoice; in such case, the credit booked shall be restricted up to the amount of goods received.

Example: Purchase of 100 kg of Material A at Rs. 100 per kg on 01.04.20XX.

GST Rate 18%

70kg received on 05.04.20XX

30kg received on 06.04.20XX

S.No.	Date	Particulars	Debit (Rs.)	Credit (Rs.)
(i)	<b>At the time of purchase of goods</b>			
	01.04.20XX	Purchases A/c	Dr. 10000	
		SGST - Interim Input A/c	Dr. 900	
		CGST - Interim Input A/c	Dr. 900	
		To Bank A/c		11800
		(Being entry passed at the time of purchase of goods)		

(II)	<b>At the time of receipt of 70kg of goods</b>				
	05.04.20XX	CGST Input A/c	Dr.	630	
		SGST Input A/c	Dr.	630	
		To CGST - Interim Input A/c			630
		To SGST - Interim Input A/c			630
		(Being input booked at the time of receipt of goods to the extent of goods received)			
(III)	<b>At the time of receipt of balance 30kg goods</b>				
	06.04.20XX	CGST Input A/c	Dr.	630	
		SGST Input A/c	Dr.	630	
		To CGST - Interim Input A/c			630
		To SGST - Interim Input A/c			630
		(Being balance input booked at the time of receipt of balance goods)			

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