ACCOUNTING AND TAXATION

Reconciliation as a Compliance Control: A Study of TDS (Form 16) and GST (GSTR-1, GSTR-2B and GSTR-3B) Practices in a Chartered Accountancy Firm Setting in India

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Abstract

Tax compliance in India now depends less on year-end clean-ups and more on continuous matching of data across government portals. This paper examines reconciliation as a compliance control in two areas: salary TDS reported through Form 16, and the GST return cycle of GSTR-1, GSTR-2B and GSTR-3B. It draws on a five-week observational internship at the Mumbai office of a Chartered Accountancy firm (9 June to 10 July 2026) and on secondary data from the GST portal, the Press Information Bureau, reported direct tax collections and audit reports of the Comptroller and Auditor General (CAG). Descriptive analysis shows that (i) net GST revenue averaged 85.3% of gross revenue between April and August 2026, with the refund share ranging from 13.1% to 16.7%; (ii) during April–July 2026 refunds grew faster (15.8%) than gross revenue (10.1%), lifting the refund share from 13.7% to 14.4%; and (iii) direct tax refunds eased marginally (from ₹4.77 to ₹4.72 lakh crore) while net direct tax collections grew 5.12% in FY 2025-26. Using anonymised, hypothetical worked examples, the paper shows how Form 16 and GSTR-2B differences are classified and resolved in practice. It concludes that calendar-driven, template-supported reconciliation with vendor-compliance tracking is the most practical safeguard for practitioners during the transition to the Income-tax Act, 2025 and the GST 2.0 rate structure.

Keywords: TDS; Form 16; Form 26AS; GST; GSTR-2B; Input Tax Credit; reconciliation; tax compliance; India

1 Introduction

Two features define tax compliance for Indian businesses today: it is recurring, and it is cross-checked. A salaried employee's tax credit depends on whether the employer's TDS return matches what the employer certified in Form 16. A GST-registered buyer's input tax credit (ITC) depends on whether a supplier, who may be a stranger, filed the right return on time. In both cases, the taxpayer cannot simply assert a figure; the figure must agree with data that other parties have already reported to the government.

This makes reconciliation, the structured comparison of independent records, the practical heart of a compliance professional's work. Chartered Accountancy firms perform this work every month for hundreds of clients, yet it is rarely studied as a subject in itself. Most published material explains a single form or return in isolation, whereas daily practice requires moving between them: a firm may check a Form 16 in the morning and a GSTR-2B in the afternoon.

The timing makes the question more pressing. The Income-tax Act, 2025 came into force on 1 April 2026 and renumbers the salary TDS certificate as Form 130 from Tax Year 2026-27 (All India Radio News, 2025; TaxGuru, 2025; CAalley, 2025). On the indirect tax side, the GST Council's rationalisation of slabs into a 5% and 18% structure from 22 September 2025 (Razorpay, 2026) and the portal's Invoice Management System (IMS) and hard-locking of GSTR-3B outward tables (IncorpX, 2026; TaxClear, 2026) have changed how errors are found and corrected.

This paper treats reconciliation as a compliance control and asks how it works at the desk level and what national data suggest about the scale of the exposure it manages. The observations come from the author's five-week internship in a Chartered Accountancy firm; the quantitative evidence is drawn entirely from published secondary sources.

2 Regulatory background and review of literature

2.1 TDS and the structure of Form 16

Form 16 is the certificate through which an employer reports tax deducted at source on salary. Part A is generated from the TRACES portal and summarises TDS deducted and deposited, quarter by quarter, against the employer's TAN and the employee's PAN; Part B is prepared by the employer and sets out the salary breakup, exemptions, deductions and tax computation (ClearTax, 2026; FutureX Solutions, 2026). A basic reconciliation principle follows: the amount deducted and the amount deposited in Part A must agree, and where they do not, tax has been withheld from the payee but not credited to the government (SmartTaxCalc, 2026). The employee's credit is ultimately visible in Form 26AS.

2.2 The GST return cycle

GSTR-1 reports a supplier's outward supplies and is generally due on the 11th of the following month. GSTR-2B is a static, system-generated ITC statement for the recipient, produced on the 14th from suppliers' filings and the recipient's IMS actions. GSTR-3B, due on the 20th, is the return through which liability is discharged, with outward tables increasingly auto-populated from GSTR-1 (IncorpX, 2026; Accountune, 2026; Busy, 2026). Because ITC reaches the buyer only after the supplier has reported the invoice, one party's default can limit another's credit (Gimbooks, 2026).

