Introduction to Goods and Service Tax (GST)

I sincerely believe that everyone should have sufficient knowledge of GST and it is essential for students of Commerce to be also aware of the accounting aspects of GST. Since the GST came into effect from 1st July, 2017 the students then studying in Class XI could not be provided knowledge about GST. As such, in order to provide sufficient knowledge to Class XII students, a detailed discussion on Goods and Service Tax (GST) together with six illustrations is being appended here.

I am very much confident that besides contributing to the students knowledge, the discussion on GST will be helpful to the teachers also.

— D.K. GOEL

LEARNING OBJECTIVES

After studying this Chapter, you should be able to understand :

- Meaning of GST
- Taxes Merged into GST
- GST rate structure
- Objectives or Advantages of GST
- Type of Taxes under GST (Tax structure under GST)
- Accounting Procedure

Meaning of GST

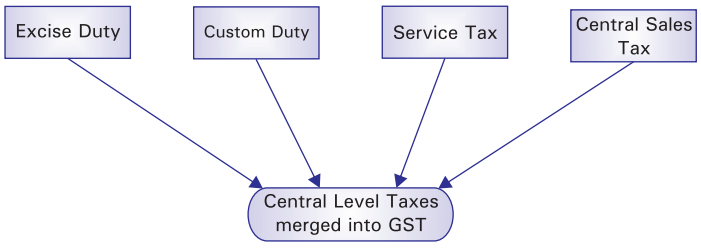
Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. It is a nation-wide tax seeking to unify several indirect taxes and is based on the principle of 'One Nation one Tax'.

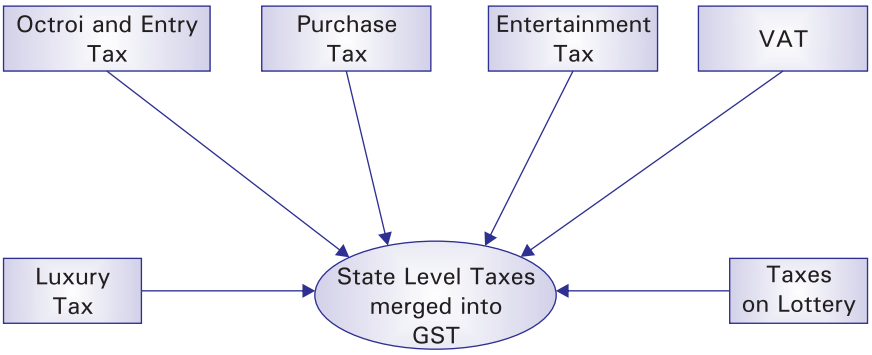
GST Act was passed in the Parliament on 24th March, 2017 and it came into effect from 1st July, 2017.

Taxes Merged into GST :

GST has replaced many indirect taxes levied by Centre and State Governments.

Central level taxes that have merged into GST are as under :





State level taxes that have merged into GST are as under :

GST Rate Structure : Goods and Services are divided into five slabs for collection of GST :

Essential Items including food	0%
Common Use Items	5%
Standard Rate	12%
Maximum Goods and all services Standard Rate	18%
Luxury items and tobacco	28%

GST is paid on purchase of goods and services and it is collected from customers on sale of goods and services. GST Paid (termed as Input GST) is set off against GST Collected (termed as Output GST).

As such, GST Paid on Purchase (Input GST) is not a **Cost** for the purchaser but is an **Asset** since it can be set off against GST Collected on Sales (*i.e.,* Output GST). Similarly, GST Collected on Sales (Output GST) is not an income of the seller but is a liability.

IMPORTANT NOTES

(1) Usually, GST Paid on purchase of goods and services (*i.e.,* Input GST) is not a **Cost** for the purchaser but is an **Asset** because it can be set off against GST Collected (*i.e.,* Output GST)

(2) However, in certain cases GST Paid cannot be set off against GST collected. In such cases, GST Paid on purchase of goods and services is a **Cost** for the purchaser. Following are the cases where GST Paid on purchase of goods and services cannot be set off against GST collected :
   (*i*) Food and Beverages Expenses (Restaurant Bills);
   (*ii*) Payment for health insurance;
   (*iii*) Payment of Membership Fee of a Club, health and Fitness Centre;
   (*iv*) Repairs and Maintenance of Building;
   (*v*) Purchase of Vehicles;
   (*vi*) Free gift to Staff;
   (*vii*) Payment for goods and services for personal use.

