



# Invoice-level Form 26AS Reconciliation

Automation for Working Capital  
Efficiency

**BDO India**



Whitepaper

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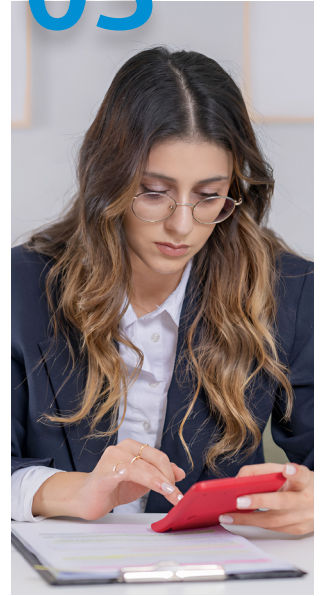
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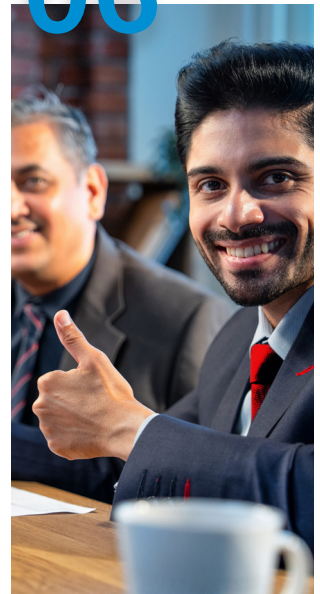
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## 1 Foreword >

The Indian tax compliance landscape has undergone significant changes, resulting from the push towards digitisation, increased regulatory scrutiny and data-based enforcement. This move has brought in transparency, but also introduced the complexity of handling Tax Deducted at Source (TDS) for businesses. Proper reconciliation of internal books and Form 26AS has now become an essential requirement from a compliance as well as a financial governance perspective for the corporate world.

Operational inefficiencies in TDS management can have a direct and long-term negative impact on an organisation. Contradictions frequently lead to cash flow blockages from lost tax credits and permanent credit losses, as well as higher levels of tax risk triggered by notices, audits and penalties. Manual processes and fragmented data also exacerbate these complications by reducing transparency and slowing time to resolution.

Addressing these complexities requires a shift towards automation and structured governance. **BDO India's TDS on Income Solution** acts as a catalyst for this transformation by enabling automated reconciliation, enhanced transparency, and continuous compliance monitoring. By systematically identifying mismatches across systems, tracking credits and reducing dependency on manual interventions, the solution empowers businesses to protect cash flows, minimise tax risk and build a more efficient and compliance-ready tax function.





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## The Evolving Tax Compliance Landscape in India >>

The ecosystem of tax compliance in India is moving decisively from manual, paperwork-based processes to digital-first, real-time compliance management. With mandatory online filings and tax reporting being digitised, it has become more about real-time updates, including those in Form 26AS, auto-reconciliation, and tight deadlines. Because of this structural shift, tax management is no longer an episodic event but a real-time data-driven governance activity.

Regulators now expect detailed, invoice-level reconciliation and cross-verification across Form 26AS, GST returns and corporate financial statements. Simultaneously, the introduction of newer TDS provisions, such as Section 194Q and Section 194-O under the income tax regime, has expanded compliance scope, compelling businesses to track and

report an increasing volume of transactions with greater precision.

The stakes are high. According to a [recent submission](#) by the finance minister of India to the parliament, as of December 31, 2024, disputes around direct taxes have locked away ₹11.83 trillion across more than 71,453 cases. [The Federation of Indian Chambers of Commerce and Industry \(FICCI\)](#) estimates that there are currently approximately 5.4 lakh unresolved appeals with an aggregate amount owed of Rs. 18.16 trillion, dating back to April 1st, 2025. This indicates how large a burden this has placed on businesses.

