

## **CHAPTER-10**

# **TAXATIONS**

### **VAT**

VAT stands for Value Added Tax and was introduced by Central Government in lieu of Sales Tax, VAT is collected by the Seller of goods for the value added by him from the Buyer of goods and paid to Government. VAT avoids the double taxation as happened in Sales Tax. VAT is coming under Indirect Tax system.

## **TERMINOLOGIES USED IN VAT**

Input VAT.

Output VAT.

Input Credit.

### **Input VAT**

This is paid by the buyer on purchases.

### **Output VAT**

This is collected by the seller on sales from the buyer.

### **Input Credit**

Adjusting Input tax against the output tax is called Input Credit.

## **VAT RATES**

- i. VAT @ 4%: 270 goods are coming under these category. Eg. Drugs, Medicine, etc.
- ii. VAT @ 1%: This is for a specific category goods like Gold, Silver, etc
- iii. Exempted from VAT 46 commodities are coming under this category. And of it 10 commodities that each state would be allowed to select.
- iv. VAT @ 12.5%: The remaining commodities are coming under the general VAT rates of 12.5%.

## **VAT ACTIVATION**

1. Press F11:Features
2. Statutory and Taxation
3. Enable VAT = "YES".
4. Set/Alter VAT Details ="YES".
5. Fill the details called for under 'VAT Details'.

### **Post the following Transactions:-**

1.4.2013	Purchases of Lux soap 4000 Pcs @ Rs.10 from Mohan & Co. VAT @ 4%.
2.4.2013	Freight paid Rs.2000.
1.5.2013	Sales made: Lux Soaps 3500 Pcs @ Rs.15 each. VAT@ 4%.
2.6.2013	Purchases made: Lux soaps 3000 Pcs @ Rs.10 each. VAT @ 4%.
1.7.2013	Sales made to Sohan & Co 3200 Pcs @ Rs.10 each. VAT @ 4%.

### **NOTE :**

- i. All purchases (cash or credit) to be posted through Purchases Item Invoice
- ii. All Sales (cash or credit) to be posted through Sales Item Invoice.
- iii. Excess VAT paid or received are transferred to VAT payable or VAT Receivable.
- IV. Debit VAT Payable account and credit Bank Account for VAT payment to Government.

Particulars		Assessable Value	Tax Amount
<b>Sales</b>			
<b>A. Output Tax</b>			
Output VAT @ 4%		84,500.00	3,380.00
<b>Total Output Tax</b>		<b>84,500.00</b>	<b>3,380.00</b>
<b>Purchases</b>			
<b>B. Input Tax</b>			
Excess Input Credit Brought Forward			
Input VAT @ 4%		70,000.00	2,800.00
<b>Total Input Credit</b>		<b>70,000.00</b>	<b>2,800.00</b>
<b>VAT Payable</b>			<b>580.00</b>

## HOW TO VIEW VAT REPORTS?

1. Gateway of Tally
2. Display
3. Statutory Reports
4. VAT Reports
5. VAT Computation or
6. VAT Forms

## TDS

TDS (Tax Deducted at Source) is one method of collection of Income Tax. When the Buyer (Deductor) makes payment like Salaries, Rent, Interest, Dividend, Insurance, Commission on Lottery Tickets, etc. to the Seller (Deductee), TDS is deducted and paid to Income Tax Department within the stipulated period. Form 16(A) given by the Deductor to Deductee contains the details of Gross Income, Deductions, Savings, Tax deducted, etc. The Deductor has to file Quarterly Returns electronically in the Form 26 & 27(A).

### ACTIVATION:

1. Press F11: Features
2. Statutory and Taxation
3. Enable TDS = "YES".
4. Set/Alter TDS Details = "YES".
5. Fill the details called for under 'Company TDS Deductor Details'.

### Post the following Transactions:-

01.04.2006	Fees on Professional Services payable to ABC Enterprises Rs.2 Lacs.
02.04.2006	TDS to be collected at 20% from the amount payable to ABC Enterprises
01.05.2006	Fees paid to ABC Enterprises
02.06.2006	TDS amount paid to Income Tax Department

NOTE: While voucher posting, we have to use 'TDS DEDUCTION' Button from Button Panel for TDS Deduction.

## **HOW TO VIEW TDS REPORTS?**

1. Gateway of Tally
2. Display
3. Statutory Report
4. TDS Report
5. Print form 16(A)/ETDS Forms/Print Form 27A

## **SERVICE TAX**

Service Tax is an Indirect Tax levied on certain category of services rendered by Firm, Person, Agency, etc. When a Seller provides a service to the Buyer, the responsibility of collecting the Service Tax from the Buyer and paying the same to the Government rests with the Seller.

