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Class: B.Com Sem - VI

Subject: Goods and Services Tax (GST)

Topic: Debit Note and Credit Note - 2

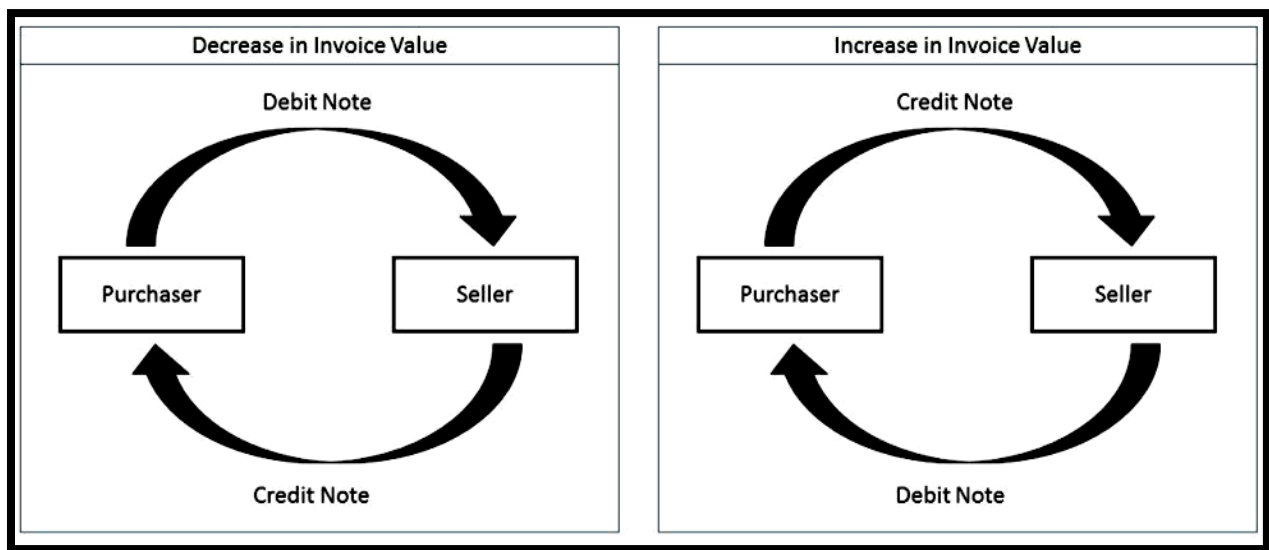
Debit Note and Credit Note

When goods supplied are returned or when there is a revision in the invoice value due to goods (or services) not being up to the mark or extra goods being issued a Debit Note or Credit Note is issued by the supplier and receiver of goods and services.

A debit note or a Credit Note can be issued in 2 situations –

1. When the amount payable by buyer to seller decreases – There can be a change in the value of goods after the goods are delivered and invoice is issued by the seller. This can be due to a return of goods or due to the bad quality of the goods delivered, etc. In this case, the value of goods decreases due to which a Debit Note is issued by the purchaser to the seller. The Debit Note provides details of the amount of money debited from the sellers' account and also states the reason for the same. The reason behind this – In the purchaser's books of account the seller will have a credit balance. When a debit note is issued the credit balance of the Sellers account decreases, thus reducing the seller's balance. It means that that lesser amount is required to be paid by the buyer to the seller to settle his liability. Thus debit note reduces the liability for the buyer. The seller issues a Credit Note as a response or acknowledgment to the Debit Note
2. When the amount payable by buyer to seller increases – When the value of invoice increases due to extra goods being delivered or the goods already

delivered have been charged at an incorrect value a Debit Note is required to be issued. The Debit Note, in this case, is issued by the seller to the buyer. And the buyer as an acknowledgment to the receipt of Debit Note issues a Credit Note. The reason behind this – In the seller's books of account the buyer will have a debit balance. When a debit note is issued the debit balance of the buyer's account increases. It means that more amounts are required to be paid by the buyer to the seller to settle his liability. Thus, credit note increases the liability for the buyer.



Debit Note under GST

Cases when Debit note is to be issued by supplier:

	Cases Where Debit note has to be issued by the Supplier
A.	Original tax invoice has been issued and taxable value in the invoice is less than actual taxable value.
B.	Original tax invoice has been issued and tax charged in the invoice is less

	than actual tax to be paid.
Note	Debit note will include a supplementary invoice.

Credit Note under GST

Cases when Credit note is to be issued by supplier:

	Cases Where Credit note has to be issued by the Supplier
A	Original tax invoice has been issued and taxable value in the invoice exceeds actual taxable value.
B	Original tax invoice has been issued and tax charged in the invoice exceeds actual tax to be paid.
C	Recipient returns the goods to the supplier
D	Services are found to be deficient
Note:	Credit note will include a supplementary invoice