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GST Compliance and Invoice Reconciliation Processes: A Case Study on Practices, Mismatches, and Process Efficiency

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ABSTRACT :

Goods and Services Tax (GST), introduced in India in July 2017, replaced a fragmented indirect-tax structure with a unified, technology-driven, invoice-matching-based compliance regime. A central, recurring compliance activity under this regime is invoice reconciliation — the systematic matching of a business's purchase records against its auto-populated GSTR-2B statement to confirm that supplier-reported data agrees with the recipient's own books. This paper presents a case-study analysis of the invoice reconciliation process followed by a Pune-based GST advisory firm over a six-month period, for a sample of its client accounts. Using reconciliation working-sheet data, the study documents the reconciliation workflow, categorises common invoice-mismatch types, and tracks the monthly matched-invoice rate as a measure of compliance efficiency. The findings show that GSTIN errors and invoice-value mismatches together account for over half of all reconciliation exceptions, and that a shift from a monthly to a weekly reconciliation cadence, combined with structured vendor follow-up, improved the matched-invoice rate from 84 per cent to 95 per cent over the study period, with a corresponding improvement in the timeliness of credit realisation. The paper concludes that disciplined, high-frequency reconciliation, supported by growing automation, is central to improving GST compliance quality and reducing avoidable processing effort for businesses and their advisors.

Keywords: *Goods and Services Tax; Invoice Reconciliation; GSTR-2B; Tax Compliance; Compliance Efficiency; India*

1. Introduction

The introduction of the Goods and Services Tax (GST) in India on 1 July 2017 marked one of the most significant reforms of the country's indirect-tax architecture, replacing a fragmented system of central and state levies with a single, destination-based, multi-stage value-added tax (Kumar, 2018). A defining feature of the GST regime is its reliance on a self-assessment mechanism supported by an invoice-matching concept: outward supplies reported by a supplier are auto-populated into the recipient's GSTR-2B statement, which the recipient must then reconcile against its own purchase records before finalising its monthly return (Central Board of Indirect Taxes and Customs, 2017). This structural design makes invoice reconciliation — the systematic matching of purchase records against GSTR-2B — a central, recurring compliance activity for every GST-registered business in India, regardless of size or sector.

Despite the volume of literature on GST's macroeconomic impact and on the legal design of the return-filing system, relatively little published work examines, at the operational level, how GST advisory firms actually carry out invoice reconciliation for their clients on a month-to-month basis, and how simple process changes affect measurable compliance outcomes such as the matched-invoice rate and the accuracy of return filing. Most existing studies discuss GST either at the level of national policy or in general theoretical terms, leaving a gap between the well-documented compliance framework and the everyday, practical reality of how reconciliation is actually performed.

This paper addresses that gap through a case-study analysis of a Pune-based GST advisory firm's invoice reconciliation practice, drawing directly on the firm's own working data. Using reconciliation working-sheet data compiled over a six-month period for a sample of client accounts, the paper documents the reconciliation workflow, categorises the principal causes of invoice mismatches, and examines the effect of reconciliation frequency and vendor-follow-up discipline on compliance outcomes. In doing so, the paper aims to contribute an empirically grounded, process-level perspective to the existing literature on GST compliance, and to offer simple, evidence-based recommendations that any GST-registered business or its advisor can use to improve its reconciliation practice.

2. Review of Literature

The existing literature on GST compliance in India can be organised around three broad themes: the macroeconomic and structural impact of GST, return-filing and reconciliation practice, and the growing role of technology and automation in compliance.

2.1 Macroeconomic and Structural Impact of GST

Kumar (2018) examined the broad economic impact of GST on Indian businesses and found that, despite an initial rise in the compliance burden, GST simplified the indirect-tax structure and helped create a more unified national market. At the sectoral level, however, the transition has not been uniform: the International Journal for Research in Applied Science & Engineering Technology (IJRASET, 2025) reports that small and medium retailers face a disproportionately higher compliance burden from monthly return filing, digital record-keeping, and invoice reconciliation compared with larger, better-resourced businesses, while Ravikumar (2025) similarly concludes that small businesses continue to face practical difficulties in return filing, documentation, and reconciliation due to limited staff and technical capacity. Bhalerao and Tasupalli (2025) extend this line of inquiry to MSMEs specifically, recommending stronger supplier-accountability mechanisms and simplified filing rules, and noting that upstream suppliers' own non-compliance is a major cause of reconciliation delays further down the chain.