2.3 Review of literature

The sources reviewed fall into three groups: audit evidence from the CAG, professional and judicial commentary, and practitioner guidance. Table 1 summarises the main items and their relevance to this study.

Table 1. Summary of key sources reviewed.

Source	Type	Key point	Relevance
CAG (2020), Report No. 11 of 2020	Audit report (direct taxes)	Reported that more than 82% of individual taxpayers, mostly salaried, faced a TDS mismatch between Form 26AS and amounts claimed in returns (FY 2018-19 audit).	Shows scale of TDS credit mismatch

Source	Type	Key point	Relevance
CAG (n.d.), Compliance Audit Report on Revenue Sector, year ended 31 March 2022, Appendix I	Audit report (GST)	Lists sampled taxpayers with ITC mismatches between GSTR-2A and GSTR-3B; among the first sixteen entries, amounts range from ₹1.77 crore to ₹14.24 crore.	Shows size of ITC exposure per taxpayer
KPMG India (n.d.), case study	Professional case study	A group faced audit qualification over mismatches between TDS receivables in books and Form 26AS; technology-enabled reconciliation reported more than 90% match.	Supports automation in reconciliation
Taxscan (2023); Mondaq (n.d.)	Judicial commentary	Report High Court decisions (Kerala; Calcutta) that ITC should not be denied solely because of non-reflection or mismatch in GSTR-2A.	Shows the legal contest around ITC matching
IncorpX (2026); Gimbooks (2026); Busy (2026); TaxClear (2026)	Practitioner guidance	Explain the monthly GSTR-1 → GSTR-2B → GSTR-3B sequence, IMS and hard-locking, and the supplier-dependency of ITC.	Defines the current GST workflow

Two points stand out. First, the audit evidence is consistent across both taxes: mismatches are not rare exceptions but a common condition, whether in TDS credit or in ITC. Second, the judicial commentary indicates that the legal treatment of ITC mismatches has itself been contested, which makes careful documentation at the reconciliation stage valuable even when a mismatch is eventually resolved in the taxpayer's favour. The CAG's TDS finding relates to FY 2018-19; later systemic changes, including the Annual Information Statement alongside Form 26AS, may have altered the position, and this study does not test that.

2.4 Research gap

Available material largely treats TDS and GST separately and explains the forms rather than the control process behind them. Little connects desk-level reconciliation steps to aggregate national indicators. This paper attempts a modest bridge: it describes a common reconciliation framework for both taxes and uses published collection data to indicate the scale of the compliance environment in which the framework operates.

3 Objectives and research questions

The study has four objectives:

1. To describe the reconciliation workflow for Form 16 (TDS) and for the GSTR-1, GSTR-2B and GSTR-3B cycle as observed in a professional firm.
2. To analyse recent GST and direct tax collection data as indicators of refund and credit flows that reconciliation controls must manage.
3. To classify typical discrepancy types and illustrate their resolution through worked examples.
4. To suggest practical measures for improving reconciliation quality during the Form 130 and GST 2.0 transitions.

These objectives are addressed through three research questions. RQ1: How do TDS and GST reconciliation processes share a common control logic? RQ2: What do recent collection and refund data

suggest about the growth of credit and refund flows? RQ3: Which discrepancy categories recur, and how are they resolved?

4 Research methodology

Design. The study is descriptive and combines participant observation with analysis of secondary quantitative data.

Observation. The author worked at the Mumbai office of V. Singhi & Associates, Chartered Accountants, from 9 June to 10 July 2026. Of the 28 working days recorded in the internship activity log, 11 were devoted to Form 16 and TDS reconciliation, 12 to GST return work (GSTR-1, GSTR-2B, GSTR-3B) and 5 to combined review and documentation. The author assisted with supervised tasks; no client-identifying information is used.

Secondary data. GST revenue figures for April–August 2026 are taken from Chartforest (2026), which compiles the monthly releases; the July 2026 figures and the cumulative April–July comparison were cross-checked against the official GST Portal revenue report (GST Portal, 2026). The summed April–July monthly values agree with the portal's cumulative totals to within ₹2 crore for gross revenue and ₹30 crore for net revenue, which is negligible at this scale and consistent with the portal's note that figures are provisional. Direct tax figures for FY 2024-25 and FY 2025-26 are from TaxGuru (2026), reproducing CBDT data as on 31 March 2026. Refunds are derived as gross minus net; for July 2026 the derived value (₹29,968 crore) equals the refund total reported by the portal.

