Accounting Journal Entries for Taxation - Excise, Service Tax, Vat, Tds

We all knows the importance of provision and compute of tax liabilities. Liabilities which may be monthly/quarterly/half-yearly or yearly basis, accounting journal entries is as equal important for the same. Here we will see how to make accounting journal entries of for taxation

I Value Added Tax (VAT)

The organizations engaged in Sale and purchase transactions have to pay Vat liability. When they purchase material Vat is paid on purchases and when they sell material Vat is collected on material.

Vat paid on purchase of material-Input
Vat paid on Sale of Material-Output
Output amount is adjusted with the input and the balance is paid to the department. Entries to be made are:-

At the time of Purchase of Material

Purchase Dr………….
Vat Input Dr……………
To Creditors……………………

At the time of Sale of Material

Debtors Dr……………….
To Sales………………………….
To Vat Output…………………..

At the time of Adjustment

Vat Output Dr………………..
To Vat Input……………………………..
To Vat Payable (If Output>Input)………………………………

At the time of Payment

Vat Payable Dr…………………………..
To Cash/bank

II Service Tax

When services are received:-

Expenses Dr………………………
Service tax Input Dr………………
To Party

When services are provided

Debtors Dr……………………

To Revenue……………………….
To Service tax Output……………

At the time of Adjustment

Service tax Output Dr…………….
To Service Tax Input…………………….
To Service tax Payable……………………….

At the time of Payment

Service tax Payable Dr………………….
To Cash/bank…………………………………….

III Excise Duty

At the time of Purchase

Purchase Dr……………..
Central Excise Input Dr………..
Education Cess Input Dr……………….
Secondary and Higher Education Cess Input Dr.
To Creditors

At the time of Sale

Debtors Dr…………….
Manufacturing Duty (Basic+Education Cess+Secondary & higher education cess) Dr.
To Central Excise Output …………………..
To Education Cess Output…………………..
To Secondary & higher education cess Output……………
To Sales (Including excise duty amount)…………………………………………………..

IV Tax Deducted At Source

At the time of deducting TDS

Expenses Dr……………
To TDS Payable………………….
To Party………………………………

At the time of deposit of amount of TDS

TDS Payable Dr………………………
To Cash/Bank…………………………………….

At the time of booking of income

Party Dr…………………….
TDS deducted………………………
To Revenue receipts……………………………….

At the time of receipt of Income

Bank/Cash Dr………………………..
To Party……………………………………..