

Managing Expenses under GST in BUSY

Overview

As per GST, all expenses can be categorized into three major categories:

- GST Applicable Expenses
- GST Not Applicable Expenses
- Non-GST Expenses

GST Applicable Expenses

Most of the expenses like Office Stationery, Food & Beverages, Telephone Expense, Transportation Charges, Office Maintenance and Job-work Charges etc. come under this category. Each expense has a specific GST Rate, SAC/HSN Code, Reverse Charge Nature and Input Tax Eligibility. These expenses need to be configured and booked with utmost care as all the details related to these expenses will be reflected in GST reports.

GST Not Applicable Expenses

Some of the expenses are out of the scope of GST like Salary & Wages to Staff, Interest on Loan and Bank Interest etc. These expenses do not attract GST and need not be reported in GST reports.

Non-GST Expenses

Some of the Goods/Services have been classified as Non-GST expenses, means some other tax is levied on them. Expenses like Water & Electricity and Petrol & Diesel are Non-GST Expenses. Although GST is not applicable on these expenses, they need to be reported as Non-GST supplies in GST reports.

So, while creating/modifying an expense account, we need to specify correct 'GST Type' (out of above three).

'GST Applicable Expense' detailed configuration

Since GST Applicable Expenses are most common expenses, we need to understand them in more detail. Given below is the screenshot of a GST Applicable Expense account.

General Info.		Address Info	
Name	Office Maintenance Expense	Address	
(Alias)			
Print Name	Office Maintenance Expense		
Group	Expenses (Indirect/Admn.)		
Op. Bal.	0.00	(Rs.)	Dr/Cr D
Prev. Year Bal.	0.00	(Rs.)	Dr/Cr D
GST Type GST Applicable		Tel. No. Fax Mobile No. E-Mail Enable Email Query Enable SMS Query Contact Person IT PAN Ward	
GST Details Tax Category Services 18%		Aadhaar No. LST No. CST No. TIN LBT No. GSTIN / UIN Service Tax No	
HSN / SAC Code		ITC Eligibility	Input Services
Reverse Charge	Based on Daily Limit		
Transport	Based on Daily Limit		
	Compulsory (Reg. Dealer)		
	Compulsory (Unreg. Dealer)		
	Service Import		
	Not Applicable		

Notes Opt. Fields ACC IMAGE Save Quit

Esc=>Quit F2=>Done

For GST Applicable Expense, following additional details need to be specified:

Tax Category – Specify the rate at which GST is applicable on this account (either directly or through RCM).

HSN/SAC Code– Specify the HSN/SAC Code for this account. This HSN/SAC Code is required for GST reports.

ITC Eligibility – Under this field, following options appear:

- **Input Goods** – Select this option if the Input tax Credit you are claiming is for input goods like ‘Stationery Items’.
- **Input Services** – Select this option, if the Input Tax Credit you are claiming is for input services like ‘Office Rent’.
- **Capital Goods** – Select this option, if the Input Tax Credit you are claiming is for Capital goods like ‘Computers’.
- **None**– Select this option if Input Tax credit is not allowed for this expense like ‘Food & Beverages’.

Reverse Charge – Reverse charge is applicable if expense is incurred from an unregistered dealer. Means we need to deposit applicable tax on that expense on our own as RCM and claim input credit (if allowed) for the same later on. Following options are available for RCM:

- **Based on Daily Limit** – Government has allowed routine daily expenses upto Rs. 5000 per day from unregistered dealers without applying RCM. Select this option if this expense account comes under Daily Expense Limit.
- **Compulsory (Reg. Dealer)** – Some of the goods/services comes under compulsory RCM even if supplier is registered like transportation services. These expenses are out of the ambit of daily limit and RCM is always applicable. Select this option if expense comes under compulsory RCM service and supplier is registered.
- **Compulsory (Unreg. Dealer)** – Select this option if expense comes under compulsory RCM but the supplier is unregistered.
- **Service Import** – Select this option if the expense account belongs to the services taken from outside India like 'Server Hosting Space' taken from some company based in USA. RCM is always applicable for this type of expense.
- **Not Applicable** – Select this option if RCM is not applicable on this account.

These additional details for GST Applicable Expenses need to be specified in all existing expense accounts or new expense accounts being created.