This growing backlog, extended resolution cycles and complex compliance obligations have amplified demand for real-time visibility and actionable intelligence. For Chief Financial Officers (CFOs), Finance Controllers (FCs) and compliance heads, understanding tax-credit status, potential mismatches, cash-flow impact and compliance risk has become essential. In such a landscape, relying on manual processes is no longer sufficient; organisations increasingly recognise that automation and robust tax-tech solutions are not just desirable, but indispensable to remain compliant, reduce disputes and safeguard working capital.



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## Industry Pain Points: Challenges in TDS Credit Management >

At a time when India's tax ecosystem is becoming increasingly digitised and data-driven, organizations still operating on legacy systems are encountering several challenges in effectively and efficiently managing TDS credits. Similarly, while regulatory systems like Form 26AS and AIS have brought greater transparency for tax administrations, they have equally been causative of long-standing gaps between accounting records and actual tax credit visibility of businesses. These gaps are more pronounced for medium and large enterprises dealing with high transaction volumes, diverse customer bases and evolving tax provisions.



## ► Voluminous Data and Manual Reconciliation Burden

One of the most pervasive pain points for tax and finance teams is the sheer volume of data involved in TDS reconciliation. Businesses with hundreds or thousands of customers often receive multiple deductions in a given month from different sections, at different rates, and with varying periods of reporting. Currently, most businesses are reconciling this data manually (via an MS Excel tracker) and using different manual processes to check the accuracy of that information. This is a laborious process that is prone to error when using manual methods, particularly when processing large amounts of data. Issues with maintaining multiple versions of spreadsheets, formula errors and reliance on people have an increased likelihood of providing incorrect reconciliations or missing credits.

Manual processes also struggle to scale. As transaction volumes grow, the effort required to reconcile increases exponentially, diverting skilled tax professionals away from higher-value activities such as advisory, planning and risk management. The result is operational inefficiency and delayed closure of tax positions.

## ► Difficulty in Invoice-level Matching with Form 26AS

Another major challenge lies in aligning Form 26AS data with invoice-level records maintained in enterprise systems. While 26AS reflects tax credits reported by deductors, it often lacks sufficient granularity or consistent identifiers to enable straightforward matching with invoices. Differences in invoice numbers, dates, or customer naming conventions further complicate the process.

Additionally, timing mismatches are common. TDS may be deducted in one period, deposited in another, and reflected in Form 26AS even later. These lags create reconciliation gaps between books of accounts and tax statements, making it difficult for organisations to validate whether a particular credit has already been accounted for, is pending, or has been missed entirely.

## › Tracking Multi-year Credits and Ongoing Revisions

TDS credits do not always get utilised in the same financial year in which they are deducted. Businesses frequently face situations where credits spill over across assessment years due to losses, disputes, or delayed recognition. Tracking these multi-year credits manually is complex and prone to oversight.

Further complicating matters are rate changes, amendments in tax laws and retrospective corrections made by customers. Deductors may revise their TDS returns to correct PAN errors, rates, or amounts, resulting in changes to Form 26AS long after the original transaction. Without systematic monitoring, organisations may fail to identify these revisions, resulting in either under-claiming or overstating credits.

Also, certain industries like real estate, infrastructure or project-based businesses follow a typical payment structure that includes advance and retention-money payments that generally fall in different financial years than the year of invoices. Tracking and reconciling these transactions by considering multi-year credits is necessary.

## › Dependence on Customers for Accurate TDS Reporting

A structural challenge in TDS credit management is an organisation's dependence on its customers for accurate and timely reporting. Even when services are rendered correctly, tax credits only materialise if customers deduct tax accurately, deposit it on time and file their TDS returns correctly. Since Form 26AS does not provide invoice-level data, bulk payments against multiple invoices or part payments for the same invoice or TDS deducted and deposited on provision basis creates complications and dependency on customers. Further, errors in PAN quoting, different names in PAN (trade name) and TAN (legal name), incorrect section selection, or delayed filings by customers directly impact the deductee's ability to claim credits.