Tools. Percentages, ratios, year-on-year growth, mean, sample standard deviation, coefficient of variation (CV) and Pearson correlation are used. The analysis is descriptive; it does not claim causal relationships.

Ethics and confidentiality. Client confidentiality is a professional obligation of every Chartered Accountancy practice. The worked examples in Section 6.4 are therefore hypothetical, constructed to illustrate method, and do not reproduce any client's data.

5 Conceptual framework: reconciliation as a control

Observation across both work-streams suggests that the same four control objectives apply to TDS and GST reconciliation: completeness (is every transaction or deduction captured?), accuracy (do the amounts agree across sources?), timing (does the item fall in the right period?) and eligibility (is the credit or deduction allowed?). Figure 1 shows how the two processes map onto these objectives.

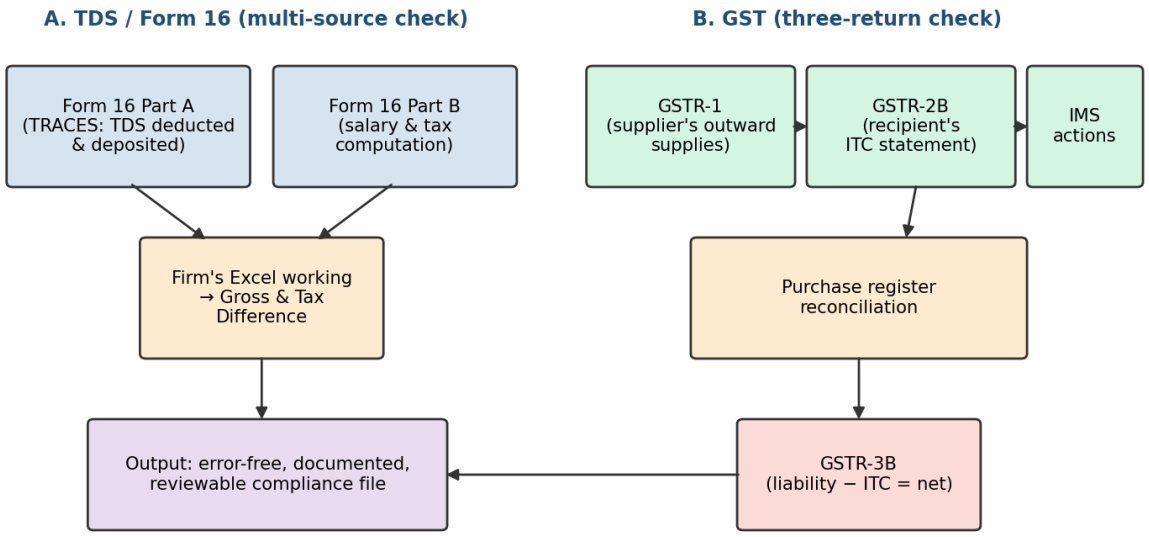

Figure 1. Common reconciliation framework for TDS (Form 16) and GST (GSTR-1, GSTR-2B, GSTR-3B). Source: author's framework based on internship observation.

In the TDS stream, the unknowns are the differences between Form 16 Part A, Part B and the firm's Excel working, recorded as a Gross Difference and a Tax Difference. In the GST stream, the supplier's GSTR-1 feeds the recipient's GSTR-2B; the purchase register is matched against GSTR-2B; and only the reconciled credit enters GSTR-3B. The output in both cases is a documented working that a reviewer can re-perform, which is what turns reconciliation from data entry into a control.

6 Data analysis and findings

6.1 GST revenue: gross, net and the refund share (April–August 2026)

Table 2 sets out monthly gross and net GST revenue and two derived ratios. The net-to-gross ratio shows what remains after refunds; the refund share is its complement.

Table 2. Monthly gross and net GST revenue, India, April–August 2026 (₹ crore).

