ACCOUNTING TREATMENT OF SERVICE TAX

1. At the time of booking of revenue

		Debit	Credit
Customer (gross invoice amount) A/c	Dr	xxx	
To Income (amount net of service tax) A/c			xxx
To Service Tax Liability (service tax amount)A/c			xxx

2. At the time of receipt of payment from customer

		Debit	Credit
Bank (received amount) A/c	Dr	xxx	
To Customer (gross amount) A/c			xxx

and

		Debit	Credit
Service tax liability (service tax amount) A/c	Dr	xxx	
To Service Tax payable (service tax amount) A/c			xxx

3. At the time of payment of service tax

		Debit	Credit
Service Tax Payable (service tax amount) A/c	Dr	xxx	
To Bank (payment of amount) A/c (or) service tax credit A/c			xxx

4. From Income Tax point of view (Ref. Sec 43B of Income Tax Act 1961)

Amount outstanding in "Service Tax Liability" on 31st March and remains unpaid before filing of Income Tax return should be added to income.

M.V. Narayana Reddy
(CA) (CMA)