Interstate Inward Supply under GST

Definition:

•Interstate inward supply refers to the purchase of goods or services from a supplier located in a different state or union territory.

Key Points:

1.Place of Supply:

- The supply is considered interstate when the supplier and the recipient are located in different states or Union Territories.
- GST is levied by the Central Government and the State Government, and the IGST (Integrated Goods and Services Tax) applies.

2.Taxation:

- In an interstate transaction, **IGST** is applicable on the supply of goods and services.
- The IGST is divided into two components:
  1. **CGST (Central GST)**: 50% of the total IGST.
  2. **SGST (State GST)**: 50% of the total IGST.

3.Input Tax Credit (ITC):

- The recipient of the interstate inward supply can claim Input Tax Credit (ITC) for the IGST paid on purchases, which can be used to set off the output tax liability.

3. Input Tax Credit (ITC):

The recipient of the interstate inward supply can claim Input Tax Credit (ITC) for the IGST paid on purchases, which can be used to set off the output tax liability.

Example:

- If a business in Hyderabad (Telangana) purchases goods from a supplier in Assam, this is an interstate inward supply, and the business would pay IGST on the transaction.

Record Interstate Purchases in Tally ERP 9 (GST Ledger)

Step 1: Enable GST in Tally

1. Go to Gateway of Tally.
2. Select "F11: Features".
3. Choose "Statutory & Taxation" and set "Enable Goods and Services Tax (GST)" to Yes.
4. Enter GST Details such as:
    1. GSTIN of your business.
    2. Place of Business (State).
    3. Nature of Business.
    4. GST Classification (e.g., Regular, Composition, etc.).
5. Save and exit the setup.

Step 2: Create GST Ledgers in Tally

1. **Go to Gateway of Tally** and select **"Accounts Info"**.
2. Choose **"Ledger"** under "Create" and select the relevant group.

For Purchases:

• **Create "Purchase Account"** (If not already created) under the group **"Purchase Accounts"**.

For Input Tax Credit:

• **Create an IGST Ledger** under the **"Duties & Taxes"** group (this is for Input Tax Credit for Interstate Purchases).

- Name: **"IGST"**.
- Under: **"Duties & Taxes"** → **"GST"** → **"Input IGST"**.

For Accounts Payable:

• Ensure the supplier's **Creditor Ledger** (e.g., "Supplier A") is created under the group **"Sundry Creditors"**.

Step 3: Create the Purchase Voucher for Interstate Purchase

1. **Go to Gateway of Tally** and select **"Accounting Vouchers"**.
2. Press **F9** for **Purchase Voucher**.

Step 4: Enter Purchase Details

In the **Purchase Voucher** screen, you need to enter the following details:

1. **Party (Supplier) Name**: Select the supplier's ledger (e.g., "Supplier A").
2. **Purchase Ledger**: Select **"Purchase Account"** (or the relevant purchase ledger created earlier).
3. **Amount of Goods Purchased**: Enter the purchase value (e.g., ₹50,000).
4. **GST Details**: Enter the relevant details of the interstate purchase:
   - **Taxable Value**: Enter the taxable value (e.g., ₹50,000).
   - **IGST**: Enter the applicable **IGST rate** (e.g., 18%). Tally will automatically calculate the **IGST amount**.

For example:

- Taxable Value = ₹50,000
- IGST @ 18% = ₹9,000

5. **Input IGST**: The system will show the IGST ledger as **Input IGST** in the "Duties and Taxes" section. The IGST amount will be automatically filled based on the entered rate.

Step 5: Complete the Purchase Entry

1. **Total Amount**: Verify the total amount (purchase value + IGST).
   1. For example, if purchase value = ₹50,000 and IGST = ₹9,000, then total = ₹59,000.
2. **Accounts Payable**: Select **"Sundry Creditors"** (Supplier's Ledger) and enter the **total payable amount** (₹59,000).

Step 6: Save the Purchase Voucher

1. After reviewing the entered details, press **Enter** to save the purchase voucher.
2. The system will now automatically record:
   - **Purchase Account** (Debit).
   - **Input IGST Account** (Debit for Input Tax Credit).
   - **Sundry Creditors (Supplier)** (Credit).

