Lesson no. 6: What is GST?

Goods and Service Tax (GST) in Tally ERP 9

How GST works?

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Benefits of GST?

The benefits of GST can be summarized as under:

For business and industry

Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

For Central and State Governments

Simple and easy to administer*:* Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

For the consumer

Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Existing Indirect Tax Structure in India

Central Tax	State Tax
Central Excise duty	State VAT / Sales Tax
Additional duties of excise	Central Sales Tax
Excise duty levied under Medicinal & Toiletries Preparation Act	Purchase Tax
Additional duties of customs (CVD & SAD)	Entertainment Tax (other than local bodies those levied by local bodies)
Service Tax	Luxury Tax
Surcharges & Cesses	Entry Tax (All forms)
	Taxes on lottery, betting & gambling

	Surcharges & Cesses
GST	

Understanding CGST, SGST, IGST & UTGST

CGST: is a part of Goods and Service Tax (GST). **CGST** means Central Goods and Service Tax, one of the three categories under Goods and Service Tax (**CGST**, IGST and SGST) with a concept of one tax one nation. **CGST** falls under Central Goods and Service Tax Act 2016.
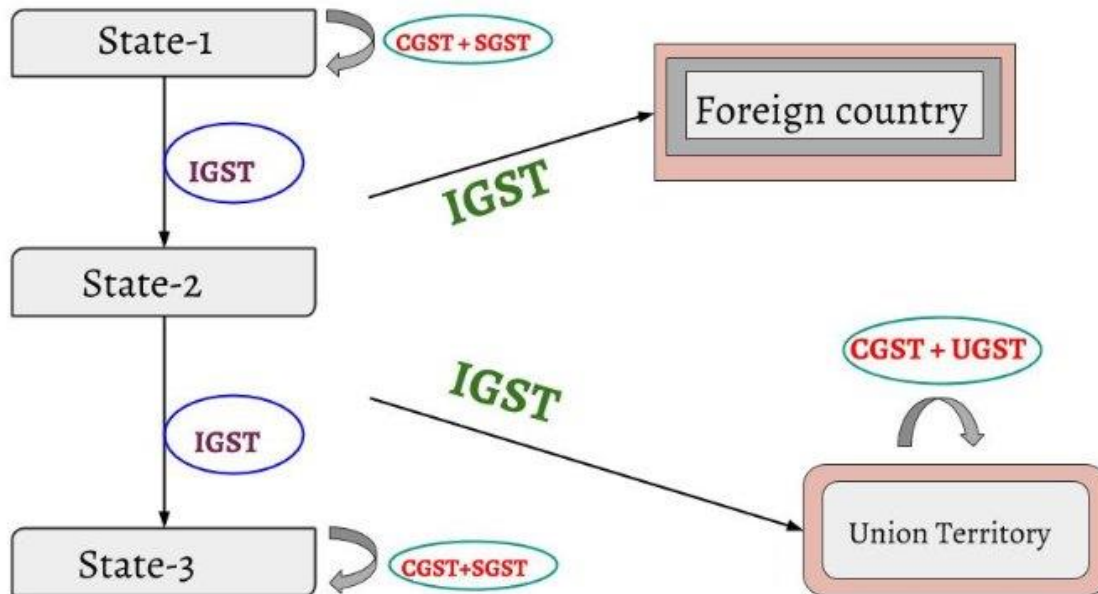
SGST: is a part of Goods and Service Tax (GST).**SGST** means State Goods and Service Tax, one of the three categories under Goods and Service Tax (CGST, IGST and **SGST**) with a concept of one tax one nation. **SGST** falls under State Goods and Service Tax Act 2016.

