

# NOTES

## CERTIFICATE IN TALLY.ERP 9 WITH GST ( C1267 )



# **CERTIFICATE IN TALLY.ERP 9 WITH GST ( C1267 )**

## **(Duration : 4 Months)**

### **Course Syllabus**

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- Accounting Concepts
- Financial Accounting Basics
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- Voucher Types
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## GST

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## CERTIFICATE IN TALLY.ERP9 ADVANCED

**Tally Solutions Pvt. Ltd.**, is an Indian multinational company that provides enterprise resource planning software. It is headquartered in Bangalore, Karnataka India. The company reports that its software is used by more than 1 Million customers.

Tally Solutions, then known as Peutronics, was co-founded in 1986 by Shyam Sunder Goenka and his son Bharat Goenka. Shyam Sunder Goenka was running a company that supplied raw materials and machine parts to plants and textile mills in southern and eastern India. Unable to find software that could manage his books of accounts, he asked his son, Bharat Goenka, 23, a Maths graduate<sup>[4]</sup> to create a software application that would handle financial accounts for his business. The first version of the accounting software was launched as an MS-DOS application. It had only basic accounting functions, and was named Peutronics Financial Accountant.

- In 1988, the product was renamed as Tally.
- In 1997, the first Windows based version Tally 5.4 was released.
- In 1999, the company formally changed its name to Tally Solutions.
- in 2001, Tally 6.3 launched (Educational/ Licence version)
- In 2005, Tally 7.2 was launched with features designed to meet Indian value-added taxation (VAT) requirements.
- In 2006, Tally launched Tally 8.1, a concurrent multi-lingual version, and also Tally 9.<sup>[7]</sup>
- In 2009, the company released Tally.ERP 9, a business management solution<sup>[8]</sup>
- In 2015, the company launched a program called Vriddhi to certify and classify its business partners.<sup>[9]</sup> Also in 2015, Tally Solutions announced the launch of Tally.ERP 9 Release 5.0 with taxation and compliance features.<sup>[10]</sup>
- As of 2016, the company had 1 million customers.<sup>[11]</sup>
- In 2016, Tally Solutions was shortlisted as a GST Suvidha Provider to provide interface between the new Goods and Services Tax (GST) server and taxpayers, and in 2017, the company launched its updated GST compliance software.

### Tally ERP:-

**Enterprise resource planning (ERP)** is the integrated management of core business processes, often in real-time and mediated by software and technology.

ERP is usually referred to as a category of business-management software — typically a suite of integrated applications—that an organization can use to collect, store, manage, and interpret data from these many business activities.

ERP provides an integrated and continuously updated view of core business processes using common databases maintained by a database management system. ERP systems track business resources—cash, raw materials, production capacity—and the status of business commitments: orders, purchase orders, and payroll. The applications that make up the system share data across various departments (manufacturing, purchasing, sales, accounting, etc.) that provide the data. ERP facilitates information flow between all business functions and manages connections to outside stakeholders.

Enterprise system software is a multibillion-dollar industry that produces components supporting a variety of business functions. IT investments have become the largest category of capital expenditure in United States-based businesses over the past decade. Though early ERP systems focused on large enterprises, smaller enterprises increasingly use ERP systems.

The ERP system integrates varied organizational systems and facilitates error-free transactions and production, thereby enhancing the organization's efficiency. However, developing an ERP system differs from traditional system development. ERP systems run on a variety of computer hardware and network configurations, typically using a database as an information repository.

The Gartner Group first used the abbreviation ERP in the 1990s to extend upon the capabilities of material requirements planning (MRP), and the later manufacturing resource planning (MRP II), as well as computer-integrated manufacturing. Without replacing these terms, ERP came to represent a larger whole that reflected the evolution of application integration beyond manufacturing.

Not all ERP packages developed from a manufacturing core; ERP vendors variously began assembling their packages with finance-and-accounting, maintenance, and human-resource components. By the mid-1990s ERP systems addressed all core enterprise functions. Governments and non-profit organizations also began to use ERP systems.

## **EXPANSION:-**

ERP systems experienced rapid growth in the 1990s. Because of the year 2000 problem and the introduction of the euro that disrupted legacy systems, many companies took the opportunity to replace their old systems with ERP.

ERP systems initially focused on automating back office functions that did not directly affect customers and the public. Front office functions, such as customer relationship management (CRM), dealt directly with customers, or e-business systems such as e-commerce, e-government, e-telecom, and e-finance—or supplier relationship management (SRM) became integrated later, when the internet simplified communicating with external parties.

"ERP II" was coined in 2000 in an article by Gartner Publications entitled ERP Is Dead—Long Live ERP II. It describes web-based software that provides real-time access to ERP systems to employees and partners (such as suppliers and customers). The ERP II role expands traditional ERP resource optimization and transaction processing. Rather than just manage buying, selling, etc.—ERP II leverages information in the resources under its management to help the enterprise collaborate with other enterprises.

ERP II is more flexible than the first generation ERP. Rather than confine ERP system capabilities within the organization, it goes beyond the corporate walls to interact with other systems. Enterprise application suite is an alternate name for such systems.

ERP II systems are typically used to enable collaborative initiatives such as supply chain management (SCM), customer relationship management (CRM), and business intelligence (BI) among business partner organizations through the use of various e-business technologies.

Developers now make more effort to integrate mobile devices with the ERP system. ERP vendors are extending ERP to these devices, along with other business applications. Technical stakes of modern ERP concern integration—hardware, applications, networking, supply chains. ERP now covers more functions and roles—including decision making, stakeholders' relationships, standardization, transparency, globalization, etc.

## Characteristics:

**ERP systems typically include the following characteristics:**

- An integrated system
- Operates in (or near) real time
- A common database that supports all the applications
- A consistent look and feel across modules
- Installation of the system with elaborate application/data integration by the Information Technology (IT) department, provided the implementation is not done in small steps.

## FUNCTIONAL AREAS

An ERP system covers the following common functional areas. In many ERP systems these are called and grouped together as *ERP modules*:

- **Finance & Accounting:** General Ledger, Fixed Assets, payables including vouchering, matching and payment, receivables Cash Management and collections, cash management, Financial Consolidation.
- **Management Accounting:** Budgeting, Costing, cost management, activity based costing
- **Human resources:** Recruiting, training, rostering, payroll, benefits, retirement and pension plans, diversity management, retirement, separation
- **Manufacturing:** Engineering, bill of materials, work orders, scheduling, capacity, workflow management, quality control, manufacturing process, manufacturing projects, manufacturing flow, product life cycle management
- **Order Processing:** Order to cash, order entry, credit checking, pricing, available to promise, inventory, shipping, sales analysis and reporting, sales commissioning.
- **Supply chain management:** Supply chain planning, supplier scheduling, product configurator, order to cash, purchasing, inventory, claim processing, warehousing(receiving, putaway, picking and packing).
- **Project management:** Project planning, resource planning, project costing, work breakdown structure, billing, time and expense, performance units, activity management
- **Customer relationship management:** Sales and marketing, commissions, service, customer contact, call center support — CRM systems are not always considered part of ERP systems but rather Business Support systems (BSS).
- **Data services :** Various "self-service" interfaces for customers, suppliers and/or employees

## **Financial Accounting Basics:-**

### **Introduction to Accounting Basics:**

This explanation of accounting basics will introduce you to some basic accounting principles, accounting concepts, and accounting terminology. Once you become familiar with some of these terms and concepts, you will feel comfortable navigating through the explanations, quizzes, puzzles, and other features of AccountingCoach.com.

Some of the basic accounting terms that you will learn include revenues, expenses, assets, liabilities, income statement, balance sheet, and statement of cash flows. You will become familiar with accounting debits and credits as we show you how to record transactions. You will also see why two basic accounting principles, the revenue recognition principle and the matching principle, assure that a company's income statement reports a company's profitability.

In this explanation of accounting basics, and throughout all of the free materials and the PRO materials—we will often omit some accounting details and complexities in order to present clear and concise explanations. This means that you should always seek professional advice for your specific circumstances.

### **Accounting Concepts :-**

We will present the basics of accounting through a story of a person starting a new business. The person is Joe Perez—a savvy man who sees the need for a parcel delivery service in his community. Joe has researched his idea and has prepared a business plan that documents the viability of his new business.

Joe has also met with an attorney to discuss the form of business he should use. Given his specific situation, they concluded that a corporation will be best. Joe decides that the name for his corporation will be Direct Delivery, Inc. The attorney also advises Joe on the various permits and government identification numbers that will be needed for the new corporation.

Joe is a hard worker and a smart man, but admits he is not comfortable with matters of accounting. He assumes he will use some accounting software, but wants to meet with a professional accountant before making his selection. He asks his banker to recommend a professional accountant who is also skilled in explaining accounting to someone without an accounting background. Joe wants to understand the financial statements and wants to keep on top of his new business. His banker recommends Marilyn, an accountant who has helped many of the bank's small business customers.

At his first meeting with Marilyn, Joe asks her for an overview of accounting, financial statements, and the need for accounting software. Based on Joe's business plan, Marilyn sees that there will likely be thousands of transactions each year. She states that accounting software will allow for the electronic recording, storing, and retrieval of those many transactions. Accounting software will permit Joe to generate the financial statements and other reports that he will need for running his business.

Joe seems puzzled by the term transaction, so Marilyn gives him five examples of transactions that Direct Delivery, Inc. will need to record:

1. Joe will no doubt start his business by putting some of his own personal money into it. In effect, he is buying shares of Direct Delivery's common stock.
2. Direct Delivery will need to buy a sturdy, dependable delivery vehicle.
3. The business will begin earning fees and billing clients for delivering their parcels.
4. The business will be collecting the fees that were earned.
5. The business will incur expenses in operating the business, such as a salary for Joe, expenses associated with the delivery vehicle, advertising, etc.

With thousands of such transactions in a given year, Joe is smart to start using accounting software right from the beginning. Accounting software will generate sales invoices and accounting entries simultaneously, prepare statements for customers with no additional work, write checks, automatically update accounting records, etc.

By getting into the habit of entering all of the day's business transactions into his computer, Joe will be rewarded with fast and easy access to the specific information he will need to make sound business decisions. Marilyn tells Joe that accounting's "transaction approach" is useful, reliable, and informative. She has worked with other small business owners who think it is enough to simply "know" their company made \$30,000 during the year (based only on the fact that it owns \$30,000 more than it did on January 1). Those are the people who start off on the wrong foot and end up in Marilyn's office looking for financial advice.

If Joe enters all of Direct Delivery's transactions into his computer, good accounting software will allow Joe to print out his financial statements with a click of a button. In Parts 2 through 7 Marilyn will explain the content and purpose of the three main financial statements:

1. Income Statement
2. Balance Sheet
3. Statement of Cash Flows.

## Company Creation:-

### How to create company in tally ERP9:

To start accounting with tally the first and foremost thing you should know is , how to create company in tally ERP9 .For users operating multiple business can create several companies in Tally erp 9 software at single cost. Nowadays Tally erp 9 has outgrown from the concept just an accounting software. it helps you for better statutory compliance by updating statutory files available at tally solution website.You can operate tally remotely using tally.net features, process payroll and many more features are updating regularly by tally solutions.

### Quick Guide to create company:

1. Open Tally Software by double clicking on the Tally.ERP 9 icon.
2. If you are opening Tally ERP 9,First time after installation, you will be landed to a menu called **company info** menu. ( If you are in Gateway of Tally Press **Alt+F3** to get that menu).

3. Select **Create Company** option in the menu and press enter key.
4. The screen displayed in-front of you is **company creation screen**.
5. Type the name of the company ,address,Financial year begins and all other details asked by the creation screen.
6. Press Enter Key, Finally the program will ask you the confirmation to Save ,**Yes or No**.
7. To save and create company do Press Enter Key, Press Y Key or click on Yes.The program will create a company and you will be entered into it.

We are learning tally erp 9 everyday and from our experience and learning we are creating tally guides for students & professionals. Are you an accountant? or looking for a job in accounting , tally software knowledge is mandatory in today's accounting environment in India. Most of the small scale,medium and large scale business became the user of tally erp 9 software,due its simplicity and wide range of reporting system.

### Accounts Configuration:-

**F12: Configuration in Tally.ERP 9**

Configuration can be selected or modified by using **F12: Configure** button. This button is available in almost all the screens of Tally.ERP 9 enabling the user to modify it as and when your requirements change.

**F12: Configure** is application Level configuration and saved in a file known as tallycfg.tsf.

**Note:** As configuration is application level, it is not possible to set the company level configuration as F11: Features.

Go to **Gateway of Tally > F12: Configure**  
The **F12: Configure** menu is displayed as shown.

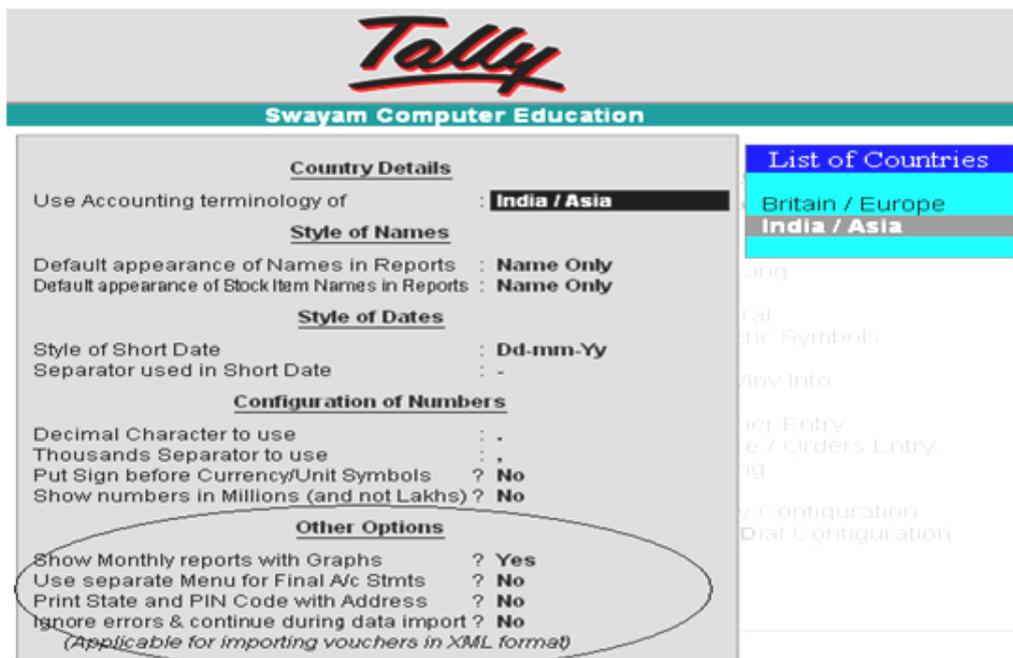
## Company Configuration (F12)

Before you Start Work, it is advisable to check the company configuration. You can check the configuration from... **Gateway of Tally** → **F12: Configure**, as some configuration is required before you start your operation.

**A. Licensing :** A. **Licensing** : The option is available under *F12: Configure > Licensing*. The screen appears as:

1. *Function/Features* : Will show you the List of activities you can carry out with Tally.
2. *Online/Offline* : By enabling this option you can get the online support directly from the company.
3. *Quit* : Quit from the option.

**B. General Configuration :** The options available under *F12: Configure > General* – are, Country Details, Style of Names, Style of Dates, Configuration of Numbers and Other Options. The screen appears as:



The Configuration settings of Country Details, Style of Names, Style of Dates and Configuration of Numbers are self-explanatory.

The configuration options given under **Other Options** are explained as follows...

#### **Show Monthly reports with Graphs**

This option is set to **YES** by default. Here, the reports are configured to display the Graphs in accordance with the numeric information displayed. The graphs are not displayed if this option is set to **NO**

#### **Use separate Menu for Final A/c Stmt**

By default, this option is set to **YES**. Setting this to **NO** – Tally displays the final statements of Balance Sheet and Profit & Loss A/c directly on the Gateway of Tally menu. However, setting this option to **YES** – the final statements of Balance Sheet and Profit & Loss A/c can be accessed from **Gateway of Tally menu > Final Accounts**.

#### **Print State and PIN Code with Address**

By default, this option is set to **NO**. Setting this option to **YES**, will allow you to print the reports with **State** and **PIN code** details entered in the company creation screen.

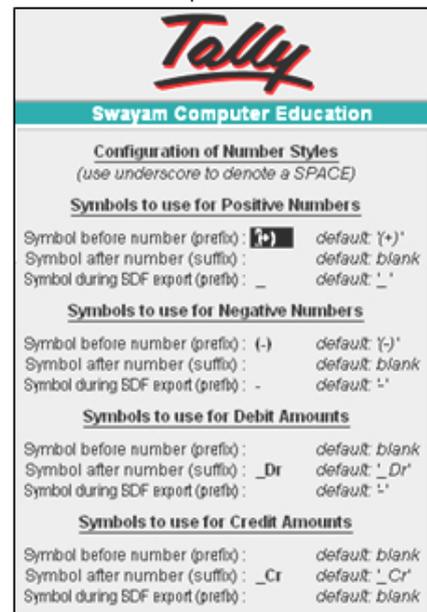
**Note:** If you already have a company created with state and PIN code in the address field, then you need to set this option to **NO**.

#### **Ignore errors & continue during data import**

By default, this option is set to **NO**. Setting this option to **YES**, will continue to import even if an error is reported.

**C. Numeric Symbols :** This enables you to set the number styles. Defaults are also given. You may change them by overwriting. For example change negative sign from (-) to only ().

**Note:** Tally has the flexibility to configure the company at any stage as per your requirement by pressing F12 from any screen



The screenshot shows the Tally Swayam Computer Education interface. At the top is the Tally logo. Below it is the text 'Swayam Computer Education'. The main section is titled 'Configuration of Number Styles' with a sub-note '(use underscore to denote a SPACE)'. It is divided into four sections: 'Symbols to use for Positive Numbers', 'Symbols to use for Negative Numbers', 'Symbols to use for Debit Amounts', and 'Symbols to use for Credit Amounts'. Each section lists three configuration options: 'Symbol before number (prefix)', 'Symbol after number (suffix)', and 'Symbol during SDF export (prefix)', each with a default value.

Section	Option	Default
Symbols to use for Positive Numbers	Symbol before number (prefix)	{+}
	Symbol after number (suffix)	blank
	Symbol during SDF export (prefix)	_
Symbols to use for Negative Numbers	Symbol before number (prefix)	(-)
	Symbol after number (suffix)	blank
	Symbol during SDF export (prefix)	-
Symbols to use for Debit Amounts	Symbol before number (prefix)	blank
	Symbol after number (suffix)	_Dr
	Symbol during SDF export (prefix)	blank
Symbols to use for Credit Amounts	Symbol before number (prefix)	blank
	Symbol after number (suffix)	_Cr
	Symbol during SDF export (prefix)	blank

## D. Master Configuration :

Master Configuration is used set the details that should appears in the account masters. This is available in the accounts and inventory master screens through the **F12 : Configure** button and can be modified as per requirement.

Go to *Gateway of Tally > F12: Configure > Accts/Inv Info.*

This allows you to decide what details should appear in the masters over and above those provided. This is available in the **Accounts** and **Inventory Master** screens through the **F12: Configure** and can be modified according to your need at any time.

Ensure that the Master Configuration settings are as shown in Figure...

<b>Master Configuration</b>	
Allow ALIASES along with Names	? Yes
Allow Language ALIASES along with Names	? No
<b>Accounts Masters</b>	
Allow ADVANCED entries in Masters	? Yes
Add NOTES for Ledger Accounts	? Yes
Use ADDRESSES for Ledger Accounts	? Yes
Use CONTACT DETAILS for Ledger Accounts	? Yes
<b>Inventory Masters</b>	
Allow ADVANCED entries in Masters	? <b>No</b>
Calculate VAT on MRP/Marginal	? No
Use PART NUMBERS for Stock Items	? No
Use Description for Stock Items	? No
Use REMARKS for Stock Items	? No
Specify Default Ledger Allocation for Invoicing	? No
Use ALTERNATE UNITS for Stock Items	? No
Allow Std. Rates for Stock Items	? No
Allow Component list details (Bill of Materials)	? No
Use ADDRESSES for Godowns	? No

## E. Voucher Configuration :

This is used to configure features while making voucher entry.

Go to *Gateway of Tally > F12: Configure > Voucher Entry.*

Ensure that the Voucher Configuration settings are as shown in Figure...

Configuration settings of one company will affect all companies maintained in the same Data Directory.

<b>Accounting Vouchers</b>	
Skip Date field in Create Mode (faster entry!)	? Yes
Use Single Entry mode for Pymt/Rcpt/Contra	? No
Show Inventory Details	? Yes
Show Table of Bill Details for Selection	? Yes
Show Bill-wise Details	? Yes
Expand into multiple lines	? Yes
Show Ledger Current Balances	? Yes
Show Balances as on Voucher Date	? Yes
Use Payment/Receipt as Contra	? No
Allow Cash Accounts in Journals	? Yes
Use Cr/Dr instead of To/By during entry	? Yes
Warn on Negative Cash Balance	? Yes
Pre-Allocate Bills for Payment/Receipt	? No
Allow Expenses/Fixed Assets in Purchase Vouchers	? No
Allow Income Accounts in Sales Vouchers	? No
Activate 'E1' or 'E2' Transaction	? No
<b>Inventory Vouchers</b>	
Show Godown -wise Details	? No
Use Ref. Number in Stock Journal	? <b>No</b>
Allow selection of VAT/Tax Class during entry	? No
Warn on Mismatch in VAT Rates	? No
Warn on Negative Stock Balance	? No
Honor Expiry Dates usage for Batches	? No
Show Balances as on Voucher Date	? No

This button is available in almost all the screens of **Tally.ERP 9** enabling the user to modify it as and when your requirements change. **F12: Configure** is application Level **configuration** and saved in a file known as **tallycfg.tsf**. Go to **Gateway of Tally > F12:Configure.**

## Voucher Types:-

### Shortcut Keys For Voucher Types in Tally ERP 9

For quick access of voucher screen, Tally gives you short-cut keys for all accounting voucher types like Sales, Purchase, Payment, Receipt and Inventory voucher types like sales order purchase order, rejection in & rejection out vouchers.

Voucher Type	Shortcut Keys
<b>Inventory Vouchers</b>	
Sales Order	(Alt+F5)
Purchase order	(Alt+F4)
Receipt Note	(Alt+F9)
Delivery Note	(Alt+F8)
Rejection in	(Ctrl+F6)
Rejection out	(Alt+F6)
Stock Journal	(Alt+F7)
Physical Stock voucher	(Alt+F10)
<b>Accounting Vouchers</b>	
Contra Entry	(F4)
Payment Entry	(F5)
Receipt Entry	(F6)
Journal Entry	(F7)
Sales Entry	(F8)
Purchase	(F9)
Debit Note	(Ctrl+F9)
Credit Note	(Ctrl+F8)
Reversing Journal	(F10)
Memorandum Voucher	(Ctrl+F10)

## **Accounts Vouchers:-**

If you are already using Tally.ERP 9, then like many other users of Tally, you must be quite acquainted with vouchers that are available in Tally.ERP 9. However, if you are new to Tally.ERP 9, then we would like to take you through the basic vouchers to make it easier for you.

Below is an outline of the commonly used vouchers in Tally.ERP 9 with details on how to use them.

### **Accounting vouchers in Tally.ERP 9**

- **Sales Voucher in Tally:**

The Sales Voucher is most widely used by the users of Tally.ERP 9, it is a type of accounting voucher. Depending on the nature of your business, it can be created in the Invoice mode or Voucher mode. In the Invoice mode, you can print and provide a copy of the invoice to your customers. The Voucher mode can be used when you want to basically record transactions for statutory purpose only, and when you don't necessarily have the need to print and share the information with your customer. Tally.ERP 9 gives you the flexibility to address different needs.

- **Purchase Voucher in Tally**

The Purchase Voucher too can be recorded either in the Voucher or Invoice mode based on the nature of business operations. It comes under accounting vouchers in Tally.ERP 9.

Suppose you change your mind and decide to change the mode when entering details of a purchase transaction? What if you have entered all the details and decide to change the mode in the last second? TallyERP 9 helps you to convert a voucher into an invoice, or vice versa, without expecting you to re-enter the details. It auto adjusts to your preference. Just use the Toggle button.

**You can add more details by enabling options. Press F12 to do so.**

- **Payment Voucher in Tally**

The Payment Voucher in Tally.ERP 9 lets you provide all types of details when creating it. While making payment to a party you can provide details such as the instrument number, and even print the cheque. As soon as you pass a Payment Voucher, you can print the corresponding cheque. To see the list of cheques which need to be printed, go to Banking and click on Cheque Printing.

Tally.ERP 9 supports over 500 banks from both India and abroad. After making the payment, you can generate a Payment Advice in Tally.ERP 9 and share it with your supplier as it will update him with the details of all your payments.

## **Receipt Voucher in Tally**

When you create a Receipt Voucher, Tally.ERP 9 prompts you to take a look at all the pending invoices for which payments are yet to be received. As and when your customer makes a payment, you can record details such as against which invoice the payment is made; whether you received the payment by cash, cheque or via NEFT/RTGS; and what the instrument numbers are. You can even email this information to your customer. This way, you will never lose track of the payments.

## **Contra Voucher**

Contra Vouchers are generally used by businesses to withdraw cash from banks or to deposit cash in banks. With Tally.ERP 9 you can also generate a cash deposit slip. Tally.ERP 9 also provides the denomination of notes to let you track and take a print of the same at the time of depositing money.

## **Journal Voucher**

The Journal Voucher is used by businesses for multiple purposes, based on their business types. Some accountants use them for purchases and sales as well. Both accounting and inventory Journal Vouchers are available in Tally.ERP 9. The Inventory Journal Vouchers can be used to adjust inventory or for movement of inventory from one godown to another.

## **Credit Note Voucher in Tally**

The Credit Note Voucher is used generally for a sales return. By default, the Credit Note is not enabled in Tally.ERP 9. It can be enabled by pressing on F11 and configuring the Features. While passing Credit Note, you can refer to the original invoice number as well. Upon selection of a party, Tally.ERP 9 will by default show you all the invoices which have been raised against the particular party for easy reference.

## **Debit Note Voucher in Tally**

A Debit Note is used for purchase returns. With Tally.ERP 9, a user can either pass a Debit Note as a voucher or as an invoice where the inventory values also get affected. The Debit Note Voucher can be enabled by pressing F11 and configuring the Features. You can provide details of the original invoice numbers as well.

## **Inventory vouchers in Tally.ERP 9**

### **Physical Stock Verification:-**

During physical stock verification, in cases of changes in the inventory count, one has to update the changes in books as well. It comes under Inventory vouchers in Tally.ERP 9.

Generally, businesses do this either on a monthly, quarterly or yearly basis to match the stock in hand with stock available as per the books. With Tally you can simply create a voucher to adjust the inventory.

### **Material In and Material Out Voucher:-**

The Material In and Material Out vouchers are available in Tally.ERP 9 to track inventory sent for job work and inventory received after job work. By using these vouchers, you can easily get an overview of inventory across all job works. Enable these vouchers by pressing F11.

### **Delivery Note and Receipt Note Vouchers in Tally**

As the name suggests, the Delivery Note Vouchers can be used to record the delivery of goods. Sometimes, they are also referred to as Delivery Challans. While passing a Delivery Note, you can provide transporter details such as lorry number, dispatch document number, bill of lading, and so on. Similarly, you can create a receipt notes as and when you receive consignments from suppliers.

## **Order Vouchers in Tally.ERP 9**

- **Purchase Order and Sales Order Vouchers in Tally:**

Many businesses receive purchase orders from their parties or place orders to their suppliers. Purchase Order or Sales Order Vouchers can be passed using Tally.ERP 9 to keep a track of the complete order cycle.

The Purchase Order and Sales Order Vouchers in Tally.ERP 9 simplify order processing for businesses. Businesses typically receive purchase orders from their parties or place orders to their suppliers. While passing these orders, you can provide details such as by when would the order be processed, rates, and so on. Later as and when required, you can partially fulfill an order and track the remaining order, or you can even pre-close the order.

## **Basic Principles of Accounting : -**

**Guidelines on Basic Accounting Principles and Concepts** GAAP (Generally Accepted Accounting Principles) is the framework, rules and guidelines of the financial accounting profession with a purpose of standardizing the accounting concepts, principles and procedures.

**Here are the basic accounting principles and concepts under this framework :**

**1. Business Entity:-**

A business is considered a separate entity from the owner(s) and should be treated separately. Any personal transactions of its owner should not be recorded in the business accounting book, vice versa. Unless the owner's personal transaction involves adding and/or withdrawing resources from the business.

**2. Going Concern:-** It assumes that an entity will continue to operate indefinitely. In this basis, assets are recorded based on their original cost and not on market value. Assets are assumed to be used for an indefinite period of time and not intended to be sold immediately.

**3. Monetary Unit :-**

The business financial transactions recorded and reported should be in monetary unit, such as INR, US Dollar, Canadian Dollar, Euro, etc. Thus, any non-financial or non-monetary information that cannot be measured in a monetary unit are not recorded in the accounting books, but instead, a memorandum will be used.

**4. Historical Cost:-**

All business resources acquired should be valued and recorded based on the actual cash equivalent or original cost of acquisition, not the prevailing market value or future value. Exception to the rule is when the business is in the process of closure and liquidation.

**5. Matching Concept:-**

This principle requires that revenue recorded, in a given accounting period, should have an equivalent expense recorded, in order to show the true profit of the business.

**6. Accounting Period :-**

This principle entails a business to complete the whole . accounting process of a business over a specific operating time period. It may be monthly, quarterly or annually. For annual accounting period, it may follow a Calendar or Fiscal Year.

**7. Conservatism:-**

This principle states that given two options in the valuation of business transactions, the amount recorded should be the lower rather than the higher value.

**8. Consistency :-**

This principle ensures consistency in the accounting procedures used by the business entity from one accounting period to the next. It allows fair comparison of financial information between two accounting periods.

**9. Materiality**

Ideally, business transactions that may affect the decision of a user of financial information are considered important or material, thus, must be reported properly. This principle allows errors or violations of accounting valuation involving immaterial and small amount of recorded business transaction.

**10. Objectivity**

This principle requires recorded business transactions should have some form of impartial supporting evidence or documentation. Also, it entails that bookkeeping and financial recording should be performed with independence, that's free of bias and prejudice.

Golden Rules of Accounting :-

**A] Real Accounts:-**

- 1) Debit what comes in.
- 2) Credit what goes out.

**B] Personal Accounts :-**

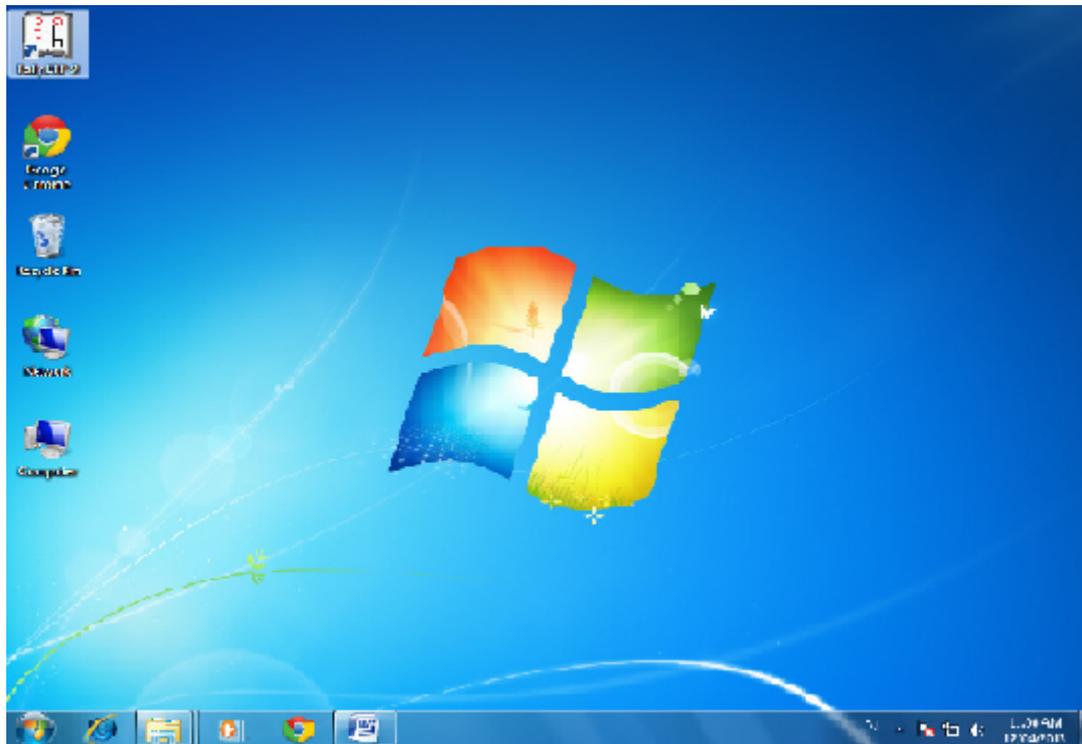
- 1) Debit the receiver.
- 2) Credit the giver.

**C] Nominal Accounts :-**

- 1) Debit all expenses & Losses.
- 2) Credit all Incomes & Revenue

**FIRST SCREEN :-**

## Tally ERP Icon.



Please double Click on Tally ERP9 Icon or select and press enter on Tally ERP9 Icon to start the Tally ERP Program.

### **SELECT COMPANY:-**

#### **Main Screen:**

Enter on Select or Press “S” to open the desired company.

#### **Now, Automate the Process of Reconciling Bank Transactions**

**Did you know that you can now reconcile the banking transactions of your company for each cheque issued, and even print the payment advice and deposit slips, using Tally.ERP 9?**

Most businesses these days prefer to receive and make payments via their bank accounts. Typically, while transacting via the bank, an organization prepares a deposit slip to credit the payments received into the firm’s account, generates payment advice and tracks funds in order to always ensure that the bank account has the minimum funds required at all times. But as the number of transactions increase, it becomes a challenging task for organizations to prepare a large number of deposit slips, covering letters, and reconcile the bank ledger balance and the bank statements. Tally.ERP 9 Release 3.0 has made life simple, it allows you to effortlessly print cheques, reconcile the entries in books of accounts, generate deposit slips and payment advice, whenever required.

### **Bank reconciliation**

Bank reconciliation explains the difference between the bank balance shown in an organization’s bank statement and the corresponding amount shown in the organization’s accounting records, on a particular date.

**To reconcile the bank statement :**

- Go to 'Gateway of Tally > Banking > Bank Reconciliation'
- Select the name of the required bank .

**The 'Bank Reconciliation' screen appears:**

- Match every transaction with the bank statement and record the transaction date in the 'Bank Date' field.

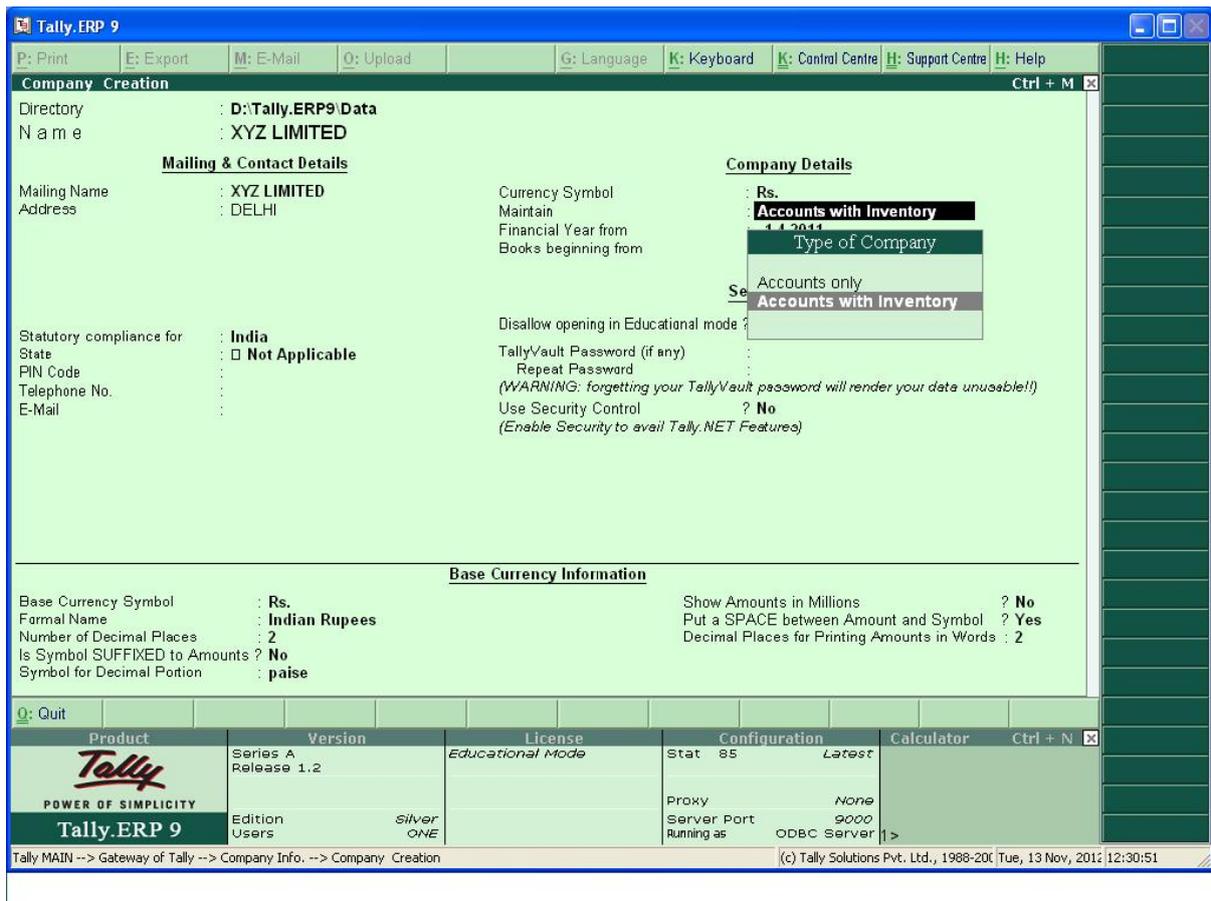
## **Inventory:-**

### **HOW TO MAINTAIN INVENTORY IN TALLY:**

It is very easy to maintain inventories in Tally.ERP9. Any type of stocks or inventories can be maintained in tally software. Before maintenance of inventories in tally, you must keep the following points in you mind:-

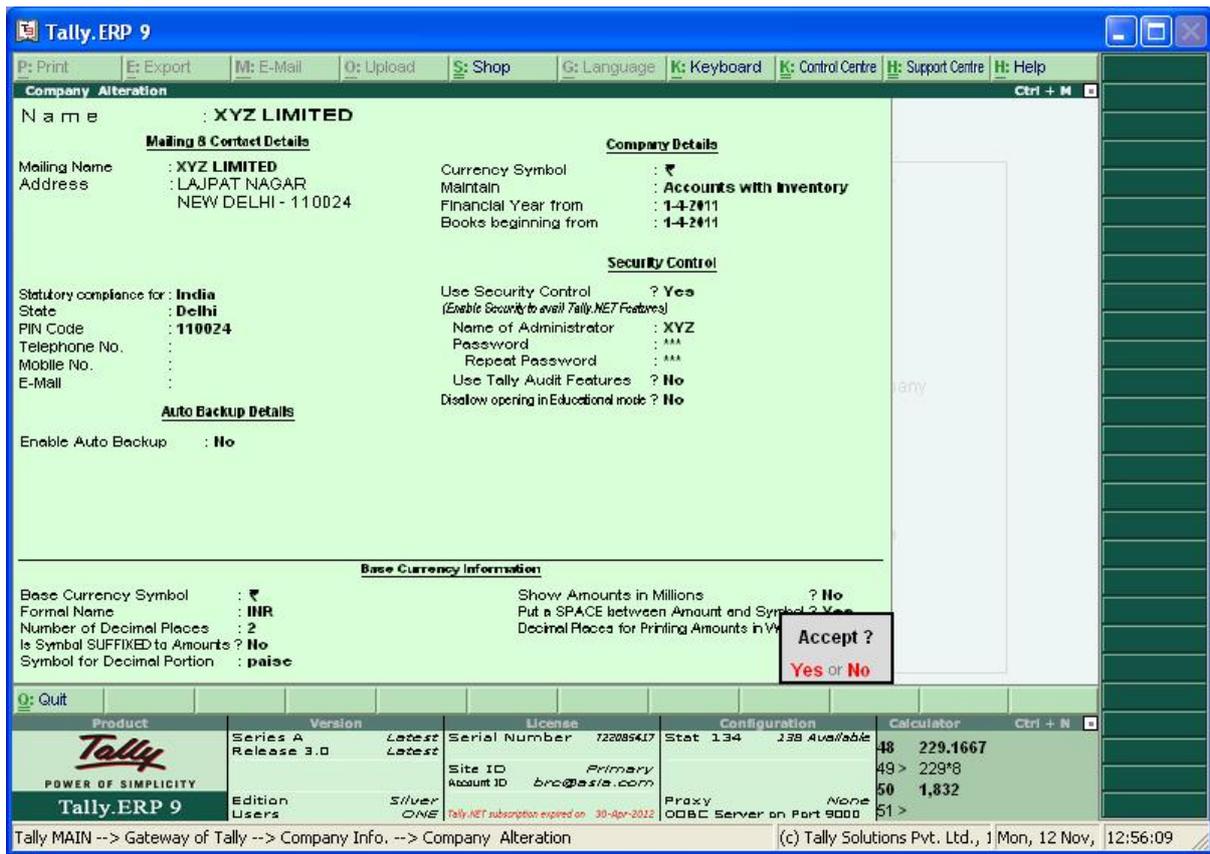
First of all, when you create a company in which you are working, there is a column in the format of creation of company – 'MAINTAIN'. Here you have two options (1) Accounts only and (2) Accounts with Inventory. You must select 'Accounts with Inventory' for maintenance of inventories in tally.

