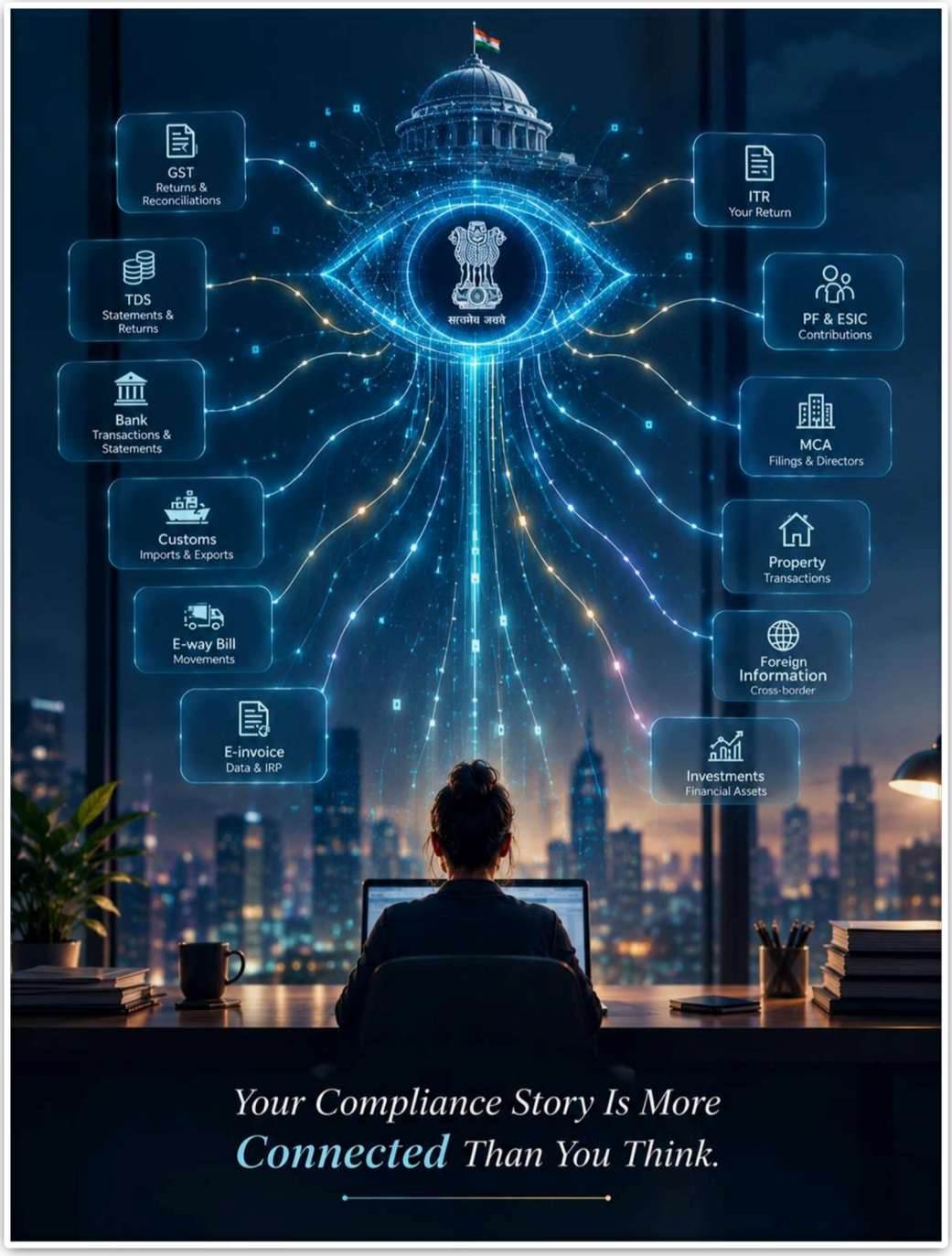
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Compliance Is Going Real-Time: How Tax Authorities Are Connecting The Dots

Knowledge Series

October 2026

Volume 8 (Series 7)



❖ The New Reality: Compliance Is No Longer Isolated

For years, tax compliance was viewed as a series of separate obligations — file the GST return, file the TDS return, file the ITR, pay PF and ESIC, complete the annual filings. Each compliance had its own deadline, portal and set of records.

That approach is changing.

Today, a transaction can leave a **digital footprint across multiple systems**. A sale may appear in the books, generate an e-invoice and e-way bill, be reported in GSTR-1 and GSTR-3B, appear in the customer's records and eventually be reflected in financial statements and tax returns.