(3) **GST Paid (*i.e.*, Input GST) is Reversed in the following cases :**
   (*i*) Goods lost or stolen;

(*ii*) Goods destroyed or written off;
(*iii*) Goods distributed as free samples;
(*iv*) Goods given away as gift or charity.

(4) **Following goods and services are exempt from levy of GST :**
(*i*) Payment of Wages and Salaries;
(*ii*) Supply of Services to Government or to Embassies of other countries;
(*iii*) Electricity and water bills;
(*iv*) Educational Services; and
(*v*) Health Services.

Objectives or Advantages of GST :

(1) Decrease in the Cost of Goods : The Cost of goods will decrease since tax on tax is eliminated in GST regime. In the pre-GST regime, there were many indirect taxes levied by both centre and state. For example, Centre charged excise duty on goods manufactured and States charged VAT on the same goods. This lead to a tax on tax also known as cascading effect of taxes. GST avoids this cascading effect as the tax is calculated only on the value added at each stage of transfer of ownership.

(2) Ease of Doing Business : GST harmonizes tax administration between the Centre and the States which will improve the ease of doing business.

(3) Reduce Tax Evasion : Electronic return filing and assessment will reduce tax evasion and compliance cost.

(4) Tax system becomes more transparent, regular and predictable.

Type of Taxes under GST :

There are 3 taxes applicable under GST :

(*i*) **Central GST** (CGST)

(*ii*) **State GST** (SGST) or **Union Territory GST** (UTGST)
Both of these taxes are levied on intra-state sales, *i.e.* within the same state.
For example, a dealer of Rajasthan sells goods to a dealer (or consumer) in Rajasthan worth ₹50,000. Suppose, the GST rate on the goods is 12%. This rate will comprise of CGST at 6% and SGST at 6%. The seller has to collect 12% of ₹50,000 *i.e.* ₹6,000 out of which ₹3,000 will be CGST which will go to the Central Government and ₹3,000 will be SGST which will go to the Rajasthan Government.

(*iii*) **Integrated GST** (IGST) : It is levied on inter-state sales, *i.e.* sales of goods and services outside the state. It is also levied on import of goods and services into India and export of goods and services from India.
For example, a dealer of Rajasthan sells goods to a dealer in Madhya Pradesh worth ₹50,000. Suppose, the IGST rate is 12%. In such a case, the seller will charge ₹6,000 as IGST and this entire amount will go to Central Government.

NOTE

If the GST rate is 12%, it will comprise of 6% CGST + 6% SGST; in case of sales outside the State, it will be called IGST 12%.
Similarly, If the GST rate is 18%, it will comprise of 9% CGST + 9% SGST; in case of sales outside the State, it will be called IGST 18%. And so on.

Accounting Procedure :

In case of Intra-state supply of goods and services (*i.e.,* sales within the same state)

(*i*) **For Purchase of goods :**

Purchases A/c	Dr.
Input CGST A/c	Dr.
Input SGST A/c	Dr.
To Bank/Creditors A/c	

(Goods Purchased)

(*ii*) **For Sale of goods :**

Bank/Debtors A/c	Dr.
To Sales A/c	
To Output CGST A/c	
To Output SGST A/c	

(Goods Sold)

(*iii*) **For Purchase Returns :**

Creditors A/c	Dr.
To Purchase Returns A/c	
To Input CGST A/c	
To Input SGST A/c	

(Purchase Returns)

In case of purchase returns, Input CGST A/c and Input SGST A/cs are credited because at the time of purchase Input CGST A/c and Input SGST A/cs were debited.