Follow-ups with customers for corrections are often manual, fragmented and slow. Tax or Accounts Receivables (AR) teams may need to coordinate with sales, collections and customer relationship teams,

creating operational friction and delays. In the absence of strong visibility and tracking mechanisms, such credits can remain unresolved for years.

## › Cash Flow Disruption and Working Capital Impact

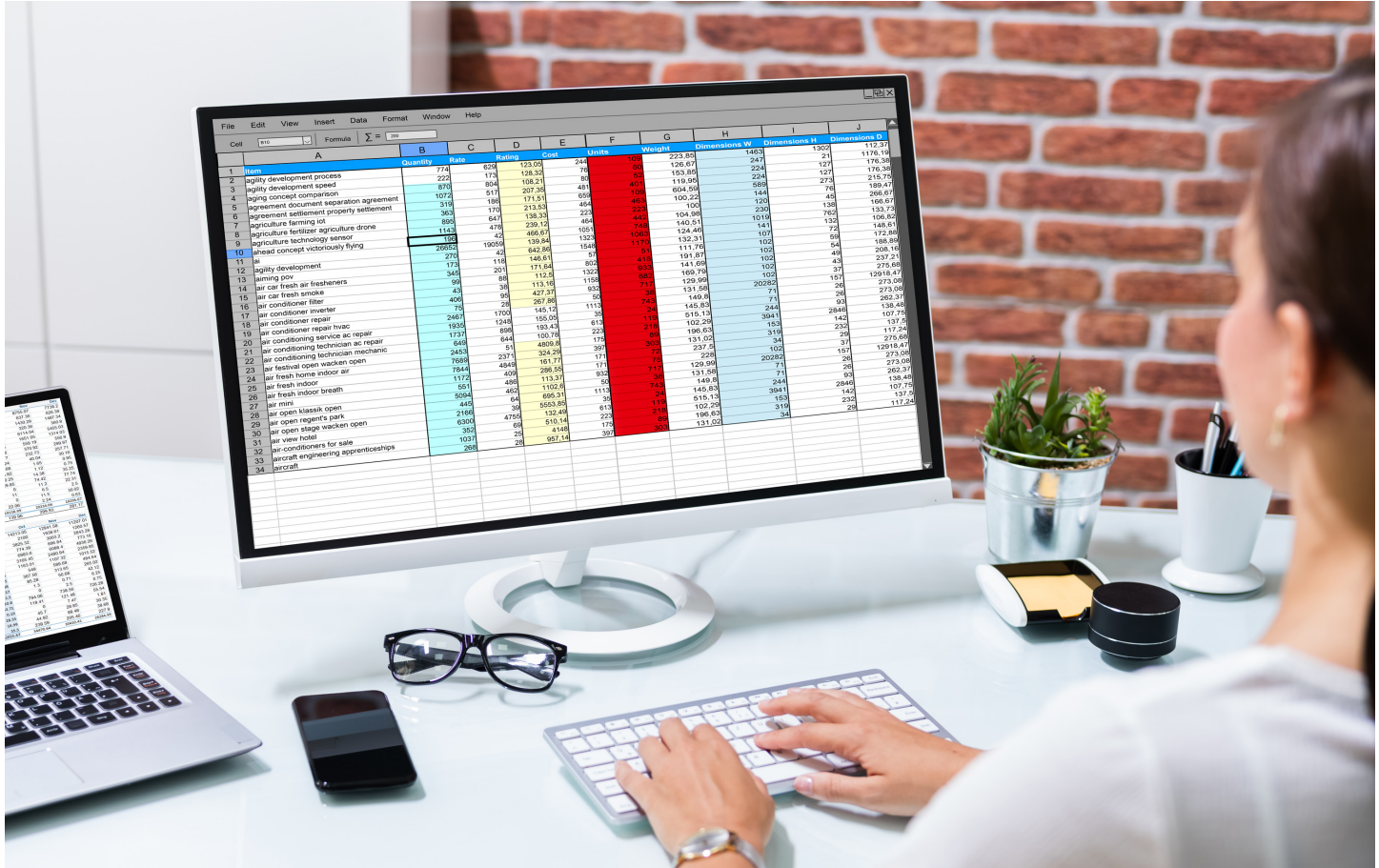
The financial implications of ineffective management of TDS credit are huge. Unreconciled or missed credits directly translate to cash flow blockage, as businesses end up paying higher advance tax or self-assessment tax despite having legitimate credits available. Over time, these gaps can result in substantial working capital leakage, affecting liquidity and investment decisions.

