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1. INTRODUCTION:

The government of each nation levies and collects taxes from the people for the growth of the economy and for the welfare of people. The taxes collected by a government can be classified into two types: (1) Direct Taxes, and (2) Indirect Taxes. At present, being a vital indirect tax, the Goods and Services Tax (GST) is levied and collected in the whole of India. France was the first country to implement the Goods and Services Tax (GST) in the year 1954. GST has been introduced in India with effect from 1st January, 2017. GST is now practiced almost in 160 countries.

2. GOODS AND SERVICES TAX (GST):

Before the implementation of Goods and Services Tax, there had been numerous indirect taxes levied by the Central Government, State Governments and Union Territories. Under the pre-GST regime, as per the prevailing tax-structure, multiple taxes were being levied by the Central and State Governments. Since the multiplicity of tax levies, multiplicity of tax rates, multiplicity of tax administration, dual taxation were prevailing under the old system of indirect taxes in India. It was thus becoming extremely complicated issues for the taxpayer, tax collector, central and state governments. Finally, the consumers were victimised a lot in the pre-GST regime.

In order to subsume of different indirect taxes levied by central and state governments and to introduce GST, a committee consisting of officials of the Central as well as State Governments, Experts and the empowered other committees was constituted. This committee carried out a detailed discussion on GST design and submitted its report. Thereafter, based on a broad consensus reached in the parliament, in accordance of the Constitution (101st Amendment) Act, 2016, the Parliament passed Goods and Services Tax Bill. After receiving assent of the President, GST has been introduced in India with effect from 1st July, 2017, and India realised its dream of "One Nation - One Tax."

Indirect Taxes subsumed (combined) which were used to be levied by Central Government:

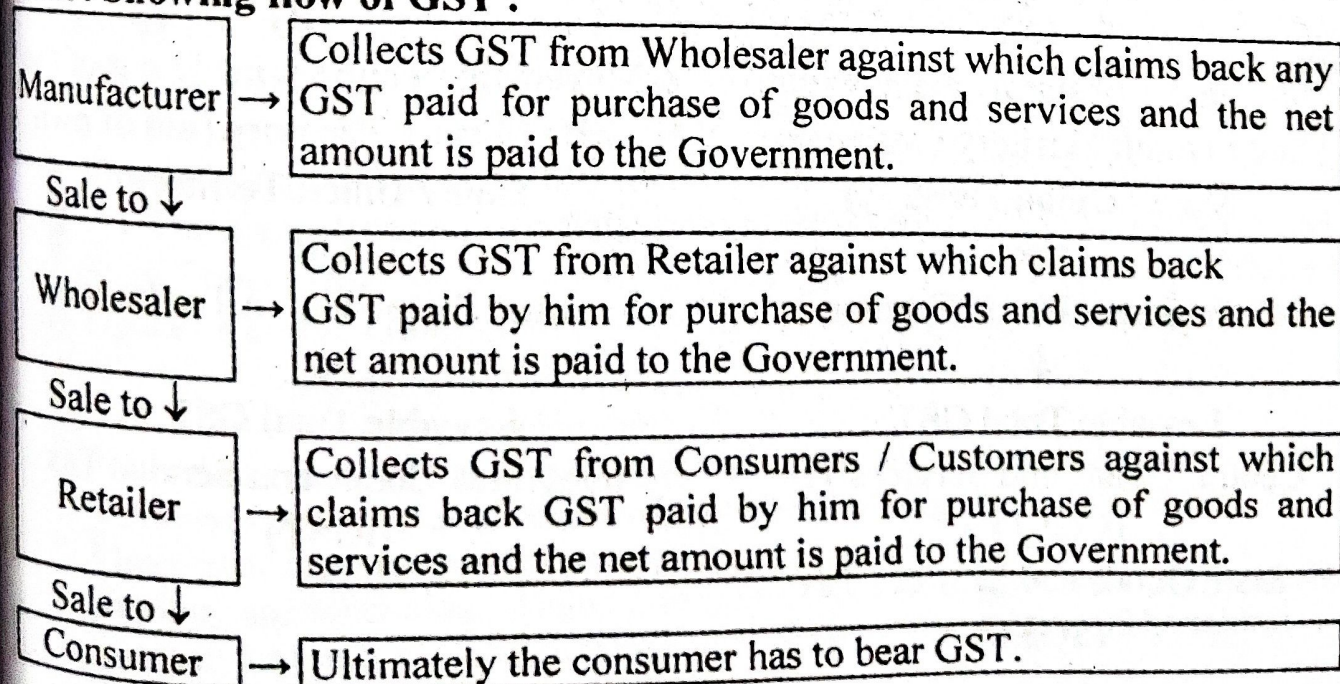
- (1) Central Excise Duty
- (2) Duties of Excise (Medicinal and Toilet Preparations)
- (3) Central Sales Tax
- (4) Additional Duties of Excise (Goods of special importance)
- (5) Additional Duties of Excise (Textiles and textiles products)
- (6) Additional Duties of Customs.
- (7) Special Additional Duties of Customs.
- (8) Service Tax
- (9) Central Surcharges and Cesses as far as they relate to supply of goods and services.