Step 7: Verify the Purchase Entry

1. **Go to Gateway of Tally** and select **Display** → **Day Book** to check if the entry has been recorded correctly.

2. You can also go to **Display** → **Accounts Books** → **Ledger** to verify the individual ledger balances for **Purchases**, **Input IGST**, and **Sundry Creditors**.

Example:

Let's assume the following scenario:

- **Purchase Value**: ₹50,000.
- **IGST Rate**: 18% (₹9,000).
- **Total Invoice Value**: ₹59,000.

The Purchase Entry in Tally would look like:

Account Name	Debit (₹)	Credit (₹)
Purchase Account	50,000	
Input IGST	9,000	
Sundry Creditors (Supplier)		59,000

Step 8: Filing GST Returns (GSTR-3B)

1. After recording the purchase in Tally, **file your GST returns**.
2. **GSTR-2A/2B** will reflect the input tax credit (IGST) you've claimed.
3. **GSTR-3B** will automatically pick up the recorded purchases and IGST paid. Ensure that the details are correctly filled in the relevant sections.

Interstate Outward Supply under GST

- **Definition:**
- Interstate outward supply refers to the sale or transfer of goods or services from a supplier located in one state or Union Territory to a recipient in another state or Union Territory.
- **Key Points:**

1. **Place of Supply:**
    1. The supply is considered interstate when the supplier and the recipient are located in different states or Union Territories.
2. **Taxation:**
    1. In an interstate transaction, **IGST** is charged on the sale of goods or services.
    2. The seller collects IGST from the buyer at the rate applicable and later remits it to the government.

3. Output Tax Liability:

1. The supplier must collect IGST on the sale value of goods or services supplied interstate and pay the collected tax to the government.
2. The rate of IGST is determined based on the goods or services and the applicable GST rates for the specific category.

4. Input Tax Credit for the Buyer:

1. The buyer (recipient) in an interstate outward supply can claim ITC on the IGST paid on the purchases, which can be used to offset any IGST liability on their own sales.

5. Documentation and Returns: The supplier must ensure that the necessary documents (GST invoice, transport documents, etc.) are maintained for interstate outward supply.

The transaction must be reported in the relevant GST returns (e.g., GSTR-1, GSTR-3B).

Example: A business in Hyderabad sells goods to a customer in Chennai. This is an interstate outward supply, and the business in Hyderabad will charge IGST on the transaction.

<u>**Record Interstate Sales in Tally ERP 9 (GST Ledger)**</u>

- <u>Step 1: Enable GST in Tally ERP</u>

1. **Go to Gateway of Tally**.
2. Press **F11: Features**.
3. Select **"Statutory & Taxation"** and set **"Enable Goods and Services Tax (GST)"** to **Yes**.
4. **Fill in your GST details** (GSTIN, place of business, nature of business, etc.).
5. **Save** the settings

- <u>**Step 2: Create the Required GST Ledgers in Tally**</u>
- Before recording an interstate sale, ensure the relevant ledgers are created in Tally:

1. **Go to Gateway of Tally → Accounts Info → Ledgers → Create**.

- **Create Sales Ledger:**
- Name: **Sales** (or any relevant sales ledger).
- Under: **Sales Accounts**.
- Set GST Rate: **IGST**.
- Set **"Applicable for GST"** as **Yes**.
- Set **"Tax Type"** to **"Output IGST"**.
- **Create IGST Ledger (Output IGST):**
- Name: **IGST (Output Tax)**.
- Under: **Duties & Taxes → GST → Output IGST**.
- Set **"Effective from"** date, if applicable.
- **Create the Customer Ledger (if not already created):**
- Name: Customer (e.g., **Customer ABC**).
- Under: **Sundry Debtors**.

- **Step 3: Record Interstate Sales Using Sales Voucher**

1. **Go to Gateway of Tally → Accounting Vouchers.**
2. Press **F8** to open the **Sales Voucher**.

- **Step 4: Enter Sales Details in the Voucher**

Party (Customer):

1. Select the **customer's ledger** (e.g., **Customer ABC**).
2. If it's a new customer, you can create a new ledger for them.

