Entering a Cash Sale with Sales Tax

When you collect sales tax from customers, that money does **not belong to your business**. It is owed to the government, which makes it a **liability**.

Because a sales transaction with tax involves **multiple accounts**, it must be entered as a **split transaction** in GnuCash. **This method works** for **cash-based businesses.**

Key Concept

- **Sales Income** → Money your business earns
- **Sales Tax Collected** → Money you owe (liability)

  Checking Account → Where the full payment is deposited

Your Workflow Steps:

Part 1: Set Up Sales Tax Liability Account

Before entering transactions, you need to create a liability account if you have not done so already.

Part 2: Enter a Cash Sale with Sales Tax

Step 1: Open Checking Account Register
Step 2: Enter Basic Data Transaction Information
Step 3: Select Sales Income Account
Step 4: Enter Total Deposit

Step 5: Split Transaction

- Click **Split** or **Show Splits** on the toolbar

Step 6: Review Split Lines

You will see:

- Line 1: Checking Account (full amount)
- Line 2: Sales Income

Step 7: Adjust Sales Income

- On the **Sales Income line**, enter: Sales Amount in Withdrawal column

Step 8: Enter Sales Tax

- In **Transfer field**, select: Sales Tax Liability
- In **Withdrawal field**, enter tax amount :

Memo field into a description(optional)

Step 9: Save Transaction

- Click **Enter**
- And save

Part 3: Record Sales Tax Payment

When it's time to pay the government:

Steps:

1. Enter a new transaction
2. In **Transfer field**, select:

    Sales Tax Liability

3. In **Withdrawal field**, enter:

    Payment amount

Click Enter to save

Tip

- Always separate **income vs. tax collected**
- Review liability balances regularly