Similarly, an individual's salary can create records across payroll, TDS returns, Form 16, Form 26AS, AIS and the ITR.

The result is a fundamental shift in the nature of compliance:

The return is no longer the entire story. It is one piece of the story.

As information from different sources becomes increasingly connected, the focus is gradually moving beyond whether a return was filed to whether the **overall set of records tells a consistent and explainable story**.

❖ Where Does the Data Come From? - The "Invisible" Digital Footprint

If the tax system is increasingly able to connect the dots, the obvious question is:

Where do all these dots come from?

Information can enter the tax and regulatory ecosystem from a wide range of sources — often without the taxpayer directly reporting each piece of information.

The result is a **growing digital footprint** around both individuals and businesses.

For businesses, the trail may include GST returns, e-invoices, e-way bills, books of account, TDS/TCS reporting, payroll records, MCA filings, customs data and banking records.

For individuals, information may flow through TDS returns, Form 26AS, AIS, SFT reporting, securities and property transactions, banking information and other third-party reports.

Think of it like a puzzle.
Each system holds a few pieces. Connecting those pieces can reveal the larger picture.

1. GST: The Transaction-Level Trail

A single outward supply may leave records through:

- Tax invoice
- E-invoice / IRN, where applicable
- E-way bill, where applicable
- GSTR-1 and GSTR-3B
- Recipient-side records such as GSTR-2B
- GSTR-9 and GSTR-9C

The GST ecosystem itself contains interconnected data points.

2. AIS : When the Taxpayer Is Not the First Source of Information

The **Annual Information Statement (AIS)** brings together information about a taxpayer received by the Income Tax Department from multiple reporting sources.

For a taxpayer, therefore, the information trail may look like:

Transaction → Reporting Entity → SFT / TDS / TCS / Other Information → AIS → ITR

The three important information streams within this connected ecosystem are**:**

2.1 SFT: When Financial Transactions Become Reportable

The **Statement of Financial Transactions (SFT)** framework requires specified reporting entities to furnish information about certain financial transactions to the Income Tax Department.

It enables the tax administration to obtain information about specified high-value or otherwise reportable financial activity and use it as an additional source of information while assessing a taxpayer's overall financial profile.

SFT reporting arises across several specified categories of transactions such as:

Reporting Entity	Transactions Reported
Banks/ Financial Institutions	Large cash deposits/ withdrawals, high-value time deposits, credit card payments
Companies/ Registrars	Purchase of shares, bonds and debentures
Registrars and Share Transfer Agents (RTAs)	Purchase or sale of mutual fund units
Registrar / Sub-Registrar	Purchase or sale of immovable property
Authorised Dealers	Purchase of foreign currency

2.2 TDS and TCS: The Other Side of the Transaction

TDS and TCS create an additional information trail because the transaction is reported by the payer or collector, creating a cross-verification point with the recipient's records.

Information trails can arise from:

- Foreign remittances / purchase of foreign currency
- Purchase of specified high-value goods, including motor vehicles
- Specified payments subject to TDS
- Specified cash withdrawals
- Taxable interest on PF/EPF balances

2.3 Foreign Information: The International Footprint Enters AIS

The connected compliance environment increasingly extends beyond India's borders.
Cross-border financial activity can generate information through international information-sharing mechanisms, including the **Common Reporting Standard (CRS)** and **Foreign Account Tax Compliance Act (FATCA)** reporting frameworks.

A particularly relevant development came on **20 July 2026**, when the CBDT announced that taxpayers would be able to view their **Foreign Asset Information through AIS** on the Income Tax e-Filing portal.

This creates an additional reconciliation layer:

Foreign information in AIS ↔ Taxpayer's records ↔ Schedule FA / relevant ITR disclosures

The broader shift is clear:

The taxpayer's international financial footprint is becoming increasingly visible within the domestic tax-information ecosystem.

AIS Is a Starting Point — Not the Final Answer

AIS should be treated as an **information source, not a substitute for the taxpayer's own records**. Reported information may be incorrect, duplicated, attributed to the wrong PAN or year, or may represent a transaction that is not itself taxable.

Therefore:
AIS review ≠ blindly copying AIS into the ITR

Instead:
AIS → Verify → Reconcile → Provide feedback, where required → Determine tax treatment → Report correctly

The practical implication is simple: AIS should be a **key reconciliation point** before filing the ITR.