For example you want to maintain the inventories of M/s XYZ Limited. When you create the company in tally then you shall see the following screen:-



At the time completing all the columns, write 'Accounts with Inventory' in **MAINTAIN** column and your final screen shall be as under:-

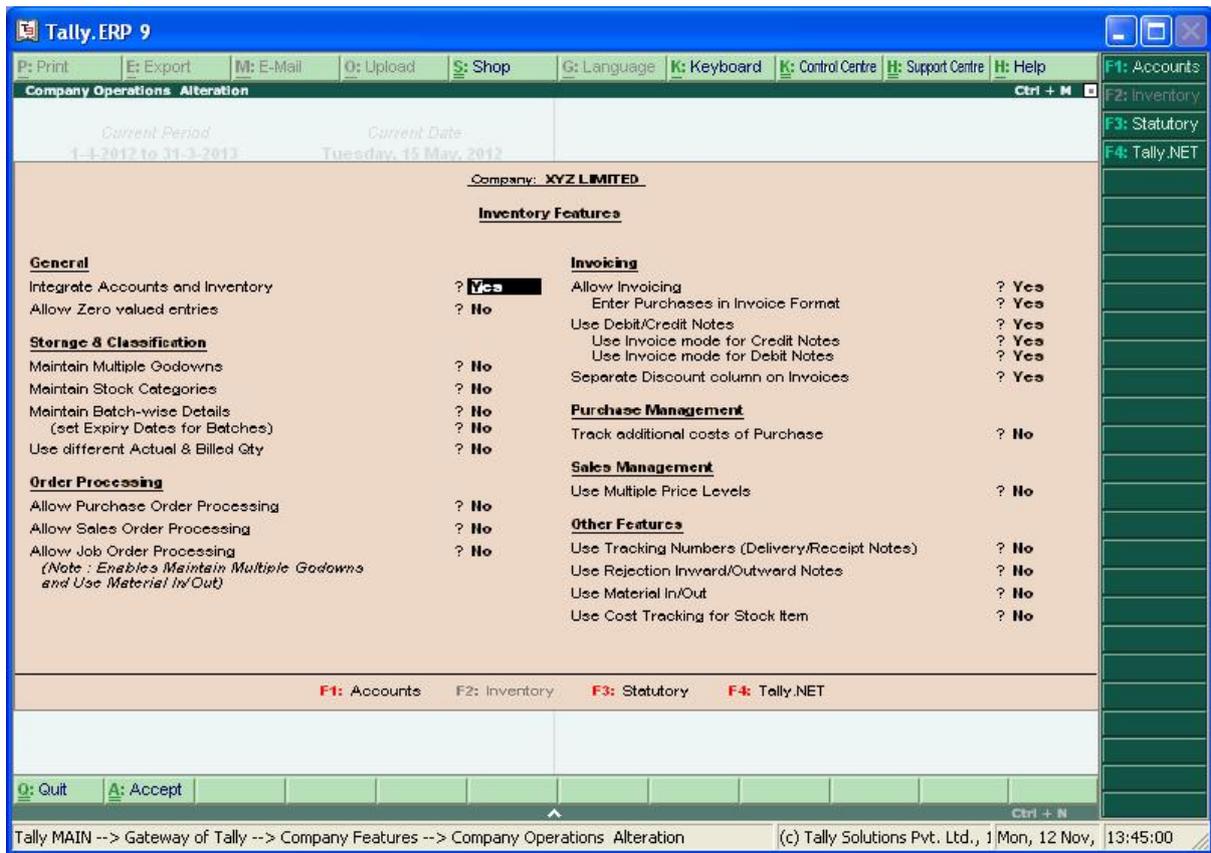
If you are already maintaining the accounts only in tally and you want to start to maintain the inventories also. That can be done only after you alter the company structure. For example – suppose you have already created a company in the name of M/s XYZ Limited and you are maintaining the account of that company. Now, you want to start to maintain the inventory also. So, what you have to do is, you must first alter the structure of company in tally. When you shall go for alteration of the company structure, you shall see the following screen after you select 'Accounts with Inventory' in place of 'Accounts only' under the column – **'MAINTAIN'**



Press 'Y' key after all above alteration. Now, you can maintain the inventories in tally.

3. Select 'Features' under 'Gateway of Tally'
4. Select 'Inventory Features'
5. After reaching in Inventory Features, you shall find you will find so many columns to be filled up. You can fill any thing according to your requirement. But, at least, you must select the following options to maintain inventories in general:-
  - Integrate Accounts and Inventory – Select – Yes
  - Allow Invoicing – Yes
  - Enter Purchase in Invoice Format – Yes
  - Use Debit/Credit Notes – Yes
  - Use Invoice Mode for Credit Notes – Yes
  - Use Invoice Mode for Debit Notes – Yes
  - Separate Discount Column on Invoice – Yes

Your screen should as under:-



Please note that other columns of above screen can be changed as per the needs of the company. We have just changed the column in above screen for general inventory system.

Now, your tally software is ready to maintain the inventories. Only thing is that you have to create the 'Unit of Measures' 'Stock Items', Stock Groups' under 'Inventory Info' under Gateway of Tally.

### Introduction to Inventory:-

**Inventory** is a list of moveable goods. In Inventory, we study about Stock Management and also know about over remaining stock.

To activate Inventory, we have to select "Account with Inventory" option in "Company Registration Form".

**To Activate Inventory:-** G.O.T. (Gateway of Tally)-->press "Alt + F3" --> Create Company.

Company Creation		Ctrl	
Directory	: C:\Users\Public\Tally.ERP9\Data		
Name	: Altos Company		
<b>Mailing &amp; Contact Details</b>		<b>Company Details</b>	
Mailing Name	: Altos Company	Currency Symbol	: ₹
Address	: Ramjanki Nagar Gorakhpur	Maintain	: <b>Accounts with Inventory</b>
		Financial Year from	: 1-1-2015
		Books beginning from	: <b>Type of Company</b>
			: Accounts only
			: <b>Accounts with Inventory</b> ←
Statutory compliance for	: India	TallyVault Password (if any)	:
State	: Uttar Pradesh	Repeat Password	:
PIN Code	:	<i>(WARNING: forgetting your TallyVault password will render your data unusable!!)</i>	
Telephone No.	:	Use Security Control	: ? No
Mobile No.	:	<i>(Enable Security to avail Tally.NET Features)</i>	
E-Mail	:		
<b>Auto Backup Details</b>			
Enable Auto Backup	: No		
<b>Base Currency Information</b>			
Base Currency Symbol	: ₹	Show Amounts in Millions	: ? No
Formal Name	: INR	Put a SPACE between Amount and Symbol	: ? Yes
Number of Decimal Places	: 2	Decimal Places for Printing Amounts in Words	: 2
Is Symbol SUFFIXED to Amounts ?	: No		
Symbol for Decimal Portion	: paise		

And then “accept” by pressing “y”.

Basic facts under Inventory:-

1) **Stock group**:- Stock Group indicates about a category of our stock.

**To Create Stock Group**:- G.O.T. (Gateway of Tally)--> Inventory Info--> Stock Group--> Create.

**Gateway of Tally**

**Masters**

- Accounts Info.
- Inventory Info.** 
- Quick Setup

**Transactions**

- Accounting Vouchers
- InvenTory Vouchers

**Utilities**

- ImpOrt of Data
- BaNking

**Reports**

- Balance Sheet
- Profit & Loss A/c
- Stock Summary
- Ratio Analysis

Display

Quit

Gateway of Tally ....

**Inventory Info.**

- Stock Groups** 
- VAT Commodity
- Stock Items

Units of Measure

Voucher Types

UpdatE Vat Info.

Quit



After pressing “enter” on create, a blank form will be opened as follow:-

Stock Group Creation	
Name :	<input type="text"/>
(alias) :	<input type="text"/>
Under :	┆ Primary
Can Quantities of items be ADDED	? No

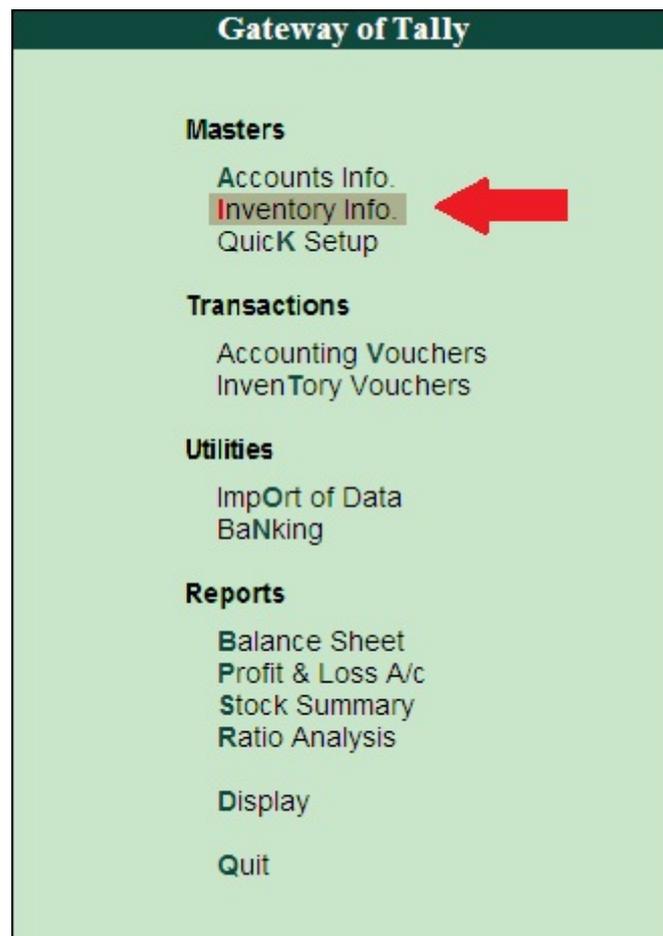
It can be filled as follow:-

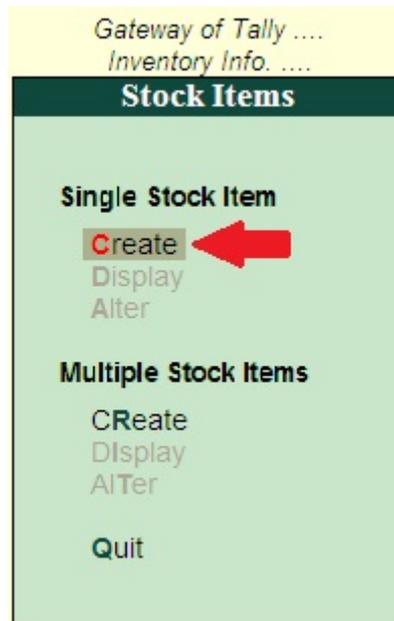
Stock Group Creation	
Name :	T. V.
(alias) :	<input type="text"/>
Under :	┆ Primary
Can Quantities of items be ADDED	? Yes

And then press “enter” on it. The stock group is created.

**2) Stock item:** - The particular item which we purchase/sale is called stock item.

To Create Stock Item: - G.O.T. (Gateway of Tally)--> Inventory Info--> Stock Item--> Create.





After pressing “enter” on create, a blank form will be opened as follow:-

Stock Item Creation		Altos Company	
Name	:	[REDACTED]	
(alias)	:		
Set/Modify Default Ledgers for Invoicing		? No	
Under	:	┆ Primary	
Units	:	┆ Not Applicable	
		<u>Tax Information</u>	
		Tariff Classification	:
		Rate of Duty (eg 5)	:
		<u>VAT Details</u>	
		Commodity	:
		Rate of VAT (%)	:
		Addl. Tax Exempted	? No
		<b>Quantity</b>	<b>Rate per</b>
Opening Balance		<b>Value</b>	

We can fill the form as follow:-

Stock Item Creation		Altos Company					
Name	: Onida						
(alias)	:						
Set/Modify Default Ledgers for Invoicing		? No					
Under	: T. V.	<u>Units Information</u>					
Units	: <b>Not Applicable</b>	<table border="1"> <thead> <tr> <th colspan="2">Units</th> </tr> </thead> <tbody> <tr> <td></td> <td>Not Applicable</td> </tr> </tbody> </table>		Units			Not Applicable
Units							
	Not Applicable						
		<p><b>here we press "Alt + C" to create units</b></p>					
		<u>VAT Details</u>					
		Commodity	: Not Applicable				
		Rate of VAT (%)	:				
		Addl. Tax Exempted	? No				
Opening Balance		Quantity	Rate per Value				

After pressing "Alt + C" the form given below will be open:-

Unit Creation (Secondary)	
Type	: Simple
Symbol	: <b>█</b>
Formal Name:	
Number of Decimal Places	: 0

And then fill it as follow:-

Unit Creation (Secondary)	
Type	: Simple
Symbol	: <b>pc</b>
Formal Name:	Pieces
Number of Decimal Places	: <b>0</b>

And then press "enter".

After pressing enter on it, it will be back to stock item and the unit column will be filled as follow:-

Stock Item Creation		Altos Company	
Name	: Onida		
(alias)	:		
Set/Modify Default Ledgers for Invoicing		? No	
Under	: T. V.	<u>Tax Information</u>	
Units	: pc	Tariff Classification	: <input type="checkbox"/> Not Applicable
		Rate of Duty (eg 5)	: 0
		<u>VAT Details</u>	
		Commodity	: <input type="checkbox"/> Not Applicable
		Rate of VAT (%)	: 0
		Add. Tax Exempted	? No
Opening Balance	:	Quantity	Rate per
			Value
			Accept ?
			Yes or No

And then press “y” or “enter” to accept it. Stock item is created.

3) **Unit of measure**: - It concert various types of unit in which we measure our stock item.

Unit of measure is of two types-

I. **Simple unit**: - In simple unit we can maintain only one unit at a time.

**To Create Simple Unit**: - G.O.T. (Gateway of Tally)--> Inventory Info--> Unit of Measure--> Create.

**Gateway of Tally**

**Masters**

- Accounts Info.
- Inventory Info.** 
- Quick Setup

**Transactions**

- Accounting Vouchers
- InvenTory Vouchers

**Utilities**

- ImpOrt of Data
- BaNking

**Reports**

- Balance Sheet
- Profit & Loss A/c
- Stock Summary
- Ratio Analysis

Display

Quit

Gateway of Tally ....

**Inventory Info.**

- Stock GrouPs
- VAT Commodity
- Stock Items
-  **Units of Measure**
- Voucher Types
- UpdatE Vat Info.
- Quit



After pressing “enter” on create, the box given below will be open:-

Unit Creation	
Type	: Simple
Symbol	: <input type="text"/>
Formal Name:	
Number of Decimal Places	: 0

Unit Creation	
Type	: Simple
Symbol	: <b>pc</b>
Formal Name:	Pieces
Number of Decimal Places	: <b>0</b>

And then accept it by pressing “y” or “enter”. Simple Unit of measure is created.

**II. Compound unit:** - In compound unit we can maintain more than one unit at a time.

Here we are creating compound unit so we have to create two or more units by simple unit.

Suppose that the two units are packet (pkt) and pieces (pc). The unit “pc” is created above. So we will create the unit “pkt” by simple unit as follow:-

**Unit Creation**

Type : **Simple**

Symbol : **pkt**

Formal Name: Packet

Number of Decimal Places : **0**

To Create Compound Unit Of Measure: - G.O.T. (Gateway of Tally)--> Inventory Info--> Unit of Measure--> Create.

**Gateway of Tally**

**Masters**

- Accounts Info.
- Inventory Info.** ←
- Quick Setup

**Transactions**

- Accounting Vouchers
- Inventory Vouchers

**Utilities**

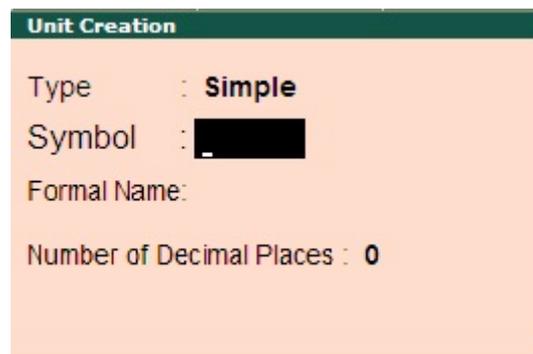
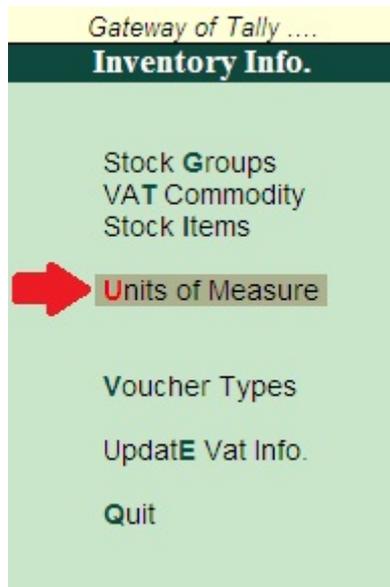
- Import of Data
- Banking

**Reports**

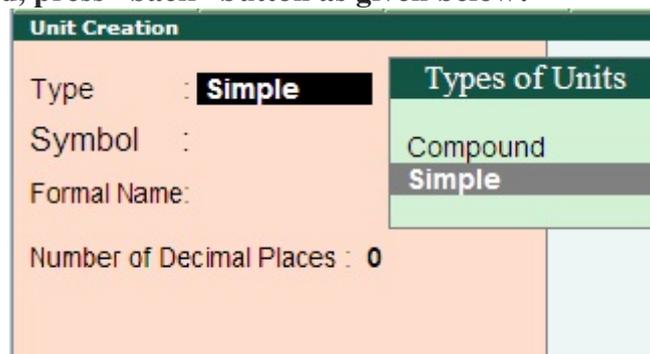
- Balance Sheet
- Profit & Loss A/c
- Stock Summary
- Ratio Analysis

Display

Quit



After the box opened, press “back” button as given below:-



After that press up arrow “↑” to go to compound and press “enter” and then the box given below will be appear:-

**Unit Creation**

Type : **Compound**

**Units with Multiplier Factors**  
*(example: Kgs of 1000 gms)*

First Unit	Conversion	Second Unit
█		

Press “p” for filling packet in the blank column and the box will appear as given below:-

**Unit Creation**

Type : **Compound**

**Units with Multiplier Factors**  
*(example: Kgs of 1000 gms)*

First Unit	Units	Second Unit
█	pc	(Pieces)
	pkt	(Packet)

We have to fill to packet in the first unit column so we will press down arrow “↓” and press “enter”.

After that fill conversion (number of pieces filled in one packet). We are here assuming 10 pieces of one packet. So fill “10” in conversion column.

**Unit Creation**

Type : **Compound**

**Units with Multiplier Factors**  
*(example: Kgs of 1000 gms)*

First Unit	Conversion	Second Unit
pkt	of 10	

And then fill the second unit as “pc” as follow:-

The screenshot shows a 'Unit Creation' dialog box with the following content:

- Type : Compound
- Units with Multiplier Factors**  
(example: Kgs of 1000 gms)
- First Unit Conversion      Second Unit
- pkt      of 10      **pc**

And then fill the second unit as “pc” as follow:-

The screenshot shows a 'Unit Creation' dialog box with the following content:

- Type : Compound
- Units with Multiplier Factors**  
(example: Kgs of 1000 gms)
- First Unit Conversion      Second Unit
- pkt      of 10      **pc**

And then accept it by pressing “y” or “enter”. Compound unit of measure is created.

Stock Category offers a parallel classification of stock items. Like stock Groups, classification is done based on similarity in behaviour.

For example,

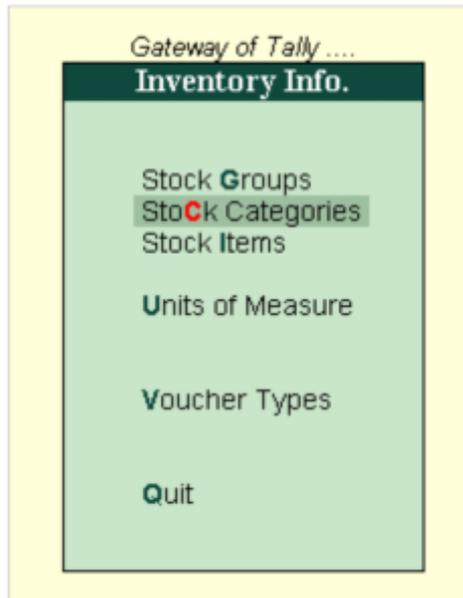
Stock item	Sub Group	Main Group	Sub – Category	Main Category
Brand A	19" TFT	Brand A	Grade One	TFT Monitor
Brand A	17" CRT	Brand A	Grade One	CRT Monitor
Brand B	19" TFT	Brand B	Grade Two	TFT Monitor
Brand B	17" CRT	Brand B	Grade Two	CRT Monitor

The advantage of Categorizing items is that you can classify the stock items (based on functionality) together – across different stock groups which enables you to obtain reports on alternatives or substitutes for a stock item.

You now have the details of TFT and CRT products, duly classified. You can also view the Monitor classification.

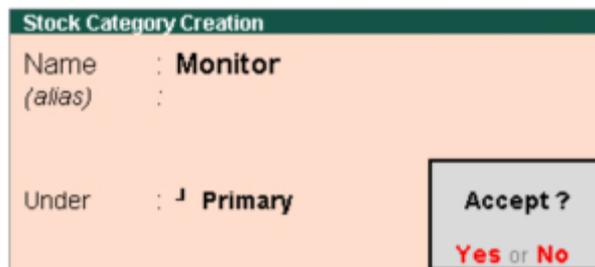
For enabling Stock Category option in the Inventory Info menu, press **F11** > Inventory Features > Set **Yes** for Maintain Stock Categories.

Go to **Gateway of Tally** > Inventory Info. > Stock Category



### Creating a Stock Category

Go to Gateway of Tally > Inventory Info. > Stock Categories > Create (under Single Stock Category)



The Stock Category Creation screen is displayed as shown.

A brief description of each field in the Stock Category Creation screen is given below:

#### **Name**

**Enter the name of the Stock Category.**

## Under

Specify whether it is a primary category or a sub-category of another category. Select Primary from the list, if you do not have a parent group. Use ALT + C to create a parent if you do not have the required category in the list.

### Buttons specific to stock category creation:

Buttons	Short Cut Keys	Description & Use
G: Groups	CTRL+G	Allows you to Create a Stock Group.
I: Items	CTRL+I	Allows you to Create a Stock Item.
U: Units	CTRL+U	Allows you to Create a Unit of Measure.
O: Godown	CTRL+O	Allows you to Create a Godown
V: Vch Types	CTRL+V	Allows you to Create a Voucher Types

Note: Godown buttons are visible only if you have opted for the same in F11: Features.

## Creating Multiple Stock Categories

Go to Gateway of Tally > Inventory Info. > Stock Categories > Create (under Multiple Stock Category)

The Multiple Stock Category Creation screen is displayed as shown.

A brief description of each field in the Multi Stock Category Creation screen is given below:

### Under Category:

This field will display the List of Categories. You can select a category for which a multiple sub-category can be created.

If you select All Items in List of categories, selection of parent category Under column is possible during creation of sub-category.

If you select specific category in List of Categories, that category will get populated automatically whenever creation of sub-category and cursor skips Under column.

### **Name of the category**

Specify the name of the Stock Category.

### **Under**

If you have select All Items in Under Category, you must specify a parent category in this column.

### **Buttons specific to Multi Stock Category screen:**

<b>Buttons</b>	<b>Short Cut</b>	<b>Description and Use</b>
F4: Parent	F4	Allows you to change the parent for all Categories.
G: Groups	CTRL+G	Allows you to Create a Multi Stock Group.
I: Items	CTRL+I	Allows you to Create a Multi Stock Item.
O: Godown	CTRL+O	Allows you to Create a Multi Godown.

### **Locations / Go downs**

Godown is a place where stock items are stored. Pigeon Home Appliances stores raw materials and finished goods in different godowns.

Company also want to track the goods sent out for Job Work and material received for Job work by creating different locations.

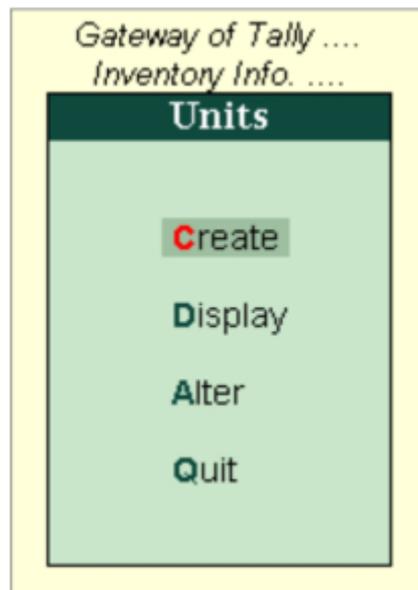
When different locations are maintained to track the goods sent or received for Job Work Pigeon Home Appliances has the following requirements

- When the goods are sent out for Job work, the quantity of stock item and stock value should not be reduced from the books of accounts as the company has the ownership on the goods transferred.
- When goods are received for Job work, the stock should not affect the books of account of Job Worker.

### **Units of Measure:-**

Stock Items are purchased or sold on the basis of quantity. The quantity is measured by Units. Hence, it is necessary to create Units of Measure. You can have simple units such as numbers, meters, kilograms, and pieces or compound units like box of 10 pieces [1box =10 pieces]

Go to **Gateway of Tally > Inventory Info. > Units of Measure**



### **Creating Simple Units of Measure**

- You can create Simple and Compound units.
- Go to Gateway of Tally > Inventory Info > Units of Measure > Create
- The Unit Creation screen is displayed as shown.

Unit Creation	
Type	: <b>Simple</b>
Symbol	: <b>Kgs</b>
Formal Name	: Kilogram
Number of Decimal Places	: <b>3</b>

**Creating a Simple Units of Measure**A brief explanation of each field in the Unit Creation screen is given below:

### **Type**

**This field will show the Type of Units.**

- Simple
- Compound.

Simple units are nos, pcs, etc. Compound unit is a combination of two simple units.

By default Tally.ERP 9 will show the Simple unit for creating the unit of measure.

You can select the Compound Units by clicking on that field or by using SHIFT+TAB [cursor will go to the previous field].

### **Symbol**

Define the symbol of the unit, e.g., Nos. This symbol is used in all displays and printouts.

### **Formal Name**

Specify the formal name of the symbol, e.g. Numbers. This formal name is useful during the consolidation of data of different companies, where the symbols might be the same but are assigned to different units. The formal name will be used to match them.

### **Number of decimal places**

In this field you can specify the decimal places for the Units from 0 to 4. This field is useful for Units measured in fractions.

### **Example:**

Kilogram unit. 1.255 Kgs, here 1 is for Kg and fraction 255 is for gram. For this unit, number of decimal places required is 3.

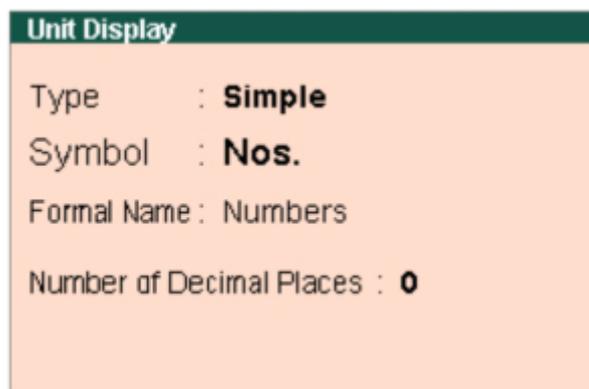
### **Displaying a Units of Measure**

#### **To display Units of Measure,**

Go to Gateway of Tally > Inventory Info. > Units of Measure > Display

Select the Unit of Measure you would like to view from the Units list. You can select a compound unit or a simple unit from the list.

The Unit Display screen is displayed as shown.



In display mode it is not possible to make any changes.

### **Altering a Units of Measure**

To alter Units of Measure

Go to Gateway of Tally > Inventory Info. > Units of Measure > Alter

Select the Unit of Measure you want to alter from the Units list. The Unit Alteration screen is displayed as shown.

Type	: Simple
Symbol	: Nos.
Formal Name	: Numbers
Number of Decimal Places	: 0

Make the necessary changes and accept Yes to save or Press CTRL+A.

**Note: In Alteration mode, you cannot alter the Number of Decimal places field.**

You can delete a Unit of Measure from this screen by pressing Alt + D. However, you cannot delete a Unit of Measure that is part of a compound measure. You must delete the compound measure first.

### **Creating Compound Units of Measure**

A Compound Unit is a relation between two Simple Units. Hence, before you create a Compound Unit, ensure that you have already created two Simple Units.

Example:

To Create Compound unit – Doz (Dozen) of 12 Nos (Numbers), you have to create two simple units, Doz (Dozen) and Nos (Numbers) and set the conversion factor as 12.

Go to Gateway of Tally > Inventory Info > Units of Measure > Create

The Unit Creation screen is displayed as shown. Now Click on Type field or Press SHIFT + TAB or Press Backspace Key.

have already created stock

Unit Creation	
Type :	<b>Simple</b>
Symbol :	
Formal Name :	
Number of Decimal Places :	<b>0</b>

Types of Units

Compound

**Simple**

Select Compound from the Types of Units and press Enter. The Conversion field will be displayed for creating Compound unit.

Unit Creation	
Type :	<b>Compound</b>
<b><u>Units with Multiplier Factors</u></b>	
<i>(example: Kgs of 1000 gms)</i>	
<i>First Unit</i>	<i>Conversion</i>
<b>Doz</b>	of <b>12</b>
	<b>Nos.</b>

**Field Information:**

First unit: Select the First unit from the Units List. In the above example, Dozen will be the First Unit.

Conversion: Specify the conversion Factor. In the above example, Conversion factor will be 12.

Second Unit: Specify the Second Unit from the Units List. In the above example, Number will be the Second Unit. This unit is also called Tail Unit.

Use CTRL + A or Accept the Screen for Saving of Compound U



Unit Creation

Type : **Simple**

Symbol : **Kgs**

Formal Name : Kilogram

Number of Decimal Places : **3**

## Inventory Voucher:-

**Inventory Vouchers** or what I call **Manufacturing Vouchers** in Tally are often seen as something very difficult by many people.

But let me tell you that it is **not at all difficult**.

In fact it is very much easy that after knowing it **you will be surprised** how easy it was.

If you are a manufacturing concern or business which requires manufacturing to be done, then this tutorial is surely for you.

Inventory vouchers are specifically created for manufacturing businesses which are involved in manufacturing of raw materials and ultimately the production of finished goods.

Well, I have explained in the following video tutorial exactly the same but with a simple, sweet and small example.

Though the example is small but **applies to each and every manufacturing process**.

**Wait!** Before directly jumping on to the video, let me tell you that I items.

Now you must be thinking that **what the hell are stock items?** Right?

Well, in simple words they are items which are used as **raw materials** and which will be produced as **finished goods**.

Basically whatever the stock that will be used and whatever the products that will be produced are created as stock items in Tally.

For example, if you want to manufacture currency notes, you would require **paper, ink, water** and the finished goods will be the **currency notes**.

**Therefore the stock items will be for paper, ink, water and the currency notes.**

Accounting name of inventory vouchers is **Stock Journal**.

You can see it in the image above in the top left corner in **pink colour** (just like our new ₹2,000 note).

The title of the screen says **Transfer of Materials**.

This simply means you are going to transfer materials from one department to another department.

It can be **manufacturing department** to **production department**.

On the **LEFT** side, there is **Source (Consumption)** window.

On this side you have to enter **Raw Materials** which is required to produce the **Finished Goods**.

Therefore the name of the window is **Source** or **Consumption** because it consumes the materials or goods and it gets produced in the next half of the window.

On the **RIGHT** side, there is **Destination (Production)** window.

This side is where you have to enter what finished goods actually are produced in your factory or department.

The name of this window is **Destination** or **Production** thus states that a particular unit or product is produced in this department.

### **Purchase and Sales Order:-**

## **Purchase Order and Sales Order in Tally**

### **WHAT IS PURCHASE ORDER**

is a written authorization for a vendor to supply goods or services at a specified price over a specified time period. Acceptance of the purchase order constitutes a purchase contract and is legally binding on all parties.

#### **What does Purchase Order contain:**

- Buyers Name, Address, and signature
- Supplier name and Address
- Date of purchase order
- Tax detail of Buyers such as CST and VAT no (if applicable)
- Status of buyer
- Tax detail of Sellers such as CST and VAT no (if applicable)
- Status of Seller
- Mode or terms of payment
- Descriptions of items
- Quantity of items

- Discount if any
- Net amount
- Net amount in words
- Terms and condition of payment
- Any narration if required
- It can even include Taxes if applicable

### **Invoice Entry:-**

With the GST rollout, it is very important for the businesses to keep themselves GST compliant. Many people are looking for the clarifications on how to record the transactions under GST in accounting softwares. Recording transactions in the right manner is important for claiming the right ITC (Input Tax Credit). Many GST compliant softwares are available in the market such as Cleartax, Tally etc.

### **Use Tally for Accounting, ClearTax for GST.**

In this article we will explain you how to record Sales invoice in Tally release.ERP 9 Release 6 for GST. Also you can integrate your Tally Solutions with ClearTax GST

Sales can be of two types :

1. Local Sales on which CGST and SGST are applicable.
2. Interstate Sales on which IGST is applicable.

Before making sales entry in Tally, you need to create ledgers relates to sales.Let's first understand the creation of Ledgers

### **Ledger Creation**

You must create the following types of sales ledger and fill the related information required to create these ledgers :

1. Local sales
2. Interstate sales
3. CGST
4. SGST
5. IGST
6. Item name
7. Party Account

Under Party account,you must also mention whether the party is composite dealer, consumer, registered or unregistered dealer.

### **Steps to Create Sales Invoice in Tally.ERP 9 Release 6 for GST**

**Step 1.** Go to Gateway of Tally > Accounting Vouchers > F8 Sales.For invoice no,write the serial number of the bill.

**Step 2.** In Party A/c name column, select the party ledger or the cash ledger.

**Step 3.** Select the relevant sales ledger. If it is local sale ,then select sales ledger for local taxable sales and if it is interstate sale,then select the sales ledger for interstate sales.

**Step 4.** Select the required items, and specify the quantities and rates.

**Step 5.** In case of local sales, select the central and state tax ledger.If it is interstate sales,select the integrated tax ledger.

Depending on your requirements, you can include additional details in your invoice by clicking F12: Configure such as buyer's order no,delivery note no etc.

### **View GST details**

You can view the tax details by clicking A: Tax Analysis. Click F1: To view the detailed tax break-up.In the sales invoice, press Alt+P to print the invoice in the required format.For multiple copies: Press Alt+P and then Alt+C to select the number of copies.

You can also create invoices using ClearTax Billbook. To understand how to create sales invoice in cleartax GST software, refer to the guide on Creation of Invoices .

In case you want assistance only in terms of filing returns ,then you can use ClearTax GST. It easily integrates with Tally, Excel & other accounting software.You can import invoice level data for Sales & Purchase in the cleartax GST and then it will calculate the data points to be filled on various GSTR forms. It automatically populates a lot of data to make sure the return is error free.

## **Business Management:**

### **Introduction**

In recent years, the Ready-Made Garments (RMG) sector has emerged as the biggest earner of foreign currency. The ready-made garment (RMG) sector has experienced an exponential growth since the 1980s. The sector contributes significantly to the GDP. It also provides employment to around 4.2 million Bangladeshis, mainly women from low income families which affect their social status. Among them a good number of people assigned for maintaining the Accounts, Inventory, Export, Import, Fixed Assets Management etc and most of the garments and Textile industries are using Tally to maintain their operation.

## **Methodology**

### **Contents of Training:**

#### **Chart of Accounts Design**

Participant will capable to design chart of accounts for the Garments & Textile industries after attending this course.

#### **Maintain of Daily Accounts Transaction/Vouchers**

Maintain of Daily Accounts Transaction like payment, receipt, journal, contra, sales & purchase will shown with practical entry of vouchers

#### **Accounts MIS Reporting**

Various report preparation like Ledger, Accounts Control Head Wise, Day Book, Trial

Balance, Income Statement/Profit & Loss Accounts. Cash Flow/Fund Flow, Receipts & Payment, Outstanding of Receivables & Payables with ageing, Ratio Analysis, Bank Reconciliation, Financial Position/Balance Sheet & Tax, VAT Management.

### **Inventory Management**

Various stock management like Raw Material, Finished Goods, Work in progress & Spare parts with Opening, Purchase, Consumption/Sales, Closing Stock and valuation method FIFO. LIFO, Average & Weighted Average.

### **Production & Costing**

Analysis of Cost of production in different stage, additional cost of purchase application, Bill of Material (BOM) application.

### **Multi Location Stock Management**

Multi Location stock management with internal transfer of product can be maintain **Job/Order wise Accounts/Stock/Profit & Loss Management** Application of Job wise accounts/stock & profit Management will practice by sample entry with subcontract management.

### **Master LC/Back to Back LC Management in Export & Import**

Master & Back To Back LC management with the application of cost centre/profit centre management.

### **Payroll Management**

Payroll Management with Employee Group, Employee Profile, Attendance/Leave Management, Pay Head, Salary Detail, Pay slip, Pay Sheet, Advance against Salary Management, PF Management, AIT, Payment Advice to Bank  
Beside all the above issues we will also attend to the participants question with their actual problem & solutions.

## **New Year Books:-**

Objectives This document intends to provide a brief information on different procedures and options available, for starting a new financial year for a company data in Tally.ERP 9. There are Three options available for starting new financial year in Tally.ERP 9:

1. Change 'Current Period' in Gateway of Tally.
2. 'Split Company Data' after finalization of accounts. For Tally.ERP 9 Release 2.1 and Lower Releases (including Tally 9)π For Tally.ERP 9 Release 3.0 and aboveπ
3. Export Closing Balances and Import as Opening Balances in the newly created Company For Tally.ERP 9 Release 3.0 and above.

## **Information about Starting New Financial Year**

Procedures for starting new financial year When should it be done?

**Why should it be followed?**

**Who should follow it?**

Changing Current Period in Gateway of Tally .

Beginning of the new financial year Eg: If financial year is April to March, change the period from 1st April.

To start new financial year and continue voucher entry in same company data .

To carry forward all ledger balances without creating a new company.

To see reports of different financial years together.

Customers who wants to carry forward all ledger balances without creating a new company .

Customers who have started books of accounts in Tally recently (i.e., in last financial year .

Customers who want to see reports for different financial years together Splitting Company Data after finalisation of accounts.

When last financial year accounts are finalized/audited.

When data is accumulated for multiple financial years and data size has increased.

To reduce data size and to improve performance/ speed of Tally.

To secure old financial years data and work with current financial year in a separate folder.

To have separate company folders for different financial years.

Customer who would like to reduce data size and improve performance/ speed of Tally.

Customers who would like to secure previous financial year's data and work with current financial year in a separate folder.

Customers who like to have separate company folders for each financial years. Export Closing Balances and Import as Opening Balances in the newly created Company

When a new company is created.

To import the audited opening balance to current financial year data.

To carry forward all ledger/stock item balances to new company created.

To start new financial year and continue voucher entry in newly created company.

Customers who intends to create a new company for each financial year to carry forward all ledger balances to new company created.

## **MIS Reports In Tally :-**

Management Information System (MIS) Reports

**MIS Reports** are reports required by the management to assess the performance of the organization and allow for faster decision-making.

### **Types of MIS Reports in Tally.ERP 9**

- **Accounting Reports:** To obtain information on the financial position, operational performance and economic activities of the business.
- **Financial Reports:** To determine the financial condition of an organisation as required by shareholders, creditors and government units.
- **Inventory Reports:** To manage the Inventory effectively since the actual status of stock items is obtained.
- **Management Control Reports:** To utilise budgets, cost centre reports, scenario reports etc. for controlling activities.

## **Displaying Bills Receivables**

### **Bills Receivable and Bills Payable**

A bill of exchange can be either bills receivable or bills payable. When a drawee accepts a bill and sends it back to the drawer, it becomes a bills receivable to the drawer as money is receivable on the bill. Therefore, it becomes an asset to him. On the other hand, it becomes a bills payable to the drawee if money is payable by him on the bill, in which case it is a liability for him.

### **The drawer can make use of the bill in one of the following ways:**

1. Retain the bill till the date of maturity and collect the money from the drawee.
2. Endorse the bill to his creditor.
3. Discount the bill with the banker.
4. Send the bill to the banker for collection.

## Displaying Receivable:

Bills receivable is a bill of exchange on which payment is expected to be received at a later date.

Bills receivable report in Tally.ERP 9 displays all the outstanding receivables during a specified period.

### To view the Receivables screen

- Go to **Gateway of Tally > Display > Statements of Accounts > Outstandings > Receivables** . The **Bills Receivable** screen is displayed as shown below:

This report displays all outstanding receivables invoice-by-invoice, till date. This report takes into consideration only those party ledgers for which the option **Maintain balances Bill-by-Bill** option is enabled.

- **Date** : This is the **Effective date** of the invoice and not the actual date. Hence, if your invoice date is 15th November but the effective date is 30th November, and then 30th November will be displayed here. Credit period is calculated from the effective date.
- **Reference Number** : This is the bill reference number entered in the **Bill-wise Details** screen.
- **Party's Name** : The party ledger name appears in this field.
- **Pending Amount** : This is the outstanding balance on a particular invoice. To see the breakup, press **Shift + Enter**. To view the complete breakup of all the bills, press the **F1: Detailed** button. This view toggles with the button **F1: Condensed**.
- **Due On** : This is the due date of the bill (with reference to the Effective date) specified during voucher entry.

Button options in Bills Receivables report

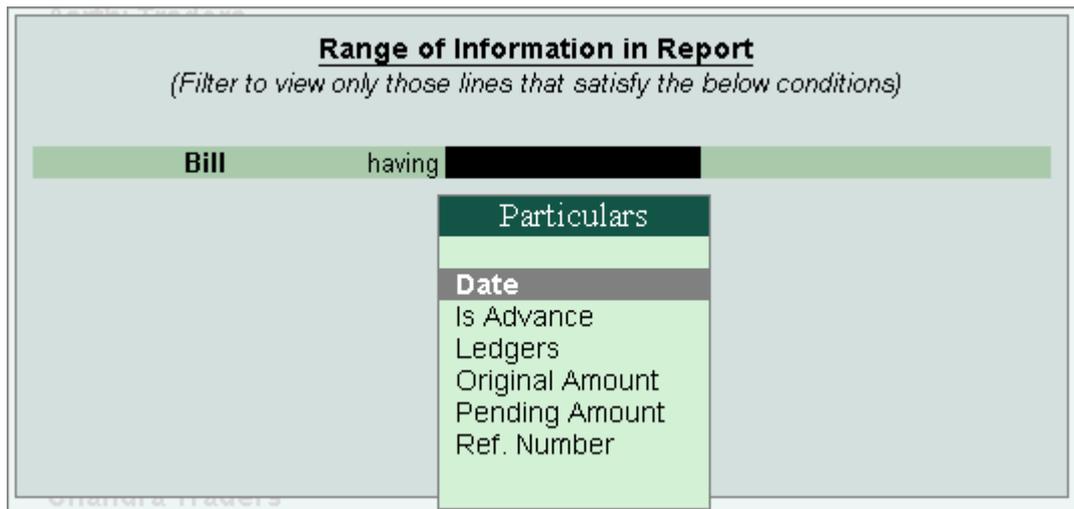
- **F1: Detailed**: Click **F1: Detailed** button or press **Alt+F1** key to display details such as **Voucher Date** , **Voucher Type(s)** , **VoucherNumber(s)** , and **Amount** of each voucher.
- **F2: Period**: Click **F2: Period** button or press **F2** key to change the period.