Recording 'GST Applicable Expense' transactions through Journal/Payment vouchers

Once all expense accounts are configured properly, next step is to record expense transactions.

GST Applicable Expenses can be booked either through a Registered Supplier or Unregistered Supplier in following modes:

1. **Registered Supplier with B2B Invoice (Invoice with your Name & GSTIN)**
2. **Registered Supplier with B2C Invoice (Invoice without your Name & GSTIN)**
3. **Un-registered Supplier**
4. **GST Exempt**

Let us see how to enter expense vouchers in all the above four modes using *Journal/Payment* vouchers:

Case 1 (B2B): Select GST Nature as '**Registered Expense (B2B)**' in *Journal/Payment* voucher. This option is to be selected when expenses incurred are from a registered dealer with your name and GSTIN printed on invoice. For example, Payment made to Galaxy Toyota for Car servicing with GST paid invoice carrying your name and GSTIN. Given below is the screenshot of *Journal* voucher entered with GST Nature as '**Registered Expense (B2B)**'.

Add Payment Voucher

Voucher Series **Main** Date **12-07-2017** (Wed) Vch No.

GST Nature **Tax Paid Expense (B2C)**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	Food & Beverages	2,500.00		
2	C	Cash		2,500.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
			2,500.00	2,500.00	

(Cur. Bal. : Rs. 2,04,47,113.00 Dr)

Long Narration

Vch. Other Detail Master Other Detail Party Dash Board VCH IMAGE ACC IMAGE Save Quit

Esc=>Quit F2=>Done F4=>Std.Nar. F6=>Vch.Type F7=>Repeat F9=>Del.Line

Note: You will not get any Input Credit on this expense as invoice is not in your name nor does it will come under RCM as tax is already paid.

Case 3 (RCM): Select GST Nature as '**RCM/Unreg. Expense**' in *Journal/Payment* voucher. This option is to be selected when expense incurred is from unregistered dealer or expense nature is Compulsory RCM or expense is Service Import. By choosing this GST nature this transaction will become liable for RCM. These vouchers are used later on to calculate 'Consolidated RCM Liability' at day end. Given below is the screenshot of *Payment* voucher entered with GST Nature as '**RCM/Unreg. Expense**'.

Add Payment Voucher

Voucher Series **Main** Date **10-08-2017** (Thu) Vch No.

GST Nature **RCM/Unreg. Expense**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	Office Stationery	1,000.00		
2	C	Cash		1,000.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					

(Cur. Bal. : Rs. 1,200.00 Cr) **1,000.00** **1,000.00**

Long Narration

Vch. Other Detail Master Other Detail Party Dash Board VCH IMAGE ACC IMAGE Save Quit

Esc=>Quit F2=>Done F4=>Std.Hdr. F6=>Vch.Type F7=>Repeat F9=>Del.Line

Note: You do not need to calculate/charge RCM in this voucher. RCM calculation and voucher feeding is to be done at day end using the RCM Calculation utility provided in **Transactions** → **GST Misc. Utilities** menu.

Case 4 (Exempt): Select GST Nature as '**Exempt Expense**' in *Journal/Payment* voucher. This option is to be selected when either the expense is fully exempt by nature (like Books & Periodicals) or expense is taxable but current voucher is exempt (like transportation charges less than a specified amount). The expense incurred may be from a Registered or Unregistered dealer. Given below is the screenshot of *Payment* voucher entered with GST Nature as '**Exempt Expense**'.

Add Payment Voucher

Voucher Series **Main** Date **14-07-2017** (Fri) Vch No.

GST Nature **Not Applicable/Non-GST**

S.No	D/C	Account	Debit (Rs.)	Credit (Rs.)	Short Narration
1	D	Water & Electricity Expenses	3,200.00		
2	C	Cash		3,200.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
			3,200.00	3,200.00	

(Cur. Bal. : Rs. 0.00)

Long Narration

Vch. Other Detail Master Other Detail Party Dash Board VCH IMAGE ACC IMAGE Save Quit

Esc=>Quit F2=>Done F4=>Std.Hdr. F6=>Vch.Type F7=>Repeat F9=>Del.Line

Note: GST Not Applicable/Non-GST expenses be booked in one way only as shown above.