(*iv*) **For Sales Returns :**

Sales Returns A/c	Dr.
Output CGST A/c	Dr.
Output SGST A/c	Dr.
To Debtors A/c	

(Sales Returns)

In case of sales returns, Output CGST A/c and Output SGST A/cs are debited because at the time of sale Output CGST A/c and Output SGST A/cs were credited.

(*v*) **For Purchase of Fixed Assets :**

Fixed Asset A/c	Dr.
Input CGST A/c	Dr.
Input SGST A/c	Dr.
To Bank A/c	

(Purchase of fixed assets)

(*vi*) **For Expenses :**

Expense A/c	Dr.
Input CGST A/c	Dr.
Input SGST A/c	Dr.
To Bank A/c	

(Expenses incurred)

(*vii*) **For Income** (for example commission received)

Bank A/c Dr.
To Commission Received A/c
To Output CGST A/c
To Output SGST A/c
(Income received)

(*viii*) **For goods withdrawn by the Proprietor for personal use :**

Drawings A/c Dr.
To Purchases A/c
To Input CGST A/c
To Input SGST A/c
(Goods taken for personal use)

(*ix*) **For goods given as free samples, loss of goods by fire or goods stolen :**

Advertisement A/c (Free Samples) 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
(Goods distributed as free samples, goods stolen and goods destroyed by fire and Input CGST and Input SGST reversed)

(*x*) **For Setting off Input CGST against Output CGST :**

Output CGST A/c Dr.
To Input CGST A/c
(Input CGST set off against Output CGST)

(*xi*) **For setting off Input SGST against Output SGST :**

Output SGST A/c Dr.
To Input SGST A/c
(Input SGST set off against Output SGST)

(*xii*) **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)

Note : Entry No. X, XI and XII may be combined.

ILLUSTRATION 1. **(Intra-State *i.e.*, Within State)**

Pass entries in the books of Ashok Bros. assuming that all transactions have been entered within Delhi and assuming CGST @6% and SGST @6%.

2018	
Jan. 2	Purchased goods for ₹2,00,000 on credit.
5	Sold goods for ₹3,00,000 on credit.

10	Purchased Computer Printer for office for ₹50,000 and payment made by cheque.
20	Paid legal consultation fee ₹10,000.
22	Paid rent ₹20,000 by cheque.
31	Payment made of balance amount of GST.

SOLUTION : JOURNAL OF ASHOK BROS.

Date	*Particulars*		*L. F.*	*Amount Dr.*	*Amount Cr.*
2018				₹	₹
Jan. 2	Purchases A/c	Dr.		2,00,000	
	Input CGST A/c	Dr.		12,000	
	Input SGST A/c	Dr.		12,000	
	To Creditors A/c				2,24,000
	(Purchase of goods on credit)				
Jan. 5	Debtors A/c	Dr.		3,36,000	
	To Sales A/c				3,00,000
	To Output CGST A/c				18,000
	To Output SGST A/c				18,000
	(Sale of goods on credit)				
Jan. 10	Office Equipment A/c	Dr.		50,000	
	Input CGST A/c	Dr.		3,000	
	Input SGST A/c	Dr.		3,000	
	To Bank A/c				56,000
	(Purchased Computer Printer)				
Jan. 20	Legal Fees A/c	Dr.		10,000	
	Input CGST A/c	Dr.		600	
	Input SGST A/c	Dr.		600	
	To Cash A/c				11,200
	(Paid legal consultation fees)				
Jan. 22	Rent A/c	Dr.		20,000	
	Input CGST A/c	Dr.		1,200	
	Input SGST A/c	Dr.		1,200	
	To Bank A/c				22,400
	(Paid Rent)				
Jan. 31	Output CGST A/c (Working Note)	Dr.		18,000	
	Output SGST A/c	Dr.		18,000	
	To Input CGST A/c				16,800
	To Input SGST A/c				16,800
	To Bank A/c (₹1,200 + ₹1,200)				2,400
	(Adjustment of GST and payment of balance amount)				
	Total	₹		6,85,600	6,85,600

Working Note :

Total Input CGST : ₹12,000 + ₹3,000 + ₹600 + ₹1,200 = ₹16,800.
Total Input SGST : ₹12,000 + ₹3,000 + ₹600 + ₹1,200 = ₹16,800.