- **F4: Payable:** Click **F4: Payable** button or press **F4** key to display the Bills Payable report.
- **F6: Age wise:** Click **F6: Age wise** button or press **F6** key to display the Age wise analysis of the Bills Receivable report. For more information, refer Ageing Analysis report.
- **F7 : Bill-Party wise:** Click **F7 : Bill-Party wise** button or press **Alt+F7** key to display the party-wise breakup of the Bills Receivable report. For more information, refer Bill-Party wise report.
- **F12: Configure :** The **F12: Configuration** screen for Bills Outstanding report is displayed as shown below:

<u>Configuration</u>	
Include Post-Dated Transactions	? <b>No</b>
Show Bills in Foreign Exchange	? <b>No</b>
Show Opening Amount	? <b>No</b>
Show Due On	? <b>Yes</b>
Show Overdue days/Age of Bill in days	? <b>Yes</b>
Show overdue using Bill Date	? <b>No</b>
Range of Bills to show	: <b>Pending Bills</b>
Show Order Number in Detailed Format	? <b>No</b>
Show Qty Info in Detailed Format	? <b>Yes</b>
Show Narrations also	? <b>No</b>
Appearance of Names	: <b>Name Only</b>
Sorting Method	: <b>Default</b>

For complete information on **F12: Configuration** , click [here](#)

- **F12 : Range:** Click **F12 :Range** or press **Alt+F12** to use the Range Filter option to search for specific bills from the list of bills outstanding. Users may filter the transactions based on the Date , Original Amount , Pending Amount , Ledger , Referencenumber and so on, as shown below:



This is a useful tool, as it makes the process of finding specific bills fast, easy and simple.

- **R: Remove Line** : Click **R: Remove Line** button or press **Alt+ R** key to remove a line item from the Bills Outstandings report.

## Budget Management :-

Did you know that by using Budgets in Tally.ERP 9, you can monitor your company's revenue and expenditure against your budgets and this can help you use your funds effectively? Budgeting helps a company to keep a track of how much money it has, where its money is going and allocate those funds at any point in time. A proper budgeting system enables a business to keep a track of its expenditures and use its funds effectively. Hence, business owners can compare revenues and expenses with ease, and more importantly, make better future investments. Taking care of the budgeting process is no longer a challenging task with Tally.ERP 9's powerful and intuitive Budgeting feature. It allows users to create multiple budgets as per their requirements and include these figures in a financial statement. Now, users can compare the actual and budgeted figures along with variance just from one screen. To enable Budgets in Tally.ERP 9: Go to Gateway of Tally • > F11: Features (Accounting Features) Set 'Maintain Budgets and Controls' to 'Yes' •.

Creating Budgets Budgets can be created for an individual ledger account, groups of ledger accounts and Cost Centers or for all of them. For example, we can create budgets for traveling, advertisement, operations etc. To create Budgets: Go to Gateway of Tally.

- > Accounts Info. > Budgets Select 'Create'
- > Press 'Enter' Enter budget name in 'Name'

- Select 'Primary' in 'Under'
- Specify the 'Period of Budget' in 'From:' and 'To:'

### 1) For Group Budgets:

Say you want to track all expenses; you can create Financial Budget as shown below:

Set 'Yes' under 'Group' in 'Set/ Alter Budgets of'

- Press 'Enter'
- In 'Group Budgets' screen, select the required Group in 'Account Name'
- Select the appropriate 'Type of Budget'
- Enter budget 'Amount'
- Accept the screen.

Altering and Deleting Budget You can make changes to Budgets as per your requirement. To do these:

Go to Gateway of Tally

- > Accounts Info. > Budgets > Alter To delete budget, press 'Alt+D' on the budget alteration screen. Displaying Budgets and Variances for Groups and Ledgers Once the required budgets are created, they can be displayed in the new columns in financial statements such as Balance Sheet, Profit & Loss Account etc. Business owners can use this handy feature to compare budgeted figures against the actual figures. Let's include the created Group Budgets in Trial Balance and view the variance.

Go to Gateway of Tally

- > Display > Trial Balance Press 'Alt+B' or click on 'B: Budget Variance'.

ABC Company		ABC Company		F2: Period
1-Apr-2008 to 31-Mar-2009		Closing Balance		F3: Company
Particulars	Closing Balance			F4: Group
	Debit	Credit		F5: Led-wise
Fixed Assets	10,00,000.00			F6: Monthly
Current Assets	1,60,000.00			F7: Vouchers
Direct Incomes		15,00,000.00		
Indirect Expenses	3,40,000.00			
<b>Grand Total</b>	<b>15,00,000.00</b>	<b>15,00,000.00</b>		C: New Column

Budget Variance report can be viewed from the Trial Balance, Group Summary and Monthly Summary. The Budget Variance button (Alt+B) is active if the option Maintain budgets and controls is set to Yes in Accounting Features, and at least one budget is created.

**To view Budget Variance in Trial Balance**

1. Go to Gateway of Tally > Display > Trial Balance to view the Trial Balance screen.

Note: Budget Variance can also be viewed from the Group Summary. Go to Gateway of Tally > Display > Account Books > Group Summary and select a group from List of Groups to display the Group Summary screen.

1. Click on Budget Variance (Alt+B) to display the Budget Analysis screen.

Particulars	Closing Balance	
	Debit	Credit
Fixed Assets	10,00,000.00	
Current Assets	1,60,000.00	
Direct Incomes		15,00,000.00
Indirect Expenses	3,40,000.00	
<b>Grand Total</b>	<b>15,00,000.00</b>	<b>15,00,000.00</b>

3. Select the required budget from the list of budgets. The Trial Balance screen appears as shown below, which displays the columns of Budget, Actuals and Budget Variance.

Note : Use Column functionality to add/remove columns for Multi-period or Multi-budget Comparative Variance report.

Trial Balance							ABC Company							Ctrl + M	
Particulars	ABC Company 1-Apr-2008 to 31-Mar-2009 Corporate Budget		ABC Company 1-Apr-2008 to 31-Mar-2009 Actuals				ABC Company 1-Apr-2008 to 31-Mar-2009 Corporate Budget Variance								
	Closing Balance		Closing Balance				Closing Balance								
	Debit	Credit	Debit		Credit		Debit		Credit						
<b>Fixed Assets</b>	<b>50,00,000.00</b>		<b>16,00,000.00</b>	20.00%		<b>40,00,000.00</b>	80%								
Building			10,00,000.00												
<b>Current Assets</b>	<b>20,00,000.00</b>		<b>7,60,000.00</b>	8.00%		<b>18,40,000.00</b>	92%								
Bank Accounts	20,00,000.00		1,60,000.00	8.00%		18,40,000.00	92%								
<b>Direct Incomes</b>						<b>15,00,000.00</b>									
Income Received						15,00,000.00									
<b>Indirect Expenses</b>	<b>5,00,000.00</b>		<b>3,40,000.00</b>	68.00%		<b>1,60,000.00</b>	32%								
Advertisement			3,00,000.00												
Printing & Stationery			40,000.00												
Profit & Loss A/c		5,00,000.00							(-)	5,00,000.00 (-)100%					
<b>Grand Total</b>	<b>75,00,000.00</b>	<b>5,00,000.00</b>	<b>15,00,000.00</b>	20.00%	<b>15,00,000.00</b>	<b>60,00,000.00</b>	80.00%	<b>60,00,000.00</b>		<b>(-)</b> 5,00,000.00					

Corporate Budget displays the values of the budget, which is already defined.

Actuals displays the values of Actual Expenditure incurred.

Corporate Budget Variance displays the values of the variance of the Actuals and the Budget, i.e., Budget – Actuals = Variance.

## Creating Budget for Ledger Accounts in Tally ERP 9

Budget Creation					ABC Co
Name	: Corporate Budget				
Under	: ■ Primary				
Period of Budget		Set / Alter Budgets of			
From:	To:	Groups	Ledgers	Cost Centres	
1-Apr-2008	31-Mar-2009	Yes	<b>Yes</b>	No	

In the Budget Creation/Alteration screen, set Yes in the Ledgers field, to set budgets for ledgers.

In the Ledger Budget screen, select a Ledger from the List of Ledgers and enter Account Name.

ABC Company				Ctrl + M
Ledger Budgets Under 'Corporate Budget' (From 1-Apr-2008 to 31-Mar-2009)				List of Ledgers
Account Name	Cost Centre	Type of Budget	Amount	
Advertisement		On Nett Transactions		<ul style="list-style-type: none"> <li>End of List</li> <li>Advertisement</li> <li>Audit Fees</li> <li>Cash</li> <li>Electricity</li> <li>Entry Tax Paid</li> <li>Freight Charges</li> <li>Interest</li> <li>Profit &amp; Loss A/c</li> <li>Purchase</li> <li>Refund Claim</li> <li>Salary</li> <li>Salary Payable</li> <li>Sales</li> </ul>

Budgets can also be defined for Cost Centres pertaining to Ledger Accounts wherein you can repeat the same ledger with another Cost Centre.

Enter the cost centre for the Ledger Account in the Cost Centre field. Select Not Applicable if the budget is not for a particular cost centre, but for the company.

ABC Company				Ctrl + M
Ledger Budgets Under 'Corporate Budget' (From 1-Apr-2008 to 31-Mar-2009)				List of Cost Centres
Account Name	Cost Centre	Type of Budget	Amount	
Advertisement	Marketing Department	On Nett Transactions	5,00.	<ul style="list-style-type: none"> <li>Not Applicable</li> <li>Financial Department</li> <li>Marketing Department</li> <li>Sales Man A</li> <li>Sales Man B</li> </ul>
Printing & Stationery	Financial Department	On Closing Balance		

**In Type of Budget, select from the following two types.**

### 1. On Nett Transactions

Select this option to monitor the transaction amounts and not the balances. Nett is net of debits and credits for the specified period. Nett transactions Budgets specified for a period automatically gets apportioned over the period. i.e., When On Nett transactions Budgets are defined, the debit amount for the specified period after reducing the credits for the same period is considered without taking into account opening and closing balances. For example to compare transactions against budgets, especially revenue income and expenses On Nett Transactions can be selected

### 2. On Closing Balance

Select this option to monitor the balances of the Accounts and the not the transactions. i.e., each month will have the same budget value except that the actual Opening Balance is also taken into account. Budgets on Closing balances can be set for Bank Account Ledgers, Debtors Ledger balances and so on. For example to compare closing balance figures in final statements, especially Balance Sheet items like assets and liabilities, select Closing Balances.

## Creating Budgets for Cost Centres

Enter the budget amount in the Amount field.

ABC Company			
Ledger Budgets Under 'Corporate Budget' (From 1-Apr-2008 to 31-Mar-2009)			
Account Name	Cost Centre	Type of Budget	Amount
Advertisement	Marketing Department	On Nett Transactions	5,00,000.00
Printing & Stationery	Financial Department	On Nett Transactions	50,000.00

Note : Ledger Budgets get apportioned for each month.

### Budgets in Tally ERP 9

A budget is a plan prepared for the flow of funds in an organisation. It contains financial guidelines for the future plan of action for a selected period of time.

A budget helps to refine goals and use funds efficiently. It provides accurate information for evaluation of financial activities, aids in decision making and provides a reference for future planning.

Multiple budgets can be created for specific purposes in Tally.ERP 9. Budgets for Banks, Head offices, Departmental budgets like Marketing Budgets, Finance Budgets, and so on, can also be created. The Budgeted figures in Tally.ERP 9 can be compared with Actual figures and variance report can be generated.

### Viewing Budget Variance in Tally ERP 9

In Tally.ERP 9, you can create, alter and delete a budget.

#### Activating Budgets Feature

To activate the Budgets feature in Tally.ERP 9:

Select F11: Features > F1: Accounting Features.

Set Maintain budgets and controls? to Yes.

1. Accept to save.

## Scenario Management in Tally.ERP 9

Scenario management is a management tool that enables different displays of accounts and inventory related information, by selectively including certain types of vouchers without affecting the source data. It is useful in generating provisional reports, where entries are not actually made in the main books. It is also a useful forecasting tool i.e. you can forecast the expenses using provisional Vouchers and include them in your reports.

The vouchers that are used in Scenario Management are:

Optional Vouchers

Memorandum Vouchers

Reversing Journals

This section shows you how to use the above-mentioned vouchers in Reports. You can create a number of scenarios each including and/or excluding one or more types of voucher entry.

### **Creating a Scenario**

Set Use Reversing Journals & Optional Vouchers in F11:F1: Accounting Features to Yes.

Go to Gateway of Tally > Accounts Info. > Scenario > Create.

Scenario Creation		ABC Company																																													
Name	: <b>Provisional</b>	Date	Feb, 2009																																												
Include Actuals	? <b>Yes</b>	Date of Last Entry	28-Feb-2009																																												
EXCLUDE Forex Gain/Loss Calculations	? <b>Yes</b>																																														
EXCLUDE Inventory Tracking Calculations	? <b>Yes</b>																																														
<b>Include :</b>																																															
Reversing Journal																																															
<b>Exclude :</b>																																															
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1. Give a suitable **name** to the scenario. In this case, it is **Provisional**.
2. Set **Include Actuals** to **Yes**
3. Set **Exclude Forex Gains/Losses Calculations** to **Yes** if you do not want the Unadjusted Forex Gain/Loss element to appear in the scenario
4. Set **Exclude Inventory Tracking Calculations** to **Yes** if you do not want the Sales/Purchase Bills Pending element to appear in the scenario
5. **Include** - From the list of vouchers, include the type of vouchers required. Notice that it picks up the Voucher Types created for this company. Provisional Vouchers and Regular vouchers that are marked Optional are permitted for selection.
6. **Exclude** - Exclude from the list of vouchers already included in the type of vouchers that you do not want to affect this scenario. This option is used in **Alter** mode and hence is discussed under **Alter/Display Scenario Information**.
7. **Accept** to create this scenario.

## Altering a Scenario:

Go to Gateway of Tally > Accounts Info > Scenario > Alter

Select the scenario to alter from the List of Scenarios

The information given while creating the scenario displays and you can alter it.

## Exclude

Use the Alter mode, when you do not want a selected included voucher to affect the scenario, anymore. It is easier to put the selected voucher in the Exclude List, rather than to remove it from the Include List.

## Using Reversing Journals in Scenarios

1. Create a Reversing Journal Entry for the scenario as follows.
2. Go to Gateway of Tally > Accounting Vouchers > F10: Rev Jrnl
3. Select Reversing Journals from the list.
4. Debit Depreciation and enter the amount
5. Credit Provision for Depreciation.

Particulars	Debit	Credit
Dr Depreciation Cur Bat: 15,000.00 Dr	15,000.00	
Cr Provision for Depreciation Cur Bat: 15,000.00 Cr		15,000.00
	<u>15,000.00</u>	<u>15,000.00</u>

Applicable Upto : 1-May-2008

Narration:  
Depreciation for the whole month HO reporting purposes. Actual depreciation for the whole year to be provided at the end of the year.

6. Enter **Narration** if any.
7. **Accept** the Voucher.

## Document Printing:-

### Multi Voucher Print based on Voucher Numbers

This feature is used for printing multiple vouchers based on the voucher numbers. User can give the range for voucher numbers.

To achieve this feature we have to do the following steps:

1. Attach the file Multi Voucher print with Voucher Number Range.TDL and execute Tally.ERP 9 and select the required Company.

Note: Note: For further information on downloading and attaching TDL to Tally.ERP9, please refer the document Steps to enable TDL in the same section/page at the beginning.

2. Select the option Multi Account Printing from Gateway of Tally Menu.
3. Select the option Multi Voucher Printing from Printing Menu.
4. Select the name of Voucher Type .
5. Accept Blank field for From and To.
6. Enter the voucher number range which you want to print.
7. Click Yes to Print, then you can see the print preview for 5 vouchers

Note: For multi voucher printing ensures that the method of voucher numbering is Automatic.

### Printing reports

You can obtain a printed version of the screen you are currently displaying by selecting Print from the top of the button bar menu. This brings up new button bar options and the Print Configuration screen for the report, which asks Print? Yes or No. If you select Yes, the report will be printed using the options specified on the screen. If you select No, you can change the options before printing.

Tally's neat printing is just too neat! Print out an invoice and you would not consider using pre-printed stationery at all.

### There are two types of print configuration options:

As a print button or [ALT]+[P] key combination is all display screens. Remember, it is not a print screen – it is special printing and printed reports would differ from displays. Tally takes advantage of a printer's capability and uses it to maximise aesthetics in printed output.

As a printing menu option through the Gateway of Tally. You can print multiple reports at a time through this option.

### **Print Preview**

If you select to print a displayed document or report, the Print Dialog Box expects you to view the output before printing. It defaults to 'With Preview'. You can however, change it to 'No Preview' by clicking the appropriate Button.

The Preview screen allows you to view the document and even scrolls if it is multi-page; print from there or even E-mail the document as an attachment. Hence, if you want to see how a document that you originally wanted to E-mail, would appear at the destination, use Print Preview.

### **Common printing options**

Common printing options affect the printing of current selected reports. They are changed by selecting the appropriate button from the button bar:

#### **Auto Column:**

If the screen version of the report supports Auto Column, this button will be available and performs a similar function.

#### **Titling:**

To change the title of the report.

#### **Page Nos:**

To specify the starting page number and page number range.

#### **Pre-Printed / Plain Paper:**

- Toggle to make the selection.

Quick Format / Neat Format:

- Toggle between quick (draft) and neat (standard) formats.

#### **With Colour:**

This option is only relevant if you have a colour printer.

**Copies:** - To specify the number of pages to be printed.

**Printer:** - To change the printer settings. This also displays the default paper size that you have set for the printer.

Other printing options

### **Multi-Account Printing**

Gateway of Tally —> Multi-Account Printing

Principally geared towards printing the Primary Books of Accounts, like the Cash and Bank Books, Account Ledgers, Sales and Purchase Registers etc, without needing to select the accounts one at a time and pressing Alt+P. The facilities provide for printing One Account at a time, All Accounts, or All Accounts in a selected Group. Before printing, the date range and other selections may also be set up.

The current mechanism of printing used by Tally, will require that for large company

accounts, you choose to print each ledger account on separate pages, - otherwise the memory requirements of the system become so large as to bring most systems to their knees.

### **Draft Mode Printing (Quick Format)**

Almost every report can also be printed in Draft Mode (except for Cheques!). The default behaviour of Tally is to print in Neat Format – and you may alter this by pressing Alt+F just before printing. All subsequent reports will be printed in Quick Format, until Alt+F is pressed again at the Printing Screen. (The button equivalent for this is marked Quick Format).

Draft mode necessarily brings in additional restrictions in the printing, which you will quickly learn by experimentation. It also enables Printing to a File, which may be selected by pressing Alt+E (to Select the Printer whose dimensions are to be used, and the name of the File to output to.)

### **Display Account books & statements**

Books of account record the individual transaction details you have entered. Although you may post items to many different ledgers, Tally brings all the transactions of one category together into a book of account for viewing and printing. For example, the Cash Book records all the transactions affecting cash, the Sales Book records all the sales transactions.

Statement of Accounts pertain to cost centres and outstanding analysis. These are derived from individual transactions but are not statutory requirements.

Financial statements on the other hand are still derived from individual transactions but tend to show summary totals, ratios and statistics, analysing a company's financial data in a wide variety of ways. Typical financial statements include the Balance Sheet, Profit & Loss A/c, and Cash Flow Analysis. Financial statements are usually statutory requirements in most countries.

All books are displayed first as a monthly summary with opening and closing balances. Select a month and press [enter] to display all transactions for the month. The opening and closing balances as well as transaction totals are also displayed. Select a transaction to bring up the voucher. This voucher comes up either in display or in alteration mode depending upon the access rights available to you.

This is a typical display method and is available from most places, including statements. For example, even from a Balance Sheet, you would first display the group summary, then the ledger monthly summary and finally the transaction voucher itself.

Let us see some typical examples of how to display the books of account and financial statements. You will then be able to experiment with other statements for yourself.

Example 1 - viewing Bank books

Gateway of Tally—> Display—> Account Books—> Bank Books

**This displays the Bank Group Summary.**

Select a bank account if there are more than one. Press Enter to display the Ledger Monthly Summary.

**Select F12:** Configure to bring up the Configuration/Graphs option menu.

Use the Tab key to tab down to Show with graph? and type Yes and press Enter. Select Bar and press Enter to return to the Ledger Monthly Summary, now displaying a graph of the figures.

With the highlight bar over one month's, say July's figures, press Enter to display the Ledger Vouchers screen. Note that all the vouchers for July are listed. Press [Esc] to return to the Ledger Monthly Summary screen.

**Select F12:** Value to bring up the Value to Calculate in Report screen. From the Particulars menu, select Voucher Type. From the next Particulars menu, select Name (the only option). From the Range of Info. menu select equal to. Then type Contra and press Enter. From the Condition menu select End of List and press Enter twice. Notice in the Ledger Monthly Summary that the figures are now reduced as they only show Contra vouchers. To check this, position the highlight bar over the July figures and press Enter to display the details.

Keep pressing [Esc] until you return to the Gateway of Tally menu.

**Example 2 - viewing the Balance Sheet**

Gateway of Tally—> Balance Sheet

Notice the format of the display.

Select Detailed to give break-up of the grouped figures.

Select F12: Configure to bring up the Configuration screen. Select the following options and observe the new display.

Select New Column and enter a date range, e.g., 1-1-97 to 1-5-97 to show the change in the balancesheet since 1st May

Scroll down to highlight Net Profit and press Enter. This takes you to the Profit and Loss screen. Select F1: Detailed to show a more detailed report.

Place the cursor on any amount in the column for 16-12-97. Select Alter Column. Change period to 1-1-97 to 31-5-97 and valuation to Last Purchase Cost. Notice the change in closing stock value and consequently the change in profit figures.

Example 4 - Viewing the Trial Balance

Gateway of Tally —> Display —> Trial Balance.

Select F5: Led-wise to obtain a display of the ledger balances.

Select F12: Configure and just change the Sorting Method to Amount-wise (Decreasing).

Select F12: Range and in the Range of Information in Report screen, set up Ledgers having Closing Balance greater than 20000.

To exit, keep pressing [Esc] until you return to the Gateway of Tally menu.

You are welcome to experiment. It is simply your opportunity to explore the powerful display features of Tally. You have seen some of the reports and how they can be stepped-through, configured and modified, so use that knowledge to try similar and new things on the other reports.

**For example, you might like to look at the following:**

**Ratio Analysis** - try using F12: Configure to put it into vertical format and then using New Column to compare month-by-month data.

**Cash Flow** - try changing the period to 1st May to 31st July and then using F12: Configure to show a weekly analysis and adding a graph to the display.

**Outstanding (Ledger)** - try using Enter and the arrow keys to step-down to voucher level and then back up again using [Esc].

For example, the company withdraws cash from the bank for petty cash or transfers funds from one bank account to another.

### **Printing Configuration for Vouchers**

**TDS:-** Tax Deducted at Source or TDS is a type of tax that is deducted from an individual's income on a periodic or occasional basis. TDS can be applicable for income that are regular as well as irregular in nature. Income Tax Act, 1961 regulates TDS in India through Central Board of Direct taxes (CBDT) under the Indian Revenue Services (IRS). TDS rule directs the payee or employer to deduct a certain amount of tax before making full payment to the receiver. TDS is applicable for salary, commission, professional fees, interest, rent, etc

## **TDS Calculation**

Payments such as salaries, interest payment, commission, fees to lawyers and freelancers etc. are subject to TDS. For salaries, the percentage of TDS will be based on income slabs rates. Similarly, each type of income has its own percentage of tax that is calculated when the amount meets certain limit.

Since TDS is collected at source without the calculation of investment that is eligible for tax deductions, hence, an individual can declare and submit his investment proof in order to file a return and claim for the TDS refund.

## **TDS Deduction**

If an individual has paid excess TDS when compared to the liable tax amount, the deducted or payee can file a claim for a refund of the excess amount. The TDS deductions are calculated based on various factors for individuals from different types of income categories.

## **How is TDS Deducted?**

Income and expenditure such as salary, lotteries, interests from banks, payment of commissions, rent payment, payments to freelancers, etc. fall under the ambit of TDS. When making payments under these segments, a percentage of the overall payment is withheld by the source that is making the payments. This source, which can be a person or an organization, is known as the Deductor. The person whose payment is getting deducted is called the Deductee. For instance, a deductor is the employer paying salary to an employee (the deductee).

Under the law stated by TDS, any kind of payment being made from one party to another will be subject to TDS while complying with the provisions of the Income Tax Act, 1961. The tax will be deducted at source and will thereon be deposited to the department of Income Tax.

## **Challan for TDS Payment**

Challan ITNS 281 is the Challan form for payment of TDS (Tax Deducted at Source) and TCS (Tax Collected at Source). Challan No. 281 is applicable for Tax Deducted at Source / Tax Collected at Source (TDS/TCS) from corporates as well as non-corporates. TDS exception is essentially a mechanism developed by the Indian Government where in there is a tax deduction at the source of an income, calculated at a specific rate and thereby becomes payable to the department of Income Tax.

## **TDS Payment Challan: Filing Dates**

- If the concerned assessee is a Non-Government official: March's tax by 30 April and the tax for some other month is calculated on the seventh day of the following month.
- If the concerned assessee is a Government official: If you are depositing the amount without Challan 281, then you have to file the challan on the same day, but, if you are depositing the tax with the challan, you will be required to file for the same on the seventh day of the following month.

## **Challan TDS 281**

The challan no. 281 is used for deposits of TDS/TCS. By using the form, you will need to mention the correct 10-digit Tax Deduction Account Number (TAN), name, and address of the deductor on each challan used for depositing tax. You can verify the TAN details from Income Tax Department website - [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) prior to depositing TDS/TCS. As a taxpayer, you will require using separate challans to deposit tax deducted under each section and indicate the correct nature of payment code in the relevant column in the challan.

## **File Challan 281 Offline:**

- Challan 281 has a certain format containing its features. Download the same.
- Fill up the following information - Assessment Year, TAN number, your full name, then enter the mode of payment and any other additional information that you think might be required. Note: You have to enter the code of payment once you have mentioned your payment mode.
- Get the information on a paper via print out (of Challan 281).
- Once you are done filling up all the information, you will need to submit the same to the bank along with your total tax payable.
- Post all this, the bank will issue a receipt which will have the Challan Identification Number.

### **e-Filing of TDS Return**

- Follow the instruction below for the e-filing of TDS return:
- Choose the appropriate file format.
- The file should be in a clean text ASCII format with 'txt' as the filename extension. You can also download the free software to prepare the return file using the Return Preparation Utility provided by NSDL or any other third party software.
- Once the file is prepared, validate the file using the File Validation Utility (FVU) provided by NSDL.
- Rectify the errors, if found by FVU.
- Generated .fvu file can either be submitted at TIN-FC or uploaded at [www.tin-nsdl.com](http://www.tin-nsdl.com) website

### **e-Payment of TDS**

The Income Tax Department provides an online option to Pay Taxes Online. The e-Payment service facilitates payment of direct taxes online. The taxpayer will require having the net-banking services from any of the authorized banks.

### **Penalty for Late Filing of TDS Return**

If an individual fails to file the TDS Return within due time, he/she will need to pay a fine of Rs.200 per day until the return is filed. The fee is applicable for every day until the fine amount is equal to the total liable TDS amount.

If the taxpayer exceeds one-year time limit to file the TDS return or furnishes incorrect details of PAN, TDS amount, he/she will need to pay a penalty of minimum Rs.10,000 to Rs.1 lakh.

### **Reimbursement of Expenses Related to TDS**

- The following reimbursement of expenses are considered for TDS:
- Management expenses to parent company are non-taxable
- Per-Diem expenses are non-taxable
- Relocation expenses for employees are non-taxable
- Audit fee is taxable
- Marketing expenses are taxable
- Traveling expenses are non-taxable, however, if it is taxable for FTS
- The reimbursement for visit of a foreign artist is non-taxable
- Consultant fees are non-taxable
- Infrastructure expenses are non-taxable, etc.

### **Salary TDS Calculator**

In order to calculate TDS from salary, you will need to calculate the total gross income from salary as well as other sources, then calculate all the investments and exemptions. Once you have calculated the total amount, you can reduce the allowable investment and exemptions from your salary, this will give you your annual income that will be taxed on the various income slabs.

### **Advantages of TDS:**

TDS is based on the principle of 'pay as and when you earn'. TDS is a win-win scenario for both the taxpayers and the government. Tax is deducted when making payments through cash, credit or cheque, which is then deposited with the central agencies.

- Responsibility sharing for deductor and tax collection agencies.
- Prevents tax evasion.
- Widens the tax collection base.
- Steady source of revenue for the government.
- Easier for a deductee as tax gets automatically collected and deposited to the credit of the central government.

### **Types and Rates of TDS:**

TDS is calculated on the basis of a threshold limit, which is the maximum level of income after which TDS will be deducted from future income/payments. TDS is deducted as a percentage of overall payment, and may range from 1% to 30% of actual payable amount.

### **Major sections of the Income Tax Act that outline TDS deductions are:**

TDS on income from salaries. are deducted on an estimation made at the start of the financial year. The employer is responsible for deducting taxes every month in equal instalments. In case the deductee has switched jobs during the fiscal year, the employer will deduct taxes on the basis of all accrued income in the fiscal year. Deductees should be very careful when mentioning their overall income as tax avoidance will be penalised by relevant authorities.

### **When is TDS not Deducted?**

TDS is not collected on payments made to the Reserve Bank of India, the Government of India etc. TDS will not be collected when interest is credited or paid to:

- Central or State Financial Corporations.
- Banking companies.
- Interest paid under Direct Taxes or refund from the IT department.
- UTI, LIC and other insurance or co-operative societies.
- Interests earned from recurring deposit or savings account in cooperative societies or banks.
- Interest in Indira Vikas Party, KVP, or NSC.
- Interest earned in NRE account.
- All institutions notified under no-TDS.

Apart from these, there are other avenues also where TDS may not be applicable, such as interest on compensation from MVCT (Motor Vehicles Claims Tribunal). Therefore, taxpayers are advised to check if their interest income is liable for TDS with a particular institution or not.

### **TDS Exemption:**

If your TDS has been deducted under Sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194I, 194J, 194LA and 195, while at the same time if you feel that you are not eligible to pay TDS, then, in order to claim a tax deducted at source exemption, follow the below mentioned procedure:

- Contact your corresponding Income Tax official or the department through Form 13 to get permission.
- There has to be a consequent disposal of the applicants within the time frame of a month (30 days).

- All the taxpayers are advised to fill in authentic and complete information in the first occasion itself. Not doing so might result in your application being rejected by the assessing officer. In any other scenario, if the officer is satisfied with the information provided, he/she will go ahead and issue your exemption certificate under Section 197.
- Save a copy of this receipt to later attach it with the invoice that you will eventually raise in order to claim your TDS exemption.
- Your certificate will have total validation, unless the officer cancels it.

#### TDS Certificate:

As TDS is collected on an ongoing basis, it can be difficult to keep track of deductions by an individual. As per Section 203 of the ITA, the deductor has to furnish a certificate of TDS payment to the deductee/payee. This certificate is also offered by banks making deductions on pension payments etc. The certificate is typically issued at the deductor's own letterhead. Individuals are advised to request for TDS certificate wherever applicable, and if not already provided.

#### Refund of Excess TDS Deductions

If a person has been subjected to excess TDS deductions, the deductor can make claims for refund of the excess amount. The difference between the tax deducted and the actual payments made by the deductor, whichever is higher, is accepted as the excess payment, and this amount will be refunded after adjusting against any tax liabilities under Direct Tax Acts.

#### Quick Takeaways

- TDS denotes the tax deductions at source of an individual's income/payments. The deductor (employer/contractor etc) is the person who is making payments to the deductee (employee, stock broker etc.).
- TDS helps in reducing tax filing burdens for a deductee and ensures stable revenue for the government.
- In most cases, TDS is collected after a certain threshold limit of earnings has been crossed. The highest TDS of 30% is applicable on winnings from horse races, and lotteries and other games.
- TDS certificate is issued wherever TDS has been collected, typically by the deductor or a bank.
- TDS is exempted on some payments made to government, RBI, cooperative societies etc.
- Refunds can be requested if there are discrepancies in the collected amount and the actual payable amount.

#### **TDS vs Income Tax**

TDS is a small amount of tax that can be deducted monthly, annually, periodically or occasionally from the earning of an individual or a business (the earning is not limited to salary but also includes interest, commission, fee etc.). The earning could be regular or irregular in nature. Income tax is levied on the total income (salary) on an annual basis for individuals as well as businesses.

## **Frequently Asked Questions: TDS**

**1. What is the minimum salary one should have for TDS to be deducted by the employer?**

A) Salary needs to be subject to TDS only if the employee falls under the Income Tax Slab. This means that an individual earning less than Rs. 2.5 lakh, senior citizens with a salary of less than Rs. 3 lakh and super seniors (above the age of 80) earning less than Rs. 5 lakh, do not need to pay tax and hence no TDS has to be deducted from their remuneration.

**2. Is TDS applicable only on salary?**

A) No. TDS is also applicable on items such as income from interests on savings, fixed and recurring accounts, securities and deemed dividends, income from horse racing and insurance commissions, lottery or game-related prize money, payment in NSS deposits, repurchase of UTI or mutual fund units, etc. The details are available in Income Tax Act, Sections 192 to 194L.

**3. How do I know how much TDS has been deducted and whether it has been credited to me?**

A) The employer/deductor is liable to give you a TDS certificate or Form 16 and 16A confirming the amount of tax deducted. You can also log in to your Income Tax e-filing portal and check either your Form 26AS or 'View Your Tax Credit' option on the menu.

**4. Can I request tax deductors to not subtract tax from an amount and pay the whole amount to me?**

A) Non-deduction of tax at source is possible only if your income is going to be below the minimum income tax slab. If that is the case with you, then you can declare your income as being lower than Rs. 2.5 lakh (or others as applicable to various category of citizens) through Form 15G/15H and provide the form to the deductor. Form 15G is for individuals and Form 15H for senior citizens. You can also apply to the Assessing Officer of the Income Tax Department through Form 13 and get a certificate approving deduction of lower taxes or nil deduction of taxes. But if your income is above the minimum tax rate slab, then you cannot seek exemption from TDS.

**5. What will happen if the tax deductor fails to deduct tax or deposit the collected tax with the government?**

A) The deductor will have to pay an interest on the amount due to the government under Section 201 of the Income Tax Act. The interest applicable is: a) 1 percent for every month or part of a month on the tax due, calculated from the date on which the tax had to be deducted to the date when it was actually deducted (ii) at 1 and 1.5 percent for every month or part of a month on the tax pending, calculated from the date when the tax was deducted to the date when it is actually paid. Under section 271C, the deductor may also have to pay penalty of an amount equal to the tax not deducted or not paid.

**6. Is an employee responsible if the deductor fails to collect or deposit the tax?**

A) No. The onus of deduction and deposit of tax collected at source lies with the employer/deductor and not an employee or deductee.

**7. Is TDS deducted on traveling expenses?**

No, TDS is not deducted for traveling expenses.

**8. Will TDS be deducted on service tax?**

Considering the fact that service tax is not an income for the service provider, TDS is to be deducted at the total amount excluding the service tax, if service tax is separately indicated in the invoice.

## Tax Deducted at Source

### Introduction to Tax Deducted at Source:

TDS or Tax Deducted at Source, is a means of indirect tax collection by Indian authorities according to the Income Tax Act, 1961. TDS is managed by the Central Board of Direct taxes. In this guide let's learn how to set-up TDS in Tally ERP9.

### When and how to deduct TDS?

Income and expenditure such as salary, lotteries, interests from banks, payment of commissions, rent payment, payments to freelancers, etc. fall under the ambit of TDS. When making payments under these segments, a percentage of the overall payment is withheld by the source that is making the payments.

### Deductor

The source, which can be a person or an organization, is known as the Deductor.

### Deductee

The person whose payment is getting deducted is called the Deductee. For instance, John Smith LLP paid Audit fee to Vikas Gupta,

- Deductor is John Smith LLP.
- Deductee: Vikas Gupta.

To Know more about Tax deducted at source .

*Example Transaction for TDS in Tally ERP9 used in this Guide.*

### How to activate TDS in Tally ERP9?

#### Step1

Go to **Gateway of Tally > F11: Features > Statutory and Taxation**

Enable following options by typing 'Yes'

### Enable Tax deducted at source ( TDS) ?

Set/alter TDS details?

You will get a new screen where you can enter Company TDS Deductor details. Enter all those details as in the below image.

<u>Company TDS Deductor Details</u>	
TAN registration number	: T8545545KLC
Tax Deduction and Collection Account Number (TAN):	SGDL84551C
Deductor type	: Company
Set/alter details of person responsible	? <b>Yes</b>
<u>Rate &amp; Exemption Details</u>	
Rate of TDS if PAN not available	: 20 %
<i>(The rate specified here or the IT rate, whichever is higher, will be applicable.)</i>	
Ignore IT exemption limit for TDS deduction	? No
Activate TDS for stock items	? No

In side Deductor details there is an option set/alter details of person responsible ? set this Yes, you will have a new screen where the details of person responsible details. Enter responsible person name.

<u>Person Responsible Details</u>	
Name	: Saju Kunnil
Son/daughter of	: Rajan K
Designation	: Manager Finance
PAN	: [REDACTED]
Flat no.	: S: 350 Fifth Avenue,
Name of the premises/building	: 25th Floor
Road/Street/Lane	: Great Brigham's Mead Extended
Area/Location	:
Town/City/District	:
State	: Kerala
Pincode	: 670001
Mobile no.	: 9854545545
STD code	:
Telephone	: 04795465555
E-mail	: accounts@johnsmith.com
<i>(Note: All the above details will be used in Challan, Forms &amp; Returns)</i>	

Enter and save all three screens. Now we have activated TDS in Tally ERP9.

**Step2**

***Creating TDS nature of payment.***

Before creating TDS nature of payment, you should know there are some transactions specified under Income Tax rules attract TDS. Here is a list transaction and its payment code.

<b>Section</b>	<b>Nature of Payment</b>	<b>Payment Code</b>
Section	Nature of Payment	Payment Code
192	Payment to Govt. Employees other than Union Government Employees	92A
192	Payment of Employees other than Govt. Employee	92B
193	Interest on Securities	193
194	Divident	194
194A	Interest other than interest on securities	94A
194B	Winnings from lotteries and crossword puzzles	94B
194BB	Winnings from horse race	4BB
194C	Payment of contractors and sub-contractors	94C
194D	Insurance Commission	94D
194E	Payments to non-resident Sportsmen/Sport Associations	94E
194EE	Payments in respect of Deposits under National Savings Schemes	4EE
194F	Payments on account of Re-	94F

<b>Section</b>	<b>Nature of Payment</b>	<b>Payment Code</b>
	purchase of Units by Mutual Funds or UTI	
194G	Commission, prize etc., on sale of Lottery tickets	94G
194H	Commission or Brokerage	94H
194I	Rent	94I
194J	Fees for Professional or Technical Services	94J

<b>Section</b>	<b>Nature of Payment</b>	<b>Payment Code</b>
194K	Income payable to a resident assessee in respect of Units of a specified Mutual Fund or of the units of the UTI	94K
194LA	Payment of Compensation on acquisition of certain immovable property	4LA
194LB	Income by way of Interest from Infrastructure Debt fund	4LB

<b>Section</b>	<b>Nature of Payment</b>	<b>Payment Code</b>
194LC	Income by way of interest from Indian company engaged in certain business	4LC
195	Other sums payable to a non-resident	195
196A	Income in respect of units of Non-Residents	96A
196B	Payments in respect of Units to an Offshore Fund	96B

Section	Nature of Payment	Payment Code
196C	Income from foreign Currency Bonds or shares of Indian Company payable to Non-Resident	96C
196D	Income of foreign institutional investors from securities	96D

For more authority report and TDS rate chart visit income tax official website

**To create TDS nature of payments,**

**Go to Gateway of Tally > Accounts Info. > Statutory Info. > TDS Nature of Pymts > Create**

Lets create '**Fees for Professional or Technical Services**' as **Audit fee** paid is a professional fees.

The screen look like this and fill all the details within.

Tally.ERP 9

P: Print    E: Export    M: E-Mail    O: Upload

**TDS Nature of Payment Creation**

Name : **Fees for Professional Or Technical Services**

Section : 194J

Payment code : 94J

Rate : 10 %

Threshold/exemption limit : 30,000.00

Accept ?  
Yes or No

- **Name:** The name of nature of payment, here our example 'Fees for Professional or Technical Services.
- **Section:** Enter Section under income tax for the nature of payments pick from the table given above.
- **Payment Code:** This is the payment code in which payment is to be made, this information also available in the Table given above. Here its is 94J
- **Rate :** Rate of TDS as per Income tax rule , [here](#) a link for that
- **Threshold Limit:** This is the limit at which the deduction is exempted as per rule, this information also available in the link given above. In our case it 30000.

Press enter and save the screen

### Step 3

#### **Create an Expense ledger with TDS applicability.**

In our case Audit fee is the [expense ledger](#).

Gateway of Tally >Accounts info>Ledger>Create

Give all the details, Like name, under- indirect expense and most importantly under statutory information choose,

- **Is TDS Applicable?** :Applicable
- **Nature of Payment:** Choose the TDS nature of payment we have created above, Fees for Professional or Technical Services.

Press enter and save or use Ctrl + A.

### Step4

#### **Creating Party Ledger with TDS deductability.**

Go to Gateway of Tally>Accounts info>Ledger>Create.

Fill the details as usual,

#### **Under statutory Information**

**Is TDS Deductable?** Yes

**Deductee Type :** Choose whichever is applicable from the list, in our case lets choose 'Individual-Resident'.

Deduct TDS in the same voucher : Yes

**Under Mailing Details:** fill all details and especially

Provide bank details: Yes and fill sub screen.

Under **Tax Registration Details.**

**PAN:** NJDPG5464K

W12`Provide PAN Details: Yes

The screen will look like this.

Press Enter and save.

### **Step5**

#### **Creating TDS Ledger in Tally ERP9**

Go to Gateway of Tally>Accounts info>Ledger>Create

Enter the TDS Ledger details as in below.