In addition to this, Indirect taxes subsumed (combined) which were used to be levied by the States / Union Territories:

- (1) State Value Added Tax (VAT)
- (2) Sales Tax
- (3) Luxury Tax
- (4) Entry Tax
- (5) Entertainment and Amusement Tax (except when levied by the local bodies)
- (6) Taxes on advertisements
- (7) Purchase Tax
- (8) Taxes on lotteries, betting and gambling
- (9) State Surcharges and Cesses so far as they relate to supply of goods and services.

All the above mentioned indirect taxes have been withdrawn and a new tax namely Goods and Services Tax (GST) has become effective from 01/07/2017. Goods and Services Tax (GST) is levied and collected at all stages right from manufacture upto final consumption, with credit of taxes paid at previous stages available as set off.

Chart Showing flow of GST :



3. SUPPLY OF GOODS OR SERVICES OR BOTH :

The term "supply" is very wide and it includes all forms of supply of goods or services or both, which would be levied GST under the GST Act. Thus, in respect of term supply, the taxable event in case of GST Act is the supply of goods or services or both made for consideration in the course of advancement of business. Considering the destination based supply of goods and services, under GST Act, CGST and SGST/UTGST are levied on intra-state supply, whereas IGST is levied on inter-state supply.

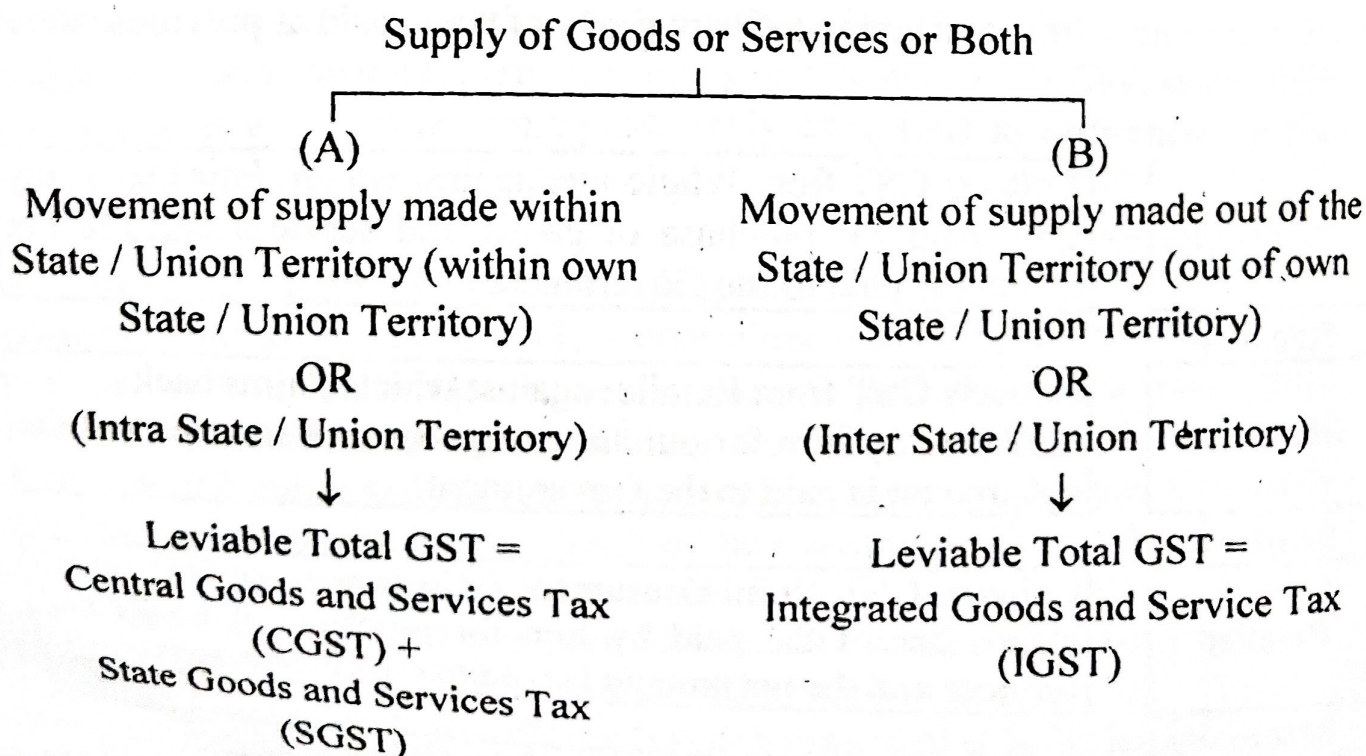
Under GST Tax-structure, instead of exercising the term purchases / sales for the business transactions of goods and services, the "supply of goods and services" term is used.