Month	Gross revenue	Net revenue	Refunds (gross − net)	Net-to-gross (%)	Refund share (%)
Apr-26	2,42,702	2,10,909	31,793	86.90	13.10
May-26	1,94,184	1,66,904	27,280	85.95	14.05
Jun-26	1,94,812	1,62,377	32,435	83.35	16.65
Jul-26	2,11,205	1,81,237	29,968	85.81	14.19
Aug-26	1,99,853	1,68,057	31,796	84.09	15.91
Total / aggregate	**10,42,756**	**8,89,484**	**1,53,272**	**85.30**	**14.70**

Source: Monthly GST revenue releases (compiled by Chartforest); July 2026 verified against the GST Portal report. Derived columns computed by the author.

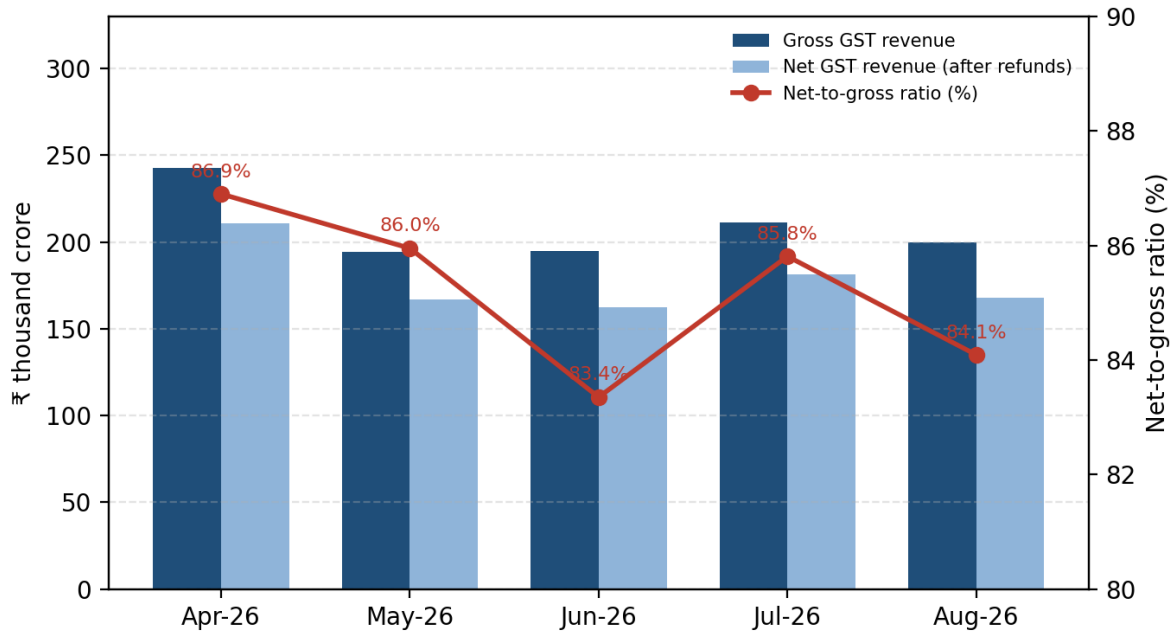

Figure 2. Gross vs net GST revenue and net-to-gross ratio, April–August 2026. Source: as Table 2.

Mean monthly gross revenue was ₹2,08,551 crore (SD ₹20,274 crore; CV 9.7%) and mean net revenue ₹1,77,897 crore (SD ₹19,745 crore; CV 11.1%). Net revenue is therefore relatively more volatile than gross revenue, even though the two series move almost together (Pearson r = 0.995). The reason is visible in the refund column: in June 2026, gross revenue was nearly flat against May (+0.3%) but net revenue fell 2.7%, because refunds rose from ₹27,280 crore to ₹32,435 crore. April's high figure is consistent with the usual year-end effect, since a month's collection mainly reflects the previous month's transactions.

Finding 1. Between 13.1% and 16.7% of gross GST revenue was returned as refunds each month, and the share moved independently of the gross figure. Refund flows are thus a material, variable component of the GST system, and each refund or credit claim must be supportable by reconciled returns.

6.2 Cumulative growth, April–July 2026 over April–July 2025

Table 3. Cumulative GST revenue, April–July (₹ crore).

Component	Apr–Jul 2025	Apr–Jul 2026	Growth (%)
Gross GST revenue	7,65,607	8,42,905	10.1
Total refunds	1,04,849	1,21,448	15.8
Net GST revenue	6,60,758	7,21,457	9.2
Refund share of gross (%)	13.7	14.4	+0.7 pts

Source: GST Portal monthly revenue report. Refund share computed by the author.