Total Output CGST : ₹18,000
Total Output SGST : ₹18,000
Net CGST Paid : ₹18,000 – ₹16,800 = ₹1,200
Net SGST Paid : ₹18,000 – ₹16,800 = ₹1,200

ILLUSTRATION 2. (Intra-State *i.e.*, Within State)

Pass entries in the books of Mukul Roy & Sons, assuming all transactions have been entered within the state of West Bengal, charging CGST and SGST @ 6% each :

2018	
April 1	Purchased goods for ₹1,50,000 from S. Banerjee.
6	Sold goods for ₹2,50,000 to Aditya Sangma.
8	Returned goods to S. Banerjee for ₹10,000.
15	Aditya Sangma returned goods for ₹8,000.
18	Paid for printing & stationery ₹5,000.
24	Goods withdrawn by Proprietor for personal use ₹20,000.
27	Goods destroyed by fire ₹15,000.
30	Payment made of balance amount of GST.

SOLUTION :

JOURNAL OF MUKUL ROY & SONS

Date	*Particulars*		*L. F.*	*Amount Dr.*	*Amount Cr.*
2018				₹	₹
April 1	Purchases A/c	Dr.		1,50,000	
	Input CGST A/c	Dr.		9,000	
	Input SGST A/c	Dr.		9,000	
	To S. Banerjee				1,68,000
	(Purchased goods on Credit)				
” 6	Aditya Sangma	Dr.		2,80,000	
	To Sales A/c				2,50,000
	To Output CGST A/c				15,000
	To Output SGST A/c				15,000
	(Sale of goods on Credit)				
” 8	S. Banerjee	Dr.		11,200	
	To Purchase Returns A/c				10,000
	To Input CGST A/c				600
	To Input SGST A/c				600
	(Purchase returns)				
” 15	Sales Returns A/c	Dr.		8,000	
	Output CGST A/c	Dr.		480	
	Output SGST A/c	Dr.		480	
	To Aditya Sangma				8,960
	(Sales returns)				

'' 18	Printing & Stationery A/c	Dr.		5,000	
	Input CGST A/c	Dr.		300	
	Input SGST A/c	Dr.		300	
	To Cash A/c				5,600
	(Paid for printing and stationery)				
'' 24	Drawings A/c	Dr.		22,400	
	To Purchases A/c				20,000
	To Input CGST A/c				1,200
	To Input SGST A/c				1,200
	(Goods withdrawn for personal use)				
'' 27	Loss by Fire A/c	Dr.		16,800	
	To Purchases A/c				15,000
	To Input CGST A/c				900
	To Input SGST A/c				900
	(Goods destroyed by fire)				
'' 30	Output CGST A/c	Dr.		14,520	
	Output SGST A/c	Dr.		14,520	
	To Input CGST A/c				6,600
	To Input SGST A/c				6,600
	To Bank A/c (₹7,920 + ₹7,920)				15,840
	(Adjustment of GST and payment of balance amount)				
	Total	₹		5,42,000	5,42,000

Working Note :

Total Input CGST	:	9,000 – 600 + 300 – 1,200 – 900 =	₹6,600
Total Input SGST	:	9,000 – 600 + 300 – 1,200 – 900 =	₹6,600
Total Output CGST	:	15,000 – 480 =	₹14,520
Total Output SGST	:	15,000 – 480 =	₹14,520
Net CGST Paid	:	14,520 – 6,600 =	₹ 7,920
Net SGST Paid	:	14,520 – 6,600 =	₹ 7,920

ILLUSTRATION 3. (Intra-State *i.e.*, Within State)

Enter the following transactions in the books of Luxmi traders assuming that all transactions have taken place in the state of Rajasthan. Assume CGST @9% and SGST @9% :

2018	
Feb. 5	Purchased goods for 4,00,000 from Chauhan Traders.
10	Sold goods to Pushkar Bros. for ₹3,20,000.
15	Received from Pushkar Bros. a cheque for ₹2,00,000 on account. Cheque is sent to bank.
18	Purchased furniture for ₹50,000 and payment made by cheque.
20	Paid for advertisement ₹20,000 by cheque.
22	Sold goods for ₹1,00,000 and received a cheque for the same. Cheque is sent to bank.
25	Received commission ₹10,000.