It is important to make certain the place in each case of supply of goods or services or both, because GST is a destination - based tax. The goods and services tax accrue to the respective authorities (Central Governments, State Government, Union Territories), under whose jurisdiction supply of goods and services takes place.

On the basis of destination of supply, the "place of supply" is classified as under:

- (1) Movement of supply made within State / Union Territory, and
- (2) Movement of supply made out of the State / Union Territory.

For the better understanding of the computation of taxable CGST, SGST, UTGST and IGST on the basis of aforesaid classification, let us follow the chart given below:



(A) Leviable GST on Intra-State / Union Territory input supply:

Total GST including (1) Central Goods and Services Tax (CGST), and (2) State Goods and Services Tax (SGST) is levied on intra-state supply of goods and services means movement of supply made within the State / Union Territory.

Whereas, (1) Central Goods and Services Tax (CGST), and (2) Union Territory Goods and Services Tax (UTGST) is levied on the supply made within the Union Territory.

For example, (i) Sold goods of ₹ 50,000 to the trader of Ahmedabad by the trader of Surat. Suppose, the rate of CGST is 6% and SGST 6%.

This transaction has been occurred within the State of Gujarat (same state). Hence, being an intra-state transaction¹:

The Central Government would charge Central Goods and Services Tax (CGST) of ₹ 3,000 ($50,000 \times 6\%$) as well as State Government would charge State Goods and Services Tax (SGST) of ₹ 3,000 ($50,000 \times 6\%$). Thus, total leviable GST would be ₹ 6,000 ($3,000 + 3,000$).

(ii) A of Daman sold goods for ₹ 10,000 to B of Daman. Suppose, the rate of GST is 6% and that of UTGST is 6%.

This transaction has been occurred within the same Union Territory, i.e. Daman. Hence, being an Intra-Union Territory transaction:

The Central Government would charge Central Goods and Services Tax of ₹ 600 ($10,000 \times 6\%$) as well as Daman Union Territory would charge Union Territory Goods and Services Tax of ₹ 600 ($10,000 \times 6\%$). Thus, total leviable GST would be ₹ 1,200 ($600 + 600$).

Note: When being the transactions relating to supply of goods and services (i.e. purchases and sales) are occurred within the State or Union Territory, the total GST (CGST + SGST / UTGST) will be allocated equally among the Centre and State / Union Territory.

(B) GST on Inter State/ Union Territory Supply:

When the transaction relating to supply of goods and services (purchases and sales) are occurred between the two State/Union Territories (Inter State)² the Integrated Goods and Services Tax (IGST) are levied on the type of supply.

For example, a trader of Rajkot sold goods for ₹ 4,00,000 to a trader of Mumbai. Suppose the rate of IGST is 12%.

The above transaction relating to supply of goods will be considered as "Inter State Transaction" as it occurred between the State of Gujarat and Maharashtra. Hence, Central Government shall charge Integrated Goods and Services Tax

¹ Intra-State transactions means supply of goods or services within the State or Union Territory. For example, the trader of Ahmedabad sold goods to the trader of Surat.

² Inter-State transactions means supply of goods or services between a State / Union Territory and other State / Union Territory. For example, the trader of Ahmedabad sold goods to the trader of Mumbai (Between the state of Gujarat and Maharashtra).