In addition, deferred credit recognition will have a bearing on quarterly advance tax computation and annual income tax return filing for tax teams, and financial forecasting and budgeting for finance teams. CFOs, FCs and finance leaders may operate without a clear picture of available tax assets, which can lead to conservative cash management or suboptimal deployment of funds.

## › Elevated Audit and Assessment Risks

Manual reconciliation and incomplete records increase an organisation's exposure during tax audits and assessments. Inconsistent data, unsupported claims or discrepancies between books and Form 26AS can trigger scrutiny from tax authorities. Further, regulators may also ask to provide reconciliation of books with external sources (like Form 26AS). Even when credits are genuine, the inability to provide timely and accurate reconciliation details can lead to prolonged assessments, disputes and demands. Tax authorities are increasingly asking for invoice-level income and TDS reconciliation between financials and Form 26AS during assessments.

The cost of such exposure goes beyond potential tax outflows. Interest, penalties and litigation expenses add to the financial burden, while management time is consumed in responding to notices and audits. Reputational risk with regulators is another intangible but important concern, especially for large enterprises.



### ➤ Limited Visibility into Unutilised Credits

Perhaps one of the most critical challenges is the lack of real-time visibility into unutilised or partially utilised credits. In many organisations, tax credit data is fragmented across spreadsheets, ERP systems and individual team members' trackers. This fragmented view makes it difficult to answer basic but crucial questions, such as How much credit is available? From which customers? For which year? And what is at risk of lapse? Without consolidated dashboards and analytics, tax teams operate reactively, often discovering issues only when filing returns or responding to notices. This reactive approach increases the likelihood of credits being permanently lost due to the expiry of the timeline to claim them, oversight, or non-cooperation from customers.

Collectively, these challenges highlight that manual processes of reconciliation are no longer fit for purpose in today's data-intensive, compliance-

driven tax environment. These apprehensions have been echoed by leading consulting and audit firms, which caution that without regular and automated reconciliation, enterprises face increased risks of cash flow erosion, audits and penalties. A shift in mindset from a spreadsheet environment to a technology-enabled automated reconciliation process is imperative to enable accurate, real-time and continuous transparency. According to [Gartner's recent report](#), more than 80% of large company CFOs are currently undertaking or planning for significant digital finance transformation projects, including implementing automation and hyper automation tools. By making this shift, organisations can protect their credits, enhance their compliance and optimise their cash flows in an increasingly complex tax structure.





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## TDS on Income Solution: Enabling the Imperative for Automation >

One of the most persistent challenges businesses face today is the absence of real-time visibility into TDS credits. Delays in reflection, mismatches across books, deductor records, and Form 26AS, or incomplete reporting by counterparties, often result in credits remaining unclaimed for prolonged periods. These gaps directly distort cash flow forecasting and quietly lock up working capital, often without immediate visibility to senior finance leaders.

An automated reconciliation framework changes this dynamic. Real-time credit visibility empowers CFOs, FCs and finance teams and to move from reactive claim management to informed decision-making. It aids in bridging the gap between these teams within an organisation. It enables accurate cash flow forecasting, timely follow-ups, and liquidity planning based on

actual, available credits rather than assumptions. In an environment where capital efficiency is under constant pressure, this visibility becomes a material advantage.