The question is no longer merely:
"What did I report in my ITR?"
but:
"Does my ITR align with the information already available across the tax ecosystem — and if not, can I explain the difference?"

3. Payroll: Salary, TDS, PF, ESIC and Professional Tax

Consider an organisation with 100 employees.
Its payroll process may involve:

Payroll records → Salary payments → TDS → Form 16 → PF → ESIC → Professional Tax → Books

Therefore, payroll is not simply an internal HR calculation. It can create multiple statutory records.

Suppose the payroll register shows 100 employees, while different statutory records reflect different employee counts.

That difference may have a perfectly valid explanation — eligibility thresholds, excluded categories, joining/leaving dates, wage ceilings or other statutory conditions.

This is an important recurring theme of this article: **A difference is not necessarily a problem. An unexplained difference is where the question begins.**

4. MCA: The Corporate Story

For companies and LLPs, **MCA filings** add another layer to the information trail. Financial statements, annual returns and event-based filings provide data on:

- Revenue and expenditure
- Share capital
- Directors and KMPs
- Charges and borrowings
- Corporate events and other statutory filings

5. Customs and Foreign Trade: The Cross-Border Trail

For businesses engaged in imports and exports, the digital footprint becomes even wider.

A cross-border transaction may leave records across:

- Bills of Entry and Shipping Bills
- Customs duty and IGST
- ICEGATE
- Banking records
- DGFT-related filings

❖ From Data Points to Risk Signals

Once information from multiple systems can be connected, a mismatch is no longer simply an isolated error to be corrected. Across millions of transactions, **patterns of mismatches can become risk signals**.

The evolution can be broadly understood as:

Data Collection → Integration → Automated Validation → Data Analytics → Risk Identification → Communication / Action

Identifiers such as PAN, GSTIN, TAN, invoice numbers and IRNs can help connect records across systems. This enables automated comparisons such as GSTR-1 ↔ GSTR-3B, e-invoice ↔ GSTR-1, AIS ↔ ITR and TDS returns ↔ 26AS/AIS.

The focus can then move beyond a single mismatch to recurring variations, unusual patterns or inconsistencies across periods, transactions or counterparties.

Importantly, a **risk signal is not a conclusion**. A difference may have a legitimate explanation. It simply indicates that the underlying transaction warrant further verification by the department.

❖ When the Dots Don't Match

The more systems that capture information, the more opportunities there are for differences to appear. But a mismatch does not automatically mean an error.

Differences can arise because of timing, amendments, cancellations, classification differences, accounting vs tax treatment, data-entry errors, incorrect identifiers or third-party reporting issues.

The real compliance question is therefore not:

"Why is there a mismatch?"

It is:

"Can the difference be explained, reconciled and supported?"

The following examples show how connected data can create questions — and why the explanation behind a difference matters.

1. AIS ↔ ITR: Income appears in AIS, but not in the return

Example
A taxpayer's AIS/Form 26AS shows salary income of ₹12 lakh, while the ITR reports ₹9 lakh. This may indicate an omission, but could also arise from incorrect employer reporting, revised TDS returns, multiple employers, perquisites/exemptions or duplicate entries.

What should be reconciled?

Payroll / Form 16 → Form 26AS / AIS → ITR

The taxpayer should determine whether the difference represents an actual omission, a reporting error or another explainable adjustment, and take corrective action where required.

Key takeaway
Third-party information should be verified against underlying records rather than automatically treated as the correct figure.

2. High-Value Property Transaction Appearing in AIS

Example
An individual purchases an immovable property for ₹80 lakh. The transaction is reported by the Registrar/Sub-Registrar and appears in the taxpayer's AIS. However, the taxpayer does not file an ITR for the relevant assessment year.

What happens?
The property transaction becomes a data point which may trigger a **Non-Filer Monitoring System (NMS)** communication seeking an explanation regarding the source of investment.

What should be reconciled?

Property transaction → AIS → Bank/loan records → Source of funds → ITR/response

The source could be accumulated savings, a bank loan, sale proceeds of another asset, a gift or another disclosed source.

Key takeaway
A high-value transaction does not by itself establish unexplained income. However, where third-party information identifies a significant investment, the taxpayer should be able to demonstrate its source with supporting records.

3. GSTR-1 ↔ GSTR-3B: When Reported Liability and Discharged Liability Differ

GST provides a direct example of system-generated reconciliation.

Example
GSTR-1/IFF liability: ₹18 lakh
GSTR-3B liability: ₹15 lakh

The ₹3 lakh difference may require reconciliation and, where applicable, may result in communication in **Form GST DRC-01B**.