**Name:** TDS on Professional Fee

**Under:** Duties & Taxes.

Types of duty/tax: TDS

Nature of payment : TDS Nature of payment we have created above ‘Fees for Professional or Technical Services’.

The screen will look like this , important fields are marked.

Save the screen.

### **Step 6**

#### **TDS on Transaction in Tally ERP9.**

In our case Audit fee payment is the transaction that attract TDS,Let’s make a bank payment to Vikas Gupta.

Go to **Gateway of Tally>Accounting Voucher>Journal.**

Debit the expense ledger with Total amount, then credit Party amount after deducting TDS and TDS ledger with TDS Amount.

### **Step7**

#### **TDS Payment in Tally ERP9**

TDS should be paid on or before the 7<sup>th</sup> of Nex month. So in our example pay it on or before 7<sup>th</sup> march 2016.

**Gateway of Tally>Accounting Voucher>F5 Payment**

In Payment voucher there is a button on the right button panel called ‘Stat Payment’.



On clicking Stat Payment ,You will get a new screen,where you can select pending TDS details.

Select All details and press enter.The final payment screen will be as follows.

Enter bank allocation details and save the screen.

On printing TDS Payment voucher, you will get Offline bank Payment ITNS 281 Challan.

## **TDS Reports**

### **There are Two main reports in TDS Report section**

1. **Form 26 Q** : As per the Income Tax Act, 1961, every corporate and government entity responsible for deduction of tax at source should furnish TDS returns containing details of deductee(s) and challan details relating to deposit of tax with the Income Tax Department. Form 26Q is the Quarterly return of TDS in respect of all payments other than salaries. This is applicable for Resident and the due date for Government entities is July 31st, October 31st, January 31st, and May 15th; for non-government entities the due dates for filing returns are July 15th, October 15th, January 15th, and May 15th.

Form26 Q can be accessed from

Gateway of Tally > Display > Reports > Statutory Reports > TDS Reports > Form 26Q.

**Form 27 Q** : Form 27Q is a Quarterly return for deduction of tax in respect of payments made to non-residents other than salary.

**Form 27 Q can be accessed in Tally ERP9**

Gateway of Tally > Display > Reports > Statutory Reports > TDS Reports > Form 27Q.

## **TDS means Tax Deducted at Source.**

The concept of TDS was introduced in the Income Tax Act, 1961, with the objective of deducting the tax on an income, at the source of income. It is one of the methods of collecting Income Tax, which ensures regular flow of income to the Government.

**Example:** Universal Infotech is making the payment towards Rent to the owner of the building, it is required to deduct the tax on the income (i.e. before payment to the owner), at the source of income.

### **Scope & Applicability:-**

Scope Tax deduction at source means the tax required to be paid by the assessee, is deducted by the person paying the income to him. Thus, the tax is deducted at the source of income itself. The income tax act enjoins on the payer of such income to deduct the given percentage of income as income tax and pay the balance amount to the recipient of such income. The tax so deducted at source by the payer is to be deposited in the income tax department account. The tax so deducted from the income of the recipient is deemed payment of income tax by the recipient at the time of his assessment.

For example: Person responsible for paying any income which is chargeable to tax under the head 'Salaries' is required to compute the tax liability in respect of such income and deduct tax at source at the time of payment. If the employee has any other income, he needs to inform the employer so that employer can take that income into consideration while computing his tax liability but he will not take into account losses except loss from house property. Similarly, person responsible for paying any income by way of 'interest on securities' or any other interests are required to deduct tax at source at the prescribed rates at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

**Introduction** Applicability Tax will be deducted at source based on the rate defined in the Act, only on the fulfilment of the below mentioned conditions.

The Assessee (includes individual & HUF as covered U/S 44AB) carrying on business is deducting the tax at the Time of Payment or Credit, (whichever is earlier) against following type of Recipient (Deductee) .

1. Individual
2. Hindu undivided Family (HUF)
3. Body of Individual (BOI)
4. Association of person (AOP)
5. Co-Operative societyπ Local Authority
6. Partnership firmπ Domestic company (Indian company)
7. Foreign company
8. Artificial Judicial Person

### **Time & Mode of TDS Payment**

All the Tax deducted during a month are to be paid to the credit of Government on or beforeπ 7th of the next month. In case 7th of the month happens to be a Sunday or a bank holiday payment can be made on the next working day. TDS amount shall be paid to the government account through any designated branches ofπ the authorised banks, along with Income Tax Challan No.281. In case of collections made by or on behalf of the Government, the amount shall be creditedπ within the time and in the manner aforesaid without the production of a challan.

### **Issue of TDS certificate**

TDS certificate is a proof that deductor has deducted the tax and paid the same to the government. This proof is essential to the deductee to claim the credit of tax in his Income Tax returns. U/s 203 of Income Tax Act, any person deducting the tax as per the provisions of

Section 192 (Salary) shall furnish a certificate of Deduction of tax in Form 16 or Formπ 16AA within one month from the close of Financial year in which such deduction was made. Example: For the Financial Year 2009-2010, the TDS certificate must be issued on or before 30th April, 2010

Section 193, 194, 194A, 194B, 194BB, 194C, 194D, 194E, 194EE, 194F, 194G, 194-I,π 194J, 194K, 194LA, 195, 196A, 196B, 196C and 196D shall furnish a certificate of Deduction of

tax in Form 16A within one month from the end of the month during which the credit has been given or the payment has been made, as the case may be.

**Example:** For deductions in May 2009, TDS certificate must be issued on or before 30th June, 2009. In case of deductee to whom more than one TDS certificate was issued for the deductions made during the year, on request from such deductee, a consolidated certificate in Form 16A may be issued within a period of one month from the close of such financial year.

## VAT – Value Added Tax:

**Introduction to VAT:** Value Added Tax in India The Value Added Tax (VAT) is a type of indirect tax and is one of the major source of revenue to the state. The VAT system was introduced in India by replacing the General Sales Tax laws of each state. Presently in India, out of 28 States and 7 Union Territories, 33 are following this new system of Sales Taxation. The Union territories which are yet to implement the VAT system are Andaman and Nicobar Islands and Lakshadweep. The VAT system of taxation was adopted by Indian States and Union Territories in the Year 2005 by replacing the General Sales Tax Laws with New Value Added Tax Acts and the supporting Value Added Tax Rules for proper administration and collection of Tax. Each state or union territory is having its own methods to assess the tax liability and collect tax from the dealers who fall under the purview of VAT. The Administration of VAT system was undertaken by the Commercial Taxes Department of each state along with the Excise and other indirect taxes. For easy and quick assessment of taxation and prevention of tax evasion, the department has introduced the Registration System. This Registration system of VAT helps in identifying the assesseees who come under the purview of VAT and are liable to collect and pay VAT. For encouraging the Registration process some benefits or concessions are given to the dealers. The Registered dealers are allowed to collect VAT payable by them from the immediate buyer. They can claim the VAT paid on purchases made only from a registered dealer. The unregistered dealer cannot charge VAT on the invoices, so the buying dealer cannot claim the VAT amount

paid as ITC. Also, the unregistered dealers are not eligible for availing concessions, for e.g., exemptions, which are given by the government. The commercial tax department introduced a new method of levying tax called as the Composition Scheme especially after considering the small dealers whose turnover was low and were unable to maintain the records as per the requirements of VAT Act. These dealers have to pay a lump sum as VAT on the sale value of goods. The VAT paid will not be shown in the invoices. They can account for the total turnover and pay VAT on the same at the end of their return period. For Assessing the VAT liability of dealers, each state has introduced the system of Filing Returns for different tax periods. The tax periods could be Monthly, Quarterly, Half-yearly and Annual. Each dealer has to file the Return by specifying the total turnover which is exempted as well as liable for VAT, along with the purchases made and tax paid on it, with the amount of VAT payable or Input tax credit carried forward within the stipulated period.

## **General Terminologies of VAT**

### **Input Tax**

This is the tax paid on purchases.

### **Output Tax**

This is the tax charged on sales.

### **Input Credit**

The excess amount of Input tax over output tax for the current period which is permitted to be set off against Output tax of subsequent periods is termed as Input Credit.

### **TIN**

Tax Identification Number (TIN) is the Registration Number given by the department to the dealer at the time of Registration. This needs to be quoted at all required places where the registration details are to be provided.

### **Tax Invoice**

This is the Sales invoice format issued by one Registered Dealer to another. Based on this Invoice, ITC can be claimed by the purchasing dealer.

### **Retail Invoice**

The Sales invoice format used for invoicing the Exempted Sales and the Sales made to Unregistered dealers is termed as Retail Invoice.

### **Registered Dealer**

This term is used to identify a dealer who is registered either under Voluntary Registration or Compulsory Registration of the VAT Act. Such dealer can issue tax invoice and also claim the tax paid on purchases made from other registered dealers as Input tax credit.

## **Unregistered Dealer**

Dealers who are not registered under the VAT Act are called as Unregistered Dealers (URD). Such dealers cannot issue tax invoice. They can neither Charge Tax nor Claim Input Tax Credit

### **. Purchase Tax**

The Tax paid on goods purchased from unregistered dealers is liable to Purchase Tax. The purchase tax is treated as Output VAT payable by the dealer as it is a liability. It has to be paid while making the payment towards VAT liability. Based on the Rules and Regulations, the Input Tax Credit can be claimed on the payment made towards Purchase Tax.

### **Reversal of Tax Credit**

It refers to the reversal of input tax credit already claimed and availed.

### **Composite Dealers**

The State Government may, by a notification in the Official Gazette, provide for a scheme of composition, subject to the tax, conditions and restrictions as may be provided therein, of tax payable by the dealers who are engaged in the business, as prescribed, of re-selling at retail, any goods or merchandise. Different types of schemes may be notified for different classes of retailers. The composition scheme depends on the type of business covered by the Act.

The dealers engaged in trading of goods can get the business registered under composition scheme only if the total annual turnover is not exceeding the specified Threshold turnover limits. The tax rates are decided at pre-defined flat rates (for e.g., 8% on Gross Turnover). These rates differ depending on the type of business. The Composition dealers also have the option of voluntary registration. Unlike registered dealers, the composite dealers need not maintain books of accounts and documents.

They are also not required to follow rules and procedures for issuing tax invoices, maintaining stocks etc. The composition dealers cannot collect the tax amounts from their immediate registered/unregistered dealers. The tax amounts also are not to be shown in the invoice. Such tax amount is treated as the expenditure incurred for the business and allowed as business expenditure. For example, the Karnataka Value added Tax, provides that a dealer whose turnover is between two and fifteen lakhs for four consecutive quarters, for e.g., works contractors, hoteliers, crushing units of granites etc., can opt for composition scheme. According to this composition scheme, the rate of tax applicable for other than crushing units is five percent and for crushing units, the tax is to be paid on the basis of crushing machines ranging from Rupees one lakh to two lakhs as applicable from time to time.

## **Difference between Regular and Composite Dealers**

- The following are the cases how the composition dealers are different from Regular Dealers:
- The Composition dealers cannot collect tax separately from the buyers as it is considered as business expenditure, but the Regular dealer can collect tax.
- The Composition dealers cannot claim the tax paid on their purchases as Input tax credit whereas the regular dealer can claim ITC.
- The composition scheme, is generally not applicable to the dealers who are engaged in Inter-state trade or commerce.
- The Regular dealers can be engaged in inter-state trade. The dealers registered under Composition Scheme need not maintain books of accounts and documents when compared to Regular dealer.

## **Features of VAT in Tally.ERP 9**

**The salient features provided for VAT in Tally.ERP 9 are as follows:**

- Quick, easy to setup and use.
- Pre-defined VAT/Tax Classifications for Purchase and Sale of goods
- Facility to create separate VAT ledgers with VAT/Tax Classifications for input as well as output VAT
- Facility to print tax invoice
- Complete tracking of each transaction till generation of returns
- Better VAT-returns management
- Generation of VAT Computation report with details pertaining to

- ✓ The value of transactions recorded using the classifications available for VAT
- ✓ Increase/decrease in input/output VAT on account of adjustment entries made using the VAT Adjustments available on using the voucher class created for journal voucher.
- ✓ VAT Payable or refundable
- Generation of “VAT Classification Vouchers” report for each of the VAT/Tax classifications
- Facility to drill-down the various VAT classifications from VAT Computation report till their last level of voucher entry
- Generating VAT Returns and Annexure
- Greater tax compliance.

## Vouchers and Transactions:-

### How to enter Cash deposit in Bank in Tally.ERP9.

#### Example

01-04-2016 ABC Ltd Deposited cash into Axis bank Rs 100000

Depositing cash into bank account is a usual practise, the cash generated through sales process usually deposit into bank . This is called a contra entry because this transaction do not create any result in business, Cash deposit is an internal moving of cash from cash-in-hand to cash at bank. There is no result like profit or loss by doing this transaction.

#### Journal entry for cash deposit into bank

Bank Account.....Dr	100000	( Asset increases –
<u>Nominal Account rules</u> )		
To Cash	100000	( Asset decreases- Nominal
account rules)		

To enter this transactions in to Tally, there is a voucher type called contra voucher, to access contra voucher,(Generally Journal voucher do not use to enter cash deposit and cash withdrawal in Tally ERP9, Many are confused about which voucher type to be used in bank deposit and withdrawal.)

Go to **Gateway of Tally>Accounting Voucher>F4 Contra voucher**

- In the Contra Voucher, enter date by pressing F2 ,

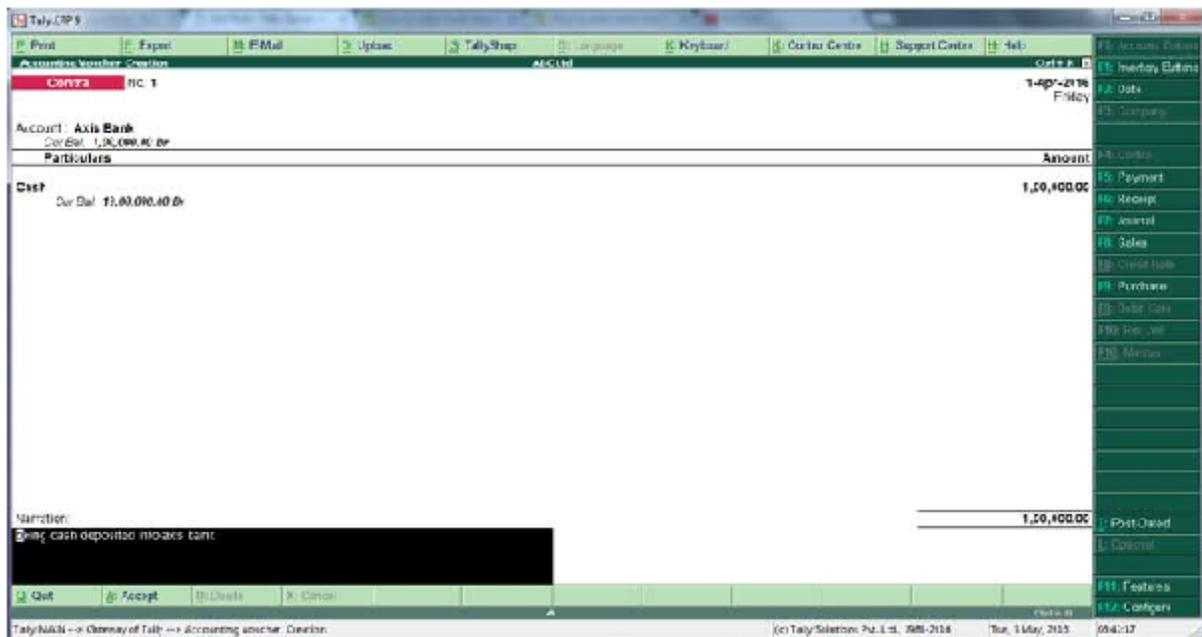
- In 'Account' Field': Select the bank in which money is deposited :Axis bank , **Tip : The account in which the value is increasing should be selected at top of voucher in single entry mode.**
- Select ' Cash' in particulars field **Tip : The decreasing account should be selected under particulars.**

Press enter ,fill the bank allocation screen as follows.

- Received from : Cashier
- Transaction type : Cash
- Amount: Automatically selected.
- Denomination: 1000 x 100
- Branch: Mumbai

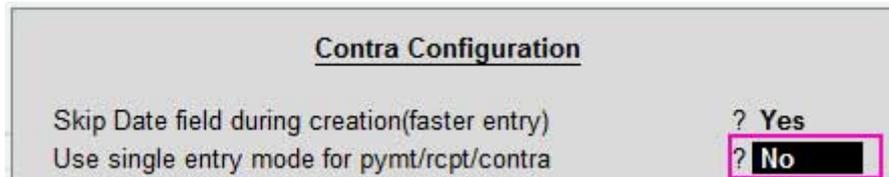
Bank Allocations for : Axis Bank			
For: 1,00,000.00			
Received From	Transaction Type		Amount
Cashier	Cash		1,00,000.00
Inst. No. :	Inst. Date : 1-Apr-2016	Bank :	Branch : Mumbai

enter narration: Being cash deposited in axis bank account, Here is the final voucher screen.



### Bank deposit voucher in double entry mode

You can also enter this contra voucher using double entry mode by Pressing F12 from voucher entry screen and Set No for option **Use single entry mode for pymt/rcpt/contra.**



### Cash Withdrawals in from Bank transactions in Tally ERP 9

#### Example:

02-04-2016 ABC Ltd Withdrawn cash from Axis bank Rs 50000 vide cheque No 215416

When cash is withdrawn from bank to business, effectively there is no change in business result, this is also a cash movement transaction from bank to business.

The journal entry for cash withdrawal is

Cash A/c .....	Dr	50000	( Apply rule real account asset increases)
To Axis bank		50000	( Apply rule real account asset decreases)

#### Cash Withdrawal entry in Tally ERP9

Cash withdrawal is also a contra entry, hence entered in contra voucher

Go to **Gateway of Tally> Accounting Voucher> F4 Contra**  
Fill the voucher as follows

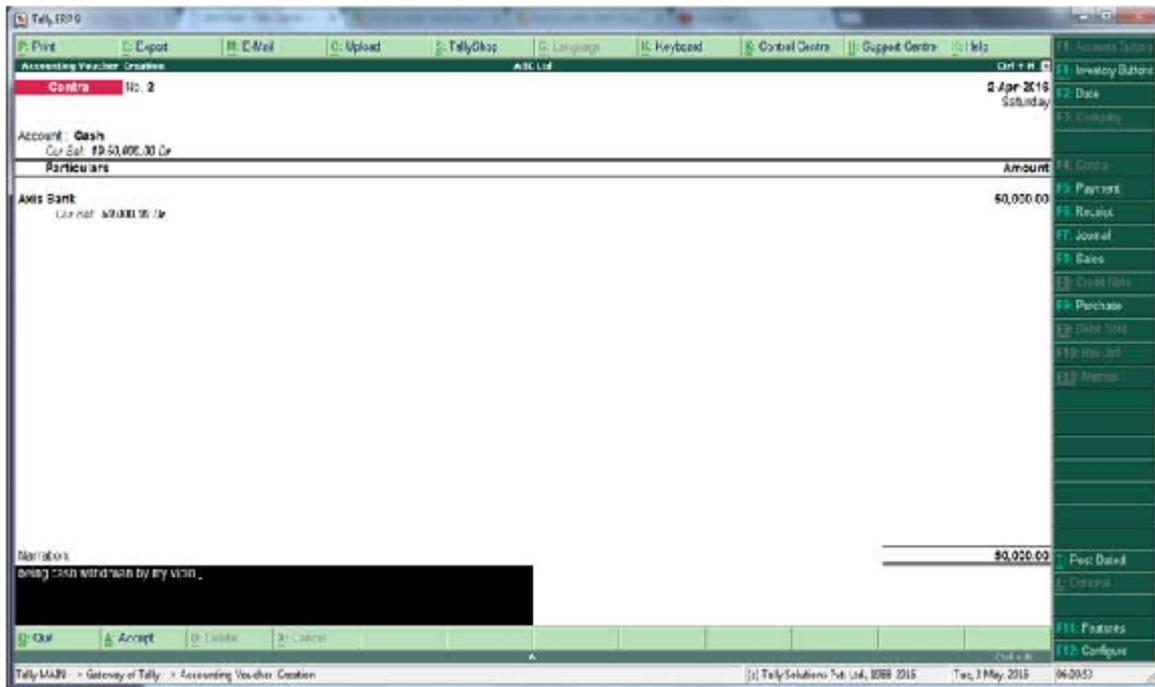
- **Account** : Cash
- **Particulars** : Axis bank
- **Amount** : 50000

#### In bank allocation screen.

- **Favouring name** :Self
- **Transaction type**: Cheque
- **Instrument No**: 215416

- **Instrument date** : Enter date on cheque, it may differ from transaction date.

**Enter narration:** Being cash withdrawn by Mr.vipin



**Voucher entry for cheque Issued or Given to a supplier( Bank payment voucher) in Tally.ERP9.**

**Example:**

02-04-2016 ABC Ltd Issues cheque No: 214565 of ICICI Bank of Rs 5000 to **supplier A**

When cheque is issued to a supplier, We enter the transactions immediately in Tally. When cheque is issued to supplier or a person The bank balance & Liability decreases.

**Journal Entry for Cheque issued to supplier**

Supplier A...	Dr	5000	( Apply personal account rule debit the receiver)
To ICICI Bank		5000	( Apply Real account rule Credit what goes out)

**Enter Cheque issue transaction in Tally ERP9**

**Cheque issue transaction is entered in Payment voucher type in tally.**

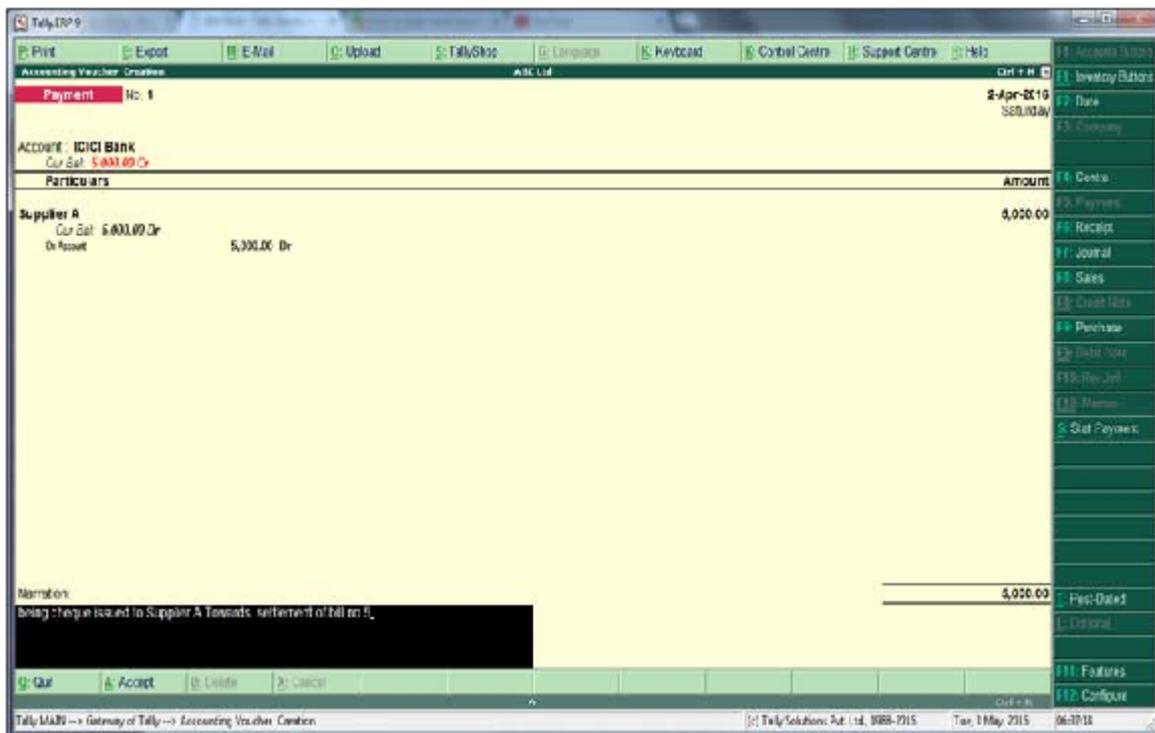
**Go to Gateway of Tally>Accounting Voucher> Payment**

You can also use a separate voucher type for entering bank payments only  
Enter the details in bank payment voucher as follows.

- **Account:** ICICI Bank
- **Particulars :** Supplier A
- **Amount:** 5000

**In bank allocation screen**

- **Favouring name :** Supplier A
- **Transaction Type:** Cheque
- **Amount:** 5000
- **Inst No:** 214565
- **Inst Date:** Can be any date on the cheque , need not be same as transaction date.
- **Cross Using:** A/c Payee if cheque is crossed.



Press Enter and save.

**Entry for cheque deposited in bank received from a customer or bank receipt entry.**

**Example:**

CUSTOMER E has given SBI cheque No: 984715 dtd 31-05-2016 of Rs 8000 towards his settlement, Our company ABC Ltd deposit the same in Axis bank Ltd

When We receive a cheque from customer, We deposit the cheque into our bank for collection on the date of cheque. If you received a post date cheque it is advised to enter the receipt on the date of deposit for a better credit management.

## Journal Entry When a cheque is received from customer

Axis Bank A/c ...Dr                      8000                      ( Apply real account rule,Asset increases)

To Customer E      ...      Cr                      8000                      (Apply personal account Credit the giver)

### *How to enter Bank receipt voucher or cheque deposit entry in Tally ERP 9*

In Tally When a cheque is deposited in our bank, The Voucher type to be used is Receipt Voucher.

Go to **Gateway of Tally> Accounting Voucher> F6 Receipt**

Enter details as follows

- **Account :** Axis Bank
  - **Particulars:** CUSTOMER E
- In bank allocation screen*
- **Received from :** CUSTOMER E
  - **Transaction type:** Cheque/DD

Bank Allocations for : Axis Bank							
For: 3,000.00							
Received From	Transaction Type					Amount	
CUSTOMER E	Cheque/DD					8,000.00	
Inst. No. :	984715	Inst. Date :	31-May-2016	Bank :	SBI	Branch :	MJVEAI

The Cheque Deposit entry screen look like below



### Bank to bank transfer transaction voucher in Tally.ERP 9

Go to Gateway of Tally> Accounting Voucher> F4 Contra  
Enter details as follows

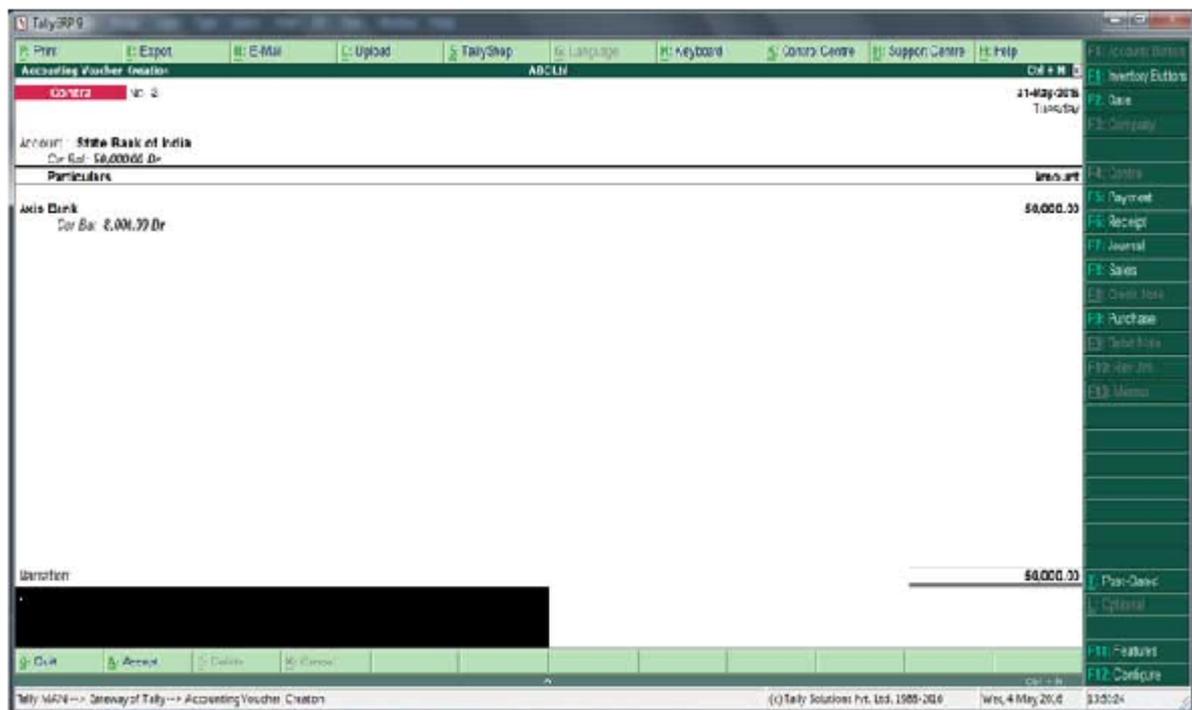
- **Account** : State Bank of India
- **Particulars**: Axis bank

#### In bank allocation screen

- **Favoring** : ABC Ltd
- **Transaction type**: Cheque
- **Inst No**: 124566

Bank Allocations for : Axis Bank		
For: 50,000.00		
Favouring Name	Transaction Type	Amount
ABC Ltd	Cheque	50,000.00
Cheque Range: Not Applicable    Inst. No. : 124566    Inst. Date : 21-May-2016    Cross Using : A/c Payee		

Screen shot of bank to bank transfer through cheque voucher in tally



### Bank to bank transfer through NEFT/RTGS

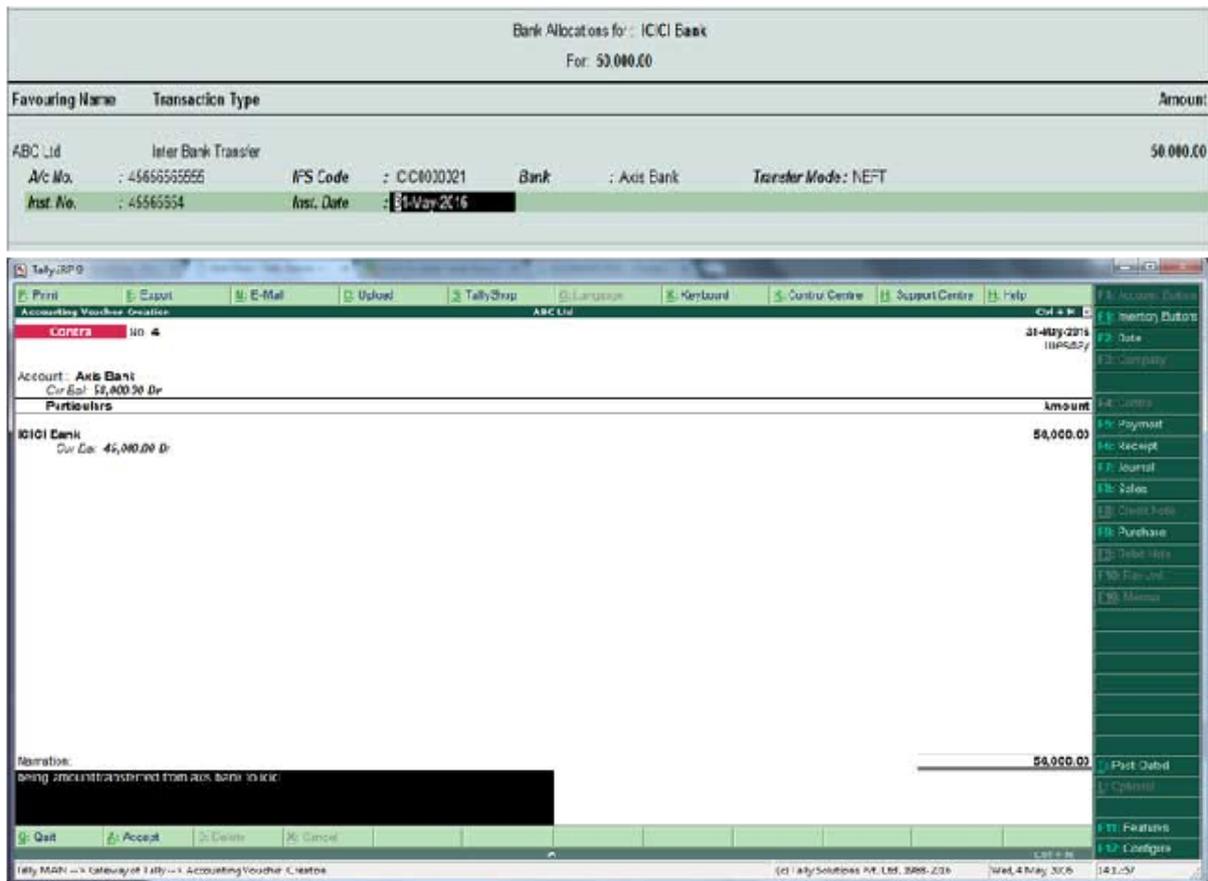
Go to Gateway of Tally> Accounting Voucher> F4 Contra  
Enter details as follows

- **Account** : Axis Bank
- **Particulars**: ICICI Bank

#### In bank allocation screen

- **Favoring** : ABC Ltd

- **Transaction type:** Inter bank transfer
- **A/c No :** Enter Account No of ICICI Bank
- **Inst No:** 124566
- **IFSC :** ICIC0000021
- **Bank :**Axis bank
- **Transfer Mode :** NEFT



**Bank entry when customer Directly deposited cash/cheque/Rtgs/NEFT in bank account**

**Example:**

Customer B directly deposited 5000 cash into axis bank account

When customer deposit cash into our bank account, Bank balance increases, and customer balance reduces, this is a bank receipt entry.

**Journal Entry**

Axis bank a/c.....Dr      5000

To    Customer B      .....      5000

**How to enter customer deposited cash in bank account in Tally**

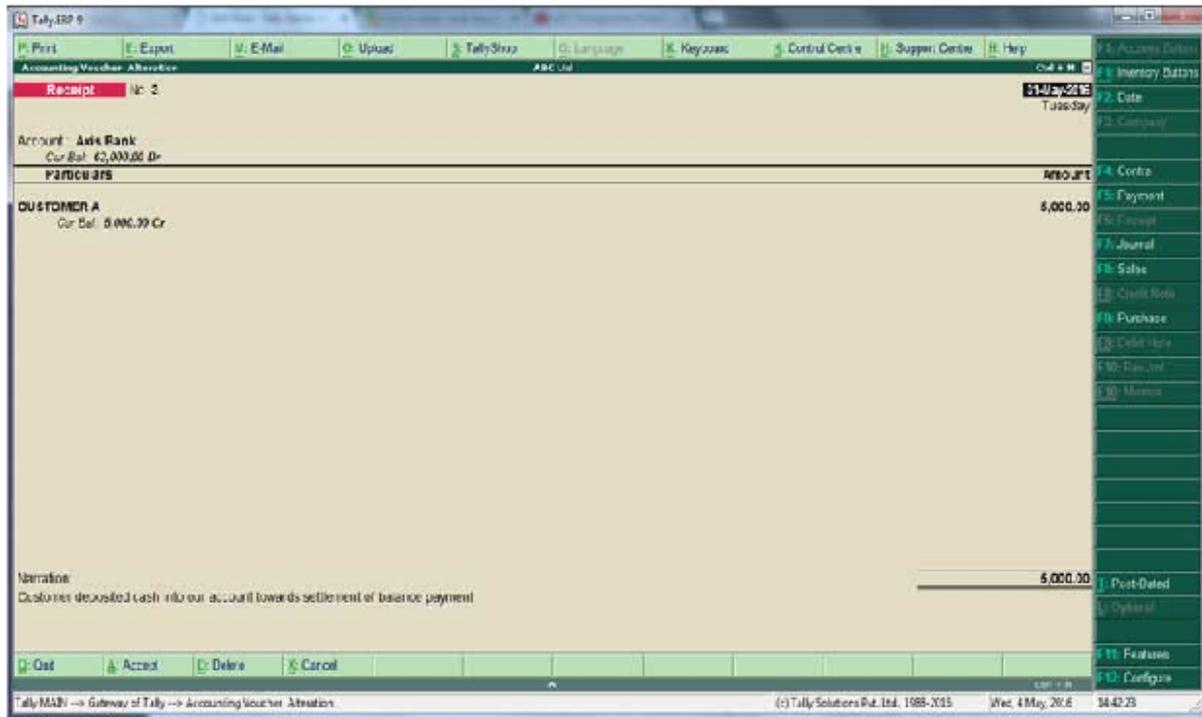
Go to

**Gateway of Tally> Accounting Voucher> F6 Receipt**

Account : Axis bank

Particulars : Customer A

Enter bank allocation details in accordance with nature of transactions and the final voucher for customer deposit cash into our bank account.



**How to Enter Fixed Deposit In Tally ERP9**

ABC Ltd created a Fixed deposit of 100000 in HDFC Bank by issuing a cheque of State bank of India Cheque no 789456

When you create a fixed account in a bank, you have to open a separate account in Tally, In our case We are creating an account **HDFC-FD** in Tally under Group **Deposits ( Asset)**.This is also a fund movement, but for a long term, and will have some affect on business,When deposit become mature, Some interest will be given and that can be treated as an income /profit. Hence this is a bank payment entry.

**Gateway of Tally>Accounting Info>Ledger >Create Journal Entry**

HDFC -FD .....	Dr	100000	( asset increases)
To State bank of India		100000	(asset decreases)

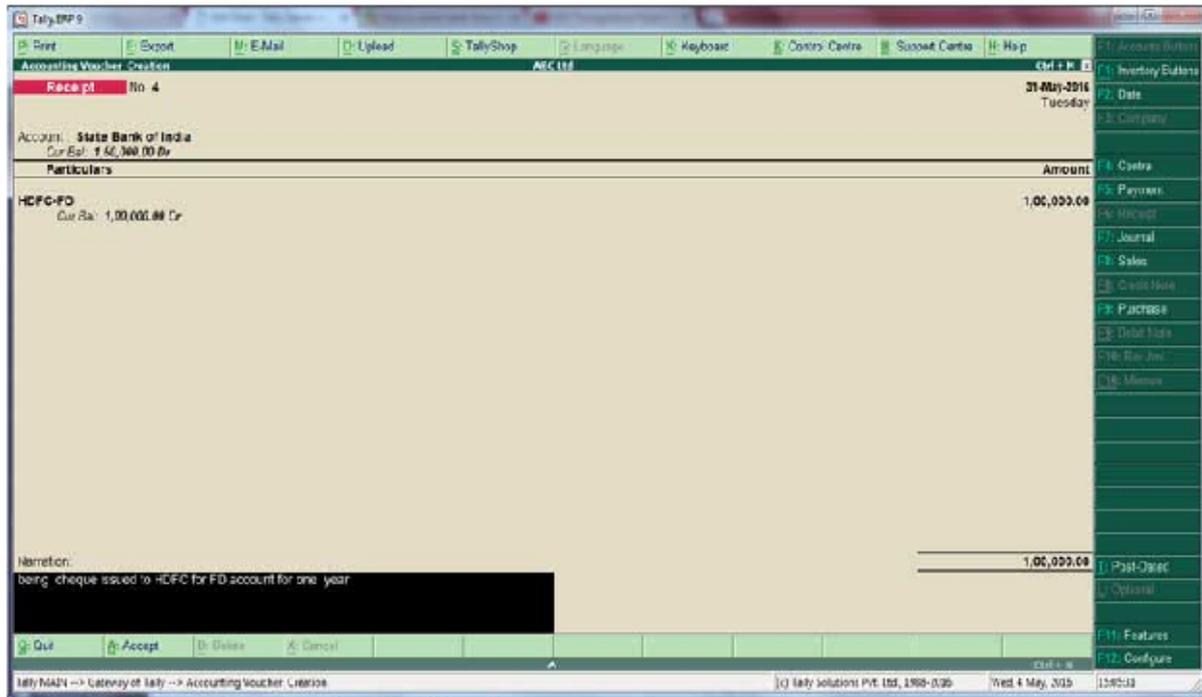
**Fixed Deposit Voucher Entry In Tally ERP 9**

Go to **Gateway of Tally >Accounting Voucher > F5 Payment**

Account : State bank of India

Particulars: HDFC -FD

Enter bank allocation screen



### Tally Voucher for DD Purchase

#### Example

- DD Taken for Electricity Board Application Rs 1000 + 25 DD commission through cash
- DD Taken for issuing DSIIDC For Lease Premium 1000000 + DD Commission 2500 through a cheque if Axis bank 1025000

#### DD Taken through cash

In the first cash, there is no relation to bank account hence no bank related entry to be passed in tally instead a payment voucher by debiting

Rates&Taxes.....Dr 1000

Bank charges.....Dr 25

To Cash ..... 1025

Create a payment voucher as usual for this transaction

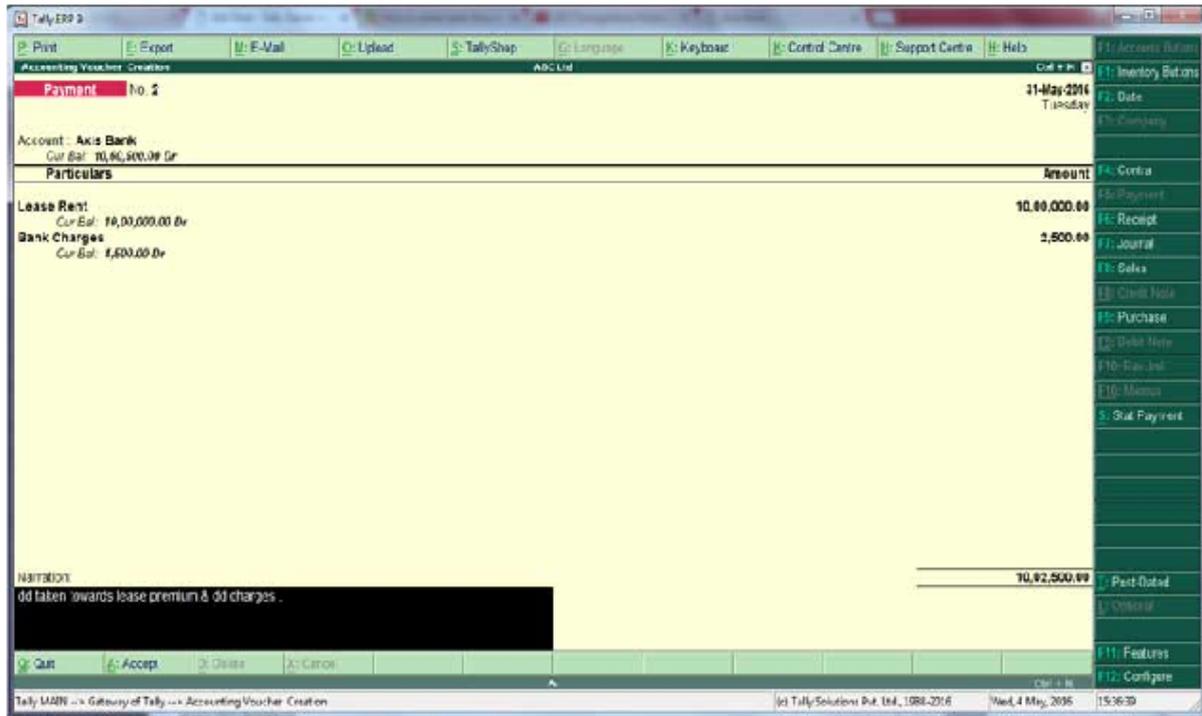
#### DD Taken through cheque

In the second case, the DD Is taken by issuing a cheque hence the entry should be as follows.