(IGST). Therefore, IGST of ₹ 48,000 ($4,00,000 \times 12\%$) will be levied by the Central Government.

Briefly, on the transactions of Intra State supply (purchases and sales) which takes place within the same State or Union Territory:

$$\text{Leviable GST} = \text{CGST} + \text{SGST} / \text{UTSGT}.$$

While, on the transactions of Inter State supply (purchases and sales) which takes place between a State / Union Territory and other State / Union Territory:

$$\text{Leviable GST} = \text{IGST}.$$

Details of Leviable Goods and Services Tax on supply of Goods or Services or supply of both (purchases and sales)

Sr. No.	Transaction	GST on Input Supply in Respect of Inter State / Union Territory Supply (Input GST)	GST on Output Supply in Respect of Intra State / Union Territory Supply (Output GST)
(1)	Purchases of goods or services or both (Input supply)	(1) Central Goods and Services Tax on Input supply (CGST) (2) State Goods and Services Tax / Union Territory Goods and Services on Input Supply (SGST/UTGST)	Integrated Goods and Services Tax on Input Supply (IGST)
(2)	Sales of goods or services or both (Output supply)	(1) Central Goods and Services Tax on Output Supply (CGST) (2) State Goods and Services Tax / Union Territory Goods and Services Tax on Output Supply (SGST/UTGST).	Integrated Goods and Services Tax on Output Supply (IGST)

Note: The Central Government shall levy Integrated Goods and Services Tax.

4. RATE OF GOODS AND SERVICES TAX:

The Goods and Services Tax is a tax levied on the supply of goods and services. Keeping in view the necessity of the goods and services to the society, the GST council, being an apex body, has fixed different rates of GST which have been enforced from 1st April, 2017.

The different rates of GST are arrived at considering the basic needs of goods and services to the human beings and consumption of luxurious commodities by the society. Hence, the GST rates varies from 0% to 28%.

GST rates on inter-state / union territory supply & intra-state / union territory supply³:

Schedule	Rate of Integrated Goods territories and Services Tax (IGST) on inter-state / union territory Supply OR On movement of goods & services between states / union territories	Rate of GST on intra-state / union territory or movement of goods & services within the state or union territory	
		Rate of Central Goods & Services Tax (CGST)	Rate of State Goods & Services Tax (SGST)
1	5%	2.5%	2.5%
2	12%	6%	6%
3	18%	9%	9%
4	28%	14%	14%
5	3%	1.5%	1.5%
6	0.25%	0.125%	0.125%

Notes: (1) Main four IGST slabs: 5%, 12%, 18% and 28% are also applicable to services as per Schedule No. 1, 2, 3 and 4 respectively.

(2) The IGST rates on special category items are 3% and 0.25% as per Schedule No. 5 and 6 respectively.

(3) At any time there may be a change in the prevailing GST rates.

Illustration: Write the following transactions including GST, in the Journal of Sandeep Vagle of Ahmedabad.

Following are the applicable rates of GST:

The rate of : CGST 9%, SGST 9%, and IGST on inter-state supply 18%.

2025

June 1: Purchased goods worth ₹ 30,000 by cheque.

3: Sold goods for ₹ 16,000.

4: Purchased goods of ₹ 1,00,000 from Ravi Patel of Junagadh. Sandeep paid Railway freight of ₹ 4,000 by cheque and Wages of ₹ 1,000 in cash.

7: Sold goods worth ₹ 40,000 to Vijay Tomar of Bikaner (Rajasthan).

10: Goods worth ₹ 5,000 returned to Ravi Patel of Junagadh.

12: Goods of ₹ 1,50,000 purchased from Kapil Gil of Delhi by cheque.

16: Sold goods worth ₹ 70,000 to Virkramrao Sindhia of Bhopal (Madhya Pradesh) by cheque.

20: Vijay Tomar of Bikaner (Rajasthan) returned goods worth ₹ 4,000.

21: Goods worth ₹ 6,000 returned to Kapil Gil of Delhi.

22: Goods worth ₹ 20,000 sold to Samir Shah of Surendranagar. We paid truck-fare ₹ 800 and wages of ₹ 200 on his behalf.

³ Rate of Central Goods and Services Tax (CGST) and Integrated Goods and Services Tax (IGST) as per notification number 1/2017.