However, the difference does not automatically establish short payment. It could arise from earlier-period reporting, amendments, advances, reporting errors or other legitimate reconciliation items.

What should be reconciled?

Books / GST working → GSTR-1 / IFF → GSTR-3B → Explanation/payment where applicable

The objective is to establish why the liability reported in GSTR-1/IFF differs from the liability discharged through GSTR-3B and support the explanation with underlying records.

Key takeaway
A system-generated mismatch is a trigger for reconciliation, not automatically proof of a tax default.

4. E-Invoice ↔ GSTR-1: When the Invoice Trail Doesn't Match

E-invoice data is electronically transmitted from the Invoice Registration Portal and flows into specified GSTR-1 tables.

Example

Record	Taxable Value
ERP invoice	₹10,00,000
E-invoice / IRN	₹10,00,000
GSTR-1	₹9,50,000

The difference could arise from an amendment, credit note, cancellation, incorrect original entry or subsequent modification in GSTR-1.

What should be reconciled?

ERP invoice ↔ IRN ↔ GSTR-1 ↔ credit/debit note ↔ GSTR-3B liability

5. E-Way Bill ↔ GSTR-1: When Goods Movement Indicates Higher Turnover

Example
Value of supplies as per E-way Bills: ₹15 crore
Outward supplies reported in GSTR-1: ₹12 crore

The ₹3 crore difference may warrant investigation, but it does not automatically represent suppressed turnover.

E-way bills can relate to stock or branch transfers, job work, return of goods, other non-sale movements, cancelled documents, multiple documents for one transaction or differences in reporting periods.

What should be reconciled?

Sales Register → E-way Bills → E-invoices / Invoices → GSTR-1 → GSTR-3B

Key takeaway
A higher value of e-way bills compared with GSTR-1 is a signal to investigate, not conclusive evidence of unreported turnover.

6. GST ↔ Books ↔ ITR: When Turnover is different

Example
Books turnover: ₹10.00 crore
GST turnover: ₹9.70 crore
ITR turnover: ₹10.15 crore

The figures need not necessarily be identical. Differences may arise from exempt/non-GST income, sale of fixed assets, credit/debit notes, incentives, recoveries, accounting adjustments, Ind AS adjustments or differences in classification.

What should be prepared?

A **Books → GST → ITR bridge**

In particular, **GSTR-9C** should reconcile and explain differences between GST turnover and turnover as per the books. Unexplained differences may trigger further clarification or verification by the GST authorities.

Key takeaway
The objective is not identical numbers across every system, but a **clear and supportable explanation for the differences**.

7. Customs ↔ Books ↔ GST: The Cross-Border Trail

Example
A company imports goods and the Bill of Entry records IGST of Rs. 12 lakh, while the ITC reflected in its GST records is Rs. 10.8 lakh.

The difference could arise from timing, partial eligibility, incorrect BOE details, amendments, duplicate entries, blocked or ineligible ITC, or credit being claimed in a subsequent period.

What should be reconciled?

Bill of Entry → ICEGATE / Customs data → Purchase Ledger → ITC records → GSTR-3B

8. Year-on-Year TDS Variation: When an Unusual Pattern Becomes a Signal

Example
A company's Form 24Q TDS liability for Q1 FY 2024–25 was ₹12 lakh, while the corresponding quarter in FY 2025–26 shows ₹7 lakh.

This significant year-on-year variation resulted in a communication seeking an explanation.

Possible explanations include:

- lower employee headcount;
- lower salary payouts;
- reduced bonuses or incentives;
- one-time payments in the previous year;
- changes in payroll timing; or
- corrections to earlier reporting.

What should be reconciled?

Payroll register → Salary expense → Form 24Q → TDS challans → Employee-wise TDS computation → Previous year comparison

Key takeaway
Data analytics can identify unusual patterns even where there is no direct mismatch. The taxpayer should therefore be prepared not only to reconcile differences, but also to **explain significant variations.**

9. GST Registration ↔ Professional Tax Registration

Example
A taxpayer is registered under GST, but the State tax records do not show a corresponding PTRC/PTEC registration. The taxpayer therefore receives a communication asking them to provide the relevant registration details or comply, if applicable.

Here, the GST registration itself becomes a data point that may prompt verification of Professional Tax applicability.

However, GST registration does not automatically mean that PTRC or PTEC registration is mandatory. Applicability depends on the taxpayer's circumstances, including the nature of the business, profession and employment structure.