Equally important is the growing emphasis on traceability and auditability. Regulatory bodies now require organisations to not only validate their results, but also to show in full detail what processes/controls/logical relationships were followed to arrive at those results. Disjointed documentation, manual reconciliation methods, and the constraint of spreadsheet databases have proven ineffective to fulfill this requirement. Through the automation of certain tasks, organisations are able to create structured methods of validating results as well as provide repeatability and defence of those results through clear audit trails; all of which will greatly reduce an organisation's exposure to prosecution, protracted compliance investigations and unnecessary litigations.

Beyond compliance assurance, advanced analytics and AI-driven reconciliation shift the function from reactive to predictive. By identifying patterns in mismatches, recurring errors, or deductor-level risks, organisations can intervene earlier, resolve issues faster, and prevent future leakages. This is the difference between responding to problems and actively managing risk.

# Introducing the TDS on Income Solution

Against this backdrop, the TDS on Income Solution by BDO India is designed to address reconciliation not as a compliance chore, but as a critical component of proactive AR and tax governance. Delivered as a smart, cloud-based SaaS platform, the solution provides intelligent, end-to-end automation across the TDS lifecycle.

The platform requires a limited data set for performing automated reconciliation at scale and transforms a high volume of tax data into actionable insights for finance, tax, and compliance teams. Its architecture follows a structured, technology-led process covering data ingestion, validation, reconciliation, analysis, action, and reporting, ensuring no part of the compliance cycle remains opaque or unmanaged.

With this foundation in place, the solution offers the following features:





## Automation of the Reconciliation Process

At the heart of the solution is invoice-level, three-way reconciliation between invoices raised/ GSTR-1, TDS receivable ledger as per financials, and Form 26AS. This granular approach replaces high-level summaries with transaction-specific validation, allowing organisations to identify discrepancies at their source.

The system applies over 80 pre-configured logical rules along with a few flexible parameters (like date limits and tolerance thresholds) that can be set by the users based on their organisation's preference, to automatically tag mismatches, classifying them by nature, root cause, and priority. This eliminates large volumes of manual effort, accelerates resolution timelines, and allows teams to focus on exceptions that truly matter, rather than reconciling data line by line.



## Master Data Management

Consistent, accurate master data is foundational to reliable reconciliation. The solution automates PAN-TAN mapping to eliminate identifier-level errors and ensures transaction evaluation aligns with applicable thresholds, tax sections, and rates. This dynamic master data framework adapts to regulatory changes, improving data integrity while reducing dependency on manual checks and institutional memory.



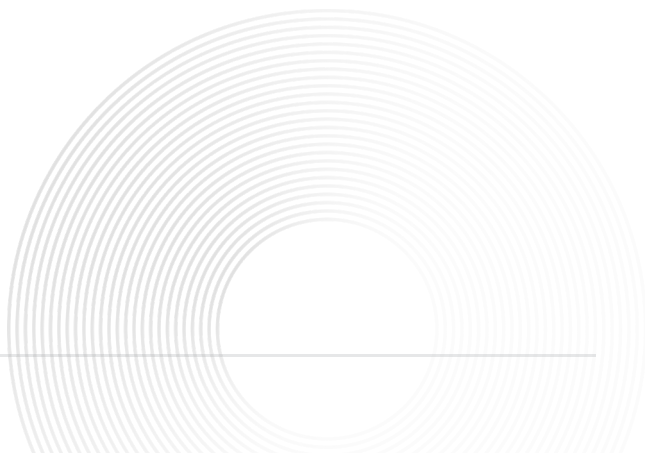
## Seamless ERP Integration

Recognising the diversity of enterprise technology environments, the platform is built for flexibility. It integrates seamlessly with leading ERP systems (including SAP and Oracle), and supports data ingestion through APIs, SFTP or MS Excel uploads for inputs. This multi-channel approach enables rapid adoption without disrupting existing systems or workflows, ensuring continuity while modernising reconciliation.