PRESENT TAX SYSTEM
GST SYSTEM

PRODUCT sold from
Mumbai to Nagpur.
PRICE = Rs. 1000

PRODUCT sold from
Mumbai to Nagpur.
PRICE = Rs. 1000

CGST @ 5% = Rs.50
VAT @ 10% = Rs.100
SGST @ 5% = Rs.50

Product sold from Nagpur
to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

Product sold from Nagpur
to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

IGST @ 10% = 110
CST @ 10% = Rs. 210
= 210 – CGST- SGST

TOTAL COST of product = Rs. 2310
TOTAL COST of product = Rs. 2210

IGST: is a part of Goods and Service Tax (GST). IGST means Integrated Goods and Service Tax, one of the three categories under Goods and Service Tax (CGST, IGST and SGST) with a concept of one tax one nation.
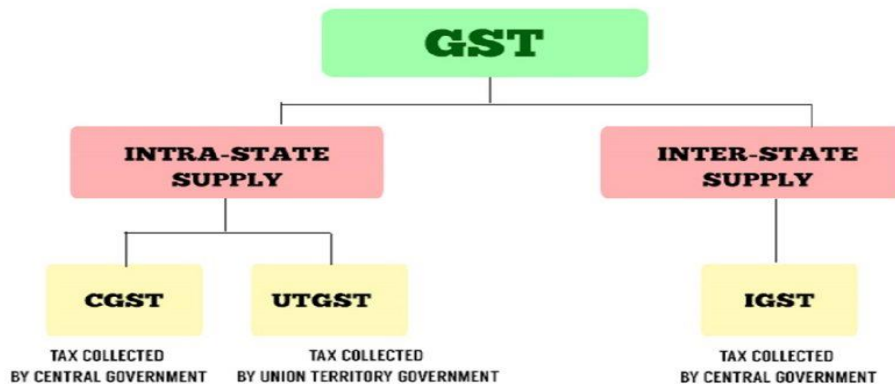
UTGST and SGST is part of Goods and Service Tax in India. **UTGST** expands as Union Territory Goods and Service Tax. ... SGST is levied on Goods and Service tax meant for states in India other than union territories whereas **UTGST** is for Union Territories of India.

Enabling GST in Tally ERP 9

Creating a Company

To create a company,

Go to Gateway of Tally > Alt + F3 > Create Company

1. Enter the basic information, i.e., Name, Mailing Name and Address of the company, for e.g.,

National Traders and other relevant details.

2. Select Singapore from the List of Countries in the Statutory compliance for field.

3. Specify the E-mail details.

4. The Currency Symbol for Indonesia will be displayed as S$ by default.

5**.** In the Maintain field, select Accounts Only or Accounts with Inventory as per the company requirements.

6. In the Financial Year from and Books beginning from fields, the first day of the current financial

year for e.g., 1-4-2008 will be displayed by default, which can be changed as per requirement.

7. Set the option Disallow opening in Educational mode to either Yes or No as per requirement.

8. Enter the TallyVault Password if required.

9. Set Use Security Control field to Yes if required.
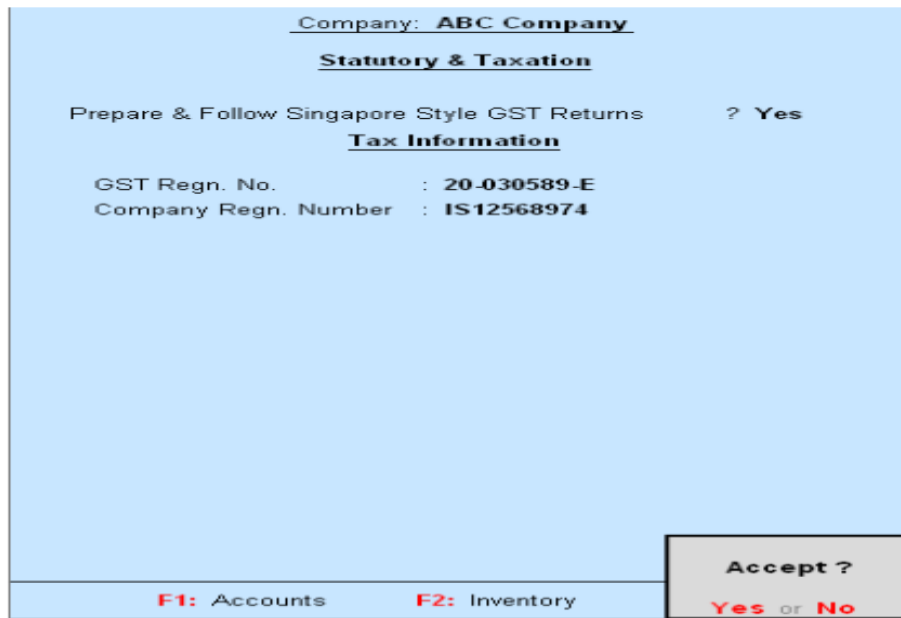
10. Press Y or Enter to accept and save.

Enabling GST in F11: Features

Go to Gateway of Tally > F11: Features > F3: Statutory & Taxation

1. Set Prepare & Follow Singapore Style GST Returns to Yes

2. Enter the GST Registration Number and the Company Registration Number

3. Accept the Company Operations Alteration screen

Creating Purchase and Sales Ledger

Purchase Ledger

To create ledgers under the Purchase Accounts group

> **Go to Gateway of Tally > Accounts Info > Ledgers > Create**
>
> 1. Enter the Name for the Purchase ledger
> 2. In the Under field select Purchase Accounts from the List of Groups
> 3. Set Inventory values are affected to Yes if you maintain inventory
> 4. Set the field GST Applicable to Yes under Statutory Information

> 5. Accept the screen to Save.
>
> Note: From Rel 4.8 an option to provide Bank Details is provided in the Ledger Master.