Recording expense transactions through *Purchase voucher*

In all the above examples, Accounting vouchers (*Payment/Journal*) were used to book expenses. You can also book expenses using *Purchase voucher*. To book expense through *Purchase voucher* first of all, you need to create an *Item* for goods or services being purchased.

In the *Item master* enter all necessary details and tag purchase account with the relevant expense account. Given here is the screenshot of *Item master*.

Add Item Master

Name **Sopas & Phenyl**
 Alias
 Print Name **Sopas & Phenyl**
 Group **General**

Main Unit Details

Unit	N.A.
Op. Stock (Qty.)	0.00
Op. Stock (Value)	

Discount & Markup Det.

Sale Discount	0.00	Purc. Discount	0.00
Sale Compound Disc.		Purc. Compound Disc.	
Specify Sales Disc. Structure	N	Specify Purc. Disc. Structure	N
Sale Markup	0.00	Purc. Markup	0.00
Sale Comp. Markup		Purc. Comp. Markup	
Specify Sales Markup Structure	N	Specify Purc. Markup Structure	N

Item Price Info

Sales Price applied on		Purc. Price applied on	
Sales Price (N.A.)	0.00		
Purc. Price (N.A.)	0.00		
M.R.P. (N.A.)	0.00		
Min. Sales Price (N.A.)	0.00		
Self-Val. Price	0.00		

Item Description

Set Critical Level (Y/N) **Y**

Maintain RG-23D
 Serial No.-wise Details
 MRP-wise Details
 Exp./Mfg. Date Required
 Specify Sales Account **N**

Tariff Heading
 Parameterized Details
 Batch-wise Details
 Expiry Days

Specify Purc Account **Y** **Office Maintenance Expenses**

Specify Default MC

Freeze MC for Item
 Total No. of Authors (Max. 10)
 Pick Item Sizing Info. from Item Description
 Specify Default Vendor **N**

Don't Maintain Stock Balance **Y**

Packaging Unit Details

Packaging Unit	Con. Factor
Sales Price	Purc. Price

Default Unit for Sales
 Default Unit for Purc.

Tax Category **Services 18%**
 HSN / SAC Code for GST

Item Tax Details

Type	Services	Tax on MRP	N
Rate of Tax (CGST)	9.00		
Rate of Tax (SGST)	9.00		
Rate of Tax (IGST)	18.00		

Notes Opt. Fields Multiple Alias ITEM IMAGE Save Quit

Esc=>Quit F2=>Done

Once Item master has been created, you can enter *Purchase* voucher. Given below is the screenshot of *Purchase* voucher.

Add Purchase Voucher

Series **Main** Date **20-07-2017** (Thu) Vch No. **1** Purc Type **L/GST-Unreg(RCM)**

Party **Raj Traders** Mat. Centre **Main Store**
 (Cur. Bal. : Rs. 2,64,000.00 Cr) (GSTIN / UIN :)

ITC Eligibility **Input Services** Reverse Charge **Based on Daily Limit**

Narration **Based on Daily Limit**

S.N.	Item	Price (Rs.)	Amount (Rs.)
1	Sopas & Phenyl	0.00	500.00
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
0.00			500.00

GST Summary

Tax Rate	Taxable Amt.	CGST	SGST	S.N.	Bill Sundry	@	Amount (Rs.)
0+0%	500.00	---	---	1			
				2			
				3			
				4			
				5			
Totals	500.00	0.00	0.00				500.00

500.00

Vch. Detail Master Detail Party Dash Board VCH IMAGE ACC IMAGE ITEM IMAGE Update Disc./Markup Check Scheme Save Quit

Esc=>Quit F2=>Done F4=>Std.Nar./BOM F6=>Vch.Type F7=>Repeat F9=>Del.Line

If purchase is made from an Un-registered dealer, then select *L/GST-Unreg (RCM)* option in *Purchase Type*. But if purchase is made through a Registered dealer then select normal *Purchase Type* such as *L/GST-18%*, *L/GST-28%* and so on. Other fields like *ITC Eligibility & Reverse Charge* are self-explanatory.

Conclusion

If all the expense accounts are configured properly and transactions are recorded in the manner as specified above, they will be reflected properly in GST reports/returns.

<<< ☺ Thank You ☺ >>>