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Matching the Books with the Tax Record: Strengthening Form 26AS Reconciliation Effectiveness at PolicyBoss.com

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Abstract : *Form 26AS is the year-end tax statement which is maintained by the Income Tax department for each Permanent Account Number (PAN). It reports tax deducted and collected at source on behalf of the assesse TDS TCS advance tax self-assessment tax and some high value transactions. For an insurance broker such as PolicyBoss.com, whose revenue includes brokerage and commission paid from several insurers after tax deduction, Form 26AS is a key external control document. Reconciliation is the process of matching each TDS credit appearing in Form 26AS with the corresponding revenue and TDS entries in the books of the company (maintained in Tally ERP). The process of reconciliation involves investigation of the differences and ensuring that tax credit can be claimed without any leakage of revenue or tax credit.*

This teaching example explores the reconciliation process as practiced in the finance and revenue department of PolicyBoss.com during a 45-day practical training period. Meet Ms. Ananya Mehta, Head of Revenue Reconciliation who has to make a managerial decision of how to increase the efficacy, timeliness and control strength of the existing primarily manual process. The example is not only a description of present practices but also draws on internal-control theory (COSO), notions of accounting information systems, possibilities of process automation and risk-based financial management. Students will be expected to analyze alternative techniques and recommend how the organization may improve the effectiveness of reconciliation in a scalable and sustainable way.

Keywords: Form 26AS, TDS reconciliation, internal control, COSO framework, accounting information systems, process automation, risk-based financial management, insurance broking, revenue leakage

I. INTRODUCTION

1.1 The Organization

PolicyBoss.com is an internet trademark of Landmark Insurance Brokers Private Limited - a licensed insurance broker based out of Mumbai. The company offers auto, health, life, travel and business insurance products through its digital platform, branch network, contact centers and a wide POSP (Point of Sale Person) network and provides services for these policies. The company has a presence in several locations, a large customer base and has collected over □1,000 crore in annual premiums in recent years, based on publicly accessible information. The company is a pure intermediary and does not underwrite risk; its revenue is virtually exclusively from brokerage and commissions paid by insurers. These payments are paid net of TDS under the Income-tax Act, mainly under sections 194D and 194H. So any big inflow would have an entry on Form 26AS, which needs to be matched with the accounts of the company.

The day-to-day responsibility for this matching rests with the revenue and finance teams, with substantial operational support from colleagues based in Ahmedabad. This process is both geographically distributed and operationally intensive.

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1.2 Industry Characteristics

The Indian insurance sector comprises life insurers, general insurers, standalone health insurers and a dense network of intermediaries (agents, corporate agents, brokers, POSPs and digital platforms) regulated by the Insurance Regulatory and Development Authority of India (IRDAI). Commission and brokerage payments are subject to TDS, rendering the industry highly TDS-intensive.This is typically a mid-sized broker receiving monthly remittances from dozens of insurers each with different sections, rates and reporting requirements. Private and PSU insurers have different structures to their TDS files with PSU files often containing combination entries of multiple underlying revenues. Tax compliance is governed by the Income Tax Department and therefore is a dual regulatory interface for the finance function.

II. THE DECISION CONTEXT: A MANAGERIAL DILEMMA

The Chief Financial Officer (CFO) has requested Ms. Ananya Me-hta, Head of Revenue Reconciliation, to submit a proposal within four weeks. The amount of transactions being processed by the company is increasing, along with the number of insurance providers the company interacts with. Internal and external auditors have both commented on the delay and the remaining unmatched balance in the 26AS reconciliation as a control problem. The financial teams headcount is limited.

Ms. Mehta must determine if she will continue to use the same manual process (with almost all matching done through excel utilizing VLOOKUP and pivot table), with occasional assistance from the mentor and Ahmedabad revenue team, with incremental improvements; or go for a more radical redesign. Some of the possible directions being explored include:

- Establishment of Standard Operating Procedures (SOPs), materiality levels, and exception logging in order to strengthen the existing manual process.
- Implementation of selective process automation (i.e. Robotic Process Automation - RPA) to perform routine matching and allow humans to focus on exception handling.
- Further embedding the reconciliation into the accounting information system of the company (Tally ERP) and the corresponding data flows so that the matching becomes a continuous control rather than a periodic control.
- Developing a risk-based approach to the reconciliation process, focusing on high-value and/or problematic insurers (such as PSUs with combination entries) and less stringent requirements for low-risk items.