Sales Ledger:

1. Select the **Sales Ledger** created earlier (e.g., **Sales**).
2. Enter the **sale amount** (e.g., ₹50,000).

GST Details:

1. Since it's an interstate sale, **IGST** will automatically apply based on the GST setup in the sales ledger.
2. Tally will calculate the IGST (e.g., 18% of ₹50,000 = ₹9,000).

IGST Ledger:

1. The system will automatically select the **Output IGST** ledger for tax calculation.
2. **IGST** will be added to the sales amount.

Total Sale Amount:

1. **Sale Value**: ₹50,000
2. **IGST (18%)**: ₹9,000
3. **Total Amount Payable**: ₹59,000

Customer Payable:

1. After entering the sales and GST details, the **total amount** (₹59,000) will be credited to the **customer's ledger** (e.g., **Customer ABC**).

- <u>**Step 5: Save the Sales Voucher**</u>
- After entering all the details, press **Enter** to save the voucher.

- **<u>Step 6: Verify the Sales Entry</u>**

- To verify if the sales have been recorded properly:

1. **Go to Gateway of Tally → Display → Day Book** or **Ledger** to check the sales and IGST entries.
2. **Display → Accounts Books → Ledger** and select **Sales** to see the total sales recorded.
3. You can also check **Sundry Debtors** to ensure the customer’s balance is correctly updated.

- **Step 7: Filing GST Returns (GSTR-1 & GSTR-3B)**

1. **GSTR-1**:
   1. Ensure the interstate sale transaction (IGST) is reported in the **GSTR-1** form under **"Outward Supply"**.
   2. The sales amount, IGST, and customer details will be auto-populated from Tally.
2. **GSTR-3B**:
   1. The IGST collected will be shown in the **Output Tax Liability** section of **GSTR-3B**.
   2. Ensure that the **IGST** figures are accurately recorded for both the output and input tax sections.

- **Example of a Sales Entry in Tally:**
- Assume you sold goods to a customer with the following details:
- **Sales Value**: ₹50,000
- **IGST Rate**: 18%
- **IGST Amount**: ₹9,000
- **Total Payable**: ₹59,000

Sales Voucher Entry Example:

Account Name	Debit (₹)	Credit (₹)
Customer (ABC)		59,000
Sales	50,000	
Output IGST (18%)	9,000	

- **Sales Account** is debited with ₹50,000 (value of goods sold).
- **IGST (Output Tax)** is credited with ₹9,000.
- The **Customer's Account** is credited with the total payable of ₹59,000.

Returns of Goods under GST (Goods and Services Tax)

- Under the Goods and Services Tax (GST) regime, the return of goods is governed by specific provisions that allow for the reversal of tax liability in certain situations. Here's a brief note on the key aspects related to returns of goods under GST

Purchase Returns

Purchase returns refer to the goods that a buyer returns to the supplier after the purchase. This typically occurs when the goods received are damaged, defective, or do not meet the required specifications. The buyer sends the goods back to the seller and is generally entitled to a refund or credit for the returned items.

In GST context, when goods are returned, the buyer must reverse the Input Tax Credit (ITC) that was initially claimed on the purchased goods. The supplier is also required to adjust their output tax liability accordingly.

Example:
A company purchases goods worth ₹50,000 with GST of ₹9,000 (CGST ₹4,500 and SGST ₹4,500). If the goods are defective, the company returns the goods to the supplier, and both the value of goods (₹50,000) and the GST (₹9,000) are reversed.

Recording Purchase Returns in Tally ERP

Step 1: Enable GST in Tally

- Before recording any transactions, ensure that **GST is enabled** in Tally.
  - Go to **Gateway of Tally > F11: Features > Statutory & Taxation**.
  - Enable GST and set up the necessary GST details (e.g., GST registration number, GST rates, etc.).

Step 2: Create Purchase Return Ledger

- Go to **Gateway of Tally > Accounts Info > Ledgers > Create**.
- Create a **Purchase Return** ledger under the group **Indirect Expenses** or **Purchase Accounts** (based on your business structure).