Lease Rent .....Dr 1000000

Bank charges.....Dr                   2500

To Axis bank .....                   102500



### How to enter bank transaction?Cash Withdrawn for Personal use

#### Example

Cash Drawn 10000 by Mr Saju, Managing Director for Personal use from Axis bank

When cash is withdrawn for personal use , it should be accounted in **Directors loan account in case of Company** and **Capital Account in case of partnership or sole proprietorship.**

*Procedure When cash is withdrawn for director's personal use*

#### Journal Entry:

You have to pass two entry for this.

Go to **Gateway of Tally> Accounting Voucher> F4 Contra**

Cash A/c .....Dr                   10000

To Axis bank.....                   10000

( being cash withdrawn for director saju personal use)

Go to **Gateway of Tally> Accounting Voucher> F5 Payment**

Saju's Loan A/c .....Dr 10000

To Cash ..... 10000

You might ask why cannot, do it with a single entry by debiting loan account and crediting bank account? There is no issue doing that, but exact route of cash flow is first method.

### Procedure When cash is withdrawn through cheque for director's personal use

In this case we can do this with a single entry.

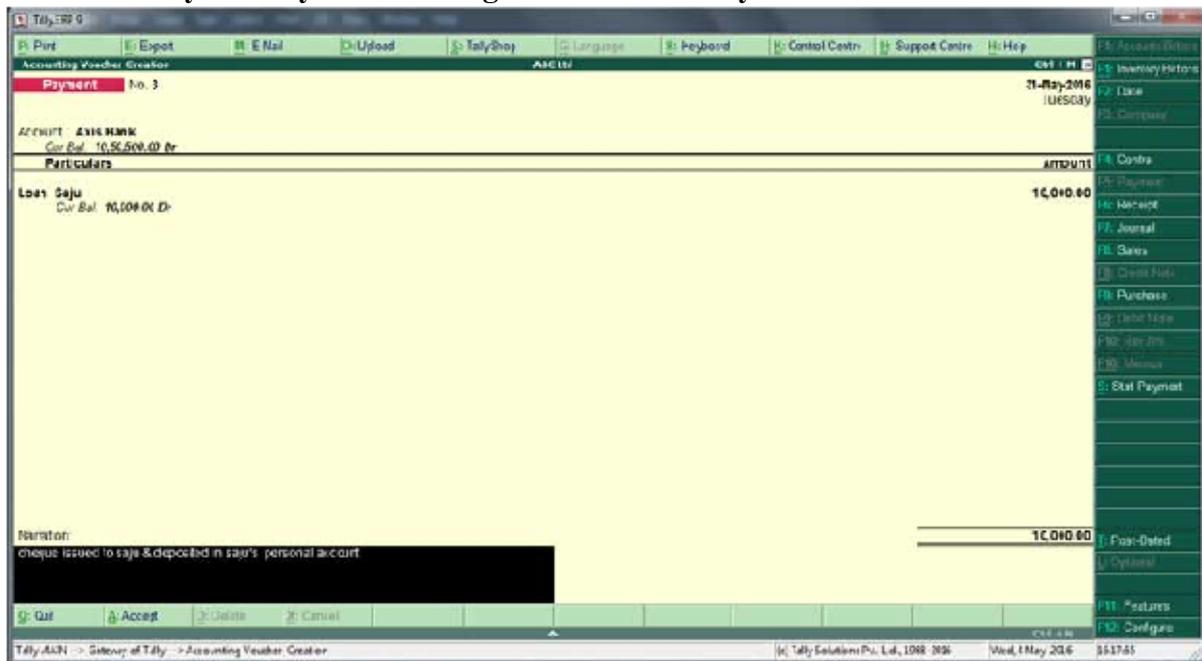
### Journal Entry

Saju Loan A/c.....Dr 10000

To Axis bank 10000

In this method there is no cash flow in business, fund is moving directly to director bank account.

Go to Gateway of Tally> Accounting Voucher> F5 Payment



Hope these transactions example help beginners,, apart from above I have some questions which can be answered in few words.

### ***bank account is a real accounts or personal accounts?***

As far a business is concerned bank account is a real account, and we are placing bank account in balance sheet under Asset.Hence bank account is a real account. But you can treat it as personal account **only for the purpose** of journalising for simplifying journalising.

### ***How to do bank charges entry in tally?***

You can Do it by debiting BANK CHARGES

Crediting BANK ACCOUNT

Gateway of Tally> Accounting Voucher >F5 Payment

Account : Bank account ( Axis bank )

Particulars : Bank Charges

Enter amount & narrations and save .

## **Service Tax:-**

### **Introduction to Service Tax:-**

Service Tax is a destination based consumption tax in the form of Value Added Tax. Service Tax is an indirect tax imposed on specified services (taxable services) provided by a service provider (Company, Individual, Firm etc.). Service Tax was first brought into force with effect from 1 July 1994. All service providers in India, except those in the state of Jammu and Kashmir, are required to pay a Service Tax in India. Initially only three services were brought under the net of Service Tax and the tax rate was 5%. Gradually more services came under the ambit of Service Tax. In accordance with the Annual Budget 2012-13, the current Service tax rate has been increased from 10% to 12%.

### **Scope & Applicability**

#### **Scope**

Initially, Service Tax was chargeable on Realisation basis i.e. receipt of the consideration for the services provided / to be provided (advance receipts). With effect from 1 April 2011, the Point of Taxation Rule was introduced for effective collection of Service Tax.

Point of Taxation refers to the point in time when a service shall be deemed to be provided. According to this rule, point of taxation shall be on the

#### **Date of Issue of Invoice**

Date of receipt of Payment, whichever is earlier.

The liability of tax is on the service provider (in some cases service receiver), i.e. person who is providing the service is liable to pay tax to the Government.

**Example:** Royal Agency provided Advertising services of Rs. 1,00,000 to SysImage. On the service amount of Rs.1,00,000, Royal Agency is liable to pay a tax of Rs. 12,360 @ 12.36% (12% on Service Tax, 2% of Education Cess, 1% of Secondary Education Cess).

## **Applicability**

### **Service Tax is applicable on taxable services**

1. Provided and taxable in the hands of service provider

2. Received and taxable in the hands of service receiver: Generally it is the service provider who is liable to collect Service Tax from his customer/client and pay the same to the Government. But section 68(2) empowers the Government to notify the services with regard to which the service receiver would be held liable to pay Service Tax to the Government. For the below mentioned services the service receiver is liable to pay Service Tax (as per Notification 36/ 2004 ST dated 31.12.2004 as amended from time to time)

- Goods Transport Agency service
- Business auxiliary service of distribution of mutual fund by a mutual fund distributor or agent
- Sponsorship service provided to any body corporate/firm.
- Taxable services received by any person in India from abroad
- Insurance auxiliary service by an insurance agent.

## **Registration**

As per section 69 of the Finance Act 1994, every person liable for paying Service Tax has to register as set out in the rules. According to Rule 4 of the Service Tax Rules, 1994, the following deals with the manner and time for registration.

- Application for registration to the concerned superintendent in form ST -1 with in 30 days from the date on which Service Tax is levied or 30 days from the commencement of business providing a taxable service, whichever is later.
- Assessee providing Service from more than one Premises or Office, has to make separate applications for each of such premises or Offices. If the assessee has Centralised Billing System or Centralised Accounting System, then the assessee can obtain Centralised Registration covering all the premises or offices.

### **Service Tax Assessee Code**

Service Tax Assessee Code (Service Tax Registration Number)

Service Tax Assessee Code is a PAN based 15 digit alpha numeric numbers e.g. ASDCE1588ST001.

The first part denotes (10 characters – alpha numeric) Permanent Account Number issued by Income Tax authorities to the concerned person to whom the Service Tax

Registration Number is to be allotted. Second part comprises of a fixed 2 character alpha code – ST (Service Tax). This is followed by 3-Character numeric code representing the registered Premises or Office of the service provider .

The Service Tax Registration Number has to be quoted on GAR–7 Challans covering deposit of Service Tax, Cess and other dues to the Government.

### **Valuation of Taxable Service**

Valuation of the services provides the methodology of arriving at the service amount on which the applicable Service Tax to be charged.

#### **Value of the taxable service is determined as under .**

- **Consideration fully in Money:** The gross amount charged by the service provider for such services provided/to be provided .
- **Consideration not in Money:** The Equivalent Value of the Non-monetary consideration.
- **Consideration partly in money and partly in other form:** Amount charged monetarily and the Equivalent value of the Non-monetary consideration
- **Consideration not Ascertained:** Valuation based on the Valuation Rules (as per section 67, Service Tax (Determination of value) rules, 2006
- **Consideration Inclusive of Tax:**

Value of taxable service will be such amount, in addition of Service Tax payable is equal to Gross amount charged.

Example: Royal Agency provides taxable service for Rs. 1,34,832 inclusive of Service Tax @ 12.36%. The taxable service value shall be computed as shown Taxable Service Value (1,20,000) = 1,34,832 X (100/112.36).

## **Introduction to Payroll:-**

The term Payroll refers to a series of accounting transactions involved in the process of paying employees for the services rendered after taking all the statutory and non-statutory deductions into account, in conformance with the terms of employment, company policy and the law of the land i.e., payment of payroll taxes, insurance premiums, employee benefits and other deductions.

An efficient payroll system facilitates an error-free, accurate and timely employee payment while ensuring that the employment is well within the valid work permit.

### **Configuring Payroll in Tally.ERP 9**

Payroll in Tally.ERP 9 is easy to use and can handle all the functional, accounting and statutory requirements of the payroll department.

## **Salient Features of Payroll in Tally.ERP 9**

**The key features of the Payroll functionality in Tally.ERP 9 are as follows: ‡**

1. It is fully integrated with accounts to give you the benefits of simplified Payroll processing and accounting. ‡
2. It has user defined classifications and sub-classifications for comprehensive reporting. This may be related to the employees, employee groups, pay components, departments etc. ‡
3. It provides the facility to create user-defined earnings and deductions Pay Heads. ‡ It allows flexible and User-definable criteria for simple or complex calculations. ‡
4. It allows unlimited grouping of Payroll Masters. ‡
5. It supports user-defined production units i.e., attendance/ production/ time based remuneration units. ‡
6. It provides a flexible payroll processing period. ‡
7. It provides comprehensive Cost Centre as well as employee-wise costing reports.
8. It ensures an accurate & timely Salary Processing, Employee Statutory Deductions & Employer Statutory Contributions with the help of predefined processes. ‡
9. It provides auto-fill facility to expedite the Attendance, Payroll & Employer Contributions processes.

### **Using Payroll in Tally:-**

The term Payroll refers to a series of accounting transactions involved in the process of paying employees for the services rendered after taking all the statutory and non-statutory deductions into account, in conformance with the terms of employment, company policy and the law of the land i.e., payment of payroll taxes, insurance premiums, employee benefits and other deductions. An efficient payroll system facilitates an error-free, accurate and timely employee payment while ensuring that the employment is well within the valid work permit.

### **Silent Features of Payroll in Tally. ERP9**

The key features of the Payroll functionality in Tally. ERP9 are as follows:

- It is fully integrated with accounts to give you the benefits of simplified Payroll processing and accounting.
- It has user defined classifications and sub-classifications for comprehensive reporting. This may be related to the employees, employee groups, pay components, departments etc.
- It provides the facility to create user-defined earnings and deductions Pay Heads.
- It allows flexible and user-definable criteria for simple or complex Pay Heads.
- It allows unlimited grouping of Payroll Masters.
- It supports user-defined production units i.e., attendance/ production/ time-based remuneration units.
- It provides a flexible payroll processing period.

- It provides comprehensive Cost Centre as well as employee-wise costing reports
- It ensures as accurate & timely Salary Processing, Employee Statutory Deductions & Employer Statutory Contributions with the help of predefined processes.
- It provides auto –fill facility to expedite the Attendance, Payroll & Employer Contributions processes.
- It facilitates accurate computations and deduction of ESI, EPF, Professional Tax, Gratuity etc.
- It helps in the generation of Statutory Forms & Challans for EPF& ESI, as prescribed.
- It allows to the drill-down facility to voucher level for any kind of alteration.
- It facilitates computation of arrears pertaining to prior period(s).
- It helps in tracking employee loan details.

### To enable Payroll

Go to Gateway of Tally > F11: Features > F1: Accounting Features

- Set **Maintain Payroll** to **Yes**
- Set **More than ONE Payroll / Cost Category** to **Yes**

**F11: Accounting Features** screen appears as follows:

- Press **Enter** to Accept the **F11: Accounting Features** screen

Company: <u>Hope Traders</u>	
<u>Accounting Features</u>	
<b>General</b>	
Maintain accounts only	? No
Integrate accounts and inventory	? Yes
Use Income and Expenses A/c instead of Profit and Loss A/c	? No
Enable multi-currency	? No
<b>Outstanding Management</b>	
Maintain bill-wise details	? Yes
For non-trading accounts also	? No
Activate interest calculation	? No
Use advanced parameters	? No
<b>Cost/Profit Centres Management</b>	
Maintain payroll	? Yes
Maintain cost centres	? No
Use cost centre for job costing	? No
Maintain more than one payroll or cost category	? <b>Yes</b>
Use pre-defined cost centre allocations in transactions	? No
Show opening balance for revenue items in reports	? No
<b>Invoicing</b>	
Enable invoicing	? Yes
Record purchases in invoice mode	? Yes
Use debit and credit notes	? No
Record credit notes in invoice mode	? No
Record debit notes in invoice mode	? No
<b>Budgets and Scenario Management</b>	
Maintain budgets and controls	? No
Use reversing journals and optional vouchers	? No
<b>Banking Features</b>	
Enable cheque printing	? Yes
<i>(Use banking configuration in bank ledger master for cheque printing configuration)</i>	
Edit banking features	? No
Set/alter post-dated transaction features	? No
<b>Other Features</b>	
Enable zero-valued transactions	? No
Maintain multiple mailing details for company and ledgers	? No
Set/alter company mailing details	? No
Enable company logo	? No

F1: Accounts    F2: Inventory    F3: Statutory    F6: Add-Ons

### Enable Payroll Statutory Features

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

- Set **Enable Payroll Statutory** to **Yes**
- Set **/Alter Payroll Statutory Details** to **Yes**

14-2

Company: **Hope Traders**

**Statutory and Taxation**

Enable Value Added Tax (VAT) Set/alter VAT details	? No ? No	Enable Tax Collected at Source (TCS) Set/alter TCS details	? No ? No
Enable excise Set/alter excise details	? No ? No	Enable payroll statutory Set/alter payroll statutory details	? Yes ? <b>Yes</b>
Enable service tax Set/alter service tax details	? No ? No	Enable Local Body Tax (LBT) Set/alter LBT details	? No ? No
Enable Tax Deducted at Source (TDS) Set/alter TDS details	? No ? No		

**Tax Information**

PAN/Income tax no. :

Corporate Identity No. (CIN):

F1: Accounts    F2: Inventory    F3: Statutory    F6: Add-Ons

- Press **Enter**
- In the **Payroll Statutory Details** screen Enter the **Provident Fund, Employee State Insurance & Income Tax** details of the company as appears in the following screen.

**Payroll Statutory Details**

**Provident Fund**

Company code : **MA/BN/12345/00125**  
 Company account group code : **MA/BN/12345/000325**  
 Company security code : **MA/BN/12345/965231**

**Employee State Insurance**

Company code : **MA/BN/12345/85263**  
 ESI branch office : **Andheri**  
 Standard working days per month : **26 Days**

**National Pension Scheme**

Corporate registration number :  
 Corporate branch office number :

**Income Tax**

Tax deduction and collection Account Number (TAN): **ASDF12457G**  
 TAN registration number : **MUMBAI (EAST**  
 Income tax circle or ward : **OTHERS**  
 Deductor type : **Others**  
 Name of person responsible : **Pratik Sawant**  
 Son/daughter of : **Arun Sawant**  
 Designation : **Accountant**  
 PAN :

*(Note: All the above details will be used in Challan, Forms & Returns)*

- Press **Enter** to accept the screen and go back to **F3: Statutory & Taxation Features**
- Press **Ctrl + A** to accept F11: Features screen.

## Employee Groups

Businessman with multiple departments, divisions, functions or activities may create the required employee groups and classify individual employees under a specified group i.e., Production, Sales, Marketing, Stores, Support or a particular group of employees such as managers, supervisions, sub-staff and so on.

### To create Employees Group of Sales

Go to **Gateway of Tally > Payroll Info. > Employee Groups > Create**

In the Employee Group Creation screen,

1. In **Category** select **Primary Cost Category** (you can also create a separate cost category to segregate Employee Cost based on respective categories)
2. In the **Name** field type **Sales**
3. In the **Group** field select **Primary**

The Employee Group Creation screen appears as follows :

Employee Group Creation	
Category	: Primary Cost Category
Name	: Sales
(alias)	:
Under	: Primary
Define salary details	? No
<b>Accept ?</b> Yes or No	

4. Press Enter to accept the Employee Group Creation screen

Similarly, Create the other Employee Groups such as **Administrator** and **R&D**.

## Employee Master

After creating the Employee Groups, create individual Employee Master, with or without grouping them, under the Employee Group Master. In Tally. ERP9, you can record all the necessary information of the employees in the Employee Masters. Tally. ERP9 also allows you to enter Statutory, Passport & Visa Details and Contract details of the employees. To display the options for entering the Statutory, Passport & Visa Details and Contract details enable these options from the Company Configuration screen as explained below :

Go to **Gateway of Tally > F12: Configure > Payroll Configuration**

Set the following options:

- **Show Statutory Details to Yes**
- **Show Passport & Visa Details to Yes**
- **Show Contract Details to Yes**

The F12: Payroll Configuration screen appears as follows :

<u>Payroll Configuration</u>	
Add notes for employees	? No
Show statutory details	? Yes
Provide passport and visa details	? Yes
Provide contract details	? Yes
Show resigned/retired employees	? <b>No</b>
Show employee display name	? No

- Press **Enter** to accept

**Create the following Employee Master:**

Employee Name	department	Date of Joining
Rahul	Administrator	1/4/2011
Keyur	R&D	1/4/2011
Ajay	Sales	1/4/2011
Mohan	Sales	1/4/2011

To create Employee Masters

Go to **Gateway of Tally > Payroll Info. > Employees > Create**

In the Employee Creation screen,

Employee Creation		Hope Traders	
Category	: Primary Cost Category		
Name (alias)	: Rahul		
Display name in reports as	: Rahul		
Under	: Administrator (Primary)		
Date of joining	: 1-Apr-2011		
Define salary details	? No		
<b>General Information</b>		Provide bank details ? Yes	<b>Passport and Visa Details</b>
Employee Number	: 123	<b>Statutory Details</b>	
Designation	: Manager	Income Tax Number (TAN):	ADDFF1204J
Function	: Administrator	Aadhaar number	:
Location	: Maharashtra	PF account number	: MADM0046566
Gender	: Male	EPS account number	: MA/BM0046566
Date of birth	: 1 Jun 1978	Date of joining in PF	: 1-Apr-2011
Blood group	: B Positive	PR account number (PFAN):	:
Father's/mother's name:	:	ESI number	: ES8563
Spouse's name	:	ESI dispensary name	: MUMBAI
Address	: R.M Hospital Lal Bahadur Road 122-121212121		
Phone no.	:		
E-Mail	:		
			Passport number : ND/BMPAS 5123456
			Country of issue : INDIAN
			Passport expiry date : 10-Dec-2015
			Visa number : 504518565
			Visa expiry date : 12-Mar-2015
			<b>Contract Details</b>
			Work permit number : SE451273
			Contract start date : 1-Apr-2011
			Contract expiry date : 1-Apr-2012
			Accept?
			Yes or No

1. In the Category select the Primary Cost Category
2. In the Name field type Rahul
3. In the Under, field specify the name of the Employee Group as Administrator
4. Specify the Date of Joining as 1/4/2011
5. Type the details of the employee as shown:
6. Press Enter to accept the screen

Same way, create other Employee Masters Keyur, Ajay, Mohan

### Payroll Masters

As discussed in the above section Pay components are computed based on the Payroll Units. Therefore, create the following Payroll masters in Tally. ERP9

- Payroll Units
- Attendance /Production Types

### Payroll Units

By default, Tally.ERP9 contains four preset Calculation Periods- Days, Fortnights, Months & Weeks. However, you can also create new Payroll Units based on your business requirements.

Name	Type	Symbol

Hours	Simple	Hrs
Minutes	Simple	Mins
Hrs of 60 mins	Compound	Hrs of 60 mins

### To create Simple Payroll Units

Go to **Gateway of Tally > Payroll Info. > Units (Work) > Create**

In the Unit creation screen,

1. **Simple** defaults as the **Type of Unit**
2. Specify **Hrs** as the **Symbol**
3. In the **Formal Name** type **Hours**
4. In the **Number of Decimal Places** specify **2**

The complete unit creation screen appears as follows:

5. Press Enter to accept the Unit creation screen

Similarly, create Minutes as another Simple Unit

### To create Compound Payroll Unit

Create **Hrs of 60 Mins** as a compound unit

In the unit creation screen:

1. Press Backspace and select Compound as the Type of Unit
2. Specify **Hrs** as the **First Unit**
3. In **Conversion** Enter **60**
4. Specify **Mins** as the **Second Unit**
5. Press Enter to accept the unit creation screen

Type : <b>Compound</b>		Current Date Friday, 1 Apr, 2011	
<b>Units with Multiplier Factors</b> (example: Kgs of 1000 gms)		Selected Companies	
First unit	Conversion	Second unit	Units
Hrs	of 60	mins	mins (Minutes)

### Attendance / Production type

Attendance /Production Type masters are used to record the nature of attendance/production i.e., time and work rate. In Tally. ERP9, you can create Attendance types based on time such as **Present and Absent** or based on work based production units such as **Piece productions, sales performance** and so on.

Create the following Attendance types for Hope Traders

Name	Under	Attendance /Production Type	Period Type
Present	Primary	Attendance /Leave with pay	Days
Absent	Primary	Leave without pay	Days
Overtime	Primary	Production	Hrs of 60 Mins
Calendar Month	Primary	User Defined Calendar Type	Days

### To create Attendance Type of Present

Go to **Gateway of Tally > Payroll Info. > Attendance /Production Types > Create**

1. In the **Name** of the **Attendance type Present**
2. Specify the group as **Primary** in the field Under. by default, the primary is selected.
3. Select **Attendance/Leave with pay** as the **Attendance Type** and the **Period Type** appears as **Days**, by default.

The complete Attendance Type creation screen appears as follows:

4. Press Enter to accept the attendance type creation screen  
Similarly, create another Attendance type as Absent, Overtime, & Calendar Month

## Pay Heads

Pay heads may be broadly considered as Earning and Deductions from an employee's point of view. However, these pay heads would still be Expense and Liability from the employer's viewpoint.

### Basic Pay Head Creation

Go to **Gateway of Tally > Payroll Info. > Pay Heads > Create**

In the Pay Heads creation screen,

1. In the **Name** of the Pay Head type **Basic Pay**
2. In the field **Pay Head Type** select **Earning for Employees**
3. Specify the group as **Indirect Expenses** in the field **Under** and press **Enter**
4. **Affect Net Salary** set to **Yes**
5. In the field **Name to appear in Payslip** specify **Basic Pay**
6. **Use for Gratuity** set to **Yes**
7. **Set/ Alter Income Tax Details** set to **Yes**

In the income tax details screen fill up the details as follows

**Income Tax Component: Basic Pay**

**Tax Calculation Basis: On Projected Value**

**Deduct TDS Across period(s) : Yes**

The screen appears as follows:

**On Attendance** in the field **Calculation Type** and press Enter

8. Select **Present** in the field **Attendance/Leave with pay**
9. Select **Month** in **Calculation period** field
10. Select **As Per Calendar period** in the **Per Day Calculation Basis** and press Enter
11. Select **Normal Rounding** in the **Rounding Method** field
12. Specify **1** as the rounding Limit ( the rounding limit allows the value to be in multiples of the limit specified and is based on the Rounding Method selected)
13. Press **Enter** to accept the screen.

## Excise for Manufactures:-

Excise Duty or Duty on Excise is a tax on goods manufactured or produced in India and intended for domestic consumption i.e. sale in India. The Excise Duty is payable at the time of production or manufacture, however, for administrative convenience duty is paid at the time of removal of goods.

Excise Duty is an indirect tax. The liability of payment of Excise Duty is of manufacturers or producers (which is passed on to the ultimate consumer). The levy and collection of duty of Excise is provided under authority of the Central Excise Act, 1944 at the rates specified Central Excise Tariff Act, 1985.

## Scope and Applicability

Excise Duty means the tax to be paid by the manufacturer, on the goods manufactured in India, either at the time of manufacture or at the time of removal of the goods.

Excise Duty can be levied, only on the fulfilment of the below mentioned conditions.

- The Duty is on Goods
- The Goods must be excisable
- The goods must be manufactured or produced
- Manufacture and Production must be in India

## Manufacturer

Manufacturer is a person who actually manufactures or produces excisable goods, i.e. one that actually brings into existence new and identifiable product.

## Types of Excise Duties

**1. Basic Excise Duty:** This is the duty charged under section 3 of the Central Excises and Salt Act,1944 on all excisable goods other than salt which are produced or manufactured in India. [also known as Central Value Added Tax (CENVAT)] is levied at the rates specified in Central Excise Tariff Act.

**2. Special Excise Duty:** As per the Section 37 of the Finance Act,1978 Special excise Duty was attracted on all excisable goods on which there is a levy of under the Central Excises and Salt Act,1944. Special Excise Duty is levied at the rates specified in the Second Schedule to Central Excise Tariff Act, 1985.

**3. Education Cess on excise duty:** Section 93 of Finance (No. 2) Act, 2004 states that education cess is 'duty of excise', to be calculated on aggregate of all duties of excise including special excise duty or any other duty of excise, but excluding education cess on excisable goods.

**4. Excise duty in case of clearances by EOU:** The EOU units are expected to export all their production. However, if they clear their final product in DTA (domestic tariff area), the rate of excise duty will be equal to customs duty on like article if imported in India.

**5. National Calamity contingent Duty (NCCD):** A 'National Calamity Contingent Duty' (NCCD) has been imposed vide section 136 of Finance Act, 2001 [clause 129 of Finance Bill, 2001, w.e.f. 1.3.2001]. This duty is imposed on pan masala, chewing tobacco and cigarettes.

**6. Duties under other Acts:** Some duties and cesses are levied on manufactured products under other Acts. The administrative machinery of central excise is used to collect those taxes. Provisions of Central Excise Act and Rules have been made applicable for levy and collection of these duties / cesses.

**7. Additional Duty on goods of special importance** - Some goods of special importance are levied Additional Excise under Additional Duties of Excise (Goods of Special Importance) Act, 1957. The 'Additional Duty' is in addition to excise duty. This scheme was introduced based on the suggestion made by the manufacturers to Government, that multiple level taxes and duties should be avoided. Levy and collection of all taxes at one stage by single authority will be convenient for payment and administration. Hence, by agreement between Central and State Governments, it was decided to make a beginning in 1957, by selecting some items where additional duty will be collected instead of sales tax and such additional duty will be distributed among various States. Revenue from this duty is distributed among State Governments on the basis of percentages given in the second schedule to the Act.

Some items covered are textile articles like cotton fabrics, silk and wool fabrics, man-made fibres, terry fabrics, metallised yarn, embroidery; sugar, branded tobacco, pan masala containing tobacco and cigarettes.

## **Introduction to Excise for Dealers:**

### **Excise for Dealer in Tally.ERP 9**

Excise duty or Duty of Excise is a tax on goods produced or manufactured in India and intended for home consumption i.e., sale in India. The Excise duty shall be levied and collected at the time of production or manufacturing but for convenience is collected at the time of removal.

It is basically an indirect tax on the manufacturer or producer which is passed on to the ultimate consumer. The levy and collection of duty of Excise is provided under authority of the Central Excise Act, 1944 at the rates specified under Central Excise Tariff Act, 1985. The duty is commonly referred as the Basic Excise Duty. Certain items like fibre, yarn and so on also attract Additional Excise Duty under Additional Duties of Excise (Textiles and Textile Articles) Act, 1975 in addition to Basic duty of Excise.

A manufacturer of excisable goods can avail MODVAT (now CENVAT) credit of duty paid on the goods purchased from any dealer w.e.f. 04.07.94. The dealer intending to issue modvatable (now Cenvatable) invoices should get themselves registered with the jurisdictional Range Superintendent by following the procedure prescribed in Rule 9 of Central Excise (No.2) Rules, 2001. All the godowns /Store-rooms should be registered separately.

A Central Excise Registered dealer should ensure that the prescribed register is maintained for the godown/ Store-room. All the consignments received/ issued from the godown have to be entered in the register (further details in Central Excise Rules and Manual).

The Dealer shall issue the invoices in quadruplicate. The copies of the invoices issued by a first stage dealer and a second stage dealer shall be marked at the top as "FIRST STAGE DEALER" and "SECOND STAGE DEALER" respectively. The invoice issued by a first stage or second stage dealer in the case of imported goods and by a second stage dealer in the

case of other goods, shall be duly authenticated by the officer.

The Dealer shall issue one invoice for every consignment dispatched in one batch and at a given time. If a consignment is split into two or more batches, then each consignment is dispatched separately with separate invoices.

### **Who is a Trader/Dealer?**

A Trader/Dealer is someone who purchases and sells goods and maintains an inventory of goods.

A registered Excise dealer is a dealer of Excisable goods who is registered under Central Excise rules, 1944 and on the strength of whose invoice CENVAT credit can be taken.

Who will be covered under Dealer Excise?

The following dealers are covered under Dealer Excise

First Stage Dealer

A First Stage Dealer is one who purchases goods directly from any of the following:

- The manufacturer under the cover of any invoice issued in terms of the provision of Central Excise Rules, 2002 or from the depot of the said manufacturer.
- Goods purchased from the premises of the consignment agent of the said manufacturer.
- Goods purchased from any other premises from where the goods are sold by or on behalf of the said manufacturer.
- Goods purchased from an importer or from the depot of an importer.
- Goods Purchased from the premises of the consignment agent of the importer.

Second Stage Dealer

A registered dealer who purchases goods from the First Stage Dealer is called a Second Stage Dealer.

### **Type of Excise Duty:-**

#### **Types of Excise Duties [Excise for Manufacturer] in Tally.ERP 9**

- **Basic Excise Duty (BED):**

This is the duty charged under section 3 of the Central Excises and Salt Act, 1944 on all excisable goods other than salt which are produced or manufactured in India. Basic Excise Duty [also known as Central Value Added Tax (CENVAT)] is levied at the rates specified in Central Excise Tariff Act.

- **Special Excise Duty (SED):**

As per the Section 37 of the Finance Act, 1978 Special excise Duty was attracted on all excisable goods on which there is a levy of Basic excise Duty under the Central Excises and Salt Act,1944. Special Excise Duty is levied at the rates specified in the Second Schedule to Central Excise Tariff Act, 1985.

- **Education Cess on Excise Duty:**

Section 93 of Finance (No. 2) Act, 2004 states that education Cess is 'duty of excise', to be calculated on aggregate of all duties of excise including special excise duty or any other duty of excise, but excluding education Cess on excisable goods.

- **Excise duty in case of clearances by EOU:**

The EOU units are expected to export all their production. However, if they clear their final product in DTA (domestic tariff area), the rate of excise duty will be equal to customs duty on like article if imported in India.

- **National Calamity contingent Duty (NCCD):**

A 'National Calamity Contingent Duty' (NCCD) has been imposed vide section 136 of Finance Act, 2001 [clause 129 of Finance Bill, 2001, w.e.f. 1.3.2001]. This duty is imposed on pan masala, chewing tobacco and cigarettes.

- **Duties under other Acts:**

Some duties and Cess are levied on manufactured products under other Acts. The administrative machinery of central excise is used to collect those taxes. Provisions of Central Excise Act and Rules have been made applicable for levy and collection of these duties / Cess.

- **Additional Duty on Goods of Special Importance (AED [GSI]):**

Some goods of special importance are levied Additional Excise under Additional Duties of Excise (Goods of Special Importance) Act, 1957. The 'Additional Duty' is in addition to excise duty. This scheme was introduced based on the suggestion made by the manufacturers to Government, that multiple level taxes and duties should be avoided. Levy and collection of all taxes at one stage by single authority will be convenient for payment and administration. Hence, by agreement between Central and State Governments, it was decided to make a beginning in 1957, by selecting some items where additional duty will be collected instead of sales tax and such additional duty will be distributed among various States. Revenue from this duty is distributed among State Governments on the basis of percentages given in the second schedule to the Act.

- Some items covered are textile articles like cotton fabrics, silk and wool fabrics, man-made fibers, terry fabrics, metallised yarn, embroidery; sugar, branded tobacco, pan masala containing tobacco and cigarettes.

- **Duty on Medical and Toilet Preparations:**

Excise duty is imposed on medical preparations under Medical and Toilet Preparations (Excise Duties) Act, 1955.

- **Additional Duty on Mineral Products:** Additional duty on mineral products (like motor spirit, kerosene, diesel and furnace oil) is payable under Mineral Products (Additional Duties of Excise and Customs) Act, 1958.

- **Additional Customs Duty commonly known as countervailing Duty (CVD):**

Countervailing duty (CVD) is imposed on the Imports.

- **Special Additional Duty of Customs (Special CVD)**: Special CVD is being imposed on items bound under the Information Technology Agreement (except information technology software), and also on specified inputs/raw materials for manufacture of electronics/IT goods.
- Additional Duties of Excise (Textiles and Textile Articles) [AED (TTA)]
- Additional Duty of Excise (Tea and Tea Waste) [AED (TTW)]
- Secondary and Higher Education Cess

## **Introduction of Tally.NET:-**

### **TALLY.NET**

Tally.ERP 9 provides a new capability Tally NET which is available by default. Tally NET is a framework which works in the background and provides a broad range of services using the Internet.

Using Tally NET the user can access the company's data from a remote location using another instance of Tally.ERP 9; similarly a practicing Chartered Accountant working with Tally.ERP 9 Auditor's License can scrutinize the client's Tally.ERP 9 data remotely from the office.

At the client's place the system administrator has to create remote users with the permission to access or audit data from a remote location and assign controls based on their security level for the required company only. The remote user accessing the company data acts as clients to Tally.NET.

### **Features of Tally NET :**

Tally NET is a default feature available in the product and provides a host of capabilities. Following is a list of capabilities available in Tally.ERP 9.  
Connect companies from Tally.ERP 9.

### **Create and maintain Remote Users.**

Remote availability of Auditors Edition of Tally.ERP 9 License.

Synchronization of data (via Tally NET).

Remote access of data by any user (including BAP users).

Use online help and support capability from within Tally or the browser.

Support Centre to get instant access for support on functional and technical areas related to the product.

Control Centre to manage and centrally configure sites across locations.

## **Advantages of Tally NET Remote Capability**

### **Chartered Accountant can access Client's Data for audit,**

#### **Own office:**

The CAs can access their client's data through their licensed Tally.ERP 9 – Auditors' Edition (with Tally.NET subscription) and start auditing. This requires an authorization/permission from the client's side, to confirm that the particular CA who is trying to access the client's data remotely is permitted to do so. So, sitting in the comfort of own office, CAs can conveniently start auditing. This facility also allows continuous access to Senior Partners for on-the-spot query resolution leading to faster closures and better quality of audit.

#### **Pre-requisite:**

1. The CA needs to own a license of the Tally.ERP 9 – Auditors' Edition and should have subscribed to Tally.NET.
2. The client needs to have a licensed Tally.ERP 9 together with Tally.NET subscription to enjoy this convenience.
3. The client should have authorized the CA (given permission) to access his/her company data remotely.
4. Both the CA and the client should have a valid Internet connection.

#### **From Client's Office:**

The CA can access his/her Tally.ERP 9 – Auditors' Edition license, while at the Client's office, by using the User ID and Password provided by Tally. This way, the advantage of the audit tools is available for efficient auditing to a CA on the move.

#### **Pre-requisite:**

1. The CA needs to own a license of the Tally.ERP 9 – Auditors' Edition and should have subscribed to Tally.NET.
2. The client need not have a licensed version of Tally.ERP 9 together with Tally.NET subscription. This activity is possible with an educational version of Tally.ERP 9.
3. Both the CA and the client should have a valid Internet connection.

From an Educational Version of Tally.ERP 9 (Free download):

The CA who is on the move, can access his/her Tally.ERP 9 – Auditors' Edition license, from a laptop computer or a Cyber Centre by downloading and installing an educational version of Tally.ERP 9, which is a free download. After downloading the educational version of Tally.ERP 9, the CA has to provide the User ID and Password which comes with the Tally.NET subscription, to access the licensed Tally.ERP 9 – Auditors' Edition installed at the office and start auditing.

#### **Pre-requisite:**

1. The CA needs to own a license of the Tally.ERP 9 – Auditors' Edition and should have subscribed to Tally.NET.

2. The CA and the computer which has the educational version of Tally.ERP 9 should have a valid Internet connection.

Working on a licensed Tally.ERP 9 together with Tally.NET subscription is as good as using the Tally.ERP 9 locally.

Therefore, all features, tools and reports which are accessible at your office, can be accessed remotely too.

Dependency on permissions only

Every user of a licensed Tally.ERP 9, together with Tally.NET subscription, can enjoy the remote services by accessing their own company data on Tally in different scenarios,

**From a Vendor location:**

A licensed Tally user, when at a vendor's office, can confirm on any requirements by simply logging in using the User ID and Password which comes with the Tally.NET subscription, through the vendor's Tally and check the actual requirement with accurate quantity.

Pre-requisite:

1. The customer needs to own a license of the Tally.ERP 9 and should have subscribed to Tally.NET.
2. The vendor need not have a licensed version of Tally.ERP 9 together with Tally.NET subscription. This activity is possible with an educational version of Tally.ERP 9.
3. Both the vendor and the customer should have a valid Internet connection

**From an Educational Version of Tally.ERP 9:**

The salesmen of the licensed Tally user can check company information, for eg stock status, from a Laptop Computer at the customer's place or a cyber centre. The salesman can promise accurate deliverable quantity after checking the availability at the warehouse, by downloading and installing an educational version of Tally.ERP 9, which is a free download. After downloading the educational version of Tally.ERP 9, the Tally NET user has to provide the User ID and Password which comes with the Tally NET subscription and access the licensed Tally.ERP 9 installed at the office.

Pre-requisite:

1. The customer needs to own a license of the Tally.ERP 9 and should have subscribed to Tally NET.
2. The customer and the salesman's laptop should have a valid Internet connection

Getting queries answered now is so very simple and convenient. With the introduction of 'Support Centre' in Tally.ERP 9, the user can post queries for support from within Tally.ERP 9! The queries and the solutions can be tracked on a real time basis and archived too for future reference.

Tally's support team will solve the queries by default. But the user can also give remote access permissions/authorization to the Support Centre to his/her CA or Tally Service Partner too. This facilitates quicker addressal and solution delivery to the queries and expert opinions on the same subject.

All licensed Tally users can enjoy continuous compliance by receiving timely compliance services from an expert (CA/Tax Consultant) and file error free returns. This is possible by authorizing their Chartered Accountant to access the company data remotely for auditing.

### **Tally ERP:**

- Tally ERP is not exactly an ERP but a collection of modules. These modules are provided to you and it generates no extra functions from these modules.
- Data backup is difficult with Tally ERP. And at times it is impossible to get back the data.
- Tally ERP is not user friendly and is difficult to use. It has its own way of functioning hence it requires you to move accordingly.
- Customization is difficult and if customization is done then it requires you to pay extra for customizing it.
- There is a risk of privacy breaching as it has no restriction menu and everyone can access the software. Thus you cannot keep extremely delicate data in it.
- Only limited number of users can use it thus it cannot be used by too many users.
- It is not mobile friendly thus it demands accessing it from the system, therefore you have to be at work to remain updated with the business or wait for the reports to reach you in case you are away from your business.

### **Creating Remote Users:-**

TSS is a default feature available in the product and provides a host of capabilities, such as Unlimited Remote Access, Unlimited Data Synchronization, Manage Sites/Users through Control Centre, Online help, support from within Tally or the browser, Support Centre to post your product related queries and get solution to the queries raised, Remote Edit and SMS Services.

The user in order to access Tally.ERP 9 remotely needs to perform the following steps:

- **Create Tally.NET User**
- **Authorize Tally.NET User**
- **Connect Company to Tally.NET Server**
- **Remote Login**

The following are the steps in detail:

- Ensure that the **Security Control** is enabled in the Company Creation/Alteration screen.

Company Creation		Ctrl + M	
Directory	: C:\Tally.ERP9\Data		
Name	: ABC Demo		
<u>Mailing &amp; Contact Details</u>		<u>Company Details</u>	
Mailing Name	: ABC Demo	Currency Symbol	: Rs.
Address	: No.9, M.G. Road, Bangalore	Mainain	: Accounts with Inventory
		Financial Year from	: 1-4-2009
		Cheques beginning from	: 1-4-2009
<u>Statutory compliance for</u>		<u>Security Control</u>	
Country	: India	TallyVault Password (if any)	:
State	: Karnataka	Repeat Password	:
PIN Code	: 560001	<i>(WARNING: forgetting your TallyVault password will render your data unusable!!)</i>	
Telephone No.	: 41234223	Use Security Control	? Yes
Mobile No.	: 979989797	<i>(Enable Security to avail Tally.NET Features)</i>	
E-Mail	: abc@abc.com	Name of Administrator	: a
		Password	:
		Repeat Password	:
		Use Tally Audit Features	? No
		Disallow opening in Educational mode	? No
<u>Base Currency Information</u>			
Base Currency Symbol	: Rs.	Show Amounts in Millions	? No
Formal Name	: Indian Rupees	Put a SPACE between Amount and Symbol	? Yes
Number of Decimal Places	: 2	Decimal Places for Printing Amounts in Words	: 2
Is Symbol SUFFIXED to Amounts?	: No		
Symbol for Decimal Portion	: paise		

### : 1 – Create Tally.NET User (Remote User)

- From **Gateway of Tally** or **Company Info** screen press **Ctrl + K**  
**Login As Remote Tally.NET User** window appears.

