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AN EXPERIENTIAL STUDY ON THE PRACTICAL APPLICATION OF INCOME TAX AND GST COMPLIANCE IN INDIA

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ABSTRACT

This research paper presents an experiential study bridging the gap between theoretical taxation knowledge and its practical application in India's compliance framework based on observations from a six-week internship at a chartered accountancy firm. The study connects theoretical taxation concepts with their real-world application by examining activities such as return preparation, verification, documentation, reconciliation and filing across Income Tax, GST and TDS.

A descriptive and experiential research design was adopted using primary data from workplace participation and secondary data from government portals and professional publications. The findings show that digital tools like Computax, Tally ERP and statutory portals enhance accuracy, efficiency and transparency while reducing the manual errors. Challenges include portal glitches, frequent policy updates, limited access to sensitive data and delays in client submissions. The study concludes that effective tax compliance depends on clear processes, proper documentation, ethics and technology use, offering useful insights for researchers and tax professionals.

Keywords: Income Tax, GST, TDS, Internship, Computax, Tally ERP, E-filing Portals, Documentation, Reconciliation, Practical Application, Chartered Accountancy Firm

1. INTRODUCTION

Tax is the main source of revenue for the government and contributes to the economic development of a nation. In India, taxes are classified as Direct Tax which is levied on the income or wealth of a person and Indirect Tax which is levied on the price of a good or service. Income Tax and Goods and Services Tax (GST) are the two major pillars of Indian taxation framework playing a crucial role in generating revenue for the government and ensuring the smooth functioning of the economy. The research aims to connect theoretical concepts of taxation with their practical application highlighting the gap between academic learning and the professional setting.

2. RESEARCH OBJECTIVES

1) To understand the practical workflow of Income Tax, GST and TDS compliance through direct participation in professional activities.
2) To analyse how theoretical taxation concepts are applied, interpreted and executed in real-world compliance processes using digital tools and statutory portals.
3) To highlight the importance of professional skills, ethical practices and continuous learning in ensuring effective tax administration.

3. LITERATURE REVIEW

"Exploring the Growth of E-Filing of Income Tax Returns in India: An In-Depth Examination of Growth and Comparative Analysis" conducted by Amonkar et al. (2024) is an in-depth analysis of the growth of e-filing of Income Tax returns across 28 states in India from 2011-12 to 2022-23 using secondary data. The study found a steady rise in e-filing adoption across all regions, with Maharashtra, Punjab, and Goa leading in their categories. The authors concluded that e-filing has improved efficiency and compliance but that adoption varies due to differences in digital access and awareness.

The journal titled "Tax compliance costs and small business growth: A study of Indian microenterprises" by Gupta (2024), examined how tax compliance costs affect the growth of Indian microenterprises. The study found that high compliance costs affect smaller firms more heavily than larger ones reducing the resources available for business expansion and innovation. The author highlighted the need for simpler tax systems, digital filing tools and policy support to help microenterprises comply efficiently and grow sustainably.

"A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy" by Dani (2016) examined the impact of GST on India's overall economic structure. The study explained that GST was introduced to simplify the complex indirect tax system and promote economic growth by creating a unified national market discussing the challenges such as inflationary pressures, dual GST complications and the need for strong IT infrastructure. The paper concluded that while GST has the potential to make taxation more transparent and efficient, its success depends on effective implementation and coordination between the central and state governments.

The research paper titled "Impact of GST on Small Scale Business with Special Reference to Chennai" by M et al. (2024) analysed how the implementation of GST has affected small-scale businesses in Chennai. The study used data collected from 200 respondents and found that GST has had a positive influence on small enterprises, simplifying taxation and reducing cascading effects. The authors observed that most respondents viewed GST as a fair taxation system that promotes transparency and encourages business growth.

4. RESEARCH METHODOLOGY

This study adopts a descriptive and experiential research approach based on direct observation and practical exposure gained during the six-week internship. The research aims to understand how theoretical taxation concepts are applied in professional practice and to identify the key challenges, tools and processes involved in Income Tax and GST compliance.

4.1. RESEARCH DESIGN

The research follows a qualitative descriptive design, based on real-time workplace observations and discussions with professionals during the internship period.

4.2. DATA COLLECTION METHODS:

The study uses both primary and secondary data.

- Primary data were collected through observation, participation in routine office activities and informal discussions with staff members and professionals.
- Secondary data were obtained from firm records, government websites (Income Tax and GST portals), ICAI publications and textbooks on taxation and accounting.