SOLUTION :

JOURNAL OF LAXMI TRADERS

Date	*Particulars*		*L. F.*	*Amount Dr.*	*Amount Cr.*
2018				₹	₹
Feb. 5	Purchases A/c	Dr.		4,00,000	
	Input CGST A/c	Dr.		36,000	
	Input SGST A/c	Dr.		36,000	
	To Chauhan Traders				4,72,000
	(Purchase of goods on credit)				
Feb. 10	Pushkar Bros.	Dr.		3,77,600	
	To Sales A/c				3,20,000
	To Output CGST A/c				28,800
	To Output SGST A/c				28,800
	(Sale of goods on credit)				
Feb. 15	Bank A/c	Dr.		2,00,000	
	To Pushkar Bros.				2,00,000
	(Received payment by cheque)				
Feb. 18	Furniture A/c	Dr.		50,000	
	Input CGST A/c	Dr.		4,500	
	Input SGST A/c	Dr.		4,500	
	To Bank A/c				59,000
	(Furniture purchased)				
Feb. 20	Advertisement Exp. A/c	Dr.		20,000	
	Input CGST A/c	Dr.		1,800	
	Input SGST A/c	Dr.		1,800	
	To Bank A/c				23,600
	(Payment of advertisement expenses)				
Feb. 22	Bank A/c	Dr.		1,18,000	
	To Sales A/c				1,00,000
	To Output CGST A/c				9,000
	To Output SGST A/c				9,000
	(Sold Goods and received a cheque)				
Feb. 25	Cash A/c	Dr.		11,800	
	To Commission Received A/c				10,000
	To Output CGST A/c				900
	To Output SGST A/c				900
	(Received Commission)				
Feb. 31	Output CGST A/c	Dr.		38,700	
	Output SGST A/c	Dr.		38,700	
	To Input CGST A/c (See Working Note)				38,700
	To Input SGST A/c				38,700
	(Adjustment of GST)				
	Total	₹		13,39,400	13,39,400

Working Note :

Total Input CGST	:	₹36,000 + ₹4,500 + ₹1,800 = ₹42,300
Total Input SGST	:	₹36,000 + ₹4,500 + ₹1,800 = ₹42,300
Total Output CGST	:	₹28,800 + ₹9,000 + ₹900 = ₹38,700
Total Output SGST	:	₹28,800 + ₹9,000 + ₹900 = ₹38,700

Since Input GST is more than output GST, there is no tax liability to be paid to the Government. Excess of Input GST is called Input Tax Credit. It will be carried forward and will be adjusted in the next year.

Input Tax Credit	:	Input CGST – Output CGST = ₹42,300 – ₹38,700 = ₹3,600
		Input SGST – Output SGST = ₹42,300 – ₹38,700 = ₹3,600

Input Tax Credit of ₹3,600 + ₹3,600 = ₹7,200 will be carried forward and will be adjusted in the next year.

In Case of Inter-State supply of goods and services (*i.e.* sales from one-state to another state)

(*i*) **For Purchase of Goods :**

Purchases A/c	Dr.
Input IGST A/c	Dr.
To Bank/Creditors	

(*ii*) **For Sale of Goods :**

Bank/Debtors A/c	Dr.
To Sales A/c	
To Output IGST A/c	

(*iii*) **For Purchase of Assets :**

Asset A/c	Dr.
Input IGST A/c	Dr.
To Bank A/c	

(*iv*) **For Expenses incurred Outside the state :**

Expenses A/c	Dr.
Input IGST A/c	Dr.
To Bank A/c	

(*v*) **For Income earned from outside the state :**

Bank A/c	Dr.
To Income A/c	
To Output IGST A/c	

(*vi*) **For adjustment of IGST :**

Output IGST A/c	Dr.
To Input IGST A/c	

(*vii*) In case Input IGST exceeds the Output IGST, the excess Input IGST will be first adjusted against CGST and the balance of Input IGST, if any, will be applied to set off SGST. It is explained in Illustration 4 and 5.

