

A Study on GST Accounting and Return Filing Process in Trading Firms

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Abstract:

The introduction of the Goods and Services Tax (GST) in India has transformed the nation's indirect tax structure by merging various central and state taxes into a single, unified system. This research paper aims to study the accounting treatment and return filing process under GST in trading firms. The paper focuses on understanding how GST has simplified tax compliance, improved transparency, and affected business operations. Data was collected through observation, discussions with accounting professionals, and analysis of company documents. The findings highlight the importance of maintaining accurate records, timely filing of returns, and proper reconciliation of Input Tax Credit (ITC). The study concludes that while GST has simplified the tax process, small and medium trading firms still face challenges in compliance and technology adaptation.

Keywords: GST, Accounting, Return Filing, Input Tax Credit, Trading Firms, Compliance

1. Introduction:

The Goods and Services Tax (GST), implemented in India on July 1, 2017, represents one of the most significant tax reforms in the country's history. It replaced multiple indirect taxes such as VAT, excise duty, and service tax, thereby simplifying the taxation process. GST is a destination-based tax levied on the supply of goods and services. For trading firms, GST compliance includes maintaining proper accounts, issuing tax invoices, and filing various returns on the GST portal.

This study focuses on the accounting procedures and return filing mechanisms followed by trading firms and evaluates their effectiveness in ensuring tax compliance.

2. Objectives of the Study:

1. To understand the GST accounting process followed by trading firms.
2. To study the procedure of filing GST returns through the official portal.
3. To analyze the impact of GST on the financial records and compliance systems of trading firms.
4. To identify the challenges faced by firms during GST return filing.
5. To provide suitable suggestions for improving GST compliance efficiency.

3. Research Methodology:

- **Research Design:** Descriptive and analytical in nature.
- **Data Collection:**
 - *Primary Data:* Collected through observation during internship, discussions with company accountants, and analysis of GST invoices and return filings.
 - *Secondary Data:* Collected from GST portal (www.gst.gov.in), government publications, journals, and accounting textbooks.
- **Sample:** One trading firm — Vijay Engineering & Machinery Company — was taken as a case study.
- **Data Analysis Tools:** Comparative and interpretative methods were used to understand the actual filing and reconciliation process.

4. Case Study – Vijay Engineering & Machinery Company:

Vijay Engineering & Machinery Company is a trading firm engaged in the distribution of industrial machinery and tools. The company is registered under GST and files its monthly and annual returns regularly.

Key Observations:

1. The firm uses **Tally ERP 9** software for accounting and GST management.
2. Regularly files **GSTR-1** (sales return) and **GSTR-3B** (summary return) through the GST portal.

3. **Input Tax Credit (ITC)** is claimed only on invoices uploaded by registered suppliers.
4. Reconciliation between purchase and sales data is done monthly to avoid mismatches.
5. The main challenges faced include technical errors on the portal, mismatch in ITC due to supplier delay, and the need for trained staff.

5. Data Analysis and Findings:

- Trading firms benefit from GST due to input credit availability and uniform tax rates.
- Most firms have adopted accounting software to simplify GST calculations and return filing.
- Late filing and ITC mismatch remain common compliance issues.
- Firms that maintain accurate digital records face fewer notices or penalties.
- The digital nature of GST has encouraged better transparency and reduced tax evasion.

6. Suggestions:

1. Conduct periodic **GST training** for accounting staff.
2. Use **automated reconciliation tools** to detect invoice mismatches early.
3. Ensure **timely vendor communication** to upload purchase invoices.
4. Maintain proper **documentation and backup** for all GST filings.
5. Encourage firms to use **digital payment systems** for easier compliance tracking.

7. Conclusion:

The study concludes that GST has modernized India's taxation system and brought significant improvements in the trading sector. It has encouraged transparency, reduced cascading effects of taxes, and simplified return filing through digital platforms. However, small traders still face operational challenges due to frequent changes in GST rules and technical glitches in the portal. Overall, GST has been a positive reform, but continuous awareness, automation, and compliance support are essential to achieve its full potential in the business ecosystem.

8. Learning Outcomes:

- Understood end-to-end GST accounting and return filing process.
- Learned how Input Tax Credit (ITC) reconciliation works.
- Gained practical exposure to Tally software and GST portal usage.
- Developed professional and analytical skills in financial management.

9. Future Scope:

The research can be extended to analyze GST implementation in manufacturing and service industries. Future studies can focus on automation in GST, digital compliance systems, and the role of artificial intelligence in tax filing. There is also scope for comparative analysis between pre-GST and post-GST financial performance of trading firms.

10. References:

1. www.gst.gov.in
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3. Tally Solutions – GST Implementation Guide
4. Journals on Taxation and Accounting Standards
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