Step 3: Record the Purchase Return Voucher

- Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase**.
- Select **Purchase Return** from the list (if you have set up a voucher type for it).
- **Debit** the **Accounts Payable (Creditors)** for the amount of the returned goods.
- **Credit** the **Purchase Return** ledger to reflect the returned items.
- Under **GST details**, input the **GST applicable on the returned goods** (whether it is Input CGST, SGST, or IGST) and enter the reversed tax amount.

Example:

- **Debit Accounts Payable** (Supplier) for the net amount (after return).
- **Credit Purchase Return** for the value of the goods being returned.
- **Reverse Input GST** (e.g., Debit Input CGST/SGST/IGST for the returned tax).

Step 4: Save the Transaction

- Once the details are filled in, save the transaction by pressing **Enter**.

Step 5: Update GST Returns (GSTR-3B and GSTR-1)

- Tally will automatically update the **GST returns** (GSTR-1 and GSTR-3B) for the purchase return when you generate the return.

- Go to **Display > Statutory Reports > GST > GSTR-3B** or **GSTR-1** to verify the changes.

Sales Returns

Sales returns refer to goods that are returned by the customer to the seller after a sale. This typically happens when the customer is dissatisfied with the product due to defects, incorrect specifications, or damage. The seller receives the returned goods and usually provides a refund or credit to the customer.

In GST context, the seller is required to reverse the output tax (GST) that was collected on the initial sale. The buyer can also reverse the input tax credit (ITC) they claimed on the purchase of those goods.

Example:
A retailer sells goods worth ₹30,000 with GST of ₹5,400 (CGST ₹2,700 and SGST ₹2,700). If the customer returns the goods due to quality issues, the retailer will reverse the sale amount (₹30,000) and GST (₹5,400).

Recording Sales Returns in Tally ERP

Step 1: Create Sales Return Ledger

- Go to **Gateway of Tally > Accounts Info > Ledgers > Create**.
- Create a **Sales Return** ledger under the group **Sales Accounts** (or **Direct Income**, depending on your accounting system).

Step 2: Record the Sales Return Voucher

- Go to **Gateway of Tally > Accounting Vouchers > F8: Sales**.
- In the **Sales Voucher** screen, press **Ctrl + F8** to select **Sales Return**.
- **Debit** the **Customer Account (Accounts Receivable)** for the amount of the returned goods.
- **Credit** the **Sales Return** ledger to reflect the returned items.
- Under **GST details**, enter the **GST applicable on the returned goods** (Output CGST/SGST/IGST) and the reversed tax amount.

Example:

  - **Debit Accounts Receivable** (Customer) for the net amount.
  - **Credit Sales Return** for the value of goods being returned.
  - **Reverse Output GST** (e.g., Debit Output CGST/SGST/IGST for the returned tax).

Step 3: Save the Transaction

- Once you have entered the details, save the transaction by pressing **Enter**.

Step 4: Update GST Returns (GSTR-1 and GSTR-3B)

- Tally will automatically update the **GST returns** (GSTR-1 and GSTR-3B) to reflect the sales return.
- You can verify and view these updates by going to **Display > Statutory Reports > GST > GSTR-1** or **GSTR-3B**.

Journal Entries for Purchase and Sales Returns in Tally

For Purchase Returns:

- **Debit** Accounts Payable (Supplier)
- **Credit** Purchase Return (with the GST details)
- **Debit** Input GST (for the reversed GST)

For Sales Returns:

- **Debit** Sales Return (with the GST details)
- **Credit** Accounts Receivable (Customer)
- **Debit** Output GST (for the reversed GST)

Important Notes for GST Compliance in Tally ERP:

1. **GST Rate Selection**: Ensure that you select the correct GST rate (CGST, SGST, IGST) when recording returns to ensure accurate tax reversal.
2. **Use of Credit and Debit Notes**: For returns of goods, Tally allows you to record **credit notes** (for sales returns) and **debit notes** (for purchase returns) with GST-specific adjustments.
3. **Verify Returns**: Always verify the updated tax reports in **GSTR-3B** and **GSTR-1** after entering the return transactions.