ILLUSTRATION : 4. **(Inter-State *i.e.*, from one State to another)**

Pass entries in the books of Mr. Gopal assuming CGST @6% and SGST @6% :

(*i*)	Gopal purchased goods for ₹1,50,000 from outside the State and made payment by cheque.
(*ii*)	He sold goods for ₹1,00,000 outside the State on Credit.
(*iii*)	He sold goods for ₹1,80,000 locally on credit.
(*iv*)	Paid telephone bill for ₹5,000 by cheque.
(*v*)	He purchased an air-conditioner for his office for ₹25,000 and paid the amount by cheque.

SOLUTION : JOURNAL OF GOPAL

Date	*Particulars*		*L. F.*	*Amount Dr.*	*Amount Cr.*
				₹	₹
(*i*)	Purchases A/c	Dr.		1,50,000	
	Input IGST A/c*	Dr.		18,000	
	To Bank A/c				1,68,000
	(Purchased goods from outside the state)				
(*ii*)	Debtors A/c	Dr.		1,12,000	
	To Sales A/c				1,00,000
	To Output IGST A/c				12,000
	(Sale of goods Outside the state)				
(*iii*)	Debtors A/c	Dr.		2,01,600	
	To Sales A/c				1,80,000
	To Output CGST A/c				10,800
	To Output SGST A/c				10,800
	(Sale of goods within the state)				
(*iv*)	Telephone Exp. A/c**	Dr.		5,000	
	Input CGST A/c	Dr.		300	
	Input SGST A/c	Dr.		300	
	To Bank A/c				5,600
	(Payment of telephone bill)				
(*v*)	Office Equipment A/c**	Dr.		25,000	
	Input CGST A/c	Dr.		1,500	
	Input SGST A/c	Dr.		1,500	
	To Bank A/c				28,000
	(Purchase of air-conditioner for office)				
(*vi*)	Output IGST A/c (Note 1)	Dr.		12,000	
	To Input IGST A/c				12,000
	(Adjustment of IGST)				
(*vii*)	Output CGST A/c (Note 2)	Dr.		10,800	
	To Input CGST A/c				1,800
	To Input IGST A/c				6,000
	To Electronic Cash Ledger A/c				3,000
	(Adjustment of CGST and payment of balance amount)				

(*viii*)	Output SGST A/c (Note 3)	Dr.		10,800	
	To Input SGST A/c				1,800
	To Bank A/c				9,000
	(Adjustment of SGST and payment of balance amount)				
	Total	₹		5,48,800	5,48,800

*If CGST is 6% and SGST is 6%, IGST will be 6% + 6% = 12%

** **Important Note :** If nothing is mentioned, it will be assumed that the transaction is entered within the same state.

Working Notes :

(1) First of all, Output IGST will be adjusted against Input IGST :

	₹
Input IGST	18,000
Less : Output IGST	12,000
IGST Credit	6,000

(2) This balance of ₹6,000 of IGST Credit will be first applied to set off CGST and the balance, if any, will be applied to set off SGST.

Total Output CGST	10,800
Less : Adjusted against Input CGST (₹300 + ₹1,500)	1,800
	9,000
Less : Adjusted against IGST Credit	6,000
Balance paid off	3,000

(3)

Total Output SGST	10,800
Less : Adjusted against Input SGST (₹300 + ₹1,500)	1,800
Balance paid off	9,000

ILLUSTRATION 5.