## Determination of the Ideal Tax

An inbuilt TDS rate engine determines the ideal tax deductible for each transaction based on statutory provisions, thresholds, and payment nature. By validating actual deductions against ideal values, the system supports proactive corrections, reduces downstream mismatches, and strengthens compliance accuracy in an environment of frequent regulatory change.





## Lower Deduction Certificate (LDC) Tracking and Utilisation

LDCs are frequently underutilised due to customer inconsistencies, which becomes difficult to track manually and with limited visibility. The solution provides real-time monitoring of LDC validity, utilisation, and available balances, ensuring optimal application. This prevents over-deduction, helps to identify customers following inconsistencies, ensures organisations fully realise the benefit of certificates already obtained and enables the re-application of LDCs for subsequent periods.



## Dashboards, Reports and Alerts

Assessment-ready detailed reports from the solution provide granular invoice-level mapping with Form 26AS that ensures preparedness for audits and regulatory reviews. Additionally, actionable insights are delivered through intuitive dashboards offering customer-wise and invoice-level views, supported by detailed mismatch drill-downs. Automated alerts notify teams of certificate expiries, pending actions, and compliance triggers, enabling timely intervention and reducing the risk of missed deadlines.



## Customer Communication

Effective reconciliation extends beyond internal systems. The platform provides a structured communication framework with automated follow-up templates and easily populated invoice level supportings for customers. This standardisation ensures that communication is done on time, is traceable, cuts down the volumes of ad hoc emails, and greatly enhances audit readiness and closure efficiency.



## Working Capital Impact

Ultimately, effective TDS reconciliation is a working capital exercise. By identifying eligible credits accurately and enabling faster claims, the TDS on Income Solution helps organisations unlock trapped capital, strengthen liquidity, and improve return on capital employed. This financial impact reinforces the strategic value of automation beyond compliance.





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## Transforming Compliance into a **Competitive Advantage** >>

In a highly digitised tax environment, effective TDS compliance directly impacts cash flow, governance, and efficiency. BDO India's TDS on Income Solution automates fragmented reconciliations, closing gaps with Form 26AS to reduce leakage, delays, and compliance risk while delivering measurable business value.

## › Driving Significant Efficiency Gains

One of the most immediate impacts of automation is the sharp reduction in manual effort and time spent on TDS reconciliation. Traditionally, finance and tax teams rely on spreadsheet-driven comparisons, manual validations, and repeated follow-ups, often across multiple datasets and financial years. TDS on Income Solution eliminates all of these manually-based activities by implementing a fully automated process for ingesting, matching and identifying exceptions pertaining to data. This allows teams to complete their reconciliations in a much shorter amount of time than previously allowed, freeing up skilled labour resources for other, more significant activities, including but not limited to tax planning, advising and partnering with businesses. All of these efficiency optimizations lead to increased speed for quarter-end and year-end closures, improvement in productivity levels and reduction of operational expenses as a result of the increased use of technology as compared to manual processes.

## › Enhancing Accuracy and Data Reliability

Human-operated manual reconciliations involve many opportunities for errors, including misclassification, omission of entries, and differences in data formats, resulting in incorrect tax positions. BDO India's solution increases accuracy significantly by using a rules-based system to automatically verify TDS information against Form 26AS, thus creating consistent and dependable matching. Discrepancies are flagged and classified in a systematic way, making it possible to resolve them specifically rather than performing an extensive and lengthy review of all items. By having a systematic and data-driven approach to identify errors, TDS on Income Solution reduces the number of mistakes made by humans, builds confidence in the reported amounts, and improves the integrity of tax and financial records that will be used for decision-making.