Defining Tax Rate at Master and Transaction Level

- In accounting and financial systems, tax rates can be defined at different levels depending on the structure and needs of the business. Defining tax rates at both the **master level** and **transaction level** allows for flexibility in managing taxes and ensuring compliance with regulations.

- In **Tally**, tax rates can be defined at both the **Master level** and the **Transaction level**. Here’s how tax rates are configured in Tally at these two levels:

- Master Level: Default tax rates are applied by setting up tax ledgers, stock items, and customer/vendor master data. These are the general rules that apply unless overridden at the transaction level.

- Transaction Level: Allows for modification or override of tax rates specific to a transaction (e.g., for exemptions, discounts, or special conditions). This is useful for handling scenarios that differ from the default tax setup.

1. Defining Tax Rates at the Master Level in Tally. ERP 9

- The **Master level** in Tally refers to the default configuration of tax rates, which apply to various entities like **Ledgers**, **Stock Items**, **Customers**, and **Vendors**. This ensures that the tax rate is automatically applied unless overridden in specific transactions.

Steps to define tax rates at the master level:

1. **Create Tax Ledgers (GST):**
    1. Go to the **Gateway of Tally** > **Accounts Info.** > **Ledgers** > **Create**.
    2. Create a new ledger with the name of the tax, e.g., **GST**
    3. Under the **Under** field, select the relevant tax group, such as **Current Liabilities** or **Duties & Taxes**.
    4. Define the tax rate under **Tax Type** (e.g., **GST**), and set the **Rate of Tax** (e.g., 18%).
2. **Assign Tax Rate to Stock Items:**
    1. Go to **Gateway of Tally** > **Inventory Info.** > **Stock Items** > **Create** or **Alter**.
    2. Under the **GST Details** section, you can select the **Tax Ledger** (created earlier) and specify the tax rate.
    3. You can also set whether the item is **taxable** and the default **Tax Rate** applicable.

1. Define Tax for Customers or Vendors:

1. For **Customers** or **Vendors**, you can set default tax rates.
2. Go to **Gateway of Tally** > **Accounts Info.** > **Ledger** > **Create** or **Alter** (for customers/vendors).
3. Under the **Sales / Purchase Ledger** section, you can assign the relevant **tax ledger** and set the applicable **tax rates** for each customer or vendor based on location or other criteria.

- **Example:**
- Create a **GST 18%** tax ledger under **Duties & Taxes**.
- Create a **Sales** ledger and assign **GST 18%** as the default tax rate.
- Create a **Stock Item** (e.g., product A) and assign **GST 18%** under its **Sales Tax / GST** details.

2. Defining Tax Rates at the Transaction Level in Tally. ERP 9

- The **Transaction level** allows for overriding the default tax rates defined at the master level. This is useful when a specific transaction requires a different tax rate (e.g., tax exemption, discounts, or special agreements).

- **<u>Steps to define tax rates at the transaction level:</u>**

1. **Create a Sales or Purchase Voucher:**
    1. Go to **Gateway of Tally** > **Accounting Vouchers**.
    2. Select the appropriate voucher (e.g., **Sales**, **Purchase**, etc.).

- **2.Over ride Tax Rate for Transaction:**
- When entering a transaction (e.g., a **Sales** voucher), select the **Stock Item** or **Ledger** to which the tax is applicable.
- On the **voucher entry screen**, Tally will automatically apply the default tax rate defined at the master level.
- If the tax rate needs to be different for this transaction, you can override it by selecting the **Tax Ledger** and changing the tax rate (e.g., change from 18% to 12% for a specific item or customer).

- **3. Example Transaction-level Modifications:**
- You may apply a Discount in a Sales Order and need to reduce the applicable tax rate. In the Sales Voucher, enter the stock item and modify the tax rate directly from the Tax column if needed (e.g., adjust for a tax exemption or promotional rate).

- **4.Special Tax Exemption or Tax-Free Items:**
- If an item or customer is exempt from tax, this can be applied in the transaction by adjusting the Tax Ledger rate to 0% or selecting a specific Exempt Tax Ledger during the voucher entry.For example, if an item is tax-free under a specific scheme, you can override the default tax rate in the Sales Invoice by setting the tax rate to 0%.