

Debit and Credit Note under GST

In order to clearly understand the concepts of debit and credit note in GST we have to let go of our understanding of debit note under erstwhile laws and begin with a new slate. A debit and credit note, for the purpose of the GST Law, can be issued by the registered person who has issued a tax invoice, i.e., the supplier.

Any such document, by whatever name called, when issued by the recipient to the registered supplier, is not a document recognized under the GST Law.



Debit Note in GST

When is a Debit Note Entry Passed in the Books

Debit and credit note in GST causes some hardship to quickly understand – as who owes whom. A debit note in GST is issued when any money is 'OWED' to the issuer, that is, it is again issued by the person who is the receiver of money.

For example, supplier charges a penalty for delayed payment of consideration, the supplier would issue a debit note for the amount of penalty, to the customer to declare that money is 'OWED' to the supplier.

Then, the original amount due PLUS the debit note is the revised value of supply, that the customer pays the supplier. To this extent, the GST thereon would also stand increased.

Conditions Which Must Be Satisfied for Issuance of Debit Note in GST

The conditions applicable on an issue of debit note in GST are listed below:

- Actual value of supply is higher than that stated in the original tax invoice;
- Tax charged in the original tax invoice is lower than that applicable on the supply;
- The debit note needs to be linked to the original tax invoice;
- The debit note contains all the applicable particulars as specified in CGST rules;
- A debit note issued under

Section 74	Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any willful misstatement or suppression of facts
Section 129	Detention, seizure and release of goods and conveyances in transit
Section 130	Confiscation of goods or conveyances and levy of penalty

- In all the above scenarios, the recipient would not be entitled to avail credit in respect thereof, and the supplier shall specify prominently, on such debit note stating that the tax credit is inadmissible.
- It may also be noted that no time limit has been prescribed for issuing debit notes. Meaning, a debit note in GST may be raised and uploaded subsequently, with no restriction as to the time period for doing so.

Debit Note Format under GST

The debit and credit note format in GST shall be furnished with the following details

- name, address, and GSTIN of the supplier,
- nature of the document,
- a consecutive serial number containing only alphabets and/or numerals, unique for a financial year,
- date of issue of the document,

- name, address and GSTIN/ Unique ID Number, if registered, of the recipient,
- name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered,
- serial number and date of the corresponding tax invoice or, as the case may be, bill of supply,
- the taxable value of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient, and
- the signature or digital signature of the supplier or his authorized representative.

Debit Note in GSTR1 Return

Since debit notes are a major change to an invoice, they have to be reported separately in the GST returns to ensure a free flow of credits to the last mile in a GST environment.

The supplier shall mention the details of debit and credit note in form GSTR 1. On filing the details it will get auto-populated in form GSTR 2A for the recipient. The recipient can either modify or accept or reject these details and file form GSTR 2.

Debit and Credit Note in GST is a part and parcel of daily transactions of any business. In business parlance, we can say that debit and credit note is issued when there are sales returns or purchase returns.

For using debit and credit notes in Tally, you would have enabled them.

- To enable the option for debit and credit notes in Tally, follow the steps below.
- From Gateway of Tally, press F11 – Shortcut for Company Features
- Now select, Accounting Features.
- Under Invoicing, set the option Use debit/credit notes to YES.
- Also set YES for "Use invoice mode for debit notes"

What is Credit Note?

A credit note in GST is a document issued by the supplier in the following cases:

- **Supplies are returned or found to be deficient by the recipient** - When goods supplied are returned by the recipient of goods/services supplied are found to be deficient by the recipient, the supplier should issue a Credit Note. The credit note serves the purpose of reducing the value of the original supply.
- **Decrease in taxable value** - When a supplier requires to decrease the taxable value of a supply, he/she has to issue a credit note to the recipient.
- **Decrease in GST charged in invoice** - When a supplier requires to decrease the rate or value of GST charged in an invoice, he/she has to issue a credit note to the recipient.

Credit Note in GST

The details of credit notes issued in a month should be furnished by suppliers in Form GSTR-1. The recipient of the supply will receive these details in Form GSTR-2A, post which the recipient has to accept the details and submit in Form GSTR-2. A point to note here is, that a supplier will be allowed to reduce his tax liability via a credit note only if the recipient of the supply accepts the credit note details in Form GSTR-2. Once this is done, the recipient's input tax credit will be reversed to the extent of the credit note and the supplier's tax liability will also be correspondingly reduced.

Please note that a credit note can also be issued by the recipient of a supply, in cases such as when the taxable value shown in an invoice for an inward supply is less than the actual, or, tax charged for an inward supply is less than the actual. However, in these cases, revision in the values of an invoice will only be considered when a supplier issues a corresponding debit note for the supply. The details of a debit note issued have to be furnished by the supplier and the same has to be accepted by the recipient. Subsequently, the tax liability of the supplier and input tax credit of the recipient will be modified accordingly.