## › Optimising Cash Flow Through Timely Credit Realisation

Unreconciled or delayed TDS credits directly impact cash flow by locking up working capital that could

otherwise be deployed for business growth. By enabling the timely identification of missing or unmatched credits, the solution empowers businesses to take corrective actions, such as customer follow-ups or rectifications, well before statutory deadlines. This proactive reconciliation ensures that eligible TDS credits are claimed without delay, improving liquidity and reducing the reliance on external financing. Over time, this disciplined approach to credit realisation delivers tangible working capital benefits and strengthens financial resilience.

## › Strengthening Audit Readiness and Governance

As TDS audit scrutiny continues to grow, tax authorities expect taxpayers to have a complete and accurate cycle of TDS compliance with established audit trails and documentation supporting this process. TDS on Income Solution streamlines an organisation's approach to audits by producing structured, standardised audit readiness reports that support audit preparedness. The report's transparent format provides insight into an organisation's reconciliation, exception and resolution processes while supporting the entity's capability to conduct internal and external tax assessments with less time and disruption. Enhanced transparency and documentation also contribute to the establishment of strong governance, demonstrating that the organisation has a robust control framework and compliance maturity.

## › Scalability for Growing and Complex Enterprises

As organisations expand across entities and geographies over financial years, the complexity of TDS reconciliation multiplies. The solution is developed with a focus on being able to scale over the years and across many different entities while ensuring the process maintains consistency. Large corporations benefit from the TDS on Income Solution as they have access to a standardised, repeatable process that can grow with the company's growing number of transactions and increased complexity in their structure.

## Customer Success Stories

BDO India's TDS on Income Solution has been instrumental in helping organisations move beyond manual reconciliation challenges to achieve tangible financial, operational, and governance outcomes. The following cases illustrate how automation, combined with deep tax domain expertise, can transform a high-risk compliance issue into a structured and value-generating outcome.



### ➤ From Manual Reconciliation to Working Capital Visibility

For a leading enterprise, BDO India helped to transform a complex, manual reconciliation process into a streamlined, audit-ready system, delivering tangible working capital visibility and sustainable operational efficiency across AR and Tax functions.

The customer was grappling with a fragmented and manual reconciliation process that limited visibility into its true working capital position. Reconciliations across Accounts Receivable and Tax were spread across multiple years, largely spreadsheet-driven, and heavily dependent on manual effort. As a result, significant amounts of TDS were either not booked, incorrectly booked, or remained unidentified in the receivables ledger, directly impacting cash flow and increasing audit complexity.

BDO India implemented an automation-led reconciliation solution that unified invoice-level data across AR and Tax, enabling end-to-end reconciliation with precision and scale. The solution automated multi-year reconciliations while maintaining invoice-level granularity, creating a single, reliable source of truth for both finance and tax teams.

From an Accounts Receivable perspective, the solution enabled customer-level drilldowns, allowing AR teams to quickly identify customers with unreconciled items and prioritize follow-ups more effectively. Proactive behavioural nudges were introduced to guide customers toward correct TDS deduction practices, addressing common issues such as incorrect rates, sections, or deduction bases. With invoice-linked

communication, customer interactions became more precise, resulting in faster and more effective resolution.

For the Tax team, the solution delivered instant visibility into TDS that was not booked, underbooked, or overbooked against specific invoices, leading to improved recovery outcomes. It provided clear identification of credits eligible for claim in tax returns or for carry-forward under applicable income tax provisions. Additionally, the system enabled transaction-level audit trails, ensuring complete audit readiness for both internal reviews and interactions with external auditors and tax authorities.

### Impact Delivered

- ▶ **95%+** reconciliation accuracy with minimal dependency on customer follow-ups
- ▶ **~INR 30 Crores** of unbooked TDS identified, directly linked to invoices
- ▶ **100%** invoice-referenced TDS receivable ledger, improving traceability and compliance
- ▶ **65%** reduction in reconciliation time for the Accounts Receivable team

## ➤ Income Reconciliation Through Intelligent Tax Automation

A leading consumer reseller company faced a significant income tax exposure arising from discrepancies between income reported in its books and income reflected in Form 26AS. The tax authorities identified an under-reporting of income, resulting in a proposed income tax adjustment of approximately INR 400 crores, driven by the fact that income reflected in Form 26AS was substantially higher than revenue recognised in the company's financial records.