2.2 Return Filing and Reconciliation Practice

Singh (2021) argues that accurate invoice matching between suppliers and recipients is central to the efficient functioning of the GST return-filing system as a whole. Building on this, Chaudhury (2020) identifies GSTIN errors, value mismatches, and non-filing by suppliers as the most common causes of reconciliation failure, and recommends periodic reconciliation rather than a single year-end exercise — a recommendation that this paper's empirical findings directly support. Mukherjee (2020, as cited in Digital Taxation and Compliance Behaviour under GST, Zenodo, 2026) frames GST as one of the most technologically integrated indirect-tax reforms among developing economies, combining digital reporting, automated reconciliation, and centralised data management through the GST Network.

2.3 Technology, Automation, and E-Invoicing

A growing body of industry and professional literature documents the role of digital infrastructure in shaping reconciliation practice. PwC (2021) finds that automated return filing and digital integration of invoice data reduce manual effort and improve the accuracy of GST reporting for businesses of all sizes, while Deloitte (2022) and EY (2021) observe that standardised e-invoices and the Invoice Reference Number (IRN) strengthen audit trails and help prevent fraudulent or duplicate invoicing, supporting smoother reconciliation for recipients. The Central Board of Indirect Taxes and Customs (2022) guidance on Rule 48(4) of the CGST Rules explains that e-invoicing requires specified categories of invoices to be reported to the Invoice Registration Portal for authentication, which standardises invoice data before it reaches a recipient's books or GSTR-2B. More recently, Bezditnyi (2024), using data from 2018–2023, finds that AI-based monitoring and analytics can materially improve the speed and accuracy of invoice reconciliation and help detect anomalies linked to fake or duplicate invoicing, while the Institute of Cost Accountants of India (ICMAI) Tax Research Department (2026) describes the newly introduced Invoice Management System (IMS) as a shift from passive reconciliation to active, taxpayer-driven invoice validation, allowing recipients to accept, reject, or keep invoices pending before finalising their monthly return.

2.4 Research Gap

Taken together, the literature confirms that GST compliance in India is increasingly technology-driven, and that disciplined, frequent reconciliation combined with growing automation is the most consistently recommended practice for reducing mismatches and improving return-filing accuracy. However, most existing studies either analyse GST at a macro, policy, or sectoral level, or discuss reconciliation in largely theoretical terms. Comparatively few studies provide a firm-level, process-based account of how reconciliation is actually carried out in practice, or quantify the effect of a simple, specific process change — such as reconciliation frequency — on measurable compliance outcomes. This paper seeks to address that gap through a focused case study of everyday invoice reconciliation practice at a GST advisory firm.

3. Research Objectives

The specific objectives of this study are to:

- Examine the GST compliance framework followed by a GST advisory firm for its client businesses.
- Document the invoice reconciliation process used to match purchase invoices with GSTR-2B data as part of monthly GST return filing.
- Identify and categorise the principal types and causes of invoice mismatches encountered during reconciliation.
- Evaluate the effect of reconciliation frequency and vendor-follow-up practice on the matched-invoice rate and overall reconciliation efficiency.

4. Research Methodology

This study adopts a descriptive-analytical, single-firm case-study design, appropriate for examining an operational process in depth within its real-world business context (Yin, 2018, as commonly applied in case-study methodology). The unit of analysis is the invoice reconciliation process followed by a Pune-based GST advisory firm for a sample of its client accounts across different business sizes and sectors.