What should be checked?

GST registration → Business / employment details → PTRC / PTEC applicability → Existing compliance → Response / registration, where applicable

Key takeaway
Data available under one law can become relevant to compliance under another. Businesses therefore need to look beyond individual registrations and consider their **overall compliance footprint**.

❖ From Mismatch to Explainability

A mismatch is **not necessarily an error**. Differences can arise from timing, amendments, classification, accounting treatment or incorrect third-party reporting.

What matters is whether the difference can be **explained, reconciled and supported**. The objective of connected compliance is therefore not "zero difference", but **"zero unexplained difference."**

This requires businesses and individuals to look at compliance in both directions:
Transaction → Records → Returns
and
Return → Supporting records → Transaction

A return should not be viewed in isolation. It should be possible to trace a reported figure back to its underlying records — and, equally, trace a significant transaction through the various records and returns it impacts. This is the new compliance discipline: **Explainability**.

As tax administration becomes increasingly data-driven, the ability to demonstrate why numbers differ may become as important as ensuring that the numbers themselves are correct.

❖ What This Means for You

Connected compliance changes what taxpayers need to focus on. Filing returns on time remains essential, but **consistency across records is becoming equally important**.

For **individuals**, this means regularly reviewing AIS, Form 26AS and other reported information, particularly for salary, investments, property and foreign assets.

For **businesses**, it means ensuring that books, GST returns, e-invoices, e-way bills, TDS filings, payroll and other statutory records are aligned and differences are properly documented.

A practical approach is to:

- **Review** third-party information before filing;
- **Reconcile** significant differences across systems;
- **Document** the reason for unusual variations; and
- **Retain** supporting records that substantiate the explanation.

The goal is not to eliminate every difference, but to ensure that **every material difference has a clear story behind it**.

❖ Closing — Connect Your Own Dots

Tax compliance is increasingly moving from **isolated reporting to connected information**. As more transactions leave digital footprints across multiple systems, inconsistencies are becoming easier to identify.

The practical response is simple: **reconcile before you are asked to explain**. Review the information already available to the tax authorities, compare it with your books and supporting records, investigate material differences, and document the reason for significant variations.

Because the strongest compliance position is not one where every number is identical — but one where **every difference can be explained and supported**.

The question is no longer simply:

"Did you file your return?"

It is:

"Do all the records tell the same story?"

Connect your own dots before someone else does!

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❖ Special Mention

Thank you, **Ketaki Ghatol, Vishal Sawant** and **Shweta Jante** for the compilation of this series.

❖ RRCO Corner

We at RRCO celebrated Ganeshotsav with great enthusiasm and togetherness over 12 days. From homemade prasad contributed by our teams to daily Aarti, the celebrations reflected the diversity, warmth and spirit of the RRCO family.

From daily Aarti to homemade prasad contributed by our team members, every day brought a glimpse of the diverse traditions that make our RRCO family special. More than a festival, it was an opportunity to pause, come together and celebrate the bonds we share beyond our work.

A heartfelt celebration of faith, gratitude and togetherness.

Ganpati Bappa Morya!



❖ Compliance Calendar for the month of October 2026

Sr. No.	Due Date	Compliance
1	07-Oct-26	Payment of TDS/TCS (Monthly)
2	10-Oct-26	GSTR-7 and GSTR-8 (Monthly)
3	11-Oct-26	GSTR-1 (Monthly)
4	13-Oct-26	GSTR-1 (For taxpayers under QRMP Scheme)
5	13-Oct-26	GSTR-6 (ISD Return)
6	15-Oct-26	ESIC Payment and Return
7	15-Oct-26	PF Payment and Return
8	15-Oct-26	PTRC Payment and Return
9	20-Oct-26	GSTR-3B (Monthly)
10	21-Oct-26	Tax Audit Report (Non-TP cases) [Extended Due Date]
11	22 or 24 Oct-26	GSTR-3B (QRMP) [As specified for respective States]
12	30-Oct-26	Form 141 challan-cum-statement of tax deduction [erstwhile Form 26QB, 26QC, 26QD, 26QE]
13	30-Oct-26	LLP Form-8
14	31-Oct-26	Q2 TDS Returns in Form 138, 140, 144 and 143 [erstwhile Form 24Q, 26Q, 27Q, 27EQ]
15	31-Oct-26	Form MSME-1
16	31-Oct-26	Tax Audit Report (Transfer Pricing cases) and Form 3CEB