This case is not just about making a technical decision, but rather evaluating different improvement options, considering trade-offs among control effectiveness of the improvements, cost, time to implement, team skill set and company's willingness to invest in technology.

IIII. THEORETICAL LENS

3.1 Internal Control and the COSO Framework

The COSO Internal Control – Integrated Framework can be used to explain the processes involved in reconciling Form 26AS with books of accounts of an organization. It consists of five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2013). The reconciliation of Form 26AS with books of accounts is a detective control activity and its effectiveness depends on the quality of control environment of the organization.

(tone at the top regarding tax compliance and data accuracy), risk assessment (identification of the greatest threat posed by mismatch(es) to financial reporting and cash recovery), design of the control activities (e.g. matching rules, segregation of duties between preparation and review), information flows (reliability of information flows between Tally, insurer files and the tax portal) and monitoring (on-going monitoring of unmatched items and process metrics).

There are several weaknesses in the current process, such as high reliance on individuals' diligence, lack of documentation of exceptions and actions taken to correct them, and process metrics are monitored on an informal and reactive basis.

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3.2 Accounting Information Systems

Tally ERP is the primary Accounting Information System (AIS) of the organization. It records sales and creates invoices. It manages TDS ledgers as well. Match the AIS with external data sources like Form 26AS, insurer TDS files etc. Currently, data is exported from Tally and moved into Excel, the formats are standardized and matched offline. This creates a short-term silo of information, and introduces the potential for version-control failures and incomplete modification back into the books. So from an AIS viewpoint, it highlights the need for tighter integration, automated data extraction, and the need to keep a single source of truth for both revenue recognition and tax credit claims.

3.3 Process Automation

Account reconciliation is considered among the most automatable finance processes (Controllers Council, 2026; Insightful, 2026). Robotic process automation (RPA) technology or dedicated reconciliation systems can perform rules-based matching, exception flagging and workflow routing, freeing human reviewers to concentrate on actual exceptions and root-cause inquiry. Automation does not replace the need for professional judgment, it merely changes the makeup of the workforce from high volume routine matching to higher value investigative and control design work.

3.4 Risk-Based Financial Management

A risk-based approach would apportion the reconciliation effort according to the likelihood and potential consequences of misstatement or credit loss. PSU insurers providing combination inputs, large single line items and insurers with a history of delayed or defective reporting would be subjected to severe scrutiny, while low-value, often matching private-insurer items could be subjected to more benign sample-based or automated analysis. Materiality requirements and risk ratings would need to be set and re-set periodically.

IV. THE CURRENT RECONCILIATION PROCESS

During the training period the process followed a largely consistent sequence for both private and PSU insurers:

1. Collect insurer TDS files (brokerage paid and tax deducted, typically quarter-wise).
2. Download Form 26AS from the income-tax portal for the company's PAN.
3. Extract revenue and TDS data from Tally ERP into Excel, insurer-wise.
4. Standardise insurer names and column formats so that the two data sets become comparable.
5. Perform side-by-side matching using VLOOKUP.
6. Summarise results with pivot tables to identify complete versus pending insurers and aggregate differences.
7. Classify every difference (present in Tally but not in 26AS; present in 26AS but not in Tally; amount difference; timing difference; combination entry).
8. Investigate root causes and initiate corrective action—either adjustment in Tally or follow-up with the insurer. For PSU files the team frequently begins with the company's TAN and verifies subsequent-month 26AS updates.
9. Document the outcome, share the reconciled file with the mentor and the Ahmedabad revenue team, and retain it for internal and statutory audit.

This process is then repeated on a monthly or quarterly basis as new data becomes available. While the idea is good, the implementation is still very labor intensive and reliant on the individual efforts of staff members.

V. SOURCES OF DATA

- Form 26AS as downloaded from the income-tax portal for the company's PAN.
- Tally ERP ledgers, invoices and GST vouchers.
- Insurer TDS files (private and PSU) containing brokerage and TDS particulars.
- TDS e-filing portal records for cross-verification.
- Revenue invoices raised for commission.
- Ad-hoc files and clarifications supplied by the Ahmedabad revenue team.

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• Guidance from the mentor on matching criteria, TAN-based verification and treatment of combination entries.

