

Goods and Service Tax :

Goods and Service Tax (GST) is an indirect tax (or consumption tax) used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax : comprehensive because it has subsumed almost all the indirect taxes except a few state taxes. Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer and as a destination-based tax, it is collected from point of consumption and not point of origin like previous taxes.

Goods and services are divided into five different tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. However, Petroleum products, alcoholic drinks and electricity are not taxed under GST and instead are taxed separately by the individual state governments, as per the previous tax system. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Pre-GST, the statutory tax rate for most goods was about 26.5%. Post-GST, most goods are expected to be in the 18% tax range.

The tax came into effect from 1 July 2017 through the implementation of the One Hundred and First Amendment of the Constitution of India by the Indian government. The GST replaced existing multiple taxes levied by the central and state governments.

The tax rates, rules and regulations are governed by the GST Council which consists of the finance ministers of the central government and all the states. The GST is meant to replace a slew of indirect taxes with a federated tax and is therefore expected to reshape the country's 2.4 trillion dollar economy, but its implementation has received criticism. Positive outcomes of the GST includes the travel time in interstate movement, which dropped by 20%, because of disbanding of interstate check posts.

Accounting Entries under Goods and Services Tax

I) Transaction between same state i.e Intra-state transaction.

Intra-State Supply : When goods and services are supplied within same state or union territory it is called intrastate supply. On such goods CGST and SGST are applied.

INTRASTATE PURCHASE TRANSACTION

KYZ & Co.,

Uttar Pradesh

GSTIN No. :- 09CYMB20400E222

Invoice No. :- 15

Invoice Date :- 05-12-2020

Item Name	Group	GST%	Qty	Rate	Taxable Amount	GST Amount	Total Amount
LG-195	LG-REF	12%	5	5000	25000	3000	28000
LG-62	LG-W/M	12%	5	5000	25000	3000	28000
SM-22"	SAMSUNG-LED	18%	5	5000	25000	4500	29500
SM-A1	SAMSUNG-AC	18%	5	5000	25000	4500	29500
					100000	15000	115000

II) Transaction between two different states i.e Inter-state transaction.

Inter-State Supply : When goods and services are supplied from one state to another, one union territory to another it is called inter-state supply. IGST is applied on such goods that are part of inter-state supply.

INTERSTATE SALE TRANSACTION

ABC & Co.,

Delhi,

GSTIN No. :- 07CYMBE012E121

Bill No. :- 7

Bill Date :- 06-12-2020

Item Name	Group	GST%	Qty	Rate	Taxable Amount	GST Amount	Total Amount
LG-195	LG-REF	12%	4	10000	40000	4800	44800
LG-62	LG-W/M	12%	4	10000	40000	4800	44800
SM-22"	SAMSUNG-LED	18%	4	10000	40000	7200	47200
SM-A1	SAMSUNG-AC	18%	4	10000	40000	7200	47200
					160000	24000	184000