**Login As Remote Tally.NET User**

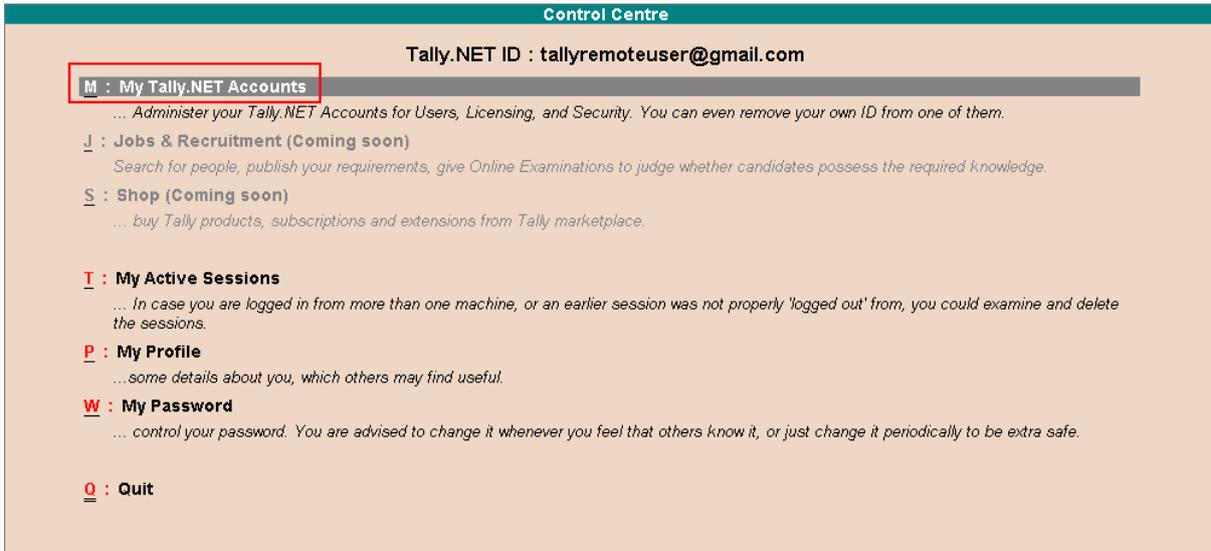
Your E-Mail ID :

Your Tally.NET Password :

*(if you have forgotten your Tally.NET Password, please press F5:Reset Password.  
A new password will be sent to your E-Mail address, and you can then login).*

Enter the account administrator **E-Mail ID** and **Password** to login.to the Control Centre  
The **Control Centre** screen appears.

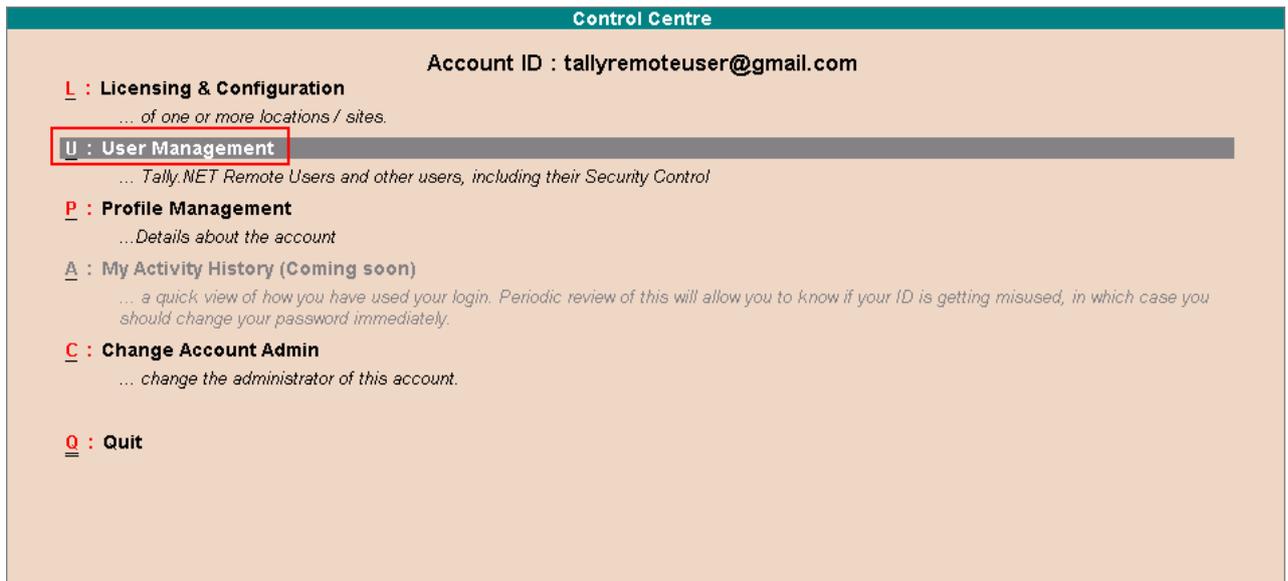
- Select **My Tally.NET Accounts** and press **Enter**



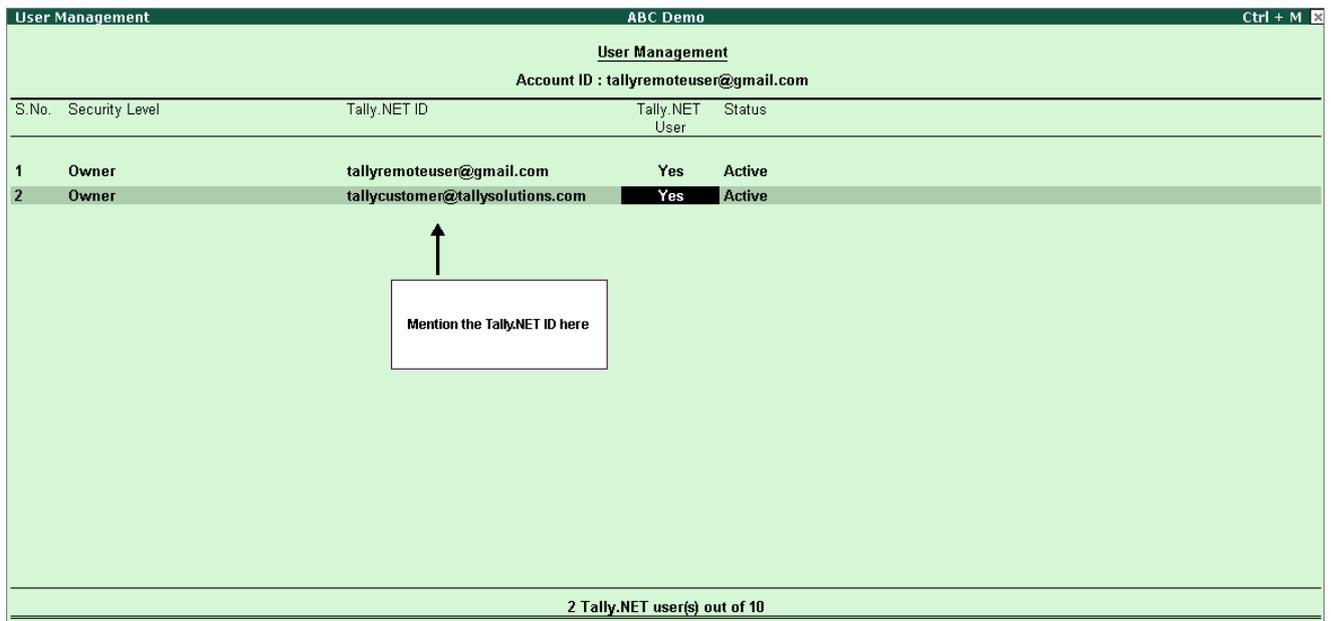
The My Tally.NET Accounts screen appears as shown:

My Tally.NET Accounts						
Tally.NET ID : tallyremoteuser@gmail.com						
S.No.	Account ID	Security Level	Tally.NET User	Site ID	Admin	Status
1	tallyremoteuser@gmail.com	Owner	Yes		Yes	Active

- Select the required **Account ID** and press **Enter**  
 The **Control Centre** screen for the selected **Account ID** appears



- **Select User Management**



- Select the required Security Level from the **Security Level** displayed.
- Enter the **E-Mail ID** of the user to whom remote access is required
- Set the option **Tally.Net user** to **Yes**
- By default, the **Status** is set to **Active**

**Note:**

- You can set the **Status** to **In-active** for the existing users
- Only **one** active Tally.NET is allowed for **Single User** edition and a **Maximum of ten** active Tally.NET users are allowed for a **Multi User** edition.

**Step: 2 – Authorize Tally.NET User**

- Go to **Gateway of Tally > press Alt+F3 > Security Control > Users and Passwords**
- The **List of Users for Company** screen appears:
- Enter the **E-Mail ID** of the user
  - Set **Yes** to **Allow Remote Access**

- By default, **Allow Local TDLs** is set to **No**. Based on the requirement, set this option to **Yes** to allow the remote user to access/use local TDLs, if any.
- Enter the **Mobile Number** of the remote user.

### To authorise Tally.NET auditor

1. Go to **Gateway of Tally > F3: Cmp Info > Security Control > Users and Passwords** .  
The **Users for Company** screen appears.
2. Select **Tally.NET Auditor** in the field **Security Level** .
3. Enter the e-mail ID in the field **Username** .
4. Set the option **Allow Remote Access** to **Yes** .
5. Set the option **Allow Local TDL** to **Yes**, if required.

List of Users for Company					
Name: <b>ABC Company</b>					
Security Level	Name of User	Password (if any)	Allow Remote Access	Allow Local TDL	Mobile Number
Tally.NET Auditor	remoteauditor@tallysolutions.com		Yes	No	9252424545

Accept ?

Yes or No

6. P ress **Enter** to save the security level assigned to **Tally.NET Auditor** .

List of Users for Company					
Name: <b>ABC Demo</b>					
Security Level	Name of User	Password (if any)	Allow Remote Access	Allow Local TDL	Mobile Number
Tally.NET User	tallycustomer@tallysolutions.com		Yes	No	9495969798

## Authorising Security Level:-

You need to authorise the Tally.NET users to access your company data remotely, and assign required permission levels.

### To authorise a Tally.NET user

1. Go to **Gateway of Tally > F3: Cmp Info > Security Control > Users and Passwords** . The **Users for Company** screen appears.
2. Select **Tally.Net User** in the field **Security Level** .
3. Enter the e-mail ID in the field **Username** .
4. Set the option **Allow Remote Access** to **Yes** .
5. Set the option **Allow Local TDL** to **Yes** to allow the remote user to access local TDLs.
6. Press **Enter** to save the security level assigned to **Tally.NET User** .

### To authorise Tally.NET auditor

1. Go to **Gateway of Tally > F3: Cmp Info > Security Control > Users and Passwords** . The **Users for Company** screen appears.
2. Select **Tally.NET Auditor** in the field **Security Level** .
3. Enter the e-mail ID in the field **Username** .
4. Set the option **Allow Remote Access** to **Yes** .
5. Set the option **Allow Local TDL** to **Yes**, if required.

<u>List of Users for Company</u>					
Name: <b>ABC Company</b>					
Security Level	Name of User	Password (if any)	Allow Remote Access	Allow Local TDL	Mobile Number
<b>Tally.NET Auditor</b>	<b>remoteauditor@tallysolutions.com</b>		<b>Yes</b>	<b>No</b>	<b>9252424545</b>

Accept ?  
**Yes** or **No**

14. P ress **Enter** to save the security level assigned to **Tally.NET Auditor** .

## Remote Login:-

The users classified under Tally.NET User or Tally.NET Auditor can access data from a remote location by providing the remote user Login Id and Password while Tally.ERP 9 is running in Licensed or Educational mode.

The user has to execute the following steps to login as a remote user:

1. Start **Tally.ERP 9**

In the **Company Info.** menu or **Startup** screen

2. Select **Login as Remote User**



3. In the **Login as Remote Tally.NET User** screen

- a. Enter the required Tally.NET login id in the **Your E-Mail Id** field.
- b. Enter the required password in the **Your Tally.NET Password** field.

**Login As Remote Tally.NET User**

Your E-Mail ID : **tallyuser@tallysolutions.com**

Your Tally.NET Password : XXXXXXXXXX

*(if you have forgotten your Tally.NET Password, please press F5:Reset Password.  
A new password will be sent to your E-Mail address, and you can then login).*

**Note:** To reset the password click **F5: Reset Password** or press **F5**

On successful authentication, a remote session is created on Tally.NET which remains valid till the user logs out. A unique identification number is assigned to the remote session created. The remote user can work on one company only at a time.

4. In **List of Remote Companies** screen, select the required company from the List of Companies.

List of Remote Companies						
Company Name	Account ID	Serial Number	Contact Person	Contact Number	SMS Op/line	SMS Suffix
<u>Online Companies</u>						
ABC Company - HO	tallyuser@tallysolutions.com	730003086	Rajesh	9900929192	ABCCompany	7
TestSMS	tallyuser@tallysolutions.com	730003086	Kumar	9900990002	SMSTest	1
<u>Offline Companies</u>						
AbcCompany	mural14@tallysolutions.com	760003146	Rajesh	9900990090	ABCComp	4

On successfully loading the selected company, the remote access license is displayed under the Edition tab as shown:

Gateway of Tally Ctrl + M

Current Period: 1-4-2010 to 31-3-2011      Current Date: Thursday, 1 Apr, 2010

**Remote Company**

Name of Company: ABC Company      Date of Last Entry: 1-Apr-2010

**Remote User Details**

My Remote ID : tallyuser@tallysolutions.com  
 My Remote Login Time : 14-Aug-2010 05:04:23 PM  
 My last login time and duration : 14-Aug-2010 05:04:23 PM

**Gateway of Tally**

**Masters**

**Transactions**  
 Accounting Vouchers  
 Inventory Vouchers

**Import**  
 Import of Data

**Reports**  
 Display  
 Multi Account Printing

Quit

Product	Version	License	Configuration	Calculator	Ctrl + N
 <b>Tally.ERP 9</b>	Series A Release 2.0 (Beta)	Latest Latest	Serial Number: 790003044 Remote Serial: (Multiple)	Stat 120 Latest	
	Edition Users	Silver ONE	Account ID: tallyuser@tallysolutions.com Tally.NET Subscription valid till: 31-Mar-2011	Proxy None	Running as Client without ODBC

Depending on the additional license capabilities, the remote user can audit or access data.

# GST

## Overview of Goods and Services Tax:-

### Overview of Goods and Services Tax:

Goods and Services Tax is a comprehensive tax levied on supply of goods and services across India. GST (Goods and Services Tax) is a *Destination based Consumption* tax, and the taxable event is *Supply* as against the existing taxable events of sale, manufacture or provision of service. Draft model GST law was first made public in June 2016, after which the Revised Draft Law was made public on 26th November 2016. It is high time that businesses, industry/trade bodies, professional associations and the like provide valid inputs at an early date, and ensure the final GST Law addresses all the concerns to make the transition smooth.

August 3<sup>rd</sup>, 2016 will be recorded as a red letter day in the history of Indian taxation due to the near unanimous passage of 122<sup>nd</sup> Constitutional Bill in Rajya Sabha, paving the way for roll-out of GST (Goods and Services Tax) in India from 1<sup>st</sup> of April 2017. Goods and Service Tax Bill has significantly evolved over the past decade and is touted as the single largest tax reform in India since independence. It is estimated to boost GDP by 1.5 to 2%. '*One India, One Tax*' will be the new reality with GST subsuming over ten indirect taxes and making India a common market. Apart from elimination of cascading effect, the benefits of simplified compliance, technological backing and uniform process across India will contribute significantly to '*Ease of doing Business*'. However, the success of a business will significantly depend on the ability to understand and adopt to this new reality as certain existing business practices will have to undergo changes.

### **Background**

The indirect taxation regime in India has undergone many transformations over the past 5 to 6 decades. Introduction of MODVAT scheme in 1986, fungibility of credit between Excise and Service Tax (2004), rollout of VAT (2005 onwards) have over the years increased transparency in tax administration, reduced hassles to tax payers, and eliminated the cascading effect, thus benefitting the consumer. However, the federal structure of India has resulted in tax being administered by both Centre and State. Lack of facility to utilize credits across these two entities has resulted in partial cascading still being left in the system. Added to this, the burden of compliance has also increased due to involvement of multiple agencies. GST precisely addresses these concerns by driving uniformity across India through a single tax and ensuring an unrestricted flow of tax credit. Conceptually, GST is similar to VAT, meaning tax will be applied only on the value addition at each point in the supply chain.

## Salient Features

Some of the salient features of GST (Goods and Services Tax) are:

### Registration:

GST Registration threshold is Rs 9 10 Lakh for special category states\*, and Rs 19 20 Lakh for Rest of India. Approximately 7-8 million businesses are likely to be registered under GST. Small dealers with turnover below Rs 50 Lakh have the option of adopting the Composition scheme and pay flat ~1 to 4% tax on turnover.

### Dual GST (Goods and Services Tax):

In consideration of the federal structure of India, Dual GST has been chosen as the apt model wherein tax would be jointly levied by both Centre and the states on supply of goods and services.

#### The components of Dual GST are:

- CGST: Central GST
- SGST: State GST
- IGST: Integrated GST

On intra-state transactions CGST+SGST will be applicable and on interstate transactions, IGST will be applicable.

GST Rates:

#### There are likely to be 3 sets of rates as below:

- Merit Rate
- Standard Rate
- De-Merit Rate

There is also likely to be a lower rate for precious metals and zero-rate for essential goods.

Taxes Subsumed:

**The taxes which will get subsumed under GST are:**

**Subsumed in GST**

Central Excise

Service Tax

VAT / Sales Tax

Entertainment Tax

Luxury Tax

Taxes on lottery

Octroi and Entry Tax

Purchase tax

IT Infrastructure:

**Not subsumed in GST**

Basic Customs duty

Alcohol for human consumption

Petrol / Diesel / Aviation fuel / Natural Gas\*

Stamp duty and Property tax

Toll tax

Electricity Duty

Goods and Service Tax Network or GSTN is a Not for Profit Sec 25/Section 8 company incorporated under the public-private partnership(private companies, central and state government are the stakeholders) to roll out the IT backbone (Backend and Frontend) and portal for meeting all the e-filing requirements of GST. This would be the nodal agency which would control all the processes, forms, and also the data of all the trade that happens in the country.

**GST Council:**

The council to be formed within 60 days of getting presidential assent, would consist of 2/3<sup>rd</sup> representation of states and 1/3<sup>rd</sup> representation of Centre. The GST Council will take all decisions regarding tax rates, dispute resolution, exemptions and so on. Recommendations of the GST Council (75% votes) will be binding on the Centre and states.

**Returns:**

**The GST (Goods and Services Tax) regime introduces the following changes:**

- The GST regime requires all businesses to mandatorily file monthly returns along with the requisite quarterly or annual returns. Even businesses which now file returns quarterly or half-yearly (such as returns for service tax etc.) now need to file returns every month.
- There will now be '3 compliance events every month' compared to 1 event today. This means, businesses will now need to comply with the requirements of filing Form GSTR-1, Form GSTR-2 and Form GSTR-3 (as mentioned below) as against filing 1 return today.

- The first compliance event (filing Form GSTR-1) has a due date of 10th of the subsequent month as against the deadline of 20th in the current VAT regime.
- Composition scheme will no longer be a favorable option since returns need to be filed quarterly and the details in those returns need to be filed relating to purchases, though sales would be lump sum like earlier. Another big deterrent in the scheme would be non availability of input credit to the chain below which would increase the selling price for the composite dealers. This would mean that businesses would reduce their purchases from these dealers.

### **Regular Dealer: Monthly filing**

- Form GSTR-1: Upload all sale invoices (By 10th)
- Form GSTR-2A: Auto-populated details of inward supplies made available to the recipient on the basis of Form GSTR-1 furnished by the supplier (on 11th)
- Form GSTR-2: Addition (Claims) or modification in Form GSTR-2A should be submitted in Form GSTR-2 (on 15th)
- Form GSTR-1A: Details of outward supplies as added, corrected or deleted by the recipient in Form GSTR-2 will be made available to supplier ( On 20th)
- Form GSTR-3: Submit the auto-populated GSTR-3 by 20th
- Form GSTR-9: Annual Return – furnish the details of ITC availed and GST paid which includes local, interstate and import/exports. (31st Dec of next fiscal )

### **Composition Dealer: Quarterly filing**

- Form GSTR-4A: Details of inward supplies made available to the recipient registered under composition scheme on the basis of Form GSTR-1 furnished by the supplier (Quarterly )
- Form GSTR-4: Furnish all outward supply of goods and services. This includes auto-populated details from **Form GSTR-4A**, tax payable and payment of tax (submit by 18th after quarter-end)
- Form GSTR-9A: Furnish the consolidated details of quarterly returns filed along with tax payment details (31st Dec of next fiscal).

For more details on GST Returns visit these blog posts –

What are the Types of Returns Under GST?

How to File Your GST Returns

### **Payments:**

- Mandatory e-payment for amount > Rs 10,000
- Online: NEFT/RTGS/IMPS
- Offline: Cash/Cheque/DD/NEFT/RTGS etc.
- Challan is auto-populated, and can be downloaded

### **Refunds:**

Refund process will be automated and wherever applicable ~~80%~~ 90% refund will be granted provisionally when applied without scrutiny.

## Major Impact Areas

Principal areas of impact for business will be:

- **Adoption of Technology is imperative:** As all the processes will be online, and return filing is of granular nature (invoice-wise), the taxpayer will have to adopt suitable technology to ensure efficiency and effectiveness. Unlike earlier, paper filing will not be an option.
- **Access to Pan-India market:** Intra-state and interstate trades would become tax neutral, and the whole of India will open up as a market for both sourcing vendors and customers customers without hassles of compliance.
- **Cash flow planning:** Input tax credit on purchase will be provided only provisionally during return filing, and will be confirmed only after corresponding sale has been uploaded and after the liability is discharged by supplier. Hence, cash flows WILL get impacted in case of mismatch. As any supply would be taxable, branch transfers would result in tax liability leading to cash blockage. GST will also be applicable on advances received and reverse charge is extended to goods as well. Businesses will need to rethink how to effectively do business and structure deals.
- **Easier Compliance:** GST requires businesses to provide granular level of data (invoice-wise), that needs to be reported with HSN codes. The good news is that compliance is going to get easier with GST replacing most of the prevalent indirect taxes and with the support of technology. With GST, the government has shifted its burden of following up with vendors who have not uploaded their returns by cutting out the input credit.
- **Branch / Supply chain re-engineering:** Businesses having multi-state presence due to tax considerations (to avail concessional CST rate) need to re-plan their warehouse and branch networks and locate them nearer to markets rather than state-wise.
- **Pricing strategy:** Due to elimination of cascading effect, prices of products are likely to come down. Hence, businesses need to re-align to the new realities in procurement and sale.
- **Re-negotiate contracts:** Work contracts and other multi-year supply deals have to be renegotiated to absorb GST rates. As tax would be payable on advance, such conditions need a relook.

## Implementation of GST in Tally ERP 9

With Unicommerce integration with GST Compliant Tally (Supported version Tally ERP 9 version 6.0.1 and above) you can now seamlessly manage sales (B2B\* and B2C), returns, cancelinvoices and inventory.

B2B\*- for Jabong and Myntra only.

### Other features also include:

- Bulk item creation with HSN code
- Payment reconciliation with the bifurcation of channel's deduction.
- Management of Purchase entries in Tally from Uniware.

For this, you need to create all the ledger name in tally according to GST format (as per client's tax classification).

Price Range	Central GST	Integrated GST	State GST	Union Territory GST	Compensation Cess
0-10%	25	5	25	5	0
10%-Maximum	5	12	6	12	0

Steps to Integrate Tally:

Pre-requisites:

- Create a company in Tally with the name of Unicommerce to import all the data. As soon as the TCP is updated, the Import for Unicommerce is created.
- Create SKU alias sheet for inventory management perspective in Tally and save in the folder path, which will be used in the configuration steps later.
- Product mapping is done to associate – item name- tally name, item alias – uniware SKU codes

Below mentioned are the Four Key Steps required to be followed to complete the one-click tally Integration:

- Configure TDL/TCP file in Tally
- Configure Import module
- Export data from Unicommerce
- Import downloaded data into Tally.

### **Liability of the Tax Payer:-**

When advance is paid for goods/services attracting reverse charge and an invoice is not recorded against the advance in the same period, the taxable person has to pay tax on the amount of advance paid. Over a taxable period, keeping track of the advance paid and creating tax liability for such an amount will be a difficult task. Similarly, keeping track of the purchases recorded against advance paid in the previous period for the purpose of reversing the tax liability can also be daunting.

**Note:** Reverse charge on purchase from unregistered dealers has been suspended till 31.03.2018 . To support this calculation of tax liability for reverse charge on URD purchase has been disabled in Release . An option Enable tax liability on reverse charge (Purchase

from unregistered dealer) is provided in Company GST Details screen to activate the tax liability for reverse on URD purchase whenever it is re-introduced.

From Release the purchase from URD transactions will be treated as exempt transactions in GSTR-2 and journal vouchers recorded for tax liability will be under Not relevant for returns .

### **Advance unadjusted against purchase**

The report Advance unadjusted against purchase provided in Tally.ERP 9 will help you get the details of all advance payments for reverse charge in a period. With this report it is easy to get the details of advance paid, invoice (purchase) created, and liability booked against the total advance paid amount. Thus, providing you with the details of unbilled advance amount for which liability is not created yet.

### **To view the Advance Payments Summary**

1. Go to Gateway of Tally > Display > Statutory Reports > GST > GSTR-2 .
2. Select Amount unadjusted against purchase under Advance Payments , and press Enter .

### **The Advance Payments Summary report appears as shown below:**

The advance payment amount is listed based on the Place of Supply . The total advance and the unadjusted advance amount are displayed for each place of supply.

**Place of Supply** : Displays the state name of the parties to whom advance was paid.

**Advance Paid** : Displays the total amount paid as an advance for reverse charge to parties located in the particular place of supply.

**Unadjusted Advance** : Displays the advance amount pending for which invoice or liability was not created in the period. The tax payer has to create liability and pay tax for such an unadjusted amount.

### **Validate Unadjusted Advance and Create Liability**

Drill down from any place of supply to view the Advance Payment – Tax Liability report.

The amount of advance paid and the amount for which invoices are not raised against the advance are displayed voucher-wise in this report. The report is divided into three sections, GST Advance Payments , GST Advance Payments – Mismatch , and Summary of Tax Liability .

**GST Advance Payments** : Under this section, the advance payment vouchers with tax rate and assessable value are displayed. And, the advances that are partially adjusted by recording purchase bills with same tax rates are also displayed.

**GST Advance Payments - Mismatch** : Under this section, the advance payment vouchers with incomplete tax rate and assessable value details are displayed. And, the advances that are partially adjusted by recording purchase with different tax rate are also displayed. Due to the difference in tax rates recorded in advance, purchase tax liability is not computed on the advance amount.

**Summary of Tax Liability** : Under this section, the tax rate-wise break-up of amount paid as advance is shown under the following columns:

- **Unadjusted Advance** : The advance amount for which no adjustment transaction is recorded is shown in this column.
- **Liability Booked** : The advance amount for which liability is booked by recording a journal adjustment transaction is shown in this column.
- **Balance Liability to be Booked** : The advance amount pending after booking purchase and liability is shown in this column. Tax liability has to be booked for this amount.
- The value from advance payment transactions with mismatch is shown as an aggregate value without any break-up.

**Note:** Click F1 : Detailed to view the sales and credit note transactions recorded to adjust the amount of advance paid.

#### **To create liability for the pending advance amount**

- Click J : Stat Adjustment and record the journal voucher. Click here for the steps on creating journal voucher for increasing tax liability on account of the advance paid.

To view vouchers for tax liability already booked

- Click L : Liability Booked . The Liability Booked Against Advance report appears as shown below:

#### **Purchase against advance from previous period**

The report Purchase against advance from previous period provided in Tally.ERP 9 will help you get the details of all purchase recorded against advance paid in the previous period for reverse charge. With this report it is easy to get the details of advance paid, unadjusted advance, and purchase booked against the total advance paid in previous period. Since the report provides you with the value of purchases recorded against the previous period advance, it will enable you to reverse the tax liability created against the advance.

#### **To view the Advance Payments Summary**

1. Go to Gateway of Tally > Display > Statutory Reports > GST > GSTR-2 .

2. Select Purchase against advance from previous period under Advance Payments , and press Enter .

**The Advance Payments Summary report appears as shown below:**

The advance payment amount is listed based on the Place of Supply . The total advance paid, unadjusted advance amount, and purchases booked are displayed for each place of supply.

**Place of Supply** : Displays the state name of the parties to whom advance was paid.

**Advance Paid** : Displays the total amount paid as an advance under reverse charge to parties located in the particular place of supply.

**Unadjusted Advance** : Displays the advance amount pending for which invoice is not created in the period.

**Purchases Booked** : Displays the value of purchases booked against the advance paid in the previous period under reverse charge.

**Validate purchases booked and decrease liability**

Drill down from any place of supply to view the Advance Payment – Tax Liability report.

The amount of advance paid in the previous period, and the value of purchases booked against such advance are displayed voucher-wise in this report. The report is divided into three sections, Purchase under Reverse Charge , Purchase under Reverse Charge – Mismatch , and Summary of Decrease in Tax Liability .

**Purchase under Reverse Charge** : Under this section, the purchase recorded for the advance paid in the previous period are shown against the date of the advance payment voucher. In detailed mode you can view the date and voucher number of the purchase transaction.

And, the purchases that are partially or fully adjusted with same tax rates are only shown in this section.

**Purchase under Reverse Charge** - Mismatch : Under this section, purchases recorded with tax rates different from rates mentioned in the advance payment voucher are shown.

**Summary of Decrease in Tax Liability** : Under this section, the tax rate-wise break-up of amount paid as advance is shown under the following columns:

- **Adjusted Advance** : The advance amount for which purchase transaction is recorded is shown in this column.

- **Tax Liability Reversed** : The amount of liability reversed by booking an adjustment transaction for decreasing liability generated in the previous period is shown in this column.

- **Balance Liability to be Reversed** : The amount of liability to be reversed in lieu of increase in liability in previous period is shown in this column. Tax liability has to be decreased for this amount.

- The value from purchase transactions with mismatch is shown as an aggregate value without any break-up.

### **To decrease liability to extent of purchase booked**

- Click J : Stat Adjustment and record the journal voucher. The journal voucher has to be recorded for Decrease of Tax Liability on Purchase against Advance Payment .

To view vouchers for tax liability reversed

- Click L : Liability Booked . The Liability Reversed Against Advance report appears as shown below:

## **Composition Levy Under GST**

In GST, similar benefit is being extended to small dealers as in case of current state indirect tax, who can opt for their compliance under composition scheme. In GST, this is referred as 'Composition Levy' and the registered taxable person who is allowed to pay tax at certain percentage of turnover during the year is called as Composition Tax payer.

### **Threshold Limit:**

- The proper officer may permit, a registered taxable person, whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees.

### **Aggregate Turnover:**

- Taxable supplies;
- Exempted supplies;
- Export of goods and/or services of a person having the same PAN;
- But exclude the taxes.

### **Rate of levy:**

- Rate of levy is yet to be notified, shall not be less than 2.5% in case of manufacturer.
- In any other case, shall not be less than 1%

### **Non applicability of Composite Levy [first proviso to section 9 (1)].**

- Who is engaged in the supply of services; or
- Who makes any supply of goods which are not leviable to tax under this Act; or
- Who makes any inter-State outward supplies of goods; or
- Who makes any supply of goods through an electronic commerce operator Who is required to collect tax at source under section 56; or
- Who a manufacturer of such goods is as may be notified on the recommendation of the Council.

### **Second proviso to section**

The permission shall not be granted to taxable person unless all the registered taxable persons, having the same PAN as held by the said taxable person, also opt to pay tax under the provisions of this sub-section.

### **Case Study-1:**

Mr. Subhash a proprietor engaged in trading activities. Mr. Subhash have five trading unit in five different state registered with the same PAN (AWUPJ0707D). The Financial year 2017-18 shall be the very first financial year for the GST. Suppose Mr. Subhash effected sales of Rs. 70, 00,000 during the preceding financial year in aggregate. Whether Mr. Subhash will be eligible of composition levy in financial year 2017-18.

Ans. No. Mr. Subhash is not eligible for Composition levy in financial 2017-18. Why? The thresh hold limit for composition levy is Rs. 50,00,000 in the preceding financial year as provided in section 9 (1) of the Act.

It is nowhere mentioned that the turnover under GST shall be taken in the preceding financial year for the calculation of threshold limit. Hence, Mr. Subhash will not be eligible for composition levy in the financial year 2017-18 as the aggregate turnover of Mr. Subhash in the preceding financial year exceed Rs. 50,00,000 under the old laws.

### **Case Study-1A:**

What will be your answer if the Turnover of Mr. Subhash from all of the unit is Rs. 48, 00, 0000 in the financial year 2016-17?

Ans. The answer is Yes, Mr. Subhash is eligible for composition levy. Why? As per the provision of section 9 (1), as the aggregate turnover in the preceding financial year was 48, 00, 000.

### **Case Study-2:**

Mr. Subhash a proprietor engaged in trading activities. Mr. Subhash have five trading unit in five different state registered with the same PAN (AWUPJ0707D). In the Financial year 2017-18 sale effected by Mr. Subhash was 49, 00,000. The above turnover include sales of Rs. 10, 00,000 on account of Non-taxable supply effected by one of the unit. Whether Mr. Subhash will be eligible of composition levy in financial year 2018-19.

Ans. No, Mr. Subhash shall not be eligible for composition levy in spite of turnover of Rs. 49, 00,000 in the preceding financial year. Why?

As per the provision of section 9 (1) (b) of the CGST/SGST Act, the person making non-taxable supply shall not be eligible for composition levy.

In the above case the aggregate turnover is Rs. 49, 00,000 which includes non-taxable supply effected by one of the unit. Hence, Mr. Subhash shall not be eligible for composition levy.

### **Case Study-2A:**

What will be your answer if the above supply includes Rs. 10, 00,000 on account of exempted supply instead of non-taxable supply?

Ans. Yes, Mr. Subhash shall be eligible for composition levy in financial year 2018-19. Why? restrict the person effecting non-taxable supply. There is no restriction on the person effecting exempted supply.

However exempted supply is also not chargeable to GST. Further, exempted supply and non-taxable supply are different. Non-taxable supply is supply which is outside the ambit of GST while exempted supply is supply which are chargeable to GST but has specifically been exempted from GST.

## **What are the Conditions for composition Levy**

**Payment of composition tax** – If the composition dealer is in the trade of supply of goods and supply of services, then composition levy will be applicable for both supply of goods and services.

**Applicable for all transaction under the PAN** – Composition levy will be applicable for all business verticals operating within state or Interstate under the same pan.

**Shall not collect tax** – The composition dealer shall not collect tax on all his outward supply of goods and / or services.

**Cannot claim Input Tax Credit** – The dealer cannot claim and is not eligible for ‘input tax credit’ on all his inward supply of goods and/ or services.

### **FAQs:**

#### **Q. What is the scope of composition scheme under GST?**

Ans. Small taxpayers with an aggregate turnover in a financial year up to [Rs. 50 lakhs] shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of ITC. The floor rate of tax for CGST and SGST shall not be less than [1%]. A tax payer opting for composition levy shall not collect any tax from his customers. Tax payers making inter- state supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.

## **GST Composition Scheme**

Composition Scheme under GST is a relief mechanism, especially for small tax payers, wherein they can not only have comparatively less tedious compliance practices to deal with,

but also pay GST at a lower, fixed composition tax rate on their turnover. Thus, it is important for businesses to be clear about, what is composition scheme.

### **GST Composition Scheme Eligibility**

#### **Turnover Limit for GST Composition Scheme**

Any tax payer, whose turnover is less than INR 1.5 Crore, in Rest of India, and less than INR 75 Lakhs in Special Category States (North Eastern States and Himachal Pradesh), can opt for the composition scheme under GST. The point to be noted is that the GST composition scheme limit is based on the turnover of all businesses which are registered with the same PAN, and thus all businesses under the same PAN can either be registered regular dealers or can be composition dealers – not a combination of both.

#### **Persons Ineligible for the GST Composition Scheme**

The following taxable persons cannot opt for the composition scheme under GST:

- Taxpayer supplying Exempt supplies
- Supplier of services other than restaurant related services
- Manufacturer of ice cream, pan masala, or tobacco
- Casual Taxable Person or a Non-resident Taxable Person
- Businesses which supply goods through an e-commerce operator

#### **GST Composition Scheme Rules**

**A business will need to comply with the following rules, as per the composition scheme under GST:**

- No Input Tax Credit can be claimed
- No Inter-state supply of goods can be done
- No GST exempted goods can be supplied
- As per the composition scheme rules, tax need to be paid at normal GST rates for transactions under Reverse Charge Mechanism
- If a taxable person has multiple segments of businesses under the same PAN, they must all collectively opt for or opt out of the composition scheme
- The words 'composition taxable person' must be displayed prominently on every notice or signboard at the place of business
- As per the composition scheme bill format, the words 'composition taxable person' must be displayed prominently on every bill of supply which is issued
- Services worth up to INR 5 Lakh can be supplied under the scheme, by a taxable person who is also supplying goods

## **GST Composition Scheme Last Date for Applying**

To opt for the composition scheme a taxpayer has to file GST CMP-02 on the [GST portal](#). The composition scheme registration, should be done at the beginning of every financial year, for which a dealer wants to opt for the composition scheme. In other words the GST composition scheme last date for the next year will be 31st of March of the previous financial year.

## **Composition Scheme Billing**

### **Bill of Supply under GST**

As per the GST composition scheme rules, a composition dealer cannot issue a GST tax invoice, because he can neither charge tax from his customers, nor claim input tax credit. In other words, the tax needs to be paid out of their own pocket. Thus, as per the rules with regards to the GST composition scheme bill format, a composition dealer needs to issue a Bill of Supply, and in addition the words ‘composition taxable person’ should be clearly mentioned on it, as discussed above.

### **Meaning and Scope of Supply:**

#### **Difference between the Sale & Supply ?**

- Till now VAT is paid on sale of goods and Central Excise Duty is paid on manufacture of commodity. In GST, this concept is changed which is based on supply of goods.

<b>Sale</b>	<b>Supply</b>
It is an activity which involves the transfer of goods in addition to the transfer of its ownership.	It involves mere transfer of goods. Transfer of ownership is not compulsory.
For ex- Mr A purchases goods from the retail shop M/s ABC by paying prescribed sum of money. Here M/s ABC has sold goods to Mr A.	For ex-Branch Transfer, Consignment sale.

### **Meaning and Scope of Supply under Model GST Law, 2016**

(1) The following is included under the term “Supply”

- (a) All forms of supply of goods and/or services which are made or agreed to be made for a consideration by a person in the course of business such as –

- Sale.
- Transfer.
- Barter Exchange.
- License.
- Rental.
- Lease or Disposal.

(b) Importation of services for a consideration which can be related to or not related to the Business.

**(2) Activities specified in the “Schedule I” of the Model GST Law:**

Following activities can be termed as Supply even if made without any consideration :-

- Supply of goods or services between related persons.
- Permanent transfer/disposal of business assets where input tax credit has been availed on such assets.

**• Supply of goods in the following cases : –**

(1) By a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or

(2) By an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- Importation of services by a taxable person from a related person or from any of his other establishments outside India, which is in the course of business.

(2) The Matter included in Schedule II of Model GST Law, is to be treated as a supply of goods or a supply of services.

It comprises of following-

- Transfer of the title in goods is a supply of goods.
- Any lease, tenancy, easement, license to occupy land is a supply of services of Land & Building.
- Any treatment or process which is being applied to another person’s goods is a supply of services.
- Transfer of Business Asset.

(3) The activities or transactions specified in Schedule III

Under noted activities / transactions, as specified in Schedule III of the Model GST Law which shall not be treated as “ Supply” under GST :-

- Services by an employee to his employer during the course of employment.
- Services by a court or tribunal established under a law.
- Services performed by MP, MLA, person holding posts in pursuance to provisions of Constitution.
- Services of person who holds a position in a body established by the Central Govt, State

Govt or local authority.

- Services by a diplomatic mission in India.
- Services of a burial, crematorium, funeral, mortuary and transportation of deceased.

(4) Activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities as specified in Schedule IV of the Model GST Law shall be treated neither as a supply of goods nor a supply of services.

## **TIME OF SUPPLY**

### **Time of supply in case of “Goods”**

(1) The liability to pay CGST / SGST on the goods shall arise at the time of supply as determined in terms of the provisions under Model GST Law.

(2) The time of supply of goods shall be considered on the earlier of the following dates, which are as follows-

(a) The date of issue of invoice by the supplier or the last date on which he is required, under Model GST Law to issue the invoice with respect to the supply; or

(b) The date on which the supplier receives the payment with respect to the supply.

(3) In case where tax on supplies which is liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates –

1. the date of the receipt of goods
2. the date on which the payment is made, or
3. the date immediately following thirty days from the date of issue of invoice by the supplier.

Where it is not possible to determine the time of supply under above three dates, then the time of supply shall be the date of entry in the books of account of the recipient of supply. In case of supply of vouchers, by whatever name called, by a supplier, the time of supply shall be –

(a) Date of issue of voucher, if the supply is identifiable at that point

(b) Date of redemption of voucher, in other cases.

(c) In case it is not possible to determine the time of supply of goods under the above cases then the following will be done –

(d) The date of filing the Return in a case where a periodical return.

OR

(e) Date on which the CGST/SGST is paid in the other cases.

### **Time of supply in Case of “Services”**

(1) The liability to pay CGST/SGST on services is at the time of supply.

(2) The time of supply of services shall be considered earlier of the following dates.  
(a) Date of issue of invoice by the supplier or the last date on which he is required to issue the invoice with respect to the supply made under the Model GST Law.

**OR**

(b) Date on which the supplier receives the payment.

(3) In case of supplies in which Tax is paid or liable to be paid on reverse charge, time of supply shall be the earlier of the following dates :-

(a) Date on which the payment is made.

**OR**

(b) Date immediately following sixty days from the date of issue of invoice by the supplier. Where it is not possible to determine the time of supply under clause (a) or (b), the time of supply shall be the date of entry in the books of account of the recipient of supply.