Sales Ledger

To create ledgers under the Sales Accounts group

> **Go to Gateway of Tally > Accounts Info > Ledgers > Create**
>
> 1. Enter the Name for the Purchase ledger
> 2. In the Under field select Sales Accounts from the List of Groups
> 3. Set Inventory values are affected to Yes if you maintain inventory
> 4. Set the field GST Applicable to Yes under Statutory Information

5. Accept the screen to Save.

Creating a Tax Ledger

Go to Gateway of Tally > Accounts Info > Ledgers > Create

1. In the Ledger Creation screen enter the name of the GST ledger in the Name field

2. In the Under field, select Duties & Taxes from List of Groups

3. Set Inventory Values are affected to No

4. Set the Percentage of Calculation to 10%

5. Select the Method of Calculation from the Type of Duty menu

6. Select GST Deductible – Input Tax from the GST Type menu in the GST Account Type field.

7. Accept the screen to save.

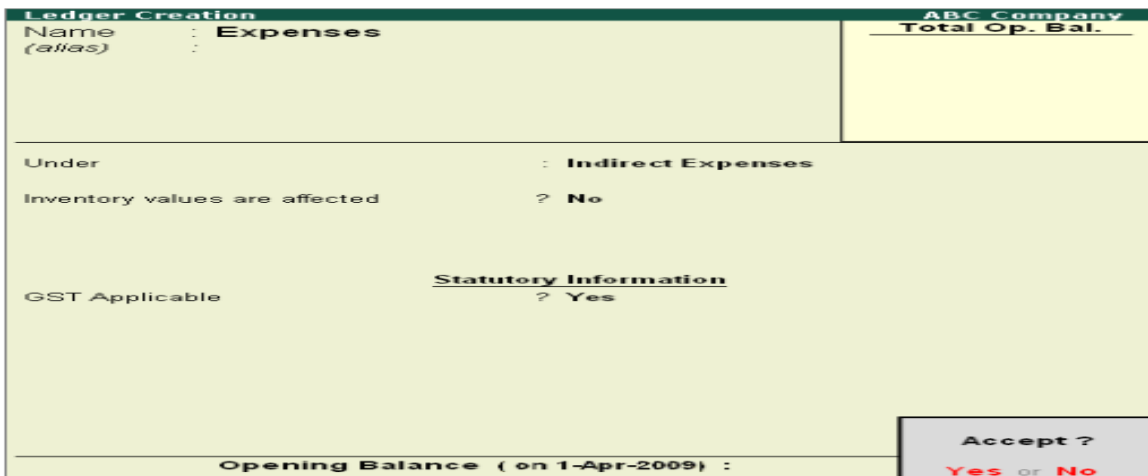Note: From Rel 4.8 an option to provide Bank Details is provided in the Ledger Master.

Similarly create a ledger for GST Output, by selecting GST Account Type as GST Payable – Output Tax.

Creating an Expense Ledger

To create ledgers under the Expenses Accounts group

Go to Gateway of Tally > Accounts Info > Ledgers > Create

1. Enter the Name of the expense ledger

2. In the Under field select Indirect Expenses from the List of Groups

3. Set Inventory values are affected to Yes if applicable

4. Set GST Applicable to Yes under Statutory Information

5. Accept the screen to save.

Note: From Rel 4.8 an option to provide Bank Details is provided in the Ledger Master.

You can, similarly create ledgers for Fixed Assets, Liabilities and Income Accounts under the respective groups.

Creating a Party Ledger

Go to Gateway of Tally > Accounts Info > Ledgers > Create

1. In the Ledger Creation screen enter the name of the GST ledger in the Name field

2. In the Under field, select Sundry Creditors from the List of Groups

3. Set Maintain balances bill-by-bill to Yes

4. The option, Inventory values are affected is set to No by default. Set this to Yes if applicable

5. Enter the Mailing Details and Tax Information

6. Accept the screen to save

Note: From Rel 4.8 an option to provide Bank Details is provided in the Ledger Master.

Customer ledgers can be created in a similar manner.

Creating a Stock Item

Go to Gateway of Tally > Accounts Info > Ledgers > Create

1. Enter the Name of the stock item
2. In the Under field select Primary from the List of Groups
3. Select the Units
4. Enter the Rate of GST
5. Press Y or Enter to accept and save.