28: Sold goods worth ₹ 25,000 to Jagat Mevada of Jamnagar.

30: Samir Shah of Surendranagar returned goods worth ₹ 3,000.

Solution:

Notes: (1) Where the location of supply of goods is not given, the particular supply will be considered as "Intra-state supply". Hence, CGST and SGST shall be levied.

(2) When simply the transaction value of supply of goods is given, it means that the transaction value does not include GST.

(3) The GST will be computed on the value of the supply of goods arrived after adding the carrying expenses like: Railway freight, Cartage, Wages etc. to transaction value of the goods supplied.

Journal of Shri Sandeep Vagle

Date	Particulars	L. F.	Debit ₹	Credit ₹
2025 June 1	Purchase A/c Dr. Input CGST (30,000 × 9%) A/c Dr. Input SGST (30,000 × 9%) A/c Dr. To Bank A/c (Bought goods with GST by paying a cheque, recorded as "Intra-State supply.")		30,000 2,700 2,700	35,400
" 3	Cash A/c Dr. To Sales A/c To Output CGST (16,000 × 9%) A/c To Output SGST (16,000 × 9%) A/c (Sold goods inclusive of GST for cash, recorded as "Intra-state supply.")		18,880	16,000 1,440 1,440
" 4	Purchases A/c Dr. Railway Freight A/c Dr. Wages A/c Dr. Input CGST (1,05,000 × 9%) A/c Dr. Input SGST (1,05,000 × 9%) A/c Dr. To Ravi Patel A/c To Bank A/c To Cash A/c (Bought goods with GST on credit.)		1,00,000 4,000 1,000 9,450 9,450	1,18,900 4,000 1,000
" 7	Vijay Tomar's A/c Dr. To Sales A/c To Output IGST A/c (40,000 × 18%) (Sold goods inclusive of GST on credit, recorded as "Inter-state supply".)		47,200	40,000 7,200

10	Ravi Patel A/c To Purchase Returns A/c To Input CGST (5,000 × 9%) A/c To Input SGST (5,000 × 9%) A/c (Returned goods with GST to Ravi Patel.)	Dr.	5,900	5,000 450 450
12	Purchases A/c Input IGST A/c (1,50,000 × 18%) To Bank A/c (Being goods purchased with GST from Delhi, recorded as inter-state transaction.)	Dr. Dr.	1,50,000 27,000	1,77,000
16	Bank A/c To Sales A/c To Output IGST A/c (70,000 × 18%) (Sold goods inclusive of GST for cash to customer of Bhopal.)	Dr.	82,600	70,000 12,600
20	Sales Returns A/c Output IGST A/c (4,000 × 18%) To Vijay Tomar's A/c (Vijay Tomar of Bikaner returned some goods, recorded with IGST.)	Dr. Dr.	4,000 720	4,720
21	Kapil Gil's A/c To Purchase Returns A/c To Input IGST A/c (6,000 × 18%) (Returned goods to Kapil Gil of Delhi with IGST.)	Dr.	7,080	6,000 1,080
22	Samir Shah's A/c To Sales A/c To Cash A/c (800 + 200) To Output CGST A/c (21,000 × 9%) To Output SGST A/c (21,000 × 9%) (Being goods sold on credit to Samir Shah of Surendranagar and paid truck-fare & wages in cash on his behalf.)	Dr.	24,780	20,000 1,000 1,890 1,890
28	Jagat Mewada A/c To Sales A/c To Output CGST A/c (25,000 × 9%) To Output SGST A/c (25,000 × 9%) Sold goods on credit to Jagat Mewada, recorded as "Intra-State supply".)	Dr.	29,500	25,000 2,250 2,250

“ 30	Sales Returns A/c	Dr.	3,000	
	Output CGST A/c $(3,000 \times 9\%)$	Dr.	270	
	Output SGST A/c $(3,000 \times 9\%)$	Dr.	270	
	To Samir Shah's A/c			3,540
	(Samir Shah of Surendranagar returned some goods, recorded with CGST and SGST.)			
	Total		5,60,500	5,60,500

Notes: (1) Truck-fare and wages are paid on behalf of Samir Shah. Hence, these expenses will be debited to his account and will be credited to Cash Account.

(2) The CGST and SGST will be computed on the value of the output supply of goods arrived at after adding truck-fare and wages paid on behalf of Samir Shah. Hence, CGST and SGST will be computed or levied on ₹ 21,000 (20,000 + 800 + 200).