Service Tax rate is 12.5%. Service Tax to be levied on 73 categories of service. Service Tax should be shown separately in the Invoice. Service Tax payable only on the total amount shown in Invoice. We have to pay Service Tax on the service that we sell and get credit on the Service Tax payable when we buy a service. Service Tax to be paid to the Government in Form TR6 Challan in designated bank. Service Tax WebSite : <http://www.servicetax.gov.in>

### **ABATEMENT:**

Some deductions may be allowed from the Payment for Calculation of Service Tax, which is called as "ABATEMENT".

### **ACTIVATION:**

1. F11:Features.
2. Statutory and Taxation
3. Enable Service Tax = "YES".
4. Set/Alter Service Tax Details ="YES".
5. Fill the details called for under 'Company Service Tax Details'.

### **Post the following Transactions:-**

- |          |   |
|----------|---|
| 1.5.2013 | Purchase was made from BSNL, 500 Mobile Recharge Vouchers for Rs.100 per voucher with Service Tax   |
| 2.5.2013 | Purchase was made from AIRTEL, 400 Mobile Recharge Vouchers for Rs.150 per voucher with Service Tax |
| 1.6.2013 | Amount paid to BSNL in full settlement  |
| 2.6.2013 | Amount paid to AIRTEL in full settlement.   |
| 1.7.2013 | Sold 400 BSNL Mobile Recharge Vouchers for Rs.140 per voucher with Service Tax                      |
| 2.7.2013 | Sold 350 AIRTEL Mobile Recharge Vouchers for Rs.175 per voucher with Service Tax.                   |

### **NOTE:**

- o All Purchases and Sales transactions should be posted through Invoice Mode only.
- o When Service Tax received more and paid less,
  - Debit – Service Tax Received
  - Credit – Service Tax Paid
  - Credit – Service Tax payable
- o When service tax received less and paid more

Debit – Service Tax received  
 Credit – Service Tax paid  
 Debit – Service Tax receivable.  
 Credit – Service Tax paid

Service Tax Payable		Service Tax (R. Anand)							as at 31 Mar 2007	
Date	Ref. No.	Partys' Name	Category Name	Bill Value			Realised Value			Total Payable
				Assessable Value	Service Tax	Cess	Assessable Value	Service Tax Payable	Cess Payable	
5-Jun-2006	Salar1	Niccc & Co	Chartered Accountant	5,000.00	625.00		5,000.00	625.00		625.00
<b>Total</b>				<b>5,000.00</b>	<b>625.00</b>		<b>5,000.00</b>	<b>625.00</b>		<b>625.00</b>

## HOW TO VIEW THE SERVICE TAX?

- Gateway of Tally
- Display
- Statutory Reports
- Service Tax Reports
- TR6 Challan, etc.

## EXCISE FOR DEALERS

Central Excise is a Tax levied on the goods manufactured or produced and it is collected at the time of removal of manufactured goods from the factory. Central Excise Duty is the single largest source of income for the Central Government and it is collected by Central Excise Department under the authority of Central Excise Act, 1944.

### Who is a Trader/Dealer?

The person who purchases and sells goods and maintains an inventory of goods is called a Trader/Dealer.

### Who will be covered under Dealer Excise?

The following dealers are covered under Excise for Traders.

#### **(a) First Stage Dealer**

A First Stage Dealer is one who purchases goods directly from the manufacturer, etc.

#### **(b) Second Stage Dealer**

A registered dealer who purchases goods from the First Stage Dealer is called a Second Stage Dealer.

**ACTIVATION:**

1. Create a company in the name of Excise & Co.
2. F11: Features.
3. Statutory & Taxation
4. Enable Dealer – Excise =Yes
5. Set / Alter Dealer – Excise Details =Yes
6. Open 'Purchase Accounts' Group and Alter as 'Method to Allocate when used in Purchase Invoice' = Appropriate by Quantity.
7. Create a new Voucher type 'Excise Purchase' under Purchase.
8. Create a new Voucher type 'Excise Sales'.

NOTE: Sales can be done only if purchase is made.

**Post the following Transactions:-**

1.4.2006	Bought 100 Videocon Colour TVs at Rs.12,000 from Videocon Ltd. Excise Duty @ 16%; Education Cess @ 2%.
1.5.2006	Purchased 50 Videocon B&W TV at Rs.4,000 vide SBI cheque No.458975. Excise Duty @ 16%; Education Cess @ 2%.
2.6.2006	Bought 75 Onida Colour TV at Rs.10,000 from Onida Electronics Ltd. On credit. Excise Duty @ 16%; Education Cess @ 2%.
1.7.2006	Purchased 35 Onida B&W TV at Rs. 4000 vide Canara Bank Cheque No.348596. Excise Duty @ 16%; Education Cess @ 2%.
2.8.2006	Sales made: 15 Videocon Colour TV at Rs.15000 to SRK Enterprises
1.9.2006	Sold 25 Videocon B&W TV at Rs 5000 each vide HDFC Bank Cheque No.623496 Excise Duty @ 16%; Education Cess @ 2%.
2.10.2006	Sales made: Onida Colour TV 10 Nos. at Rs.12000 to Sarath Technologies.
2.11.2006	Sold 18 Onida B&W TV at Rs.4800, vide ICICI Bank Cheque No.532960

- Note : 1. Velachery Godown for Videocon and Tambaram Godown for Onida.  
2. 'Excise-Purchases' and 'Excise-Sales' voucher types should be created.

