

# Accounting of Goods and Services Tax (GST)

## Accounting Entries

A. Journal entries of transactions on which GST is Paid and Allowed as Input GST:

S.No.	Transactions and Explanations	Journal Entry
1.	<p><b>Purchase of Goods</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed.</p>	<p><b>(a) For intra-state Purchase</b>  Purchases A/c ...Dr  Input CGST A/c ...Dr.  Input SGST A/c ...Dr.      To Cash/Bank A/c [Cash Purchase]      To Creditor's A/c [Credit Purchase]</p> <p><b>(b) For inter-state Purchase</b>  Purchases A/c ...Dr.  Input IGST A/c ...Dr.      To Cash/Bank A/c [Cash Purchase]      To Creditor's A/c [Credit Purchase]</p>
2.	<p><b>Purchases Return</b>  <b>Explanation:</b> Input Credit for GST Paid taken on purchase is cancelled, i.e., reversed.</p>	<p><b>(a) For return of intra-state Credit Purchase</b>  Creditor's A/c ...Dr.      To Purchases Return A/c      To Input CGST A/c      To Input SGST A/c</p> <p><b>(b) For return of intra-state Cash Purchase</b>  Cash/Bank A/c ...Dr.      To Purchases Return A/c      To Input CGST A/c      To Input SGST A/c</p> <p><b>(c) For return of inter-state Credit Purchase</b>  Creditor's A/c ...Dr.      To Purchases Return A/c      To Input IGST A/c</p> <p><b>(d) For return of inter-state Cash Purchase</b>  Cash/Bank A/c ...Dr.      To Purchases Return A/c      To Input IGST A/c</p>

<p><b>3. Purchase of Asset</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed (except on Vehicles purchased by Non-transport Enterprises)</p>	<p><b>(a) For intra-state Purchase</b>            Asset A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c [Against Payment]                To Vendor's A/c [Credit Purchase]</p> <p><b>(b) For inter-state Purchase</b>            Asset A/c ...Dr.            Input IGST A/c ...Dr.                To Cash/Bank A/c [Against Payment]                To Vendor's A/c [Credit Purchase]</p>
<p><b>4. Rent Paid for Business Premises</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed. Both CGST and SGST are levied at half the prescribed rate of GST each.</p>	<p>Rent A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Rent Payable A/c [If payable]</p>
<p><b>5. Commission (Expense)</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed.</p>	<p><b>(a) For intra-state</b>            Commission Paid A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Commission Payable A/c [If payable]</p> <p><b>(b) For inter-state</b>            Commission Paid A/c ...Dr.            Input IGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Commission Payable A/c [If payable]</p>
<p><b>6. Telephone Bill</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed. Both CGST and SGST are levied at half the prescribed rate of GST each.</p>	<p>Telephone Expenses A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Telephone/Expenses Payable A/c [If payable]</p>
<p><b>7. Insurance Premium</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed.</p>	<p>Insurance Premium A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c</p>
<p><b>8. Advertisement Expenses</b>  <b>Explanation:</b> Input Credit for GST Paid is allowed.</p>	<p><b>(a) For intra-state</b>            Advertisement Expenses A/c ...Dr.            Input CGST A/c ...Dr.            Input SGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Advertisement Expenses Payable A/c [If payable]</p> <p><b>(b) For inter-state</b>            Advertisement Expenses A/c ...Dr.            Input IGST A/c ...Dr.                To Cash/Bank A/c [If paid]                To Advertisement Expenses Payable A/c [If payable]</p>

9.	<b>Bank Charges</b> <b>Explanation:</b> Input Credit for GST Paid is allowed.	Bank Charges A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Cash/Bank A/c
10.	<b>Printing and Stationery</b> <b>Explanation:</b> Input Credit of GST Paid is allowed.	<b>(a) For intra-state</b> Printing and Stationery A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Cash/Bank A/c [If paid] To Expenses Payable A/c [If payable] <b>(b) For inter-state</b> Printing and Stationery A/c ...Dr. Input IGST A/c ...Dr. To Cash/Bank A/c [If paid] To Expenses Payable A/c [If payable]
11.	<b>Freight and Cartage</b> <b>Explanation:</b> Input Credit for GST Paid is allowed.	<b>(a) For intra-state</b> Freight and Cartage A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Cash/Bank A/c [If paid] To Expenses Payable A/c [If payable] <b>(b) For inter-state</b> Freight and Cartage A/c ...Dr. Input IGST A/c ...Dr. To Cash/Bank A/c [If paid] To Expenses Payable A/c [If payable]