Pass entries in the books of Sh. Gopi Chand of Kerala assuming CGST @9% and SGST @9% :

2018	
April 1	Purchased goods for ₹3,00,000 from Karunakaran of Chennai (Tamilnadu).
3	Purchased goods for ₹50,000 from Ganeshan of Ernakulam (Kerala).
10	Sold goods costing ₹80,000 to Naidu of Hyderabad (Telangana) at a profit of 25% on cost less trade discount 10%.
15	Sold goods at Kottayam (Kerala) costing ₹2,50,000 at 60% profit *less* trade discount 15% against cheque which was deposited into bank.
16	Paid for advertisement ₹8,000.
20	Purchased a Computer for office use for ₹30,000 and payment made by cheque.
25	Proprietor withdrew ₹10,000 for his personal use.
30	Payment made of balance amount of GST.

SOLUTION :

JOURNAL OF SH. GOPI CHAND

Date	Particulars		L. F.	Amount Dr.	Amount Cr.
2018				₹	₹
April 1	Purchases A/c	Dr.		3,00,000	
	Input IGST A/c*	Dr.		54,000	
	To Karunakaran				3,54,000
	(Purchased goods from outside the state)				
April 3	Purchases A/c	Dr.		50,000	
	Input CGST A/c	Dr.		4,500	
	Input SGST A/c	Dr.		4,500	
	To Ganeshan				59,000
	(Purchased goods within the state)				
April 10	Naidu A/c	Dr.		1,06,200	
	To Sales A/c (Note 1)				90,000
	To Output IGST A/c				16,200
	(Sale of goods Outside the state)				
April 15	Bank A/c	Dr.		4,01,200	
	To Sales A/c (Note 2)				3,40,000
	To Output CGST A/c				30,600
	To Output SGST A/c				30,600
	(Sale of goods within the state)				
April 16	Advertisement Exp. A/c**	Dr.		8,000	
	Input CGST A/c	Dr.		720	
	Input SGST A/c	Dr.		720	
	To Cash A/c				9,440
	(Paid for advertisement)				
April 20	Office Equipment A/c	Dr.		30,000	
	Input CGST A/c	Dr.		2,700	
	Input SGST A/c	Dr.		2,700	
	To Bank A/c				35,400
	(Computer purchased)				
April 25	Drawings A/c	Dr.		10,000	
	To Cash A/c				10,000
	(Withdrew for personal use)				
April 30	Output IGST A/c (Note 3)	Dr.		16,200	
	To Input IGST A/c				16,200
	(Adjustment of IGST)				
April 30	Output CGST A/c (Note 4)	Dr.		30,600	
	To Input CGST A/c				7,920
	To Input IGST A/c				22,680
	(Adjustment of CGST)				

April 30	Output SGST A/c (Note 5)	Dr.		30,600	
	To Input SGST A/c				7,920
	To Input IGST A/c				15,120
	To Bank A/c				7,560
	(Final payment)				
	Total	₹		9,83,640	9,83,640

*In case CGST is 9% and SGST is 9%, IGST will be 9% + 9% = 18%

** If nothing is stated, it will be assumed that the transaction is entered within the same state.

Working Notes :

		₹
(1)	Cost	80,000
	Add : Profit 25% on ₹80,000	20,000
		1,00,000
	Less : Trade Discount : 10% on ₹1,00,000	10,000
	Total	90,000
(2)	Cost	2,50,000
	Add : Profit : 60% on ₹2,50,000	1,50,000
		4,00,000
	Less : Trade Discount : 15% on ₹4,00,000	60,000
	Total	3,40,000
(3)	First of all, output IGST will be adjusted against Input IGST :	
	Input IGST	54,000
	Less : Output IGST	16,200
	IGST Credit	37,800
(4)	This balance of ₹37,800 of IGST Credit will be first applied to set off CGST and the balance will be adjusted to set off SGST.	
	Total Output CGST	30,600
	Less : Adjusted against Input CGST (₹4,500 + ₹720 + ₹2,700)	7,920
		22,680
	Less : Adjusted against IGST Credit	22,680
		NIL
(5)	IGST Credit was ₹37,800, out of which ₹22,680 has been adjusted against CGST. The Balance of IGST Credit ₹15,120 (*i.e.,* ₹37,800 – ₹22,680) will be adjusted against SGST.	
	Total Output SGST	30,600
	Less : Adjusted against Input SGST (₹4,500 + ₹720 + ₹2,700)	7,920
		22,680
	Less : Adjusted against IGST Credit	15,120
	Balance paid off	7,560

ILLUSTRATION : 6.