VI. PERSISTENT ISSUES OBSERVED

These were the main areas where we spent time:

• Errors in recording and filing: This included TDS reports with revenue entries missing or entered incorrectly as well as mistakes in the insurer's own TDS return.

• Entries in Tally but absent from 26AS – possible loss of tax credit if the deductor has failed to report or has reported under an incorrect PAN or amount.

• Entries in 26AS but absent from Tally – possible unbooked revenue and therefore a direct revenue-leakage risk.

• Timing differences – TDS appearing in a later month's 26AS than the corresponding revenue recognition.

• Combination entries – especially with PSU insurers, single TDS amounts can cover a number of revenue lines which must be reverse-engineered in Tally.

• Multiplicity of sections and rates – Sections 193, 194A, 194D, 194H, 194J and 194R all appeared, each with its own threshold and rate rules, increasing the chance of misclassification.

• Heavy manual workload – repeated extraction, reformatting and VLOOKUP operations that slowed the cycle and elevated the risk of clerical error.

VII. IMPROVEMENT STEPS ALREADY INITIATED BY THE REVENUE TEAM

To improve accuracy in matching:

• Define the mentor's criteria for matching and the steps for correcting mismatches.

• Determine the correct mix of revenue lines for PSU entries and consistently mark combination entries on the revenue side of Tally.

• Verify new PSU files by checking TAN first and then reviewing the next month's 26AS.

• Use VLOOKUP and pivot tables instead of visual checks.

• Identify the root cause of the missing revenue side entries and suggest remedial action.

• Identify areas where Tally posting habits can be improved to make the matching process easier in future.

• Move from year-end reconciliation to monthly reconciliation.

• Provide reconciled data to the Ahmedabad team and the internal audit team in an organized manner.

These examples highlight the organization's progress but also illustrate the limitations of improvements based on the manual efforts of employees, as work increases in volume and complexity.

VIII. ILLUSTRATIVE EXAMPLE

The following table lists the simplified set of quarterly transactions for three insurers for the purpose of this example.

Particulars	Sunrise General	Harbour Health	Pioneer Motor
Brokerage income	□1,00,000	□75,000	□60,000
TDS as per books	□2,000	□1,500	□1,200
TDS in Form 26AS	□2,000	□0	□1,000
Difference	□0	□1,500	□200
Status	Matched	Unmatched	Partially matched

The books of accounts show aggregate TDS of □4,700, whereas Form 26AS shows only □3,000. This results in a net difference of □1,700, which the finance executive must investigate. While the entire credit of Harbour Health is missing (i.e. possible non-reporting or wrong PAN), Pioneer Motor shows partial shortfall (i.e. possible rate error or

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amount error). The example illustrates both credit-protection and revenue-completeness risks and highlights the need for systematic investigation on a timely basis.

9. A mismatched entry is an exception that should be investigated. It does not indicate that revenue has been lost or that a tax credit has been lost permanently.

Each difference should be classified by evidence and status in the case and the financial significance of each should be reported. A timing difference may clear when the deductor files or corrects a subsequent statement; a mapping or naming difference may clear after the insurer master is corrected; a combination entry may need to be allocated across several revenue lines; a books-only TDS amount may be indicative of a deductor reporting issue or incorrect PAN; a 26AS-only entry may be indicative of unrecorded revenue, a mismatch of accounting periods or an incorrect insurer allocation. And an accounting error is only confirmed after checking source records, ledger entries, invoices, TDS certificates and deductor confirmations. A recoverable tax-credit issue is also a confirmed one and so is a probable revenue-completeness issue or a substantiated loss.

Four different aggregates should be maintained for reporting: (1) Gross unmatched book TDS; (2) Gross unmatched tax-statement TDS; (3) Items confirmed as timing/mapping/combination-entry differences; and (4) Items substantiated as financial exposure following review. Do not net exceptions without explanation. Any credit not appearing on the current statement should be marked “potentially unavailable / pending verification” until the relevant rectification, claim and time-limit restrictions have been examined. A 26AS entry not in the books is a ‘potential income or period-classification exception,’ not automatically confirmed leakage.