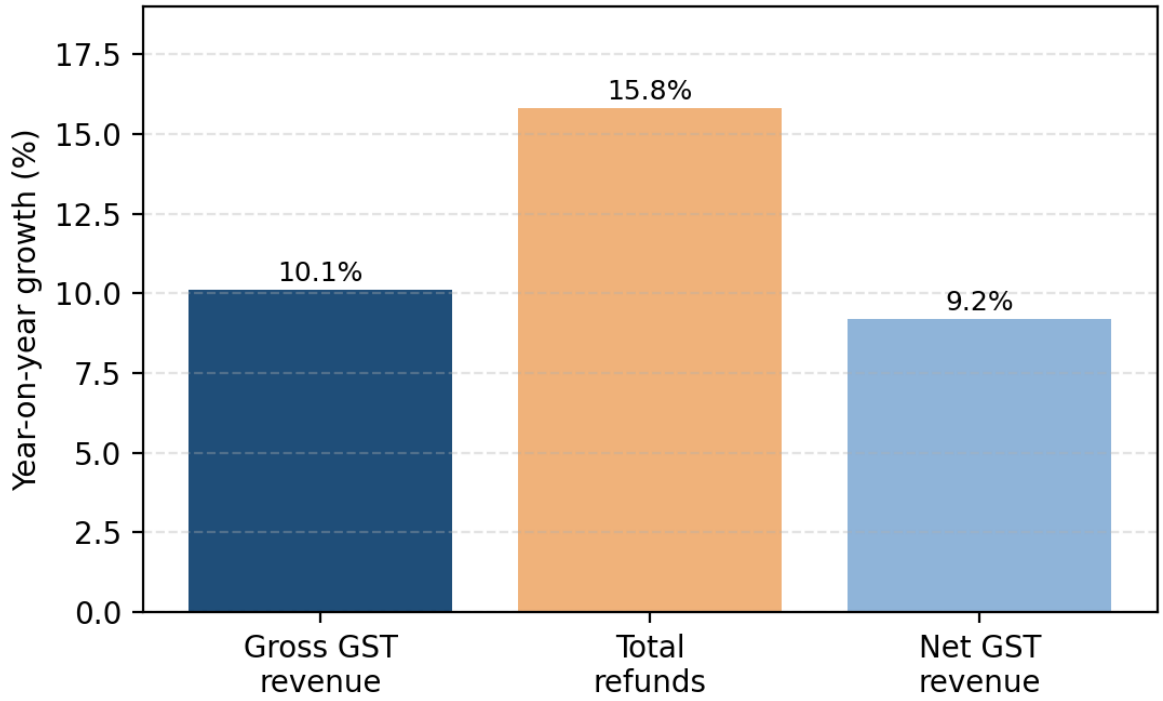

Figure 3. Year-on-year growth in GST gross revenue, refunds and net revenue, April–July 2026. Source: GST Portal monthly revenue data.

Finding 2. Refunds grew roughly one and a half times as fast as gross revenue (15.8% against 10.1%), so net revenue grew more slowly (9.2%). The portal's release does not decompose refunds, and the data cannot show whether the rise reflects export refunds, inverted-duty claims or other causes. What it does indicate is that the volume of credit and refund claims requiring documentary support is growing faster than the tax base, which raises the value of accurate GSTR-2B and GSTR-3B reconciliation.

6.3 Direct taxes: gross, refunds and net (FY 2024-25 and FY 2025-26)

Table 4. Direct tax collections (₹ lakh crore).

Measure	FY 2024-25	FY 2025-26	Change (%)
Gross direct tax collection	27.03	28.12	+4.03
Refunds (gross – net)	4.77	4.72	−1.05
Net direct tax collection	22.26	23.40	+5.12
Refund as share of gross (%)	17.65	16.79	−0.86 pts

Source: CBDT data as on 31 March 2026. Refunds and ratios derived by the author; figures rounded to two decimals.