► EXERCISES:

A. THEORY:

- (1) What is Goods and Services Tax? Give brief introduction of GST.
- (2) Give the list of various Indirect Taxes of Central Government subsumed in GST following the slogan “One Nation - One Tax.”
- (3) Give the list of various Indirect Taxes of State Governments / Union Territories subsumed in GST following the slogan “One Nation - One Tax.”
- (4) Write short notes on:
 - (1) Goods and Services Tax
 - (2) The Union Territories Goods and Service Tax Act
 - (3) The Integrated Goods and Services Tax Act

B. PRACTICAL:

Ex. 1: Record the following transactions with GST in the Journal of Anil Vora of Ahmedabad. Following are the applicable rates of GST:

The rate of CGST 6%; SGST 6% and IGST on Inter-State supply 12%.

2025

- Apr. 1: Purchased goods of ₹ 60,000 at 10% trade discount from Ratan Aadata of Dahod. Paid the amount by a cheque.
- “ 4: Sold goods to Maitrey Deewan of Ankleshwar for ₹ 42,000 at 15% trade discount.
- “ 7: Bought goods of ₹ 50,000 on credit from Hariprasad Mishra of Champaran (Bihar) at 10% trade discount.
- “ 14: Maitrey Deewan of Ankleshwar returned 1/3rd of goods sold to him. We gave him credit for GST proportionately.
- “ 15: Received an order from Parimal Nathani of Guwahati (Assam) for supplying goods of ₹ 20,000.

- “ 17: Purchased goods of ₹ 20,000 from Vishwanath Brothers. 1/4th of the goods purchased from Vishwanath Brothers sold to Dharmraj Solanki for ₹ 7,000.
- “ 20: Out of the goods bought from Hariprashad Mishra of Champaran (Bihar), 1/4th goods were returned to him. He gave credit of IGST proportionately.

[Ans.: (1) Purchases A/c Dr. ₹ 54,000, Input CGST A/c Dr. ₹ 3,240, Input SGST A/c Dr. ₹ 3,240, To Bank A/c ₹ 60,480, (4) Maitrey Deewan A/c Dr. ₹ 39,984, To Sales A/c ₹ 35,700, To Output CGST A/c ₹ 2,142, To Output SGST A/c ₹ 2,142, (7) Purchases A/c Dr. ₹ 45,000, Input IGST A/c Dr. ₹ 5,400, To Hariprashad Mishra A/c ₹ 50,400, (14) Sales Returns A/c Dr. ₹ 11,900, Output CGST A/c Dr. ₹ 714, Output SGST A/c Dr. ₹ 714, To Maitrey Deewan A/c ₹ 13,328, (15) No entry will be made, (17) (i) Purchases A/c Dr. ₹ 20,000, Input CGST A/c Dr. ₹ 1,200, Input SGST A/c Dr. ₹ 1,200, To Vishwanath Brothers A/c ₹ 22,400, (ii) Dharmraj Solanki A/c Dr. ₹ 7,840, To Sales A/c ₹ 7,000, To Output CGST A/c ₹ 1,350]

Ex. 2: Record the following transactions with GST in Journal of Mohan Himani. The following GST rates are applicable to the business transactions of Mohan:

Goods and Services Tax	on Goods	on Services
Central GST (CGST)	9%	2.5%
State GST (SGST)	9%	2.5%
Integrated GST (IGST)	18%	5%

- (1) Purchased goods of ₹ 1,40,000 from Jaykant at 15% trade discount.
- (2) Sold goods for ₹ 1,00,000 at 10% trade discount to Kantilal Vasani of Mumbai (Maharashtra) on one month's credit.
- (3) Returned goods worth ₹ 40,000 to Jaykant.

[Ans.: (1) Purchases A/c Dr. ₹ 1,19,000, Input CGST A/c Dr. ₹ 10,710, Input SGST A/c Dr. ₹ 10,710, To Jaykant A/c ₹ 1,40,420, (2) Kantilal Vasani A/c Dr. ₹ 1,06,200, To Sales A/c ₹ 90,000, To Output IGST A/c ₹ 16,200, (3) Jaykant A/c Dr. ₹ 47,200, To Purchases Returns A/c ₹ 40,000, To Input CGST A/c ₹ 3,600, To Input SGST A/c ₹ 3,600.]