In case of 'Associated Enterprises', where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply.

**OR**

Date of payment, whichever is earlier.

(4) The Time of Supply in case of supply of vouchers will be –

(a) the date of issue of voucher, if the supply is identifiable at that point.

(b) In other cases, Date of Redemption of voucher.

(5) The Time of Supply in which in which it is not possible to determine the time of supply of services in the manner specified in (2), (3) or (4) above will be –

(a) Date of Filing of Return in a case where a periodical return has to be filed.

**OR**

(a) Date on which the CGST/SGST is paid in other cases.

Supply of Goods & Services in case of Change in the Rates of Taxes.

The time of supply, in cases where there is a change in the rate of tax in respect of goods or services, shall be determined in the following manner .

Schedule-II of the model GST law provides clarity on determining the type of supply as supply of goods or supply of services. This aims at eliminating the dilemma that exists in the current indirect tax system, for example, Service Tax Vs. VAT on works contract, AC Restaurant Service, Software, etc.

It is, therefore, important for businesses to know whether supply amounts to supply of goods or supply of services, and treat supply accordingly.

The law broadly lists transactions related to transfers, land and building, treatment or process (applied on third party's goods), and transactions related to construction and works contact, renting, etc.

In normal course business we sell goods and service as a combination or bundle. Such as combination of goods or combination of services or combination of both goods and services as part of the primary goods. For example A Insurance policy is selling along with a Two wheeler. Here primary or predominant part of sale is Two wheeler Secondary or ancillary part is Insurance service. This kind of naturally bundled sale is called composite sale or composite supply as per GST rule. The primary part of this kind of sale is called Principal supply and the.

### **How to find out the tax rate of Composite sale?**

As per GST law, each and every taxable product and service has its own rate. But in the case of a composite sale we sell more than goods/services as a part of principal supply. In a single bill we sell different products and services or their combinations. Hence the rate of principal supply is applicable to all products and services in a composite sale bill. So to fix the tax rate of composite sale you must know the principal supply. As per GST rule section 2(90) of CGST Act defines principal supply as "the supply which constitutes the predominant element of composite supply and to which any other supply forming a part of that composite supply is ancillary". But if you are finding difficulty to find out the principal supply you can bill each product or service in a different invoice.

### **How to enter sales of mixed supply under GST in Tally ERP 9?**

#### **Composite supply in Tally ERP 9**

Earlier we had a detailed tutorial on GST sale entry. We recommend to read this post to get an idea about how to enter GST sale voucher in Tally ERP 9. In this tutorial we describe how to enter composite supply or composite sale under GST.

Example : ABC Ltd sells the following items to SLV Constructions along with Transportation charges.

1000 No TMT Steel Rebar 12MM @ 400/No

300 Bundles Steel footing 1.45 m 12 MM @ Rs 1450 Bundles.

Transportation Charges Rs 3000.00

### **Follow the below steps as described in our previous post GST Sale voucher entry**

- Activate GST in Tally ERP 9
- Create Sales Ledger for GST

- Create Party Ledger for GST
- Create the GST tax ledger CGST, SGST & IGST
- Create Stock item for GST
- Set GST rates & HSN SAC Codes

Create a service ledger transportation for composite supply, This is the secondary supply or ancillary supply ledger to participate in the composite sale or supply.

**How to create secondary supply service ledger for composite supply.**

Go to Gateway of Tally > Accounts Info. > Ledgers > Create .Transportation ledger creation.

**How to enter composite Supply /Sale ?**

- Go to **Gateway of Tally> Accounting Voucher > F8 Sales**
- Select the date of voucher entry by pressing F2 Date
- **Party A/c Name:** SLV Constructions.
- **Sales Ledger:** Select the sales ledger you want to post the transaction.
- Enter name of items, rate ,amount & enter twice
- Now select Transportation charges, TAX ledger ,for local sale CGST & SGST and for interstate sale IGST Ledger.

**The final sale voucher of composite supply look like this.**

Accounting Voucher Creation		National Enterprises		Ctrl + M
<b>Sales</b> No. 17				5-Jul-2017
Reference no.:				Wednesday
Party A/c name	: SLV Constructions			
Current balance	:			
Sales ledger	: Sales			
Name of Item	Quantity	Rate per	Amount	
TMT Steel Rebar 12 MM	1,000 Nos	400.00 Nos	4,00,000.00	
Steel Footing 1.45m - 12 MM	300 Bundles	1,450.00 Bundles	4,35,000.00	
			<hr/>	
			8,35,000.00	
Transportation Charges			3,000.00	
Central Tax			75,420.00	
State Tax			75,420.00	
Narration:			<hr/>	
			<hr/>	
			9,88,840.00	

Press enter key to save the composite sale voucher.

### View GST details from sale voucher

You can get the gst tax details from sale voucher by pressing shortcut key ALT+A, (A: Tax Analysis)

Now click detailed button or ALT+F1 to get the detailed tax analysis report as shown below.

Tax Analysis		National Enterprises		Ctrl + M
<b>Tax Analysis</b>				
Particulars	Taxable Value	Tax rate	Duty/Tax Value	
<b>GST Details</b>				
Sales Taxable	8,38,000.00		1,50,840.00	
TMT Steel Rebar 12 MM	4,01,437.13		72,258.68	
Item Value ( Sales Value 4,00,000.00 )	4,00,000.00			
Transportation Charges (3,000.00 / 8,35,000.00 * 4,00,000.00)	1,437.13			
Central Tax		9%	36,129.34	
State Tax		9%	36,129.34	
Steel Footing 1.45m - 12 MM	4,36,562.87		78,581.32	
Item Value ( Sales Value 4,35,000.00 )	4,35,000.00			
Transportation Charges (3,000.00 / 8,35,000.00 * 4,35,000.00)	1,562.87			
Central Tax		9%	39,290.66	
State Tax		9%	39,290.66	
<b>Total</b>			<hr/>	
			1,50,840.00	

## Valuation in GST

With the advent of GST on 1st July, 2017, an immediate task on your hands is to generate accurate invoices that meet the criteria laid down for GST tax invoices. An important component of a GST tax invoice is the tax collected on the supply.

To calculate the correct value of tax to be collected on a supply, determining the GST rate applicable to the goods or services supplied is important. It is equally important to determine the correct value, on which tax at the prescribed rate is to be levied. If this is not done, it can result in unnecessary litigation, levy of interest, and the recipient could even lose input credit on the supply.

This is a guide for you to determine the correct value on which tax is to be levied on a supply. This value on which GST is to be levied, is called the transaction value.

### **Steps for calculating the value on which GST is to be charged in an invoice**

1. Determine the price of the goods or service supplied
2. Add any additional charges, such as commission, packing
3. Add any other tax applicable on the supply, other than GST
4. Deduct discount shown in the invoice

**Example:** Rohan Pvt Ltd in Karnataka supplies 100 washing machines to a dealer, Dsouza & Sons, in Karnataka. The price of 1 washing machine is Rs. 30,000. Rohan Pvt Ltd charges Rs. 2,000 for packing of the washing machines and Rs. 8,000 for freight. A discount of Rs. 10,000 is given to Dsouza & Sons. The GST rate applicable to washing machines is 28%. Let us arrive at the value on which GST is to be charged in this supply.

The invoice for this will appear as shown below:

### Tax Invoice

<b>Rohan Pvt Ltd</b> Xyz, Cunningham Road Bangalore GSTIN/UIN: 29ANXPC1234A1Z1		Invoice No. <b>1</b>		Dated <b>5-Jul-2017</b>				
		Supplier's Ref. <b>20</b>		Other Reference(s)				
Buyer <b>DSouza &amp; Sons</b> A-104, MG Road, Bangalore Karnataka, Code : 29 GST#UIN:29NIXPW1234A1Z1 Place of Supply : Karnataka								
Sl No	Description of Goods	HSN/SAC	GST Rate	Quantity	Rate	per	Disc %	Amount
1	Washing Machine	8450	28 %	100 nos	30,000.00	nos		30,00,000.00
	<i>Packing Charges</i>							2,000.00
	<i>Freight Charges</i>							8,000.00
	Less: <i>Discount</i>							(-)10,000.00
	<i>CGST</i>							4,20,000.00
	<i>SGST</i>							4,20,000.00
Total				100 nos				<b>38,40,000.00</b>
Amount Chargeable (in words)								E & O/E
<b>INR Thirty Eight Lakh Forty Thousand Only</b>								
HSN/SAC		Taxable Value	Central Tax		State Tax			
			Rate	Amount	Rate	Amount		
8450		30,00,000.00	14%	4,20,000.00	14%	4,20,000.00		
Total		30,00,000.00		4,20,000.00		4,20,000.00		
Tax Amount (in words) : <b>INR Eight Lakh Forty Thousand Only</b>								
Declaration We declare that this invoice shows the actual price of the goods described and that all particulars are true and correct.					for Rohan Pvt Ltd  Authorised Signatory			

This is a Computer Generated Invoice

## How to treat additional charges or discounts incurred after the supply

### Additions to value

- Additional charges
- Any amount payable by you (supplier) but incurred by the recipient, such as transportation
- Interest/late fee/penalty charged on the recipient for delayed payment

In these cases, a debit note should be raised, linked to the original invoice and GST should be charged on the value.

**Example:** On the supply in the above example, Rohan Pvt Ltd charges penalty of Rs. 60,000 as Dsouza & Sons fails to make payment within the agreed period of 30 days.

In business, it is common to issue and receive invoices for goods or services where the price is inclusive of tax. Inclusive of tax means that the price quoted includes the value of tax. In such cases, a person has to do a back-calculation to arrive at the value of tax.

In this blog, we will discuss the simple formula for you to arrive at the value of tax when the price quoted for goods or services is inclusive of tax.

Formula to arrive at tax value when price is inclusive of tax

The tax value calculation when price is inclusive of GST is:

**Tax amount = Value inclusive of tax X tax rate ÷ (100+ tax rate)**

Let us discuss few examples to understand this:

Mr. Ram in Karnataka supplies a television to Mr. Shyam in Maharashtra. The television's price inclusive of GST is Rs. 50,000. Mr. Ram wants to arrive at the value of tax.

Here, GST rate applicable to television is 18%. Since this is an interstate supply, type of tax applicable is IGST.

Let us arrive at the value of IGST in this case:

Value inclusive of tax= Rs. 50,000

Tax rate= 18

Hence, IGST amount=  $50,000 \times 18/118 =$  Rs. 7627

Let us take another scenario.

Mr. Ram in Karnataka supplies a television to Mr. Rohan in Karnataka. The television's price inclusive of GST is Rs. 20,000.

Here, the tax rate remains same, i.e. 18%. Since the supply is intrastate, the type of taxes applicable are CGST + SGST.

Hence, value inclusive of tax = Rs. 20,000

Tax rate = 18

Hence, tax amount =  $20,000 \times 18/118 =$  Rs. 3050.85

Hence, CGST amount =  $Rs. 3050.84/2 =$  Rs. 1525.42

Similarly, SGST amount =  $Rs. 3050.84/2 =$  Rs. 1525.42

Hence, this simple formula can be used by any person who wants to know the tax value calculation when price is inclusive of GST. Note that in Tax Invoice under GST, the GST amount has to be shown separately in the invoice, even if a product is sold at a price which is inclusive of taxes.

## Transaction Value

### How to Calculate Service Tax on total transaction amount including TDS ?

For the accurate calculation of **Service Tax** and **TDS** follow the given steps

1. Book the **Expenses and Service Tax** through **Purchase Voucher** as shown
2. Deduct **TDS** in a separate **Journal Voucher** using of **Alt + S: TDS Deduction**
3. Make the **Payment** to party
4. Check the Service-Tax **Input credit Form** -report displays the realised value & total credit as shown below

**Step1. Book the Expenses and Service Tax through Purchase Voucher as shown**

Select the **Expenses ledger** and allocate the entire amount to the applicable **TDS Nature of Payment**

ABC Company		Ctrl + M
		List of Nature Of Payment(s)
		<input type="checkbox"/> Not Applicable
		Any Other Interest on Securities As Per Sec.1
		Commission on Sale of Lottery Tickets
		Commission Or Brokerage
		Deemed Dividend U/s 2(22)(E)
		<b>Fees for Professional Or Technical Services</b>
		Insurance Commission
		Interest on 8% Savings (Taxable) Bonds, 20
		Interest on Securities
		Interest Other Than Interest on Securities
		Payment of Compensation on Acquisition of Immovable Prop
		Payments in Respect of Deposits Under N
		Payments on Account of Re-Purchase of Units by
		Payments to Contractors (Other Than Advertiseme
		Payment to Contractors (Advertisement Contract
		Payment to Sub-Contractors
		Rent of Land, Building Or Furniture
		Rent of Plant, Machinery Or Equipmen
		Winnings From Horse Race
		Winnings From Lotteries and Crossword Puz
TDS Nature of Payment Details		
Ledger Name : Professional Charges		
Nature of Payment	Assessable Value	
Fees for Professional Or Technical Services	1,00,000.00	

Select the **Input Service Tax Ledger** and in the **Service Tax Bill-wise details** screen select the default bill details

Service Tax-Bill Wise Detail for :			
Service Ledger	Professional Charges		
Service Amount	1,00,000.00		
Is Pure Agent Service	No		
Less:			
Abatement Notification No.			
Abatement Expense	@	0 %	
Assessable Value	<u>1,00,000.00</u>		
Service Tax	@	12 %	12,000.00
Cess	@	2 %	240.00
Sec Cess	@	1 %	100.00
Total Service Tax	<u>12,360.00</u>		
Service Tax-Bill Wise Detail for : Input Service Tax . Professional			
Type of Ref	Name	Amount	Dr/ Cr
New Ref	Purc1	12,360.00	Dr

In the **Expense Allocation** screen select the applicable **TDS Nature of Payment**

**Note:** TDS Nature of Payment for the Input Service Tax Ledger as Even on the service Tax amount TDS needs to deducted.

ABC Company		List of Nature Of
		<input type="checkbox"/> Not Applicable Any Other Interest on Secur Commission on Sale of L Commission Or Brokera Deemed Dividend U/s 2(
		<b>Fees for Professional Or T</b> Insurance Commission Interest on 8% Savings (Tax Interest on Securities Interest Other Than Inter Payment of Compensation on Acquisi Payments in Respect of De Payments on Account of Re-Pu Payments to Contractors (Other Payment to Contractors (Advert Payment to Sub-Contract Rent of Land, Building O Rent of Plant, Machinery Winnings From Horse R Winnings From Lotteries and
TDS Nature of Payment Details		
Ledger Name : <b>Input Service Tax - Professional</b>		
Nature of Payment	Assessable Value	
<b>Fees for Professional Or Technical Services</b>	12,360.00	

In the **TDS Details** screen select the details as shown

TDS Details		ABC Company			
Purchase	No. 1				
Ref :					
Party's A/c Name :	Mrs.Rao				
Current Balance :					
Particulars					
Professional Charges					
Input Service Tax - Professional					
TDS Details					
Type of Ref	Name	Nature of Payment	TDS Duty Ledger	Assessable Amount	TDS Amount
New Ref	Purc / 1-1	Fees for Professional Or Technical Services	TDS on Professional Charges	1,12,360.00	Cr
	Income Tax	0 %	On	1,12,360.00	Cr
	Surcharge	0 %	On		
	Education Cess	0 %	On		
	Secondary Education Cess	0 %	On		

In the **Bill-wise Details** screen enter the bill references  
Save the purchase voucher

**Step 2.** Deduct TDS in a separate **Journal Voucher** using of **Alt + S: TDS Deduction** option as shown

Accounting Voucher Creation		ABC Company	Ctrl + M	X
<b>Journal</b>	No. 1		1-Apr-2008	Tuesday
Account :	Mrs.Rao			
Cur Bal :	1,00,787.00 Cr			
Particulars	Amount			
<b>TDS on Professional Charges</b>	11,573.00			
	Cur Bal: 11,573.00 Cr			
Narration:				<b>11,573.00</b>

F1: Inventory Buttons  
 F2: Date  
 F3: Company  
 F4: Contra  
S: TDS Deduction  
 I: Post-Dated  
 L: Optional

Adjust the Bill Number - 1 and save the voucher

Bill-wise Details		ABC Company			
Journal	No. 1				
Account : Mrs.Rao Cur Bal: 1,00,787.00 Cr					
Particulars					
Bill-wise Details for : Mrs.Rao Upto: Rs. 11,573.00 Dr					
Type of Ref	Name	Due Date, or Credit Days	Service Tax Ledger	Amount	Dr/ Cr
List of Pending Bills					
Agst Ref	<b>1</b>	<b>1</b>	<b>1-Apr-2008</b>	<b>1,00,000.00 Cr</b>	
		<b>1a</b>	<b>1-Apr-2008</b>	<b>12,360.00 Cr</b>	<i>Input Service Tax - Professional</i>

Accounting Voucher Creation		ABC Company		Ctrl + M
Journal	No. 1			1-Apr-2008 Tuesda
Account : Mrs.Rao Cur Bal: 1,00,787.00 Cr				
Particulars				Amount
<b>TDS on Professional Charges</b>				<b>11,573.00</b>
Cur Bal: 11,573.00 Dr				
Agst Ref	<b>Purc / 1-1</b>	<b>11,573.00 Cr</b>		
	Income Tax 10 % On	1,12,360.00 Cr	11,236.00 Cr	
	Surcharge 0 % On	11,236.00 Cr		
	Education Cess 2 % On	11,236.00 Cr	225.00 Cr	
	Secondary Education Cess 1 % On	11,236.00 Cr	112.00 Cr	
Narration:				
				Accept ? Yes or No

**Step 3. Make the Payment to party**

Select Mrs. Rao and in the Bill-wise Details screen select the bill reference as shown

Bill-wise Details		ABC Company			
Payment	No. 1				
Particulars					
Dr Mrs.Rao Cur Bal: 0.00 Dr					
Bill-wise Details for : Mrs.Rao Upto: Rs. 1,00,787.00 Dr					
Type of Ref	Name	Due Date, or Credit Days	Service Tax Ledger	Amount	Dr/ Cr
		(wef: 1-4-2008)			
Agst Ref	<b>1</b>		<input type="checkbox"/> Not Applicable	<b>88,427.00</b>	<b>Dr</b>
Agst Ref	<b>1a</b>		<b>Input Service Tax - Professional</b>	<b>12,360.00</b>	<b>Dr</b>

Save the Payment Voucher

**Step 4.** Check the Service-Tax **Input credit Form** -report displays the realised value & total credit as shown below

Input Credit Form		ABC Company						
Input Credit Form								
Date	Ref. No.	Partys' Name/ Tax No.	Party Address	Category Name	Bill Value			Assess Valu
					Assessable Value	Service Tax	Cess	
1-Apr-2008	Puro/1	Mrs.Rao		Chartered Accountants	1,00,000.00	12,000.00	360.00	1,00,0
<b>Total</b>					<b>1,00,000.00</b>	<b>12,000.00</b>	<b>360.00</b>	<b>1,00,0</b>

**Valuation Rules:**

**Valuation Rules:**

**Determination of value for certain businesses**

Recently introduced GST valuation rules have laid down various scenarios for day-to-day transactions when a businessman may be required to refer to these rules. In our previous article, we had discussed valuation rule on the basis of cost method and residual method.

Apart from this, there are certain businesses which have been notified for which a separate valuation method will be applicable. Here, we will discuss these businesses and the value of supplies from such businesses. These shall be determined in the manner provided below.

**Purchase or Sale of Foreign Currency, Including Money Changing**

The value of supply of services when purchasing or selling foreign currency, including money changing, shall be determined **by the supplier of service** in the following manner:-

1. For a currency, when **exchanged from, or to, Indian Rupees (INR)**, the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency.

**For example**, on 20th July 2017, Mr. A converted USD 100 into INR 6,200 (INR 62 per USD) through Akbar Travel Group. RBI’s reference rate for buying and selling was Rs. 61/61.5 respectively on such date. Now the value of supply will be: **(62-61)\*100 = INR 100**

Thus the value of supply for Akbar Travel will be INR 100 and GST will be levied on this amount.

In cases where the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received by the person changing the money.

In above example, if the reference rate is not available then 1% of INR 6,200 i.e INR 62 will be the value of supply of service.

2. **If neither of the currencies exchanged is Indian Rupee**, the value shall be equal to 1%

of the lesser of the two amounts the person changing the money would have received by converting any of the two currencies into Indian Rupee on that day at the reference rate provided by RBI.

**For example,** let's assume that **USD is converted against EURO**. Now as per the above rule, both these currencies will be converted into INR terms and the value of supply will be 1% of the lesser amount.

Also at the option of the supplier of services, the value in relation to a supply of foreign currency, including money changing, shall be deemed to be:

- (i) one per cent. of the gross amount of currency exchanged for an amount up to one lakh rupees, subject to a minimum amount of two hundred and fifty rupees;
- (ii) one thousand rupees and half of a per cent. of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees; and
- (iii) five thousand rupees and one-tenth of a percent of the gross amount of currency exchanged for an amount exceeding ten lakh rupees, subject to maximum amount of sixty thousand rupees

However, once opted, this option cannot be withdrawn during the remainder of the financial year.

### **Services in relation to booking of tickets for travel by air provided by an air travel agent**

The value of supply of services in relation to booking of tickets **for travel by air** provided by an air travel agent such as Yatra or MakeMyTrip, shall be deemed to be an amount calculated at the rate of **five percent of the basic fare** in the case of **domestic bookings**, and at the rate of **ten percent of the basic fare** in the case of **international bookings** of passage for travel by air.

**Note:** For this rule, the expression "basic fare" means that part of the airfare on which commission is normally paid to the air travel agent by the airline.

### **Life insurance business**

The value of supply of services in relation to life insurance business shall be:

- (a) **the gross premium charged from a policyholder reduced by the amount allocated for investment, or savings** on behalf of the policyholder, if such amount is intimated to the policyholder at the time of supply of service;

**Example:** If Rs. 50,000 is gross premium, of which Rs. 45,000 is invested in funds, then the value of supply shall be Rs. 5,000.

- (b) in the case of single premium annuity policies other than (a), **ten percent of single premium** charged from the policyholder; or

- (c) in all other cases, **twenty-five percent of the premium charged** from the policyholder in the first year and twelve and a half percent of the premium charged from policyholder in subsequent years

This rule will not be applicable if the entire premium paid by the policyholder is only towards

the risk cover in life insurance.

### **Valuation of Supply when buying and selling of second-hand goods**

Where a taxable supply is provided by a person dealing in buying and selling of second-hand goods i.e. used goods, or goods which have undergone minor processing which does not change their nature, and where no input tax credit has been availed on purchase of such goods, the value of supply shall be the **difference between the selling price and purchase price** and where the value of such supply is negative it shall be ignored.

This also includes buying and selling on online platforms such as OLX and Quikr.

### **Value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp)**

The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services, or both, shall be **equal to the money value of the goods or services, or both**, redeemable against such token, voucher, coupon, or stamp.

Example: If Rs. 1,500 worth of Sodexo is supplied by the taxable person, the value of supply under GST law will also be Rs. 1,500 .

## **Payment of GST**

### **Introducti Payment of GST:-**

#### **Introduction**

GST payment is one of the major requisites for a business to stay compliant. As per the guidelines, every registered regular taxpayer has to furnish the GST returns on a monthly basis, and pay the requisite tax by the GST payment due date – 20th of every month. The GST payment system is going to be a completely online process – promising a seamless and transparent experience.

#### **GST Payment Rules**

As per the GST payment rules, if a person furnishes a GST Monthly Return without paying the tax due, the return furnished will be considered as an invalid return. Without furnishing the return for a month and paying the tax due, the subsequent month's return cannot be furnished. Also, if the tax due is not paid, interest will be applicable on the same, starting from the GST payment due date on which the tax was supposed to be paid.

Hence, it is necessary to understand the GST payment method in order to avoid the penalties of non-payment of tax.

## **GST Payment Process**

### **GST Payment Ledgers**

For the purpose of GST tax payment, every registered dealer will need to maintain 3 ledgers in the GST payment portal, which is the starting step of the GST payment process. The 3 ledgers are:

**Electronic tax liability register** - All liabilities of a person towards tax, interest, penalty, late fee or any other amount will be debited here.

**Electronic cash ledger** - Every deposit made by a person towards tax, interest, penalty, late fee or any other amount will be credited here.

**Electronic credit ledger** - Input tax credit, as self-assessed and claimed in Form GSTR-2 by a person, will be credited here. This can only be used by a person - only for paying tax, and not for settling other amounts such as interest, late fee, and so on.

### **GST Payment Ledgers Set-off**

To pay the liabilities shown in the Electronic tax liability register, a person can use the balance in the Electronic cash ledger and Electronic credit ledger. When a liability is paid,

- 1. The Electronic tax liability register will be credited by the amount paid.
- 2. The Electronic credit ledger will be debited by credit used for making the payment.
- 3. The Electronic cash ledger will be debited by the amount of deposit used for making the payment.

### **How to pay GST online – a step by step process**

Here's how to pay GST online, detailed as follows:

- 1 . Set-off the tax liability by using the credit available in Electronic credit ledger
- 2 . Deposit money in the Electronic cash ledger to pay the balance tax liability -
  - a. Generate challan for making the GST payment - Challan for the payment can be generated from the GST payment portal using Form GST PMT-06. The details of the amount to be deposited towards tax, interest, penalty, fees or any other amount should be entered in the challan. The challan generated will be valid for 15 days.
  - b. Make the GST payment using the given modes -
    - i. Internet banking through authorised banks

- ii. Credit card or debit card through authorised banks
- iii. National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) from any bank
- iv. Over the counter (OTC) payment through authorized banks for deposits up to Rs.10,000 per challan per tax period, by cash, cheque or Demand Draft (DD)

**Note:** If the payment is to be made by NEFT or RTGS, a mandate form will be generated along with the challan on the GST portal. The mandate form has to be submitted to the bank from where the payment is made. The mandate form will be valid for 15 days.

- c. Generation of CIN and credit to Electronic cash ledger - Once the amount paid by a dealer is credited to the concerned government account, a Challan Identification Number (CIN) will be generated and the same will be mentioned in the challan in the GST portal. On receipt of the CIN, the amount paid will be credited to the person's Electronic cash ledger.

### **Conclusion**

In short, the GST payment process and GST payment schedule are of key importance to any business in order to remain compliant. It is thus necessary for every business to stay aware of the requisite GST payment formats, make the right GST payment calculations, adhere to the GST payment dates and accordingly pass the correct GST payment vouchers in their books, in order to make GST payment online in time, and continue their business in a hassle free manner.

### **How to make payment:-**

#### **To record a GST tax payment voucher**

Go to Gateway of Tally > Accounting Vouchers > F5: Payment.

Click S: Stat Payment and enter the required details.

Account: Select the bank from which the payment will be made.

Select the central and state tax ledgers. ...

Select the type of payment to be made to the GST department.

Every registered regular tax payer has to furnish GST returns on a monthly basis and pay the tax due by the 20<sup>th</sup> of the month. If a tax payer does not pay the tax due, interest on the tax due will be applicable from the day on which the tax was due to be paid.

If a person furnishes a monthly return without paying the tax due, the return furnished will be considered as an Invalid Return. Without furnishing the return for a month and paying the tax due, the subsequent month's return cannot be furnished. Hence, it is necessary to understand how to pay the tax liabilities under GST in order to avoid the penalties of non-payment of tax.

For the purpose of paying tax, every registered dealer will have 3 ledgers in the GST portal:

**1. Electronic tax liability register:**

All liabilities of a person towards tax, interest, penalty, late fee or any other amount will be debited here.

**2. Electronic cash ledger:**

Every deposit made by a person towards tax, interest, penalty, late fee or any other amount will be credited here.

**3. Electronic credit ledger:**

Input tax credit, as self-assessed and claimed in Form GSTR-2 by a person, will be credited here. This can only be used by a person for paying tax, and not other amounts such as interest, late fee, and so on.

o pay the liabilities shown in the Electronic tax liability register, a person can use the balance in the Electronic cash ledger and Electronic credit ledger. When a liability is paid,

- The Electronic tax liability register will be credited by the amount paid.
- The Electronic credit ledger will be debited by credit used for making the payment.
- The Electronic cash ledger will be debited by the amount of deposit used for making the payment.

Deposit money in the Electronic cash ledger to pay the balance tax liability

To pay the balance tax liability, Ravindra Apparel should deposit the tax liability amount in the Electronic cash ledger. For this, Ravindra Apparel should:

**a. Generate challan for making the payment**

Challan for the payment can be generated from the GST portal using Form GST PMT-06. The details of the amount to be deposited towards tax, interest, penalty, fees or any other amount should be entered in the challan. The challan generated will be valid for 15 days.

**b. Make the payment using the given modes**

Payment can be done using the following modes:

- Internet banking through authorised banks
- Credit card or debit card through authorised banks
- National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) from any bank
- Over the counter (OTC) payment through authorized banks for deposits up to Rs.10,000 per challan per tax period, by cash, cheque or Demand Draft (DD)  
**Note:** If the payment is to be made by NEFT or RTGS, a mandate form will be generated along with the challan on the GST portal. The mandate form has to be submitted to the bank from where the payment is made. The mandate form will be valid for 15 days.

**c. Generation of CIN and credit to Electronic cash ledger**

Once the amount paid by a dealer is credited to the concerned government account, a **Challan Identification Number (CIN)** will be generated and the same will be mentioned in the challan in the GST portal. On receipt of the CIN, the amount paid will be credited to the person's Electronic cash ledger.

In our illustration, Ravindra Apparel deposits Rs.60,000 to pay the balance tax liability on 20<sup>th</sup> December '17. Once the payment is credited, the amount will be utilised for paying the balance CGST, SGST and IGST liabilities. After payment of the tax due, Ravindra Apparel's ledgers appear as shown below:

Statutory Payment	
Period From	: 1-Jul-2017 To 31-Jul-2017
Mode of payment	: <b>Net Banking - (E-Payments)</b>
Bank Name	<b>Modes of Payment</b> Cash - (Over the counter) Cheque - (Over the counter) Credit card - (e-payments) Debit Card - (e-payments) Demand Draft (DD) - (Over the counter) NEFT/RTGS <b>Net Banking - (e-payments)</b>
Common Portal Identification Number(CPIN)	
Challan Identification Number(CIN)	
BRN/UTR	
Payment date	

Challan Reconciliation										National Enterprises	Ctrl + M	
List of Payment Vouchers										1-Apr-2017 to 31-Jul-2017		S: Set Details
Date	Particulars	Vch Type	Vch No.	Type of Tax Payment	Payment Period		Type of Payment	Mode of payment	Bank Name	Amount		
					From	To						
31-Jul-2017	Bank of India	Payment	2	GST	1-Jul-2017	31-Jul-2017		Net Banking - (E-Payments)	Bank of India	31,750.00		
31-Jul-2017	Bank of India	Payment	3	GST	1-Jul-2017	31-Jul-2017				24,500.00		
31-Jul-2017	Cash	Payment	4	GST	1-Jul-2017	31-Jul-2017	Late Fee			890.00		

### Challan Reconciliation Report for GST Payments

All the tax payment vouchers recorded for paying GST and other liabilities are displayed in **Challan Reconciliation** report. For each payment, the bank and challan details can be provided from this report.

#### To view the Challan Reconciliation report

- Go to Gateway of Tally > Display > Statutory Reports > GST > Challan Reconciliation .

Challan Reconciliation										
National Enterprises										
List of Payment Vouchers										
1-Apr-2017 to 31-Jul-2017										
(Reconciliation)										
Date	Particulars	Vch Type	Vch No.	Type of Tax Payment	Payment Period		Type of Payment	Mode of payment	Bank Name	Amount
					From	To				
31-Jul-2017	Bank of India	Payment	2	GST	1-Jul-2017	31-Jul-2017		Net Banking - (E-Payments)	Bank of India	31,750.00
31-Jul-2017	Bank of India	Payment	3	GST	1-Jul-2017	31-Jul-2017				24,500.00
31-Jul-2017	Cash	Payment	4	GST	1-Jul-2017	31-Jul-2017		Late Fee		890.00

### To set the payment details for each transaction

1. Click **S : Set Details** .
2. Specify the **From** and **To** dates.
3. Select the **Mode of payment** .

Statutory Payment	
Period From	: 1-Jul-2017 To 31-Jul-2017
Mode of payment	: <b>Net Banking - (E-Payments)</b>
Bank Name	
Common Portal Identification Number(CPIN)	
Challan Identification Number(CIN)	
BRN/UTR	
Payment date	

**Modes of Payment**

- Cash - (Over the counter)
- Cheque - (Over the counter)
- Credit card - (e-payments)
- Debit Card - (e-payments)
- Demand Draft (DD) - (Over the counter)
- NEFT/RTGS
- Net Banking - (e-payments)**

4. Enter the details and press **Ctrl+A** to accept.

### TDS & TCS:-

There are four basic questions which can explain the basic application of TDS as provided under GST law:

#### Q1 Who is liable to deduct TDS under GST?

Following people are responsible for deducting tax:-

- (a) a department or establishment of the Central or State Government, or
- (b) local authority, or
- (c) governmental agencies, or
- (d) such persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.

For example: If the Finance department, Government of India, enters into a contract with

Reliance then the department would be liable to deduct TDS.

## **Q2 What is the rate of TDS to be deducted under GST?**

The rate of TDS is 2% under GST.

## **Q3 Is there any limit for deducting TDS under?**

If the total value of supply under a contract exceeds Rs 2.5 lakhs then the person/entity would be liable to deduct TDS.

## **Q4 Time limit for payment of TDS?**

The deductor would be liable to make the payment of TDS by the 10th day of the next month.

**For example:** X department of Central Government deducts TDS @2% from Y on 5 August 2017 then it is liable to make payment by 10 September 2017.

## **Impact of TDS on Government civil contractors**

The Indian government, on an average, gives out more than 10,000 civil contracts every year throughout the country. The contract for constructing/repairing of the national highways average more than Rs 100 crores. These contracts are acquired by big construction companies and then sub-contracted to smaller firms and then again further sub-contracted to another small firm. This loop will face problems due to GST and in particular due to the TDS liability.

The government would need to deduct TDS from the contractor which would ensure tax compliance by the contractors and all the other sub-contractors. Currently, many small civil/labour contractors do not fulfill tax compliance. Under GST it will be imperative for them to get registered and fulfill tax compliance.

**For example:** ABC got a contract for repair work on an 800-meter road by the government for Rs 10 lakhs. ABC outsources work to XYZ and then XYZ further outsources it to a small civil/labour contractor DEF.

Earlier, DEF would not have registered under service tax/VAT but now he would need to register under GST for claiming the ITC credit.

The purpose of inserting the TDS clause under GST is to ensure tax compliance from the unorganized construction sector.

## **TCS compliance for e-commerce sector**

A clause has been inserted under GST law for all the e-commerce aggregators. E-commerce aggregators are made responsible under the GST law for deducting and depositing tax at the rate of 1% from each of the transaction. Any dealers/traders selling goods/services online would get the payment after deduction of 2% tax. It is a significant change which would increase a lot of compliance and administration cost for online aggregators like Flipkart, snapdeal, amazon etc. They would need to deposit the tax deducted by the 10th day of the next month.

All the traders/dealers selling goods/services online would need to get registered under GST

even if their turnover is less than 20 Lakhs for claiming the tax deducted by Ecommerce operators.

**For example:**

Mr. Vinay Dua is a trader who sells his ready-made clothes online on Amazon India. He receives an order for Rs 10, 000 inclusive of tax and commission. Amazon charges a commission of Rs 200. Amazon would, therefore, need to deduct 2% tax (TCS) on the amount, including the money paid as commission (Rs. 200) and GST ( Rs. 1800 when GST @18%). Amazon would thus be deducting tax for Rs 200 (2% of Rs. 10000).

**TDS and TCS under GST**

TDS rule will help in achieving transparency in the operations of governmental contracts and tax compliance. Online sellers like Amazon, Flipkart, Snapdeal etc would need to make certain changes in their online payment process and administration/finance department to incorporate the TCS rule inserted under GST.

**Electronic Commerce:-**

**GST on E-Commerce**

Surely under GST, online shopping could transform into a better experience. However, a more holistic view on the impact of GST on e-commerce, need to be taken by both businesses and customers.

**Mandatory registration** – Similar to the rules of GST on e-commerce operators, all e-commerce GST liable suppliers are mandatorily required to register under GST, irrespective of turnover. In other words, even if an e-commerce supplier's aggregate turnover is less than INR 10 Lakhs (in Special Category States) or INR 20 Lakhs (in rest of India), registration will be mandatory.

**Non-eligibility for Composition Scheme** – One of the major implications of GST on e-commerce seller is that such a dealer will not be eligible for registration under the composition scheme. Hence, even if the person's aggregate turnover does not cross INR 1 Crore, which is the revised composition scheme limit as per the latest GST meet on 6th October, he does not have the option to become a composition tax payer.

**Negative impact on Cash flow** - E-commerce under GST could see a negative impact on the cash flow for suppliers, primarily because of the tax collected at source i.e. TCS at 2% by operators. This tax paid will be available as input credit to the supplier on 15th of the next month, which means cash blockage of 30-45 days. However the good news is that TDS and TCS have been deferred till 31st March, 2018, and thus this gives ample time to e-commerce players to settle in their operations in the GST era. Another challenge could be that the ITC available to e-commerce suppliers will be dependent upon their vendor's compliance – as ITC can be availed only if the vendor has filed the monthly return and made full payment of the tax due.

**Seamless availability of ITC** – In the previous regime, e-commerce platforms would charge service tax on the services provided to suppliers on their platform - such as warehousing, logistics, marketplace commission etc. Suppliers were unable to claim input tax credit on the

service tax paid, which would become a cost. But, levy of GST on e-commerce players will ensure that ITC will be available on all inputs used in the course of or for the furtherance of business. In effect, this will result in reduced cost of operations for suppliers as they will now be able to take the credit of tax paid on inputs, which was until now adding up to their cost.

**Returns process** – An e-commerce supplier has to follow the same GST returns process applicable to a regular dealer – which means adherence to GSTR 1, GSTR 2 and GSTR 3 – each of which need to be processed diligently. In addition, the details specific to e-commerce transactions i.e. GST on e-commerce sales, GST on e-commerce purchases and GST on e-commerce commissions - will need to be specified. Adherence to these forms, will ensure that the right ITC gets availed by the E-commerce suppliers.

**One Nation, One Market** - In the previous regime, suppliers had to keep track of the State-wise taxation rules relating to the products they deal in as often, the same product would be taxed at different rates in different states. In some cases, due to ambiguity in dealing with the models of e-commerce business, multiple taxes were imposed on the same product. Many States also imposed entry tax on the entry of goods sold online to their states. However, under GST, goods and services have fixed rates across the nation, irrespective of whether they are sold at physical stores or online. Hence the coming together of GST and e-commerce, would definitely mean opening up of the entire nation as one united market.

**Tax Collected at Source (TCS):-**

**Registration of businesses liable to deduct TDS and collected TCS**

It may be noted that as per the initial notification issued by the government on 26th June 2017, the provisions of TDS and TCS under GST were put on hold and it was communicated that the same will come into force at a later date.

However, the GST Council, at its 21st meeting in Hyderabad, decided to open registration of persons liable to deduct TDS and TCS under GST from 18th September. However, the date from which TDS and TCS under GST will be deducted or collected will be notified by the Council later, as per the latest tax provisions under GST.

**TDS under GST**

**What is the rate of TDS under GST?**

TDS under GST law, is to be deducted at the rate of 1% on payments made to the supplier of taxable goods and/or services, where the total value of such supply, under an individual contract, exceeds INR 2,50,000. However, it is to be noted that no tax deduction is required where the location of supplier and place of supply is different from the State where the recipient is registered.

**What is the value of supply on which TDS shall be deducted under GST?**

For the purpose of tax deducted at source under GST, the value of supply is to be taken as the amount excluding the tax indicated in the invoice. This means TDS shall not be deducted on

the CGST, SGST/UTGST or IGST component of the invoice.

### **Who needs to deduct TDS under GST?**

As per the GST law, the following people/entities need to deduct TDS:

A department or establishment of the Central or State Government

Local Authority

Governmental Agencies

Persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council

### **How to get registered as a TDS Deductor under GST?**

The registration application for a TDS Deductor can be filed electronically by submitting a duly signed application in the Form GST REG 07. In the place of PAN, such persons will indicate their TAN in the registration application. Obtaining TAN (Tax Deduction Account Number) issued under income tax act is mandatory.

The registration application of the applicant will then be processed and approved by the relevant tax officer, post which the registration certificate containing the number, will be issued.

### **What rules do TDS deductors need to follow under GST?**

Take mandatory GST registration

Obtain TAN issued under the Income Tax Act is mandatory

Remit the TDS collected by the 10th day of the month succeeding the month in which TDS was collected and reported in GSTR 7. Based on this, the amount deposited as TDS will be reflected in the electronic cash ledger of the supplier

Issue a certificate of TDS to the deductee within 5 days of deducting TDS mentioning therein the contract value, rate of deduction, amount deducted, and the amount paid to the appropriate Government and such particulars as may be prescribed. If any deductor fails to furnish to the deductee the certificate, after deducting the TDS within five days of crediting the amount so deducted to the appropriate Government, the deductor shall be liable to pay, by way of a late fee, a sum of INR 100 per day from the day after the expiry of the five-day period until the failure is rectified. The amount of late fee, shall not exceed INR 5,000.

Adhere to the rules, since non-deduction / short deduction / non-payment or short payment of TDS is an offence under the Act for which a minimum penalty of INR 10,000 is prescribed

### **How can the deductee claim benefit of TDS under GST?**

The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and

reflected in the returns of the deductor. Any amount deducted as TDS and reported in GSTR will automatically reflect in the electronic cash ledger.

### **How can the refund of the excess TDS deducted be processed under GST?**

#### **In case the amount is claimed by deductee in electronic cash ledger**

Refund to the deductor is not possible in such a case. However, deductee can claim a refund of tax subject to refund provisions of the Act. Practically it is not possible to claim any erroneous deduction of TDS by the deductor.

#### **In case the amount is not claimed by deductee**

Refund of the erroneous excess TDS deducted is possible to the deductor, subject to the refund provisions and procedure of the Act.

### **TCS under GST**

#### **What is the rate of TCS under GST?**

Any dealer / trader selling goods or services online will get the payment after deduction of 2% TCS.

#### **Who needs to deduct TCS under GST?**

Under GST, the main TCS deductors are the e-commerce aggregators, who are made responsible for deducting and depositing TCS at the rate of 2% from each of the transaction.