The □1,500 book-only TDS of Harbor Health is a pending tax-credit exemption, not a verified loss, applied to the illustrative data. Pioneer Motor’s □200 deficiency is an amount mismatch which is awaiting certificate and deductor verification. The □800 allocation issue of the Western Public Insurer is open till the combination statement is mapped and reviewed. These values should be reflected in the exception register with owner, source proof, action, aging and reviewer sign off and only substantiated outcomes should be raised as confirmed financial loss or misrepresentation.

IX. THE DECISION FACING MS. MEHTA

Now Ms. Mehta must reach a recommendation that meets three related objectives: (1) to reduce the outstanding unmatched balance and the time to clear exceptions, (2) to improve the internal-control attributes of the process consistent with COSO principles, and (3) to do so in a scalable, auditable and realistic manner given current resource constraints. Students should be able to analyze the relative benefits of incremental process tightening, selective automation, deeper AIS integration and risk-based prioritization and develop a cohesive improvement roadmap.

X. DISCUSSION QUESTIONS

1. Evaluate the strengths and weaknesses of the current Form 26AS reconciliation process at PolicyBoss.com using the COSO Internal Control – Integrated Framework. Which of the five components appear to be most underdeveloped and what specific improvements would you prioritize?
2. From an accounting information systems perspective, what are the key integration gaps between Tally ERP, insurer TDS files and income-tax portal. What are the key design changes required to change the reconciliation from a periodic, offline activity to a more continuous control?
3. Assess the case for process automation. Which elements of the current workflow are most suitable for robotic process automation or specialized reconciliation software? Which elements should remain under human control? What are the key implementation risks?
4. Design a risk-based reconciliation policy for PolicyBoss.com. Identify the different types of insurers and transaction types and classify them into different risk categories. Define materiality thresholds for different risk categories. How would you monitor and escalate exceptions for different risk categories?

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5. If you were Ms. Ananya Mehta, what recommendation would you present to the CFO? Outline a phased improvement roadmap (short-term process fixes versus medium-term technology and control investments) and indicate the key performance indicators you would use to judge success.
6. For the period governed by the Income-tax Act, 2025, the Income Tax Department has notified that Form 168 shall replace the Annual Information Statement with effect from Tax Year 2026–27 onwards. Form 26AS shall continue to be relevant for the earlier periods. How can an organization design a period-aware reconciliation process so as to not compromise on the core control objectives for the respective periods?

XI. CONCLUDING NOTE

The core concept of Form 26AS reconciliation is simple: the tax department's record of taxes paid by a company is matched with the company's books to verify that they are in agreement. At PolicyBoss.com, however, the execution of this simple concept has been very difficult and has required a lot of manual work, many combination entries, many timing lags and very little formalization of exception management.

The students are expected to treat the case study as a live managerial problem and analyze the control and process weaknesses in the system, compare alternative approaches to solving the problem and finally make recommendations to Ms. Mehta.

Regulatory applicability and transition note

This case is a teaching case for management control and not a substitute for tax counsel. The type and the legislative provision applicable depend on the tax period and the date of the credit/payment. As per current guidelines from the Income Tax Department, the Income-tax Act, 2025 has come into force from 1st April 2026. Tax periods covered by the previous Act continue to use the relevant legacy framework. The new framework employs changed form numbers. The Department also said Form 168 will replace the Annual Information Statement from Tax Year 2026-27 onward and Form 26AS will continue to be valid for periods under the Income-tax Act, 1961. Hence the references to Form 26AS and parts such as 194D or 194H are contextually the historical / applicable-period and should be validated for each transaction before operational usage.

Before posting any actual reconciliation, the tax team should check the period, deductor identity and TAN, PAN, nature of payment, applicable TDS provision and rate, tax certificate, filing status, correction-statement status, statement period and relevant claim / correction deadlines against current official guidance or advice from company's tax adviser. Not all insurer payments are subject to the same section or rate, so don't assume they are. The section number copied from the old file can be denied payment of post transition period even though the rate of tax deducted is the same.

The following sources were consulted for the purposes of this revision: Income Tax Department, 'Income Tax Act 2025' help centre; 'TDS Compliance' help page and FAQs; 'Tax Credit Mismatch FAQs'; and 'Form Mapping Guide – Income-tax Act, 1961 to Income-tax Act, 2025'. The case's illustrative insurer transactions and numerical values are fictional and do not establish the tax treatment of PolicyBoss.com in relation to any of these transactions.

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