The challenge was multi-dimensional.

- Customers were depositing TDS on the wrong income basis, inflating 26AS income value
- Timing differences in TDS deposit and reporting created period mismatches
- Inability to reconcile income at an invoice level

The situation was further complicated when tax authorities requested a three-way reconciliation across GSTR-1, financial statements, and Form 26AS, significantly increasing the audit and assessment risk.

BDO India implemented its TDS on Income Solution to automate income reconciliation at an invoice level, using GSTR-1 (B2B sales) as the input base to ensure alignment with statutory reporting. The solution enabled three-way reconciliation across invoices, financial records, and Form 26AS level, systematically identifying and classifying discrepancies under the following categories:

- Income reconciled with TDS deposited on the full value of the invoice (including GST)
- Income reconciled with TDS deducted on gross value instead of net (ignoring credit notes)
- Timing differences
- Invoice raised on one PAN, but TDS deposited under a different PAN

BDO India enabled the client to produce detailed, defensible reconciliation reports that were submitted to tax authorities as part of audit and assessment proceedings, strengthening the client's audit posture and governance framework.

### Impact Delivered

- ▶ **100%+** invoice-level income reconciliation with minimal customer follow-ups
- ▶ **80%** reduction in reconciliation and audit-preparedness time
- ▶ Strong audit readiness supported by detailed, defensible reconciliation reports
- ▶ Improved customer communication to address recurring TDS deduction errors





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## The Road Ahead: Intelligent Tax Management in the Digital Era >>

The Indian tax landscape is entering a phase where speed, transparency and continuous oversight are now baseline expectations. With tighter reporting timelines, deeper data integration and analytics-driven scrutiny, organisations can no longer afford a reactive, checklist-led approach. Much like broader enterprise risk management, tax functions will need to evolve from manual, compliance-heavy operations into proactive, intelligence-driven enablers of business resilience. Closing the longstanding gap between TDS reconciliation and Form 26AS will be central to this shift.

Technology now provides the enabling platform to integrate fragmented processes into a single source of truth. Automated reconciliation, underpinned by analytics, highlights risk early and minimizes financial exposure, while driving faster, better-informed decisions. These insights extend beyond operational accuracy to highlight weak deductor relationships, quantify credit loss provisions, and enhance the forecasting of tax positions and cash flows. The net

result is that finance moves from transactional issue-resolution to strategic planning, aiding better liquidity management and building confidence with regulators.

AI-driven reconciliation engines further accelerate this transformation by processing large datasets of TDS, identifying anomalies, and reducing the need for manual intervention. Embedded intelligence combined with governance-first workflows ensures accountability, consistency, and trust across stakeholders.

Going forward, modern organisations will integrate direct and indirect tax processes to obtain holistic visibility of tax risk at the enterprise level. This reduces duplication, strengthens controls, and improves audit readiness. Compliance is no longer just a statutory necessity; it is becoming a source of strategic assurance. Real-time dashboards, exception-led reviews, and predictive indicators empower leaders to manage tax risk with clarity and confidence.

As digital enforcement deepens, future-ready tax systems must be built today. By adopting solutions like BDO India's TDS on Income Solution, organisations can move from fragmented compliance to continuous, intelligent tax management and position compliance as a driver of resilience and sustainable growth.

Reimagine your TDS management with BDO India's TDS on Income Solution and lead the shift toward intelligent tax compliance.

## CONTACT US

For any other queries or feedback, kindly reach out to us at [marketing@bdo.in](mailto:marketing@bdo.in)

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