#### **What rules do TCS deductors need to follow under GST?**

Take mandatory GST registration – which is true both for persons making supplies through e-commerce operators as well as e-commerce operators themselves

Remit the TCS collected by the 10th day of the month succeeding the month in which TCS was collected and reported in GSTR 8

File an annual statement in the prescribed form by the 31st of December following the end of every financial year. The operator can rectify errors in the statements filed, if any, latest by the return to be filed for the month of September, following the end of every financial year. The details furnished by the operator in GSTR 8 shall be made available electronically to each of the suppliers in GSTR 2A after the due date of filing of GSTR 8

Furnish details of volume of goods / services supplied, stock of goods lying in warehouses or godown etc. whenever asked for, by an officer not below the rank of Deputy Commissioner, within a period of 15 working days. Failure to do so may fetch penalty up to INR 25,000

#### **How can the Supplier claim benefit of TCS under GST?**

The tax collected by the operator shall be credited to the electronic cash ledger of the supplier

who has supplied the goods/services through the operator. The supplier can claim credit of the tax collected and reflected in the return by the operator in the supplier's electronic cash ledger.

### **Who is liable to pay the additional output TCS under GST in case of discrepancy?**

The details of the supplies, including the value of supplies, submitted by every operator in the statements will be matched with the details of supplies submitted by all such suppliers in their returns. If there is any discrepancy in the value of supplies, the same would be communicated to both of them. If such discrepancy in value is not rectified within the given time, then such amount would be added to the output tax liability of such a supplier. The supplier will have to pay the differential amount of output tax along with interest.

### **GST on E-Commerce:**

Surely under GST, online shopping could transform into a better experience. However, a more holistic view on the impact of GST on e-commerce, need to be taken by both businesses and customers.

**Mandatory registration** – Similar to the rules of GST on e-commerce operators, all e-commerce GST liable suppliers are mandatorily required to register under GST, irrespective of turnover. In other words, even if an e-commerce supplier's aggregate turnover is less than INR 10 Lakhs (in Special Category States) or INR 20 Lakhs (in rest of India), registration will be mandatory.

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**Seamless availability of ITC** – In the previous regime, e-commerce platforms would charge service tax on the services provided to suppliers on their platform - such as warehousing, logistics, marketplace commission etc. Suppliers were unable to claim input tax credit on the service tax paid, which would become a cost. But, levy of GST on e-commerce players will ensure that ITC will be available on all inputs used in the course of or for the furtherance of

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**One Nation, One Market** - In the previous regime, suppliers had to keep track of the State-wise taxation rules relating to the products they deal in as often, the same product would be taxed at different rates in different states. In some cases, due to ambiguity in dealing with the models of e-commerce business, multiple taxes were imposed on the same product. Many States also imposed entry tax on the entry of goods sold online to their states. However, under GST, goods and services have fixed rates across the nation, irrespective of whether they are sold at physical stores or online. Hence the coming together of GST and e-commerce, would definitely mean opening up of the entire nation as one united market.

### **Input Tax Credit:-**

The input tax credit provisions under GST are framed with a border perspective to allow the tax credit on all the inward supplies. Now, businesses can claim input tax credit on all the inputs or input services which are “used or intended to be used in the course of, or for furtherance of business”. In simple words, if goods or services are used for the purpose of business, the tax paid on such inward supplies will be allowed as ITC.

This is a boon to businesses compared to erstwhile regime. Previously, the tax credit was allowed only on inputs or input services which were directly linked to output or output services. For example, as a trader, input VAT paid on purchase of goods was available as credit only on making a taxable sale. However, any tax paid on business overheads like advertisement services, maintenance charges, and so on, were not allowed as credit.

The introduction of “Furtherance of Business” as a concept for Input Tax Credit will reduce the cost of operation and directly enhance the profitability of the business. The following are the important aspects to keep in mind, to avail input tax credit on business expenses:

#### **1. Deal only with registered businesses**

You will be eligible to avail input tax credit only when you deal with registered businesses. Therefore, it is always recommended to transact with a supplier who is registered.

For certain petty business expenses, you may have to transact from unregistered dealer. Although ITC on such inward supplies is available, it will increase your compliance burden. It will also lead to temporary cash blockage since you are required to pay tax on reverse charge mechanism, and credit is available only after the tax remittance.

#### **2. Tax invoice in company name with GSTIN**

Ensure that the tax invoice is raised in the name of the company, and make sure that the GSTIN is mentioned in the tax invoice. This is very crucial because the ITC availability completely depends on the matching of invoice between the supplier and the recipient.

### 3. Mention the right GSTIN

In case, your business has multistate operation and have multiple registration, ensure that the local state GSTIN is mentioned in the Invoice. For example, you are registered in Karnataka and Maharashtra. For expenses incurred in Maharashtra, provide Maharashtra registration. This is because certain specific business expenses like hotel accommodation, events, food expenses, and so on, are always considered to be intrastate supplies, and CGST+SGST is levied. Considering the existing restriction on cross-state ITC (CGST+SGST) adjustment, mentioning different state GSTIN number will restrict you from availing ITC on such inward supplies.

### 4. Take care of supplies mentioned in negative List

Although GST allows ITC on all inward supplies, there are certain type of supplies on which input tax credit is not allowed. Ensure that those supplies are identified, and appropriate reversal is done before making ITC claim. Else, you may be asked reverse ITC along with the interest. To know more on the supplies forming part of negative list, please read out blog Your checklist for claiming ITC.

Any lapse in the above mentioned guideline will result into direct loss of ITC to the business. Therefore, businesses need to revisit the procurement policies and incorporate the changes in line with the provisions of GST. By doing this, any loss of ITC can be prevented and leverage on the benefits of tax credit.

## Input Service Distributors

### Concept of Input Service Distributor:

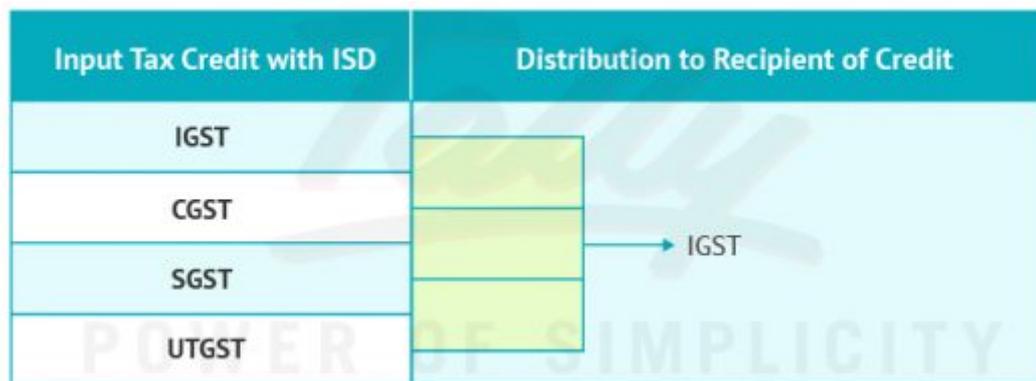
Recipient of Credit and ISD are in same State	
Input Credit with ISD	Distribution to Recipient of Credit
IGST	IGST
CGST	CGST
SGST	SGST
UTGST*	UTGST*

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It is quite common that businesses have a distributed system of manufacturing units or service rendering units across the nation. In simple words, businesses with Head Offices (HO) and Branch Offices (BO) which are spread across the nation could be in the same state or a different state. Under this system, in order to have better operational efficiency and control, usually businesses adopt centralized billing for procurement of common services at the HO. This situation leads to the accumulation of input tax credit paid on common inward supplies which are used by the branch units.

In order to avoid the aforesaid situation, the concept of Input Service Distributor (ISD) was introduced in CENVAT credit rules, which allows the HO to distribute the input tax credit to eligible units which are engaged in manufacturing or rendering of taxable services. The HO, which does the centralized billing for procurement of common services is termed as the ‘Input Service Distributor’.

In order to distribute the credit, the HO has to obtain a separate registration as an ISD, and file half yearly return.



**As an ISD, the HO mainly performs the following:**

Receives service tax invoice for availing common input services

Distributes the input tax credit to eligible units by issuing an invoice/challan, as required.

**Input Service Distributor under GST**

The concept of Input Service Distributor (ISD) is provided in GST too. It is defined as ‘an office of supplier of goods and/or services, which has received input services under the cover of tax invoice, and is allowed to distribute the said tax credit to the supplier of goods and/or services registered under the same PAN’. This indicates that the ISD is an office:

Which can be a head office, administrative office, corporate office, regional office, depot, and

so on, belonging to registered taxable person who intends to distribute the credit

Which receives tax invoices towards the receipt of inward supply of services

Which distributes the tax credit paid of inward supplies of services to the branch units which have consumed the services, and issues invoices for the distribution of credit

### **Registration under GST**

An ISD is required to obtain a separate registration. The registration is mandatory and there is no threshold limit for registration for an ISD. Businesses who are already registered as an ISD under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST. This is because, the existing ISD registration will not be migrated to the GST regime.

Businesses who are already registered as an Input Service Distributor under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST.[Click To Tweet](#)

### **Manner of Distribution**

Under GST, on an intrastate transaction, CGST and SGST will be applicable. In case of transaction within a union territory, CGST and UTGST will be applicable. IGST will be applicable in case of interstate transactions and imports. The following are the scenarios of distribution of credit by an ISD:

- ISD and the recipient of credit are located in the same state
- ISD and the recipient of credit are located in different states

The unit to which the input tax credit is distributed is referred to as the 'recipient of credit'.

### **ISD and recipient of credit are located in the same state**

When the ISD and recipient of credit are located in the same state/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient in the **following manner:**

GST Input Service Distributor same state

Applicable on transactions within a union territory

Let us understand with an example.

Top-In-Town Home Appliances Ltd, is located in Bangalore, Karnataka. They also have units located in Mysore, Chennai and Mumbai. The unit in Bangalore is the Head Office and registered as an ISD. They do bulk procurement of common services which are used by the other units too.

Top-In-Town Home Appliances Ltd (HO) receives an invoice of Rs.1,00,000 with GST of Rs.18,000 (CGST Rs.9,000 + SGST Rs.9,000) towards advertisement services provided exclusively to the Mysore unit.

The credit will be distributed as CGST Rs.9,000 and SGST Rs.9,000.

Recipient of credit and ISD are located in different states

When the ISD and the recipient of credit are located in different states/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient of credit in the following manner:

### **GST ISD**

For example, Top-In-Town Home Appliances Ltd (HO) receives an invoice of Rs.1,00,000 with a GST of Rs.18,000 (CGST 9,000 + SGST 9,000) towards advertisement services provided exclusively to the Chennai unit.

The credit of CGST Rs. 9,000 and SGST Rs. 9,000 will be distributed to the Chennai unit as IGST, Rs. 18,000.

### **Electronic Commerce:-**

#### **Introduction of Electronic Commerce:-**

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## **How to get registered as a TDS Deductor under GST?**

The registration application for a TDS Deductor can be filed electronically by submitting a duly signed application in the Form GST REG 07. In the place of PAN, such persons will indicate their TAN in the registration application. Obtaining TAN (Tax Deduction Account Number) issued under income tax act is mandatory.

The registration application of the applicant will then be processed and approved by the relevant tax officer, post which the registration certificate containing the number, will be issued.

What rules do TDS deductors need to follow under GST?

Take mandatory GST registration

Obtain TAN issued under the Income Tax Act is mandatory

Remit the TDS collected by the 10th day of the month succeeding the month in which TDS was collected and reported in GSTR 7. Based on this, the amount deposited as TDS will be reflected in the electronic cash ledger of the supplier

Issue a certificate of TDS to the deductee within 5 days of deducting TDS mentioning therein the contract value, rate of deduction, amount deducted, and the amount paid to the appropriate Government and such particulars as may be prescribed. If any deductor fails to furnish to the deductee the certificate, after deducting the TDS within five days of crediting the amount so deducted to the appropriate Government, the deductor shall be liable to pay, by way of a late fee, a sum of INR 100 per day from the day after the expiry of the five-day period until the failure is rectified. The amount of late fee, shall not exceed INR 5,000.

Adhere to the rules, since non-deduction / short deduction / non-payment or short payment of TDS is an offence under the Act for which a minimum penalty of INR 10,000 is prescribed

How can the deductee claim benefit of TDS under GST?

The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the returns of the deductor. Any amount deducted as TDS and reported in GSTR 7 will automatically reflect in the electronic cash ledger.

How can the refund of the excess TDS deducted be processed under GST?

In case the amount is claimed by deductee in electronic cash ledger

Refund to the deductor is not possible in such a case. However, deductee can claim a refund of tax subject to refund provisions of the Act. Practically it is not possible to claim any erroneous deduction of TDS by the deductor.

In case the amount is not claimed by deductee

Refund of the erroneous excess TDS deducted is possible to the deductor, subject to the refund provisions and procedure of the Act.

### **TCS under GST**

What is the rate of TCS under GST?

Any dealer / trader selling goods or services online will get the payment after deduction of 2% TCS.

Who needs to deduct TCS under GST?

Under GST, the main TCS deductors are the e-commerce aggregators, who are made responsible for deducting and depositing TCS at the rate of 2% from each of the transaction.

What rules do TCS deductors need to follow under GST?

Take mandatory GST registration – which is true both for persons making supplies through e-commerce operators as well as e-commerce operators themselves

Remit the TCS collected by the 10th day of the month succeeding the month in which TCS was collected and reported in GSTR 8

File an annual statement in the prescribed form by the 31st of December following the end of every financial year. The operator can rectify errors in the statements filed, if any, latest by the return to be filed for the month of September, following the end of every financial year. The details furnished by the operator in GSTR 8 shall be made available electronically to each of the suppliers in GSTR 2A after the due date of filing of GSTR 8

Furnish details of volume of goods / services supplied, stock of goods lying in warehouses or godown etc. whenever asked for, by an officer not below the rank of Deputy Commissioner, within a period of 15 working days. Failure to do so may fetch penalty up to INR 25,000

How can the Supplier claim benefit of TCS under GST?

The tax collected by the operator shall be credited to the electronic cash ledger of the supplier who has supplied the goods/services through the operator. The supplier can claim credit of the tax collected and reflected in the return by the operator in the supplier's electronic cash ledger.

Who is liable to pay the additional output TCS under GST in case of discrepancy?

The details of the supplies, including the value of supplies, submitted by every operator in the statements will be matched with the details of supplies submitted by all such suppliers in their returns. If there is any discrepancy in the value of supplies, the same would be communicated to both of them. If such discrepancy in value is not rectified within the given time, then such amount would be added to the output tax liability of such a supplier. The supplier will have to pay the differential amount of output tax along with interest.

## **Input Tax Credit:-**

### **GST Input Tax Credit Overview**

Ever since GST has been discussed across the country, input tax credit has been spoken about in the same breath. In essence ITC is the heart and soul of GST. One of the fundamental reasons, why GST is good for the nation, is, the seamless flow of input credit across the chain (right from the manufacture of goods till the end consumer) and across states, which earlier was not the case.

Under the Goods & Service Tax regime, ITC can be availed by every registered taxable person on all inputs used or intended to be used in the course of or for furtherance of business – be it goods or services. Similarly, ITC will also be available on capital goods used in the course of business, except for a few exceptions.

### **Conditions to avail GST Input Tax Credit**

In order to avail Input Tax Credit under GST, a dealer needs to meet the following conditions

–

Must possess a Tax Invoice / Debit or Credit Note / Supplementary Invoice issued by the supplier

Must have received the goods / services

Must have filed returns (GSTR 3)

Must ensure that the tax charged has been paid to the government by the supplier

Must have completed invoice matching and would have arrived at the final ITC post reversals

### **When does one become eligible to avail Input Tax Credit under GST**

The following are the situations, in which a taxable person becomes eligible to avail ITC under GST –

#### **If one applies for registration, on becoming liable to register in the GST regime**

When one applies for registration under GST on becoming liable to register, one can avail ITC on inputs and inputs contained in semi-finished or finished goods in stock, on the day before the date on which one becomes liable to pay tax. However, this can happen only if one applies for registration within 30 days from the date on which one becomes liable to register and has been granted registration.

#### **If one voluntarily applies for registration**

If one voluntarily applies for GST registration, one can avail ITC on inputs and inputs contained in semi-finished or finished goods in stock on the day before one is granted registration.

#### **If one shifts from composition scheme to regular dealership**

If one is registered under the composition scheme but the aggregate turnover crosses INR 50 Lakhs, one has to move away from the composition scheme and become a regular dealer. When one leaves the composition scheme and becomes a regular dealer, one can avail ITC

on inputs, inputs contained in semi-finished or finished goods in stock, and capital goods on the day before the date on which one becomes liable to pay tax. The credit on capital goods will be reduced by percentage points, which will be notified.

#### **When exempted goods or services become taxable**

When goods or services declared as exempt from GST are made taxable, one can avail ITC on the following on the day before the supply becomes taxable:

Inputs in stock and inputs contained in semi-finished or finished goods in stock, which are relatable to the exempt supply.

Capital goods exclusively used for the exempt supply. The credit on capital goods will be reduced by percentage points, which will be notified.

#### **When sale/merger/demerger/amalgamation/lease/transfer of the business occurs**

In any of these cases, if there is a specific provision for transfer of liabilities, one can transfer the unutilized ITC to the sold, merged, demerged, amalgamated, leased, or transferred business.

#### **When goods and/or services are used partly for business and partly for other purposes**

When goods and/or services are used partly for business and partly for other than business

purposes, one can avail ITC – but only on the portion used for the purpose of business.

**When goods and/or services are used partly for taxable supplies and partly for exempt supplies**

When goods and/or services are used partly for taxable supplies and partly for exempt supplies, one can avail ITC only on the portion used for making taxable supplies and zero rated supplies. ITC is not allowed on the portion used for making exempt supplies, and supplies where the receiver pays tax on reverse charge basis.

**When goods are received in lots or instalments**

When goods are received in lots or instalments, one can avail ITC – but only upon receipt of the last lot or instalment.

**Purchase of pipelines and telecommunication towers**

ITC on pipelines and telecommunication towers purchased can be availed in instalments – 1/3rd of the total input tax paid can be availed in the financial year of purchase, 2/3rd of the total input tax paid (including credit availed in the previous year) can be availed in the succeeding year, and the balance ITC on any subsequent financial year.

**When does one become ineligible to claim Input Tax Credit under GST**

The following are the situations, in which one becomes ineligible to avail ITC under GST –

**Registration not applied for within 30 days from the date on which one becomes liable to register**

If one has not applied for registration **within 30 days** from the date on which one becomes liable to register, one will lose the eligible ITC on inputs and inputs contained in semi-finished or finished goods in stock, on the day before the date on which one becomes liable to pay tax.

**After the time limit for availing Input Tax Credit is crossed**

ITC must be availed within the earliest of the following dates –

1 year of date of the invoice

The date of filing of the return for September of the next financial year i.e. 20<sup>th</sup> October

The date of filing of the annual return (due date is 31st December of the next financial year)

**On supplies received for which payment has not been made within 3 months from the date of invoice**

If the recipient has not made payment for supplies received, along with the tax payable within 3 months from the date of invoice, the ITC availed will be added to the recipient's liability, along with interest due.

**On motor vehicles and other conveyance**

ITC is not allowed on motor vehicles and other conveyance unless they are:

Further supplied OR

Used for transporting passengers or goods OR

Used for imparting training on driving, flying, or navigating such vehicles or conveyances

### **Other Scenarios**

Other scenarios, such as –

On membership of clubs and health & fitness centres, rent-a-cab services and life & health insurance taken for employees, except notified services which are obligatory to be provided to employees

On food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery

On travel benefits to employees on vacation, such as leave or home travel concession

On tax component of cost of capital goods, if depreciation has been claimed on the tax **component**

On goods and/or services used as inputs by a composition tax payer

On goods and/or services used for personal consumption

On goods and/or services used for making exempt supplies

On goods and/or services where receiver pays tax on reverse charge basis

On goods lost, stolen, destroyed, written off or disposed as gift or free samples

### **Treatment of Input Tax Credit already availed in exceptional scenarios**

Apart from the above, the GST Input Tax Credit rules also lay down provisions in case of certain exceptional scenarios -

#### **When a regular dealer who has availed ITC switches to the composition scheme**

When a regular dealer who has availed ITC switches to the composition scheme, the person must pay back the ITC availed on inputs in stock, inputs in semi-finished state, finished goods in stock and capital goods (reduced by the prescribed percentage points) on the day before the date of switching to the composition scheme.

#### **When taxable goods and/or services become exempt**

When taxable goods and/or services supplied by a person are notified as exempt, the person must pay back the ITC availed on inputs in stock, inputs in semi-finished or finished goods in stock and capital goods (reduced by the prescribed percentage points) on the day before the date of exemption.

## **Input Service Distributors:-**

It is quite common that businesses have a distributed system of manufacturing units or service rendering units across the nation. In simple words, businesses with Head Offices (HO) and Branch Offices (BO) which are spread across the nation – could be in the same state or a different state. Under this system, in order to have better operational efficiency and control, usually businesses adopt centralized billing for procurement of common services at the HO. This situation leads to the accumulation of input tax credit paid on common inward supplies which are used by the branch units.

In order to avoid the aforesaid situation, the concept of Input Service Distributor (ISD) was introduced in CENVAT credit rules, which allows the HO to distribute the input tax credit to eligible units which are engaged in manufacturing or rendering of taxable services. The HO, which does the centralized billing for procurement of common services is termed as the ‘Input Service Distributor’.

In order to distribute the credit, the HO has to obtain a separate registration as an ISD, and file half yearly return.

**As an ISD, the HO mainly performs the following:**

Receives service tax invoice for availing common input services

Distributes the input tax credit to eligible units by issuing an invoice/challan, as required.

**Input Service Distributor under GST**

The concept of Input Service Distributor (ISD) is provided in GST too. It is defined as ‘an office of supplier of goods and/or services, which has received input services under the cover of tax invoice, and is allowed to distribute the said tax credit to the supplier of goods and/or services registered under the same PAN’. This indicates that the ISD is an office:

Which can be a head office, administrative office, corporate office, regional office, depot, and so on, belonging to registered taxable person who intends to distribute the credit

Which receives tax invoices towards the receipt of inward supply of services

Which distributes the tax credit paid of inward supplies of services to the branch units which have consumed the services, and issues invoices for the distribution of credit

## **Registration under GST**

An ISD is required to obtain a separate registration. The registration is mandatory and there is no threshold limit for registration for an ISD. Businesses who are already registered as an ISD under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST. This is because, the existing ISD registration will not be migrated to the GST regime.

Businesses who are already registered as an Input Service Distributor under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST.

## **CLICK TO TWEET**

### **Manner of Distribution**

Under GST, on an intrastate transaction, CGST and SGST will be applicable. In case of transaction within a union territory, CGST and UTGST will be applicable. IGST will be applicable in case of interstate transactions and imports.

### **The following are the scenarios of distribution of credit by an ISD:**

- ISD and the recipient of credit are located in the same state
- ISD and the recipient of credit are located in different states

The unit to which the input tax credit is distributed is referred to as the 'recipient of credit'.

ISD and recipient of credit are located in the same state

When the ISD and recipient of credit are located in the same state/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient in the following manner:

Recipient of Credit and ISD are in same State	
Input Credit with ISD	Distribution to Recipient of Credit
IGST	IGST
CGST	CGST
SGST	SGST
UTGST*	UTGST*

**Applicable on transactions within a union territory**

**Let us understand with an example.**

Top-In-Town Home Appliances Ltd, is located in Bangalore, Karnataka. They also have units located in Mysore, Chennai and Mumbai. The unit in Bangalore is the Head Office and registered as an ISD. They do bulk procurement of common services which are used by the other units too.

Top-In-Town Home Appliances Ltd (HO) receives an invoice of Rs.1,00,000 with GST of Rs.18,000 (CGST Rs.9,000 + SGST Rs.9,000) towards advertisement services provided exclusively to the Mysore unit.

The credit will be distributed as CGST Rs.9,000 and SGST Rs.9,000.

**Recipient of credit and ISD are located in different states**

When the ISD and the recipient of credit are located in different states/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient of credit in the following manner:

Input Tax Credit with ISD	Distribution to Recipient of Credit
IGST	
CGST	
SGST	
UTGST	

It is quite common that businesses have a distributed system of manufacturing units or service rendering units across the nation. In simple words, businesses with **Head Offices (HO)** and **Branch Offices (BO)** which are spread across the nation – *could be in the same state or a different state*. Under this system, in order to have better operational efficiency and control, usually businesses adopt centralized billing for procurement of common services at the HO. This situation leads to the accumulation of input

tax credit paid on common inward supplies which are used by the branch units.

In order to avoid the aforesaid situation, the concept of **Input Service Distributor (ISD)** was introduced in CENVAT credit rules, which allows the HO to distribute the input tax credit to eligible units which are engaged in manufacturing or rendering of taxable services. The HO, which does the centralized billing for procurement of common services is termed as the 'Input Service Distributor'.

In order to distribute the credit, the HO has to obtain a separate registration as an ISD, and file half yearly return.

As an ISD, the HO mainly performs the following:

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- Which can be a head office, administrative office, corporate office, regional office, depot, and so on, belonging to registered taxable person who intends to distribute the credit
- Which receives tax invoices towards the receipt of inward supply of services
- Which distributes the tax credit paid of inward supplies of services to the branch units which have consumed the services, and issues invoices for the distribution of credit

### **Registration under GST**

An ISD is required to obtain a separate registration. The registration is mandatory and there is no threshold limit for registration for an ISD. Businesses who are already registered as an ISD under the existing regime (i.e. under Service Tax), will be required obtain a new ISD registration under GST. This is because, the existing ISD registration will not be migrated to the GST regime.

**Manner of Distribution:** Under GST, on an intrastate transaction, CGST and SGST will be applicable. In case of transaction within a union territory, CGST and UTGST will be applicable. IGST will be applicable in case of interstate transactions and imports. The following are the scenarios of distribution of credit by an ISD:

- ISD and the recipient of credit are located in the same state
- ISD and the recipient of credit are located in different states

The unit to which the input tax credit is distributed is referred to as the 'recipient of credit'.

### **ISD and recipient of credit are located in the same state**

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The credit will be distributed as CGST Rs.9,000 and SGST Rs.9,000.

**Recipient of credit and ISD are located in different states**

When the ISD and the recipient of credit are located in different states/union territory, the input tax credit of IGST, CGST, SGST, and UTGST should be distributed to the recipient of credit in the following manner:

## Distribution of Credit

In our previous blog Understanding Input Service Distributor (ISD) in GST, we discussed the role of an ISD in GST. In this blog, we will discuss the various conditions applicable for the distribution of credit and method of distribution of credit to different units (branches).

Conditions for distribution of input tax credit by an ISD

The following are the conditions applicable for distribution of input credit by an ISD:

**1.** An ISD invoice clearly indicating 'issued only for distribution of input tax credit', should be issued by the distributor to the recipient of credit. The unit to which the input tax credit is distributed is referred as the 'Recipient of credit'. The tax invoice should contain the following details;

- Name, address, and GSTIN of the Input Service Distributor
- A consecutive serial number containing only alphabets and/or numerals, unique for a financial year
- Date of its issue

- Name, address, and GSTIN of the supplier of services, the credit in respect of which is being distributed, and the serial number and date of invoice issued by such supplier
- Name, address, and GSTIN of the recipient to whom the credit is being distributed
- The amount of credit distributed, and
- Signature or digital signature of the supplier or his authorized representative

2. The amount of credit distributed shall not exceed the amount of credit available for distribution.

3. The input tax credit available for distribution in a month shall be distributed in the same month, and the details of the same shall be furnished in Form GSTR -6.

4. The input tax credit should be distributed only to that branch which has consumed the input services. Let us understand this with an example:

For example, Top-In-Town Home Appliances Ltd, is located in Bangalore, Karnataka. They also have branches located in Mysore (Karnataka), Chennai (Tamil Nadu), and Mumbai (Maharashtra). The unit in Bangalore is the Head office and they procure common services in bulk which are used by the other branches too.

Top-In-Town Home Appliances Ltd (HO) receives an invoice of Rs.1,00,000 + GST of Rs.18,000 towards advertisement services provided exclusively to the Mysore branch.

The total credit of Rs.18,000 will be distributed only to the Mysore branch.

5. The credit of tax paid on input services, availed by more than one recipient of credit or all, should be distributed only amongst such recipients or all recipients.

#### **Method of input tax distribution**

The distribution shall be on pro rata basis based on the turnover for the previous year of such recipients. In the absence of turnover in previous financial year, the turnover of the last quarter of the month in which ITC is distributed, will be considered.

## **Matching of Input Tax Credit:-**

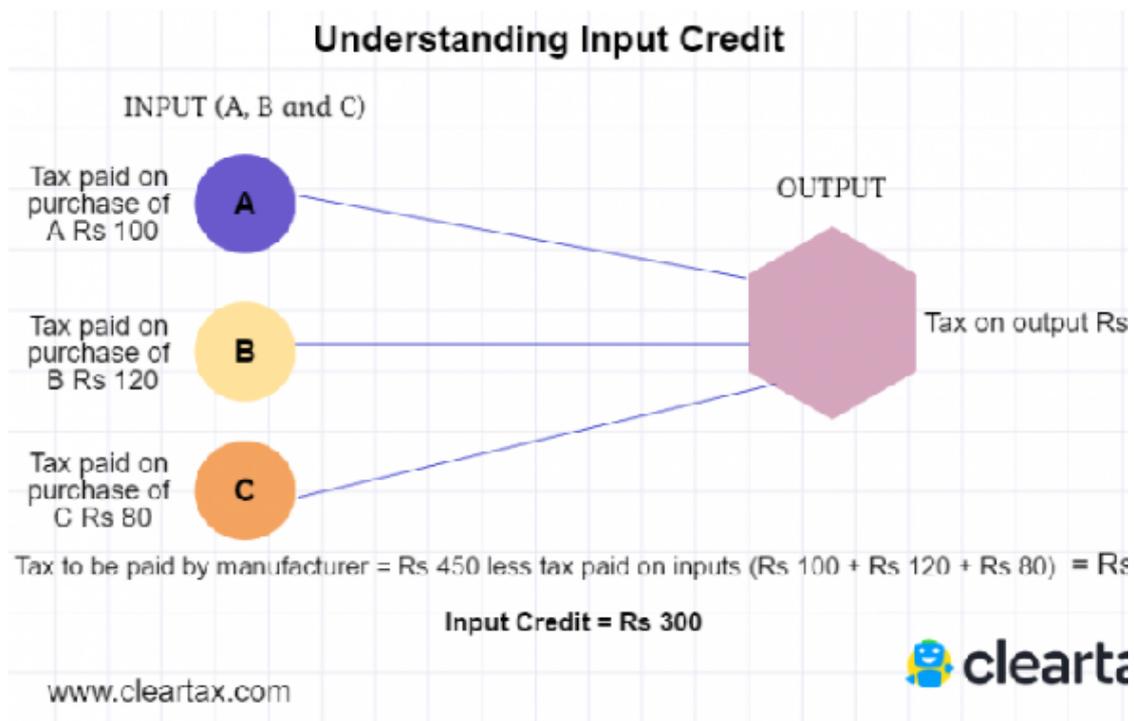
### **What is input tax credit?**

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales *minus* tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:

- Tax payable on output (FINAL PRODUCT) is Rs 450
- Tax paid on input (PURCHASES) is Rs 300
- You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs 150 in taxes.



### Q 1. What is IGST?

Ans. “Integrated Goods and Services Tax” (IGST) means tax levied under the IGST Act on the supply of any goods and/ or services in the course of inter-State trade or commerce.

### Q 2. What are inter-state supplies?

Ans. A supply of goods and/or services in the course of inter-State trade or commerce means any supply where the location of the supplier and the place of supply are in different States, two different union territory or in a state and union territory Further import of goods and services, supplies to SEZ units or developer, or any supply that is not an intra state supply. (Section 7 of the IGST Act).

### Q 3. How will the Inter-State supplies of Goods and Services be taxed under GST?

Ans. IGST shall be levied and collected by Centre on inter- state supplies. IGST would be broadly CGST plus SGST and shall be levied on all inter-State taxable supplies of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information is

also submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

**Q 4. What are the salient features of the draft IGST Law?**

Ans. The draft IGST law contains 25 sections divided into 9 Chapters. The law, inter alia, sets out the rules for determination of the place of supply of goods. Where the supply involves movement of goods, the place of supply shall be the location of goods at the time at which the movement of goods terminates for delivery to the recipient. Where the supply does not involve movement of goods, the place of supply shall be the location of such goods at the time of delivery to the recipient. In the case of goods assembled or installed at site, the place of supply shall be the place of such installation or assembly. Finally, where the goods are supplied on board a conveyance, the place of supply shall be the location at which such goods are taken on board.

The law also provides for determination of place of supply of service where both supplier and recipient are located in India (domestic supplies) or where supplier or recipient is located outside India (international supplies). This is discussed in details in the next Chapter.

It also provides for certain other specific provisions like payment of tax by online information and database access service provider located outside India to an unregistered person in India, upon taking registration in India, under the IGST Act, following a simplified provision (section 14 of the IGST Act),

**Q 5. What are the advantages of IGST Model?**

Ans. The major advantages of IGST Model are:

- a. Maintenance of uninterrupted ITC chain on inter- State transactions;
- b. No upfront payment of tax or substantial blockage of funds for the inter-State seller or buyer;
- c. No refund claim in exporting State, as ITC is used up while paying the tax;
- d. Self-monitoring model;
- e. Ensures tax neutrality while keeping the tax regime simple;
- f. Simple accounting with no additional compliance burden on the taxpayer;
- g. Would facilitate in ensuring high level of compliance and thus higher collection efficiency. Model can handle 'Business to Business' as well as 'Business to Consumer' transactions.

**Q 6. How will imports/exports be taxed under GST?**

Ans. All imports/exports will be deemed as inter-state supplies for the purposes of levy of

GST (IGST). The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available as ITC of the IGST paid on import on goods and services. Exports of goods and services will be zero rated. The exporter has the option either to export under bond without payment of duty and claim refund of ITC or pay IGST at the time of export and claim refund of IGST. The IGST on imports is leviable under the provisions of the Customs Tariff Act and shall be levied at the time of imports along with the levy of the Customs Act (Section 5 of the IGST Act)

**Q 7. How will the IGST be paid?**

Ans. The IGST payment can be done utilizing ITC or by cash. However, the use of ITC for payment of IGST will be done using the following hierarchy, -

- First available ITC of IGST shall be used for payment of IGST;
- Once ITC of IGST is exhausted, the ITC of CGST shall be used for payment of IGST;
- If both ITC of IGST and ITC of CGST are exhausted, then only the dealer would be permitted to use ITC of SGST for payment of IGST.

Remaining IGST liability, if any, shall be discharged using payment in cash. GST System will ensure maintenance of this hierarchy for payment of IGST using the credit.

**Q 8. How will the settlement between Centre, exporting state and importing state be done?**

Ans. There would be settlement of account between the Centre and the states on two counts, which are as follows-

- Centre and the exporting state: The exporting state shall pay the amount equal to the ITC of SGST used by the supplier in the exporting state to the Centre.
- Centre and the importing state: The Centre shall pay the amount equal to the ITC of IGST used by a dealer for payment of SGST on intra- state supplies.

The settlement would be on cumulative basis for a state taking into account the details furnished by all the dealer in the settlement period. Similar settlement of amount would also be undertaken between CGST and IGST account.

**Q 9. What treatment is given to supplies made to SEZ units or developer?**

Ans: Supplies to SEZ units or developer shall be zero rated in the same manner as done for the physical exports. Supplier shall have option to make supplies to SEZ without payment of taxes and claim refunds of input taxes on such supplies (section 16 of the IGST Act).

**Q 10. Are business processes and compliance requirement same in the IGST and CGST**

**Acts?**

Ans: The procedure and compliance requirement are same for processes like registration, return filing and payment of tax. Further, the IGST act borrows the provisions from the CGST Act as relating to assessment, audit, valuation, time of supply, invoice, accounts, records, adjudication, appeal etc. (Section 20 of the IGST Act).

## **Place of Supply of Goods & Services:-**

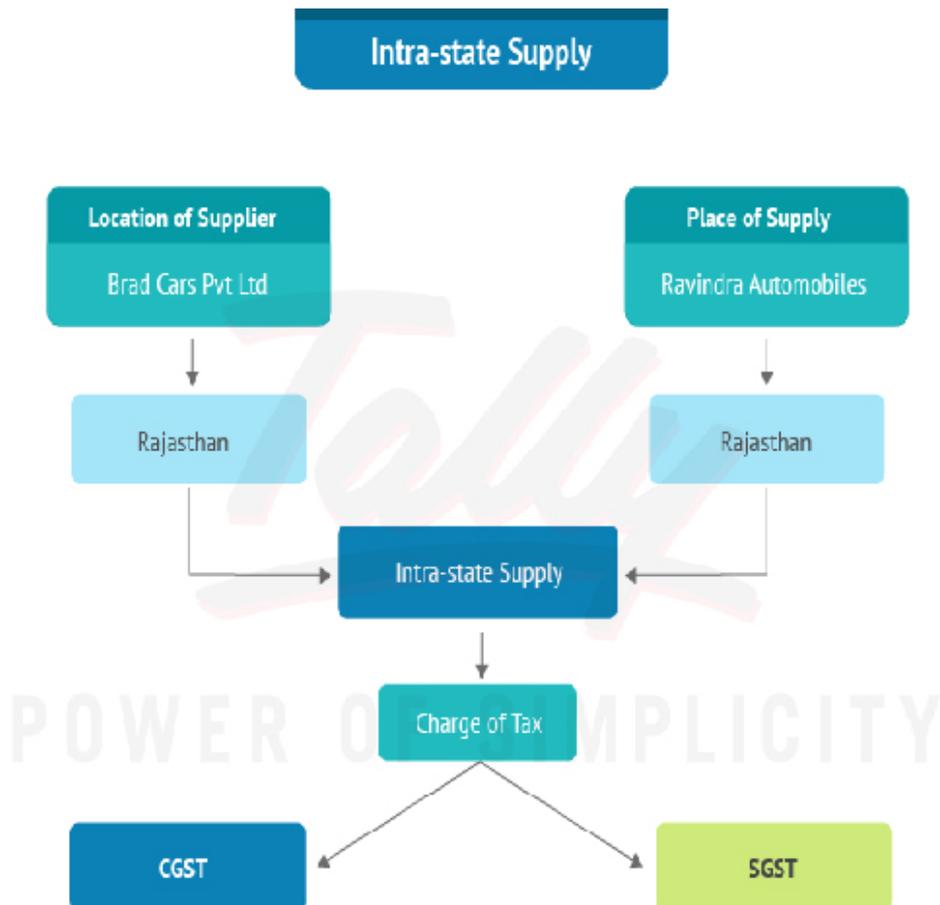
Under GST, the existing system of levy of tax on manufacture, provision of taxable services, and sale of goods will be replaced by the concept of 'SUPPLY'. The taxable event under GST is the 'Supply' of Goods or Services. It is very important, therefore, to understand the place of supply in determining the right charge of tax on supply. The model GST Law lays down the criteria to determine the place of supply. Based on these criteria, you can treat the supply of goods or services as either Intra-State (within the State) or Inter-State (Outside the State).

There are two important components which determine the tax to be charged on a supply:

- **Location of the Supplier** – It is the registered place of business of the supplier
- **Place of Supply** – It is the registered place of business of the recipient

Let us understand this with an example.

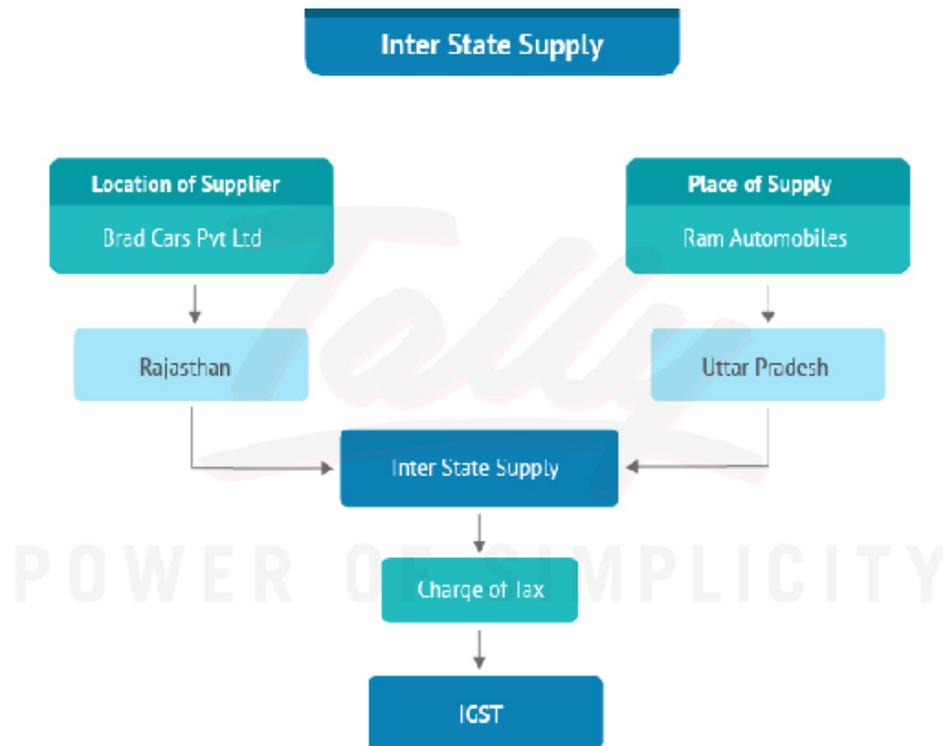
Brad Cars Pvt Ltd's registered place of business is in Jaipur, Rajasthan. It supplies cars to Ravindra Automobiles, whose registered place of business is in Udaipur, Rajasthan.



Here, the location of Brad Cars Pvt Ltd is in Rajasthan and the place of supply is also in Rajasthan. Hence, this is an intra-state supply, i.e. supply within the state. In an intra-state supply, the taxes to be charged are **CGST and SGST**.

Let us now see another example.

Brad Cars Pvt Ltd's registered place of business is in Rajasthan. It supplies cars to Ram Automobiles, whose registered place of business is in Lucknow, Uttar Pradesh.



In this example, the location of Brad Cars Pvt Ltd is in Rajasthan and the place of supply is in Uttar Pradesh. This is an interstate supply, i.e. supply outside the state. In an interstate supply, the tax to be charged is **IGST**.

The following are also treated as interstate supplies:

- Import of goods or services
- Export of goods or services
- Supply of goods or services to or by a SEZ developer or SEZ unit, even if the supply is within the state.