4.3. TOOLS AND TECHNIQUES:

The tools used include Computax, Tally ERP, Excel and online Income Tax and GST portals for filing and compliance activities. These tools helped in understanding how digitalization enhances accuracy, efficiency and record maintenance in tax compliance.

4.4. LIMITATIONS OF THE STUDY:

- The six-week timeframe limited the exposure to long-term compliance cycles and it was noted that some advanced features of professional software like Computax and Tally could not be explored in detail.
- Due to professional ethics, access to sensitive client financial data was restricted which narrowed the scope of analysis.
- Observations are confined to a single firm and may not be representative of the practices across the entire field.
- Information from government portals and notifications is subject to change due to continuous policy updates.

5. DATA ANALYSIS AND INTERPRETATIONS

The table below presents an overview of the major activities performed and the tools employed, which forms the basis for the subsequent analysis and interpretation.

AREA OF WORK	ACTIVITIES OBSERVED	TOOLS USED
Income Tax Compliance	Preparation and verification of client computation sheets, filing of ITR forms, generation of Form 16 and reconciliation with Form 26AS.	Computax, Excel, Income Tax Portal
GST Compliance	Preparation and filing of GSTR-1 and GSTR-3B returns, invoice matching, and input tax credit verification.	Tally ERP, GST Portal
TDS Compliance	Verification of challans, preparation of TDS returns, and cross-checking with Form 26Q and 27Q.	Computax, TRACES Portal
Documentation and Record Keeping	Maintenance of physical and digital client files, invoice records, and filing acknowledgements.	Tally ERP, Excel

The analysis shows that the firm follows a highly structured, technology based and documentation oriented approach to tax compliance. Most tasks begin with collecting and verifying client data followed by processing through digital tools which helps maintain accuracy and reduces manual errors. Income Tax, GST and TDS activities each follow their own workflow but all rely on proper documentation and timely updates.

The Income Tax compliance process begins with the collection of financial information, where income details and supporting documents like Form 16, bank statements are gathered from the client. Once the data is collected, total income is computed and carried out by classifying income under the relevant heads and determining the taxable income. This is followed by applying deductions and exemptions such as Section 80C or 80D to arrive at the final taxable amount. The tax liability is calculated based on the applicable tax regime, identifying whether the taxpayer is eligible for a refund or required to pay additional tax. After this, computation sheets were prepared, verified Form 16 and other details provided by the client with Form 26AS/AIS through the TRACES portal, ensuring that all income, deductions and TDS entries were accurately reflected before filing. The process continues with the filing of the Income Tax Return (ITR), where the appropriate ITR form is selected and submitted through the e-filing portal. Finally, verification and acknowledgement are completed through e-verification to finalize and validate the return.

The GST compliance process begins with identifying whether the transaction qualifies as a taxable supply of goods or services under GST law. Once confirmed, the next step involves preparing GST-compliant invoices containing details such as GSTIN, HSN/SAC codes and applicable tax rates. Purchase data is matched with supplier uploads through GSTR-2B to ensure the accuracy of eligible credits and make Input Tax Credit (ITC) reconciliation. After reconciliation, the GST liability is computed by adjusting eligible ITC against the output tax to determine the net payable amount. Payments are then made through the GST portal using challans. The process concludes with filing monthly or quarterly returns such as GSTR-1 and GSTR-3B which highlighted the importance of real-time data updates and portal navigation skills, followed by verification to ensure the accuracy and completeness of the submitted information.

The interpretation of the data indicates that the firm’s compliance activities are highly dependent on digital systems and organized workflows. Across all areas, documentation and record management formed the backbone of compliance. Maintaining both digital and physical records ensured transparency and supported audit readiness.

The consistent use of software tools such as Computax, Tally ERP, Excel and Government portals shows that technology plays a central role in ensuring accuracy and reducing manual errors in tax filing. The workflow began with data collection, verification and ended with filing, demonstrating a structured approach aimed at minimizing discrepancies. These patterns indicates that modern tax compliance is driven by digital systems, coordinated workflows, statutory validation and continuous cross-checking rather than manual calculations.

Overall, effective tax compliance results from a combination of digital efficiency, systematic processes, client cooperation, professional supervision and accurate documentation, all of which contribute to reliable and timely filings.

6. OBSERVATIONS

The study confirmed a significant gap between academic taxation theory and its professional application which is defined by a critical shift in necessary skills.