Sl. No.	Invoice No. / Date	Name and Address of the Supplier	Nature of Purchase	Receipt Quantity	Rate	Assessable Value	Duty per Unit	Total Duty	Cess per Unit
	123 15-Jul-2006	Cash	First Stage Dealer	35	4,000.00	1,40,000.00	640.00	22,400.00	80.00
Total				35		1,40,000.00		22,400.00	

**HOW TO VIEW THE EXCISE REPORTS?**

1. Gateway of Tally
2. Display
3. Statutory Report
4. Dealer Excise Reports

## CST

CST stands for Central Sales Tax. CST is levied by Central Government when goods are sold to or purchased from other states. It is collected for inter state transactions and not for transactions within the state. Inter-state sale is when a sale or purchase constitutes movement of goods from one state to another.

### ACTIVATION

1. Press F11 Features
2. Enable Value Added Tax (VAT) = Yes.
3. Set\Alter VAT details = Yes.
4. Press F12 Configuration → Invoice\Orders Entry.
5. Activate 'E1' or 'E2' Transaction? = Yes.
6. Give "YES" to 'Use for Calculation' under Purchase Account Group Alteration.

### Post the following Transactions:-

1.1.2007	Purchases made from Gupta & Co. of Madhya Pradesh; 30 Videocon Colour TV sets @ Rs.12000 each; CST rate 4%.
1.1.2007	Bought 20 Samsung Colour TVs from Menan & Co of Maharastra @ Rs.13000 each; CST rate 4%.
2.2.2007	Sales made to Guruvayurappan & Co of Kerela 15 Samsung TVs @ Rs.14000 each; CST rate 4%.
2.2.2007	20 Videocon Colour TVs sold to Kaveri Enterprises of Karnataka @ Rs.15000 each; CST rate 4%.

### HOW TO VIEW THE REPORTS

1. Gateway of Tally
2. Display
3. Statutory Reports
4. CST Reports
5. Forms Receivable/Issuable
6. Press F12 to configure.

## FRINGE BENEFIT TAX

The term Fringe Benefits means 'any consideration for employment provided by way of any privilege, service, facility or amenity provided by the employer to the employees'. Fringe Benefit Tax is to be levied on the employer in respect of fringe benefits provided/deemed to be provided by the employer to his employees during any financial year commencing on or after 1.4.2005.

Fringe Benefit Tax is payable at the rate of 30% of the value of fringe benefits computed in the manner prescribed under the Section 115WC. Fringe Benefit Tax payable by an employer is in respect of perquisites or fringe benefits provided by the employer to his employees in addition to the cash salary or wages paid during the year. Entertainment, Hospitality, Employee welfare, Conveyance, Tours and travel, Hotel, Boarding, Lodging, Scholarship to employees' children, etc. are some of the examples for Fringe Benefits. Tax Rate is 30% + Surcharge @10% + Education Cess @ 2%. It is a tax on expenditure, not income. It is a tax on employer, not employees.

### ACTIVATION

1. Gateway of Tally.
2. Press F11: Features.
3. Enable to FBT = Yes.

**EXERCISE**

DATE	PARTICULARS
2.1.2007	Entertainment Expenses payable to Crazy Creations Rs.2,00,000.
2.1.2007	Crazy Creations' bill paid (recovery Rs.50,000) with Voucher Class.
2.2.2007	Hospital expenses payable to Malar Hospitals Rs.30,000.
2.2.2007	Hospital bill settled (recovery Rs.10,000)
1.3.2007	Leave Fare Concession: Bill payable to Bharath Travels Rs.1,00,000
1.3.2007	Bharath Travels bills paid

**Note: FBT Voucher Class should be created to post the recoveries.**

**HOW TO VIEW THE REPORTS**

1. Gateway of Tally
2. Display
3. Statutory Reports
4. FBT Reports
5. FBT Computation

Particulars	Expenditure Amount	Amount Recovered	Nett Expenditure	Percentage as per Sec. 115WC	Value of Fringe Benefit
Conveyance, Tours and Travel (Including Foreign Travel)	1,00,000.00	1,00,000.00	(12,00,000.00)	5 %	10,000.00
<b>Total</b>	<b>1,00,000.00</b>	<b>1,00,000.00</b>	<b>(12,00,000.00)</b>		<b>10,000.00</b>
Fringe Benefits Tax (User defined Ledger) @ 30 %					3,000.00
Education Cess @ 2 %					60.00
<b>Total Tax Payable (Rounded)</b>					<b>3,060.00</b>

