

# **Chapter 10**

## **Goods and Service Tax**

### **(One Country One Tax)**

**GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Only value addition will be taxed and burden of tax is to be borne by the final consumer.**

**GST has a dual aspect with the Centre and States simultaneously levying on a common tax base. There are three main components of GST which are CGST, SGST and IGST.**

**CGST means Central Goods and Services Tax. Taxes collected under CGST will constitute the revenues of the Central Government. The present central taxes like central excise duty, additional excise duty, special excise duty, central sales tax etc., will be subsumed under CGST.**

**SGST means State Good and Services Tax. A collection of SGST is the revenue of the State Government. With GST all state taxes like VAT, entertainment tax, luxury tax, entry tax etc., will be merged with GST.**

**IGST means Integrated Goods and Services Tax. IGST is charged on transfer of goods and services from one state to another. Import of goods and services are also covered under IGST. Revenue collected under IGST will go to the centre later it split between Central and State Government as per the rates specified by the Government.**

### **Characteristics of Goods and Services Tax**

- 1. GST is a common law and procedure throughout the country under single administration.**
- 2. GST is a destination based tax and levied at a single point at the time of consumption of goods and services by the end consumer.**

**3. GST is a comprehensive levy and collection on both goods and services at the same rate with benefit of input tax credit or subtraction of value.**

**4. Minimum number of rates of tax does not exceed two.**

**5. There is no scope for levy of cess, resale tax, additional tax, turnover tax etc.**

**6. There is no multiple levy of tax on goods and services, such as sales tax, entry tax, octroi, entertainment tax or luxury tax etc.**

**7. GST proposes a four tier rate structure. The tax slabs are fixed at 5%, 12%, 18% and 28%. Beside this 0% tax on essential items.**

### **Advantages**

**1. Introduction of GST has resulted in the abolition of multiple types of taxes in goods and services.**

**2. GST widens the tax base and increased revenue to Centre and State thereby reducing administrative cost for the Government.**

**3. GST has reduced compliance cost and increases voluntary compliance.**

**4. GST has affected rates of tax to the maximum of two floor rates.**

**5. GST has removed the cascading effect on taxation.**

**6. GST will result in enhancing manufacturing and distribution system affecting the cost of production of goods and services and consequently the demand and production of goods and services will increase.**

**7. GST would help to extend competitive edge in international market for goods and services produced in the country leading to increased exports.**

## **TYPES OF TAXES UNDER GST**

**GST is levied under following three types**

- 1. Central GST (CGST)**
- 2. State GST (SGST)**
- 3. Integrated GST (IGST)**

**CGST means Central Goods and Services Tax. Taxes collected under CGST will constitute the revenues of the Central Government. SGST means State Good and Services Tax. A collection of SGST is the revenue of the State Government. Both CGST and SGST are levied on intra-state supply (i.e., Sales within the state). In case of Union Territory like Delhi, Chandigarh etc. Union territory GST (UTGST) is levied instead of SGST along with CGST.**

**IGST means Integrated Goods and Services Tax. IGST is charged on transfer of goods and services from one state to another. Import of goods and services are also covered under IGST. Revenue collected under IGST will go to the centre later it split between Central and State Government as per the rates specified by the Government.**

**GST paid is catagorised into input CGST, input SGST/ UTGST and input IGST, while GST collected is catagorised into output CGST. Output SGST/ UTGST and output IGST. GST paid is setoff against GST collected.**

- 1. Input IGST paid is first set off against output IGST and then with output CGST and then with SGST.**
- 2. Input CGST paid is first set off against output CGST and then against output IGST.**
- 3. Input SGST paid is first set off against output SGST and then with output IGST, if required.**

## **JOURNAL ENTRIES FOR GST**

### **1. For purchase of Goods**

Purchase a/c Dr.  
Input CGST a/c Dr.  
Input SGST a/c Dr.  
To Creditors/ Bank a/c

### **2. For Sale of Goods**

Debtors/ Bank a/c Dr.  
To sales a/c  
To Output CGST a/c  
To Output SGST a/c

### **3. For the payment of Expenses.**

Expenses a/c Dr.  
Input CGST a/c Dr.  
Input SGST a/c Dr.  
To Bank a/c

### **4. For Purchase Return**

Creditors a/c Dr.  
To Purchase Return a/c  
To Input CGST a/c  
To Input SGST a/c

### **5. For Sales Returns**

Sales Return a/c Dr.  
Output CGST a/c Dr.  
Output SGST a/c Dr.  
To Debtors a/c

**6. For purchase of Fixed Assets**

**Fixed Assets a/c Dr.**  
**Input CGST a/c Dr.**  
**Input SGST a/c Dr.**  
**To Bank a/c**

**7. For income received (Commission received)**

**Bank a/c Dr.**  
**To Commission received a/c**  
**To Output CGST a/c**  
**To Output SGST a/c**

**8. For Goods withdrawn by proprietor for personal use (Drawings)**

**Drawing a/c Dr.**  
**To Purchases a/c**  
**To Input CGST a/c**  
**To Input SGST a/c**

**9. For goods given as free sample, loss of goods by fire or goods stolen:**

**Advertisement a/c Dr.**  
**Loss by Fire a/c Dr.**  
**Loss by Theft a/c Dr.**  
**To Purchases a/c**  
**To Input CGST a/c**  
**To Input SGST a/c**

**10. For setting off Input CGST against Output CGST**

**Output CGST a/c Dr.**  
**To Input CGST a/c**

**11. For setting off Input SGST against Output SGST**

**Output SGST a/c Dr.  
    To Input SGST a/c**

**12. For payment of GST**

**Output CGST a/c Dr.  
Output SGST a/c Dr.  
    To Bank a/c**

**(Balance amount of output GST deposited with the Government)**

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