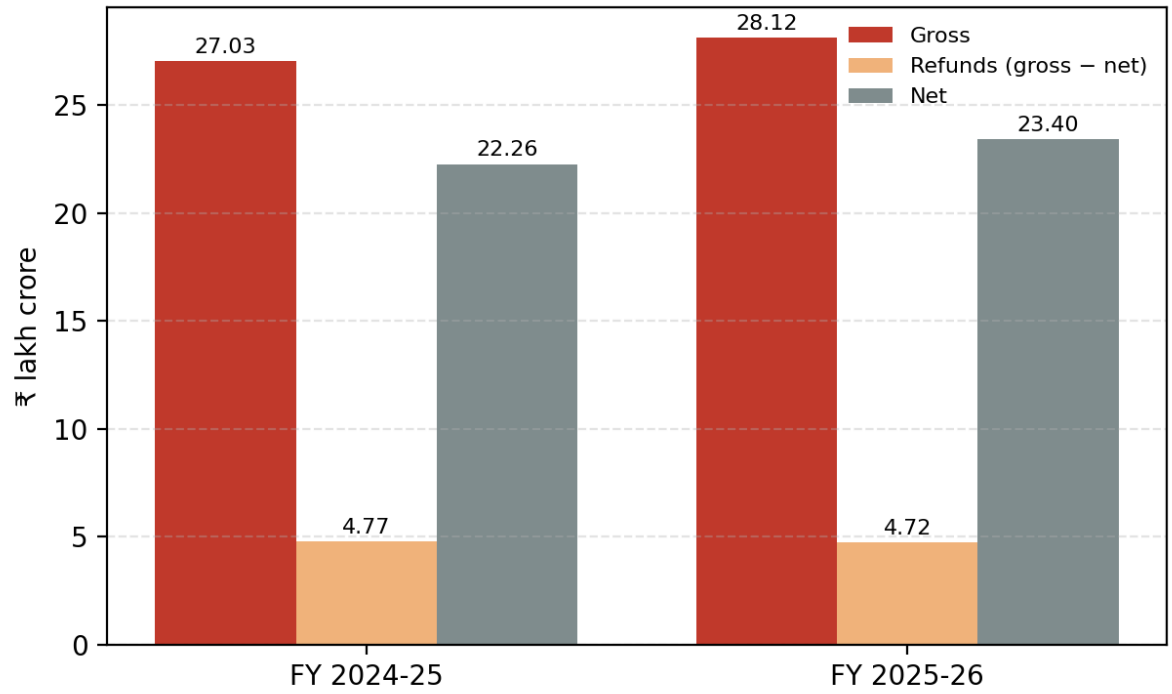

Figure 4. Gross collections, refunds and net collections, FY 2024-25 and FY 2025-26. Source: as Table 4.

Finding 3. Net direct tax collection grew faster (5.12%) than gross (4.03%) because refunds eased slightly, from ₹4.77 to ₹4.72 lakh crore. TDS is the mechanism through which tax on salaries is collected, and an individual's refund depends on credit for that TDS being correctly reflected. The CAG's earlier finding that most individual taxpayers faced TDS mismatches (CAG, 2020) suggests that this credit-matching step is where much of the day-to-day reconciliation effort sits. The data here do not measure mismatch rates in FY 2025-26, and no such claim is made.

6.4 Worked examples of discrepancy classification (hypothetical)

The two examples below use constructed figures, not client data, to show how differences are broken down and resolved. They follow the method used during the internship.

Table 5. Hypothetical Form 16 reconciliation for one employee (₹).

Item	Per Form 16 Part B	Per Excel working	Difference
Gross salary	12,40,000	12,52,000	12,000
Tax payable (including cess)	85,000	88,744	3,744
TDS deducted per Part A / Form 26AS	85,000 / 85,000	–	Agree

Illustrative only. The tax difference assumes a marginal rate of 30% plus 4% cess on the gross difference (12,000 × 30% × 1.04 = 3,744).

Here Part A and Form 26AS agree, so the deposit risk is absent. The gross difference of ₹12,000 explains the whole tax difference; the likely cause, such as arrears paid in the last payroll run but omitted from Part B, is confirmed against payroll records. The classification is therefore an accuracy error in Part B, to be corrected at source, and the employee's computation is revised accordingly.

Table 6. Hypothetical ITC reconciliation, books versus GSTR-2B (₹).

Component	Amount	Classification	Action
ITC per purchase register	4,86,000	–	–
ITC per GSTR-2B	4,41,500	–	–
Difference	44,500	–	–
of which: supplier has not filed GSTR-1	31,000	Eligibility / timing	Follow up with supplier; claim when reflected
of which: blocked credit booked in books	8,500	Eligibility	Exclude from claim
of which: invoice reflected next period	5,000	Timing	Claim in the correct month

Illustrative only. The three components sum to the difference (31,000 + 8,500 + 5,000 = 44,500).