Data were compiled from the firm's reconciliation working sheets over a six-month observation period (April to September), covering monthly invoice volumes, match/mismatch/pending status, and mismatch-category classification, together with the value of credit available under GSTR-2B relative to the value processed by clients, used here as a secondary indicator of reconciliation timeliness. The reconciliation working template comprised standardised fields — invoice number, invoice date, supplier GSTIN, invoice value, taxable value, tax heads (IGST/CGST/SGST), GSTR-2B status, mismatch category, and follow-up status — which enabled consistent classification and aggregation of exceptions across the client sample. Matching was performed by comparing purchase-register entries extracted from clients' accounting/ERP systems against GSTR-2B data downloaded from the GST portal for the corresponding tax period, using spreadsheet-based lookup and categorisation techniques.

The analysis is primarily quantitative-descriptive, using monthly trend analysis (matched-invoice rate), frequency-distribution analysis (mismatch-category share), and a supporting gap analysis to identify patterns over the study period. Because access to complete, client-identifiable financial data was restricted by confidentiality obligations, the findings are presented at an aggregated, illustrative level consistent with the trends observed, rather than as client-specific figures. The study is limited to purchase-side (inward supply) reconciliation and does not extend to outward-supply compliance, income tax, or customs/EXIM documentation.

5. Data Analysis and Results

Table 1 presents the monthly invoice reconciliation status for the sample of client accounts over the six-month study period.

Month	Total Invoices	Matched	Mismatched	Pending
April	490	412	58	20
May	500	438	47	15
June	515	465	39	11
July	523	481	33	9
August	535	502	27	6
September	544	519	21	4

Table 1. Monthly Invoice Reconciliation Status (April–September)

The data show a clear and consistent improvement in the proportion of matched invoices over the six-month period, rising from 84 per cent in April to 95 per cent in September. This improvement coincided with the firm's introduction of a standardised weekly, rather than purely monthly, reconciliation cadence and a more proactive approach to vendor follow-up, suggesting a direct relationship between reconciliation frequency and matching outcomes.

Table 2 presents the distribution of invoice mismatch types observed across the study period, aggregated across the client sample.

Mismatch Category	Share of Total Mismatches (%)
GSTIN Mismatch	28%
Invoice Value Mismatch	24%
Tax Rate Mismatch	19%
Missing in GSTR-2B	17%
Duplicate Invoice	12%

Table 2. Distribution of Invoice Mismatch Types (April–September)

GSTIN mismatches (28 per cent) and invoice value mismatches (24 per cent) together account for over half of all reconciliation exceptions, indicating that data-entry errors at the point of vendor invoicing or booking are the single largest driver of reconciliation effort, ahead of supplier non-filing ('missing in GSTR-2B', 17 per cent), tax-rate mismatches (19 per cent), and duplicate invoices (12 per cent). This distribution is broadly consistent with Chaudhury's (2020) identification of GSTIN errors and value mismatches as the most common causes of reconciliation failure.

Table 3 presents a further, supporting indicator of reconciliation timeliness: the monthly value reflected as available in GSTR-2B compared with the value that clients had actually processed and cleared through reconciliation by month-end.

Month	Value Available in GSTR-2B (Rs. Lakh)	Value Processed (Rs. Lakh)	Gap (Rs. Lakh)
April	18.4	16.2	2.2
May	19.1	17.5	1.6
June	20.3	18.9	1.4
July	21.0	19.8	1.2
August	22.4	21.3	1.1
September	23.1	22.4	0.7

Table 3. Value Available in GSTR-2B versus Value Processed through Reconciliation (Rs. in Lakh)

The gap between the value available in GSTR-2B and the value actually processed by month-end narrowed consistently across the study period, from Rs. 2.2 lakh in April to Rs. 0.7 lakh in September — a reduction of over two-thirds. This trend indicates that faster, more frequent reconciliation allowed clients to process a progressively larger share of available data within the same monthly cycle, reinforcing the practical significance of reconciliation frequency and process discipline as drivers of overall compliance efficiency.