Pass entries in the books of Deepak of Delhi for the following transactions:

2018	
Feb. 2	Purchased goods from Anupriya of Delhi for ₹2,50,000. (CGST @9% and SGST @9%)
Feb. 5	Purchased goods from Rana Rathore of Rajasthan for ₹3,00,000. (IGST @12%)
Feb. 10	Sold goods to Gurdeep Sidhu of Punjab for ₹2,00,000. (IGST @12%)
Feb. 12	Paid railway freight ₹15,000. (CGST @9% and SGST @9%)
Feb. 16	Purchased Computer Printer for office for ₹80,000 from Dell Ltd. on credit. (CGST @6% and SGST @6%)
Feb. 24	Sold goods to Ganga Ram of U.P. goods for ₹4,20,000 against cheque which is deposited into the bank. (IGST @18%)
Feb. 25	Paid for Broad-band services ₹10,000 by Cheque. (CGST @6%, SGST @6%)
Feb. 28	Payment made of balance amount of GST.

SOLUTION :

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Date	*Particulars*		*L. F.*	*Amount Dr.*	*Amount Cr.*
2018				₹	₹
Feb. 2	Purchases A/c	Dr.		2,50,000	
	Input CGST A/c	Dr.		22,500	
	Input SGST A/c	Dr.		22,500	
	To Anupriya				2,95,000
	(Purchased goods within the State)				
Feb. 5	Purchases A/c	Dr.		3,00,000	
	Input IGST A/c	Dr.		36,000	
	To Rana Rathore				3,36,000
	(Purchased goods from outside the state)				
Feb. 10	Gurdeep Sidhu	Dr.		2,24,000	
	To Sales A/c				2,00,000
	To Output IGST A/c				24,000
	(Sale of goods outside the state)				
Feb. 12	Freight A/c	Dr.		15,000	
	Input CGST A/c	Dr.		1,350	
	Input SGST A/c	Dr.		1,350	
	To Cash A/c				17,700
	(Paid railway freight)				

Feb. 16	Office Equipment A/c	Dr.		80,000	
	Input CGST A/c	Dr.		4,800	
	Input SGST A/c	Dr.		4,800	
	To Dell Ltd.				89,600
	(Purchased Computer Printer)				
Feb. 24	Bank A/c	Dr.		4,95,600	
	To Sales A/c				4,20,000
	To Output IGST A/c				75,600
	(Sale of goods outside the state)				
Feb. 25	Internet Charges A/c	Dr.		10,000	
	Input CGST A/c	Dr.		600	
	Input SGST A/c	Dr.		600	
	To Bank A/c				11,200
	(Paid for Broad-band services)				
Feb. 28	Output IGST A/c (Note 1)	Dr.		36,000	
	To Input IGST A/c				36,000
	(Adjustment of IGST)				
Feb. 28	Output IGST A/c (Note 2)	Dr.		63,600	
	To Input CGST A/c				29,250
	To Input SGST A/c				29,250
	To Bank A/c				5,100
	(Final payment)				
	Total ₹			15,68,700	15,68,700

Working Notes :

(1) First of all, Output IGST will be adjusted against Input IGST :

	₹
Input IGST	36,000
Output IGST (₹24,000 + ₹75,600)	99,600
Excess of Output IGST	63,600

Excess of Output IGST of ₹63,600 is a liability payable to the Government. While making this payment, adjustment shall be made for CGST and SGST.

		CGST ₹	SGST ₹
(2)	Input (₹22,500 + ₹1,350 + ₹4,800 + ₹600)	29,250	29,250
	Output	—	—
		29,250	29,250
	Excess of Output IGST		63,600
	Less : Adjusted for Input CGST	29,250	
	Adjusted for Input SGST	29,250	58,500
	Net amount payable to Government		5,100

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