The example shows why a bare total difference is not actionable. Two of the three components do not call for any correction to the books; they call for follow-up or correct period allocation. Only the blocked credit requires removal. Classifying before correcting avoids both under-claiming eligible credit and over-claiming ineligible credit, consistent with the supplier-dependency of ITC described in the practitioner literature (Gimbooks, 2026; IncorpX, 2026).

6.5 Summary of findings

- TDS and GST reconciliation share one control logic of completeness, accuracy, timing and eligibility (RQ1).
- Refunds were 13.1% to 16.7% of gross GST revenue each month in April–August 2026, and grew faster than gross revenue in April–July 2026 (15.8% against 10.1%) (RQ2).
- Direct tax refunds eased slightly in FY 2025-26 while net collections grew 5.12% (RQ2).
- Discrepancies recur in three broad categories: accuracy errors at source, timing differences and eligibility exclusions, and each needs a different response (RQ3).

7 Discussion and implications

The evidence supports a simple argument: as credit and refund flows grow, the cost of an unreconciled figure grows with them. For a practising firm, this has three implications.

Process. Reconciliation should follow the portal calendar rather than the client's convenience. With GSTR-2B generated on the 14th and GSTR-3B due on the 20th, the effective working window for ITC matching is about six days (IncorpX, 2026). Firms that treat the exercise as a monthly routine, with IMS actions taken before GSTR-2B is generated, are better placed than those that clean up at year-end.

Technology. Observation showed that much of the work was done through Excel. This is flexible and transparent, but it is manual. The KPMG India (n.d.) case, reporting more than 90% match through technology-enabled reconciliation, is a single example and should not be generalised, but it points in the same direction as the volume trends above.

Transition. Form 16 becomes Form 130 from Tax Year 2026-27 (TaxGuru, 2025). Reconciliation templates built around Part A and Part B will need to be remapped, and the same applies to client

checklists under the GST 2.0 rate structure. Firms that prepare these early reduce the risk of transition errors.

For learners. The internship experience suggests that sequencing matters: starting with the Form 16 structure, then GST returns, then combined review, produced a steady build-up of confidence in both areas. This pattern may be useful to firms designing intern and trainee induction.

8 Recommendations

- Adopt a standard reconciliation template for Form 16 that calculates Gross Difference and Tax Difference by formula and flags any gap between TDS deducted and deposited in Part A.
- Run a monthly GST calendar: download GSTR-2B on the 14th, match against the purchase register, record IMS actions, and complete GSTR-3B working before the 20th.
- Maintain a client-wise vendor-compliance tracker listing suppliers whose invoices repeatedly fail to appear in GSTR-2B, so follow-up is proactive.
- Classify every difference as accuracy, timing or eligibility before correcting it, and keep the classification in the file for the reviewer.
- Prepare Form 130 and GST 2.0 transition checklists before the next payroll and return cycles, and train staff on them.
- Ask employers and clients to verify PAN and TAN details and to deposit TDS on time, since these basic inputs account for avoidable mismatches in Form 26AS.

9 Limitations and scope for future research

The study has clear limits. The qualitative observations come from a single firm and a five-week period, so they illustrate practice rather than representing the profession. The quantitative analysis uses aggregate national data, which cannot be traced to individual reconciliation outcomes, and the GST figures are provisional. Refunds are derived as gross minus net and are not decomposed by cause. The worked examples are hypothetical by design, and the August 2026 figures rely on an aggregator pending verification against the portal. The CAG findings relate to earlier periods. Future research could survey a sample of firms, use anonymised mismatch counts to estimate actual error rates, and compare reconciliation effort before and after IMS and Form 130 adoption.

10 Conclusion

Reconciliation is the mechanism that turns reported tax data into defensible compliance. This paper has shown that Form 16 and GST reconciliation rest on the same four control objectives, that credit and refund flows in the GST system are sizeable and growing faster than gross revenue, and that discrepancies fall into categories that call for different responses. For Chartered Accountancy firms entering a period of simultaneous change in direct tax forms and GST rates, disciplined, calendar-driven and well-documented reconciliation is both a quality safeguard and a service opportunity.

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Declaration on data and originality

This paper is the author's original work prepared for academic submission. All statistics are from the published sources listed below; internship observations are generalised and anonymised, and worked examples are hypothetical. No client data has been used.

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