The manual computation of tax liabilities is emphasized in theoretical learning but real-world practice involves automation, where the core task is to verify automated outputs produced by specialized software like Computax. This requires proficiency with digital tools rather than rote computation. demanding proficiency in digital tools rather than manual computation. In addition, compliance requires the mandatory cross-checking of client records against official government statements, such as the Annual Information Statement (AIS) and Form 26AS, which is essential for pre-filing accuracy and audit preparation.

The theoretical understanding of GST provisions is overshadowed by the realities of Digital Administration. The main barrier for compliance (GSTR-1, GSTR-3B) is effectively navigating the official GST Portal and handling frequent technical issues and workflow interruptions. Finally, overall efficiency is heavily dependent on skills often overlooked in theory, specifically systematic documentation along with solid client coordination to ensure the timely and accurate retrieval of source documents, which forms the necessary foundation for accountability and audit trailing.

7. FINDINGS

Based on the analysis and observations made during the study, the following key findings were identified:

1) The study found that each compliance area follows a standardized workflow data collection, verification, reconciliation and e-filing reflecting a practical and process-oriented approach that differs from theoretical learning.
2) The use of Computax, Tally ERP, Excel, the Income Tax Portal, GST Portal and TRACES was observed to reduce errors, automate computations and simplify return filing, highlighting the central role of digital systems in modern compliance practice.
3) Matching client data with Form 26AS, AIS, GSTR-2B and challans revealed frequent discrepancies, showing that reconciliation is the key factor ensuring accuracy before filing returns.
4) Academic learning emphasizes manual calculations and section-based understanding, while the professional environment focuses on verification of automated outputs, portal navigation, documentation and data-matching skills.
5) Both physical and digital records such as computation sheets, invoices, acknowledgements and challans were crucial for ensuring audit readiness, cross-checking and transparency in compliance work.
6) The compliance process was often slowed down due to late submission of documents, incorrect details or missing proofs, showing that client coordination directly impacts the efficiency of tax filings.
7) Regular updates to GST and Income Tax systems, portal glitches and auto-population mismatches increased the complexity of compliance, requiring continuous learning and adaptability by staff.

8) Compared to Income Tax, GST required dynamic reconciliation with GSTR-2B, supplier uploads and invoice matching, making the compliance process more dependent on portal navigation and real-time data accuracy.
9) Professional supervision and multi-level review processes contributed to minimizing errors and ensuring that returns were filed accurately in accordance with statutory guidelines.
10) The experiential analysis shows that accuracy and timely filing depend not only on theoretical knowledge but also on practical skills in handling tools, records, portals and communication.

8. RECOMMENDATIONS

1) Workshops, guest lectures and seminars by tax professionals should be conducted regularly to help students and practitioners stay updated with frequent tax law changes.
2) Academic programs should include live case studies, sample client data and reconciliation exercises to enhance application-based learning.
3) Digital skills such as Excel proficiency, portal navigation, documentation management and error-handling should be strengthened to improve compliance efficiency.
4) Firms should adopt structured client communication systems checklists, timelines and regular follow-ups to ensure timely submission of documents and prevent filing delays.
5) Government authorities should enhance the stability and speed of Income Tax and GST portals, especially during peak filing periods, to minimize technical disruptions.
6) Multi-level review systems and standard documentation practices should be reinforced in firms to maintain accuracy, ethics and accountability.
7) Future academic studies should conduct comparative analyses of tax compliance workflows across multiple firms (e.g., small, mid-size, and large) to identify patterns and differences in practical application and digital tool usage.
8) Continuous professional development through ICAI publications, government notifications and updated training modules should be encouraged for both students and practitioners.

9. CONCLUSION

The study examines the practical workflow of Income Tax and GST compliance in a professional environment. The internship revealed that modern tax practice is driven not only by theoretical knowledge but also by digital proficiency process understanding and effective communication. The findings highlight that tax compliance is a structured, technology-based activity requiring accurate documentation, real-time reconciliation with government systems and adherence to statutory deadlines. Challenges such as portal glitches, regulatory changes and delayed client data demonstrate the dynamic nature of the field.

Overall, the study concludes that effective tax compliance depends on a combination of technical knowledge, software skills, ethical practices and soft skills.

Enhancing practical training, integrating digital tools into academic learning and improving client coordination can significantly strengthen both student readiness and professional efficiency. The study provides valuable insights for students, practitioners and institutions aiming to reduce the theory-practice gap in taxation. To enhance generalizability, future research should expand this experiential study across a wider range of Chartered Accountancy firms of varying sizes and locations to validate the observed workflows and digital tool reliance.

CONFLICT OF INTERESTS

None.

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