## ALGORITHMIC MECHANISM UNDER GSTR

The filing of return has always been tardy and hectic task and this process turns out to be a complete nightmare, if a demand notice or scrutiny has been raised by the concerned officials over and against the return you filed, then there comes the reconciliation in the regard of said scrutiny. In GST, this process concerned with matching of outward-supply and inward-supply data by the reports of both the Supplier and Recipient on the GST portal. The tallying of the said data is carried with the checking of records comprising of Sales register, Purchase register, e-invoices/e-way bills, GSTR-1, GSTR-2A, GSTR-2B and GSTR-3B, in order to confirm the tax liability, and further all these data records are verified when tax paid and Input Tax Credit (ITC) claimed.

Now, firstly we begin by understanding the term directing the whole theme "Algorithmic Reconciliation" refers to the use of automated, rule-based and rapidly surging use of automated, rule-based and rapidly surging use of tech and Artificial Intelligence which allows a software to perform the task of tallying across lakhs of returns instead of manually indulging into this system-hampering task which would become a never-ending job for the concerned officials and do carries risk of human error. It is imperative to learn concisely about the instruments which are cognitive in the process and thereby studied further acknowledged to levy taxability and thereafter. These components are nevertheless in themselves are component for computation of demand, referring to Sales/Purchase register which are internal books of accounts of the parties involved in the trade – the role of this register is intrinsically important during reconciliation as these are the records of taxpayers alone in which they admittedly mention about sale and purchase. Further, comes GSTR-1, which is Outward-supply return filed by the taxpayer as per the invoice and the same determines sales; this is the base of next two components i.e., GSTR-2A and GSTR-2B which are automated statement of Inward supplies and static monthly ITC statement, both these instruments reflect supplier-filings in real time[1] – the same could be amended if Supplier files any application for amendment whereas GSTR-2B has a role consequently to freeze the source when claiming ITC in GSTR-3B, which is a Summary return of liability, the same indicates tax paid and ITC claimed. This is a key instrument which under a reconciliation process been

[1] https://cleartax.in/s/gstr-2a-reconciliation-guide

used against GSTR-1 (liability side) and GSTR-2A/2B (credit side). At the very last juncture comes, e-way bill/e-invoice which are movement records utilized to cross-check for authenticity, any discrepancy, duplicity and logistical correlation.

Irrespective of which pairs of register being reconciled the algorithmic reconciliation engines generally travel the similar pipelines, which is primarily Data Ingestion, the Source data is vaporized into its Selection via GSTIN portal and other connectors such as GSTR-1/2A/2B/3B and using accounting integration for sale and purchase registers, the principle of accountancy being followed with each transaction, assigning the combination of Supplier/Recipient GSTIN + Invoice Number + Invoice Dates (Financial Year), with a motive to correspond the record with the systematic matching engine[2]. During the Data Ingestion, the task also covers the scope of cleansing the inconsistent prefixes and suffixes and duplications. This is a tiered matching logic consisting of five possible outcomes in according to the logic tier which are Exact Match, Tolerance Match, Fuzzy Match, Many-to-one/One-to-many Match and No Match. [3]

Each of these pairs are the conclusion of logic which are marked in the software to bring typical outcomes but when there is No Match as a conclusion, the said return is routed for manual review. There are though certain exceptions, which are essentially to look out, as if the same is simply not to be rejected, if there are following discrepancies spanning, missing invoices, mismatch in GSTIN, Duplicate invoices, Variance in the amount for instance the values shown are beyond the tolerance threshold or there might be possible excess billing.

After taking a glance at the procedural aspect of how the algorithm collects and then checks the requisite components, and the matching process is complete, there comes the tagging process which is a rule-driven logic installed as input in the software under the relevant provision of Central Goods & Service Tax Act, 2017 wherein the return is termed to be eligible, ineligible or deferred ITC- which is a blocked ITC under Section 17(5) of the Act[4]. Further, it also computes what liability ought to be declared by the taxpayer and thereby flags the drawbacks as flagged by the logic installed in the software.

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[2] https://www.computaxonline.com/blog/post/2026/01/15/gst-reconciliation-gstr-1-3b-2a-2b

[3] https://cleartax.in/s/ai-invoice-reconciliation

[4] Central Goods & Service Tax Act, 2017

This piece is intending to brief the taxpayer, as to be assisted in understanding the tagging process of their GST return, so the Component at work during the said process are being diligently maintained and thereby the revenue collection turns to be a smooth process in whole.