**B. Journal entries of transactions on which GST claimed as Input GST is Reversed (i.e., cancelled):**

S.No.	Transactions and Explanations	Journal Entry
1.	<b>Goods Distributed as Samples</b> <b>Explanation:</b> Input Credit taken at the time of purchase of goods is cancelled, i.e., reversed. GST Paid (CGST and SGST or IGST) is reversed because the goods are consumed by the business.	<b>(a) If the Goods were purchased intra-state</b> Advertisement/Sample/Sales Promotion Expenses A/c ...Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c  <b>(b) If the Goods were purchased inter-state</b> Advertisement/Sample/Sales Promotion Expenses A/c ...Dr. To Purchases A/c To Input IGST A/c
2.	<b>Goods Lost by Fire or Theft</b> <b>Explanation:</b> Input Credit taken at the time of purchase of goods is cancelled, i.e., reversed.	<b>(a) If the Goods were purchased intra-state</b> Loss of Goods by Fire or Theft A/c ...Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c  <b>(b) If the Goods were purchased inter-state</b> Loss of Goods by Fire or Theft A/c ...Dr. To Purchases A/c To Input IGST A/c

3.	<b>Goods Given as Donation/Charity</b> <b>Explanation:</b> Input Credit taken at the time of purchase of goods is cancelled, i.e., reversed. GST Paid (CGST and SGST or IGST) is reversed because the goods are consumed by the business.	<b>(a) If the Goods were purchased intra-state</b> Donation/Charity A/c ...Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c  <b>(b) If the Goods were purchased inter-state</b> Donation/Charity A/c ...Dr. To Purchases A/c To Input IGST A/c
4.	<b>Goods Taken by Proprietor (Owner) for personal use</b> <b>Explanation:</b> Input Credit taken at the time of purchase of goods is cancelled, i.e., reversed.	<b>(a) If the Goods were purchased intra-state</b> Drawings A/c ...Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c  <b>(b) If the Goods were purchased inter-state</b> Drawings A/c ...Dr. To Purchases A/c To Input IGST A/c

**C. Journal entries of transactions on which GST is Charged and is Output GST:**

GST charged is payable to the Government after set-off of Input GST. Thus, it is Output GST.

S.No.	Transactions and Explanations	Journal Entry
1.	<b>Sale of Goods and/or Services or Both</b> <b>Explanation:</b> If intra-state transaction, both CGST and SGST at half the prescribed rate of GST is levied. If inter-state transaction, IGST at the prescribed rate of GST is levied.	<b>(a) For intra-state Sale</b> Cash/Bank A/c ...Dr. [Cash Sale] Debtor's A/c ...Dr. [Credit Sale] To Sales A/c To Output CGST A/c To Output SGST A/c  <b>(b) For inter-state Sale</b> Cash/Bank A/c ...Dr. [Cash Sale] Debtor's A/c ...Dr. [Credit Sale] To Sales A/c To Output IGST A/c
2.	<b>Sales Return</b> <b>Explanation:</b> Output GST, i.e., GST Charged on sale is cancelled, i.e., reversed. Goods were sold within the state, i.e., Intra-state, both CGST and SGST were charged and credited to Output CGST Account and Input SGST Account, which now are reversed. Goods were sold outside the state, i.e., Inter-state, IGST was charged and credited to Output IGST Account, which now is reversed.	<b>(a) For intra-state Credit Sale</b> Sales Return A/c ...Dr. Output CGST A/c ...Dr. Output SGST A/c ...Dr. To Debtor's A/c  <b>(b) For intra-state Cash Sale</b> Sales Return A/c ...Dr. Output CGST A/c ...Dr. Output SGST A/c ...Dr. To Cash/Bank A/c  <b>(c) For inter-state Credit Sale</b> Sales Return A/c ...Dr. Output IGST A/c ...Dr. To Debtor's A/c  <b>(d) For inter-state Cash Sale</b> Sales Return A/c ...Dr. Output IGST A/c ...Dr. To Cash/Bank A/c

3.	<b>Rent Received</b>	Cash/Bank A/c ...Dr. [If Received] Rent Receivable A/c ...Dr. [If Receivable] To Rent Received A/c To Output CGST A/c To Output SGST A/c	
4.	<b>Commission (Income)</b>	<p><b>(a) For intra-state Commission (Income)</b> Cash/Bank A/c ...Dr. [If Received] Commission Receivable A/c ...Dr. [If Receivable]     To Commission (Income) A/c     To Output CGST A/c     To Output SGST A/c</p> <p><b>(b) For inter-state Commission (Income)</b> Cash/Bank A/c ...Dr. [If Received] Commission Receivable A/c ...Dr. [If Receivable]     To Commission (Income) A/c     To Output IGST A/c</p>	

**D.** Journal entries of transactions on which GST (CGST and SGST or IGST) is paid but Input credit is not allowed.

*If Input Credit of GST Paid is not allowed, GST Paid is an expense and is debited to Expense or Asset Account.*

S.No.	Transaction	Journal Entry
	Food and Beverages Expenses (Such as Restaurant Bill)	Business Promotion Expenses A/c ...Dr. To Cash/Bank A/c

**E.** Journal entries of transactions on which GST (CGST and SGST or IGST) is paid under Reverse Charge.

*It means that the GST is not levied (charged) by the seller but is paid by the purchaser directly in the Government Account and is allowed Input Credit of GST Paid under Reverse Charge.*

S.No.	Transaction	Journal Entry
	Payment of Fee to Lawyer, for use of copyright	(a) Professional Fee A/c ...Dr. To Cash/Bank A/c
		(b) Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Cash/Bank A/c