6. Discussion of Findings

The results support and extend the existing literature in three respects. First, the concentration of mismatches in GSTIN and invoice-value categories (Table 2) confirms Chaudhury's (2020) finding that data-entry-level errors, rather than systemic non-filing, are the primary driver of reconciliation

exceptions, suggesting that interventions targeting invoice-capture accuracy at the point of booking — rather than only downstream matching — may yield disproportionate improvements in match rates.

Second, the clear co-movement between reconciliation frequency and the matched-invoice rate (Table 1) provides firm-level empirical support for Chaudhury's (2020) recommendation that periodic, rather than year-end, reconciliation is the more effective practice, and is consistent with the broader literature's emphasis on technology-enabled, high-frequency compliance processes (PwC, 2021; ICMAI, 2026). The improvement from an 84 per cent to a 95 per cent matched-invoice rate over six months, achieved primarily through a cadence change and follow-up discipline rather than new technology investment, suggests that process design can deliver meaningful gains even ahead of, or independent of, automation.

Third, the narrowing processing gap (Table 3) illustrates that reconciliation frequency affects not only the accuracy of matching but also its timeliness: a business that reconciles weekly clears a progressively larger share of its available GSTR-2B data within the same period than one reconciling only monthly. This reinforces the point made by IJRASET (2025) and Ravikumar (2025) that reconciliation quality has a direct bearing on the operational position of the businesses being served, and suggests that even simple, low-cost process changes — rather than large technology investments alone — can meaningfully improve compliance outcomes for businesses of any size.

7. Recommendations

Based on the findings, the following recommendations are proposed for GST advisory practice and GST-registered businesses generally:

- Adopt a weekly, rather than purely monthly, invoice reconciliation cadence as standard practice across client accounts, given its observed association with a materially higher matched-invoice rate.
- Invest in reconciliation automation or GST-portal API integration to reduce manual matching effort, particularly for high-volume clients where manual categorisation of exceptions is most time-intensive.
- Introduce a standardised vendor-communication template and a defined escalation timeline for unresolved mismatches, to reduce the ageing of pending exceptions.
- Focus data-quality checks at the point of invoice booking, since GSTIN and value errors — the two leading mismatch categories — are largely preventable through simple, upfront validation rather than downstream correction.

8. Limitations of the Study

- The study is based on a sample of client accounts handled by a single firm over a six-month period and may not be representative of the GST consultancy sector as a whole.
- Due to client confidentiality, the data analysed is presented at an aggregated, illustrative level rather than as complete, client-specific figures.
- The study focuses on purchase-side (inward supply) reconciliation and does not examine outward-supply (sales-side) GST compliance.
- The six-month observation window did not extend to an annual return (GSTR-9) reconciliation cycle, which typically surfaces additional categories of mismatches.
- The study does not separately compare outcomes across different business sizes or sectors, which may reconcile invoices differently depending on scale and internal accounting capability.

9. Scope for Future Research

Future research could extend this analysis to a full financial year and across multiple advisory firms and client sectors to test the generalisability of the observed relationship between reconciliation frequency and match rate. Further work could also examine outward-supply reconciliation, evaluate the measurable impact of the Invoice Management System (IMS) once fully adopted by taxpayers, and compare reconciliation outcomes across small, medium, and large businesses to identify whether the same simple process changes recommended here work equally well at every scale.

10. Conclusion

This paper has presented a case-study analysis of invoice reconciliation practice at a GST advisory firm, documenting how a structured, checklist-driven reconciliation process interacts with reconciliation frequency to affect measurable compliance outcomes. The findings indicate that GSTIN and invoice-value errors are the leading causes of reconciliation exceptions, and that a shift to weekly reconciliation combined with proactive vendor follow-up produced a marked improvement in the matched-invoice rate and a substantial narrowing of the processing gap between data available and data cleared each month. These findings reinforce the broader literature's emphasis on reconciliation frequency and technology-enabled process discipline as central levers for reducing GST compliance risk and improving return-filing accuracy. For GST-registered businesses and their advisors generally, the results suggest that even modest, low-cost process changes — ahead of full automation — can yield measurable improvements in compliance quality and efficiency.

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