Creating a Purchase Voucher

Go to Gateway of Tally > Accounting Vouchers > F9: Purchase

1. Enter the reference in the Ref field, if required

2. Select the Party's A/c Name from the List of Ledger Accounts

3. Select the required Purchase Ledger

4. Select the required GST Type from the List of GST Type

Note: In an Invoice mode, the option Combined appears only if Use Common Ledger A/c for Item Allocation in F12: Configure is set to No.

5. Select the Name of the Stock Item from the List of Items

6. Enter the appropriate Quantity and Rate and the amount is displayed in the Amount field

7. Select the GST Input ledger from the List of Ledger Accounts

When the payment is made, the GST Type should be set to Not Applicable, as the Purchase Voucher is booked to include the GST Input.

The Payment entry should be passed as follows.

Creating an Exempt Purchase Voucher

A GST Exempt Purchase Voucher can be created by selecting the GST type as Exempt.

To create an Exempt Purchase Voucher,

Go to Gateway of Tally > Accounting Vouchers > F9: Purchase

1. Enter the Reference for the voucher in the Ref field

2. Select the Party's A/c Name from the List of Ledger Accounts

3. Select the Purchase ledger

4. Select the GST Type (Exempt) from the List of GST Type

5. Select the Name of the Stock Item from the List of Items

6. Enter the appropriate Quantity and Rate and the amount displayed in the Amount field.

7. Enter Narration, if any

8. Accept the voucher to save

Note: If you select a GST Ledger in the above entry, Tally ERP 9 displays the error message GST Account Not Allowed.

Creating a Sales Voucher

Go to Gateway of Tally > Accounting Vouchers > F8: Sales

1. Enter the reference in the Ref field, if required

2. Select the Party's A/c Name from the List of Ledgers

3. Select the Sales ledger

4. Select the GST Type from the List of GST Types

5. Select the required stock item from the List of Stock Items

6. Select the Output GST ledger from the List of Ledgers

7. Enter the Narration if required

8. Press Y or Enter to accept and save.

On receipt of payment, a payment entry has to be passed without allocating the Tax ledger and GST Type.

Creating a Sales Voucher Using Combined GST Type

Tally provides you with a new GST Type called Combined, which allows you to allocate Stock Items to different GST Types in one single entry.

Go to Gateway of Tally > Accounting Vouchers > F8: Sales > Select Voucher mode

1. Enter the reference number in the Ref field.

2. Select Combined as the GST Type from the list

Note: In an Invoice mode, the option Combined appears only if Use Common Ledger A/c for Item Allocation in F12: Configure is set to No.

3. Debit the Party ledger from the List of Ledgers

4. Enter the value in the Amount field

5. Credit the Sales ledger

6. Select the Name of the Item from the List of Stock Items in the Inventory Allocation screen

7. Enter the Quantity and Rate. The Amount will be displayed automatically
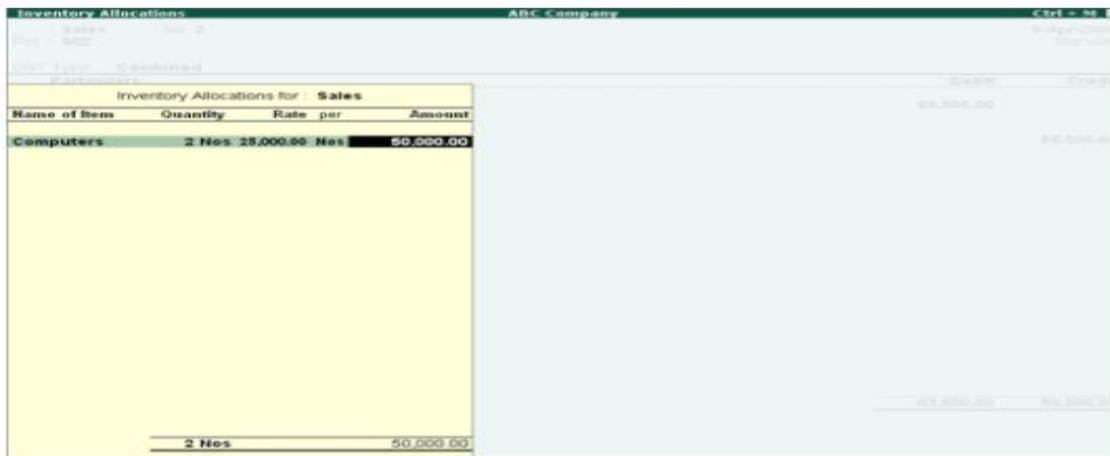
8. Select the GST Type (Example: Standard Rate) from the List of GST Types.

9. Credit the Sales ledger from the List of Ledger Accounts to allocate the remaining value

10. Select the Stock Item. Enter the Quantity and Rate in the Item Allocation screen

11. Select the GST Type (e.g. Exempt) from the list

12. Credit the GST Output ledger to allocate the tax amount

13. Select the required details in the Bill-wise Details sub-screen

14. Enter the Narration if any

15. Press Y or Enter to accept and save.

Purchase vouchers using different GST Types can be created in a similar manner.
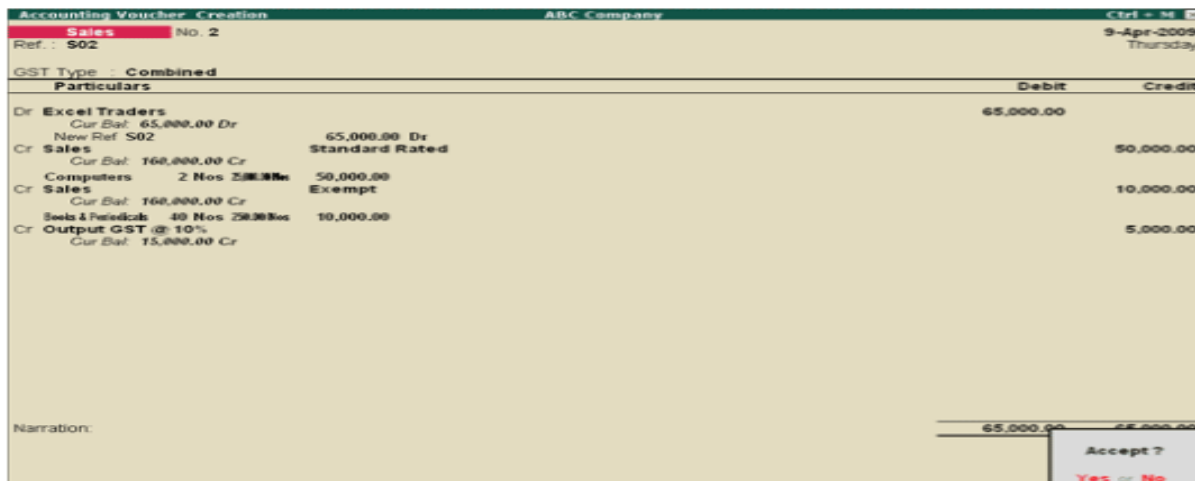
GST Reports

To view the GST Reports,

- **Go to Gateway of Tally > Display > Statutory Reports**

- **GST Reports consists of**
- **GST Analysis**
- **GST Return – F5**
- **GST Analysis**

The GST Analysis report gives details on the Total of all Purchase and Sales transactions, passed using different GST Types.

Supplies/Incomes (Output Tax)

This section displays the total sales amount on each GST Type.

Combined

The total sales amount calculated on different GST Types using a Combined class displays in this column.

Standard Rated

The total sales amount on all the transactions passed using the Standard Rated GST Type, is calculated and displayed is this column.

Zero Rated

The total sales amount on all the transactions, passed using the Zero Rated GST Type, is calculated and displayed is this column.

Exempt

The total sales amount on all the transactions, passed using the Exempt GST Type, is calculated

and displayed is this column.

Out-of-Scope

The total sales amount on all the transactions passed using the Out-of-Scope GST Type is calculated and displayed is this column.

Purchases/Expenses (Input Tax)

This section displays the total purchase amount on each of the GST Types mentioned above.

Import Under MES

The total purchase amount on all the transactions, passed using Imports under MES GST Type is calculated and displayed is this column.

Gross Amount

This column displays the total sales/purchase amount in each of the GST Types.

GST Amount

This column displays the total GST amount on each of the GST Types.

GST%

This column displays the Percentage of GST.

The GST Analysis report also calculates and displays the Net GST to be claimed from IRAS.

Use Alt + F1 to view a the detailed GST Analysis report.

GST Return F5

GST Return F5 is a statutory report which has to be filed every quarter.

Box 1 displays the total value of Standard Rated sales.

Box 2 displays the total value of Zero Rated sales.

Box 3 displays the total value of Exempt sales.

Box 4 displays the sum of Box 1, 2 and 3.

Box 5 displays the total value of Taxable Purchases.

Box 6 displays the Output Tax due on the sales.

Box 7 displays the Input Tax and the Refund Claimed

Box 8 displays the Net GST to be paid to IRAS (if Output Tax is greater than Input Tax) or to be claimed from IRAS (if Input Tax is greater than Output Tax).

Box 9 displays the total value of the goods imported under the scheme.