ARTICLE

Opportunities in GST & Indirect Taxes: Digital Transformation — AI-Driven Invoice Matching, Faceless Audit and the Decline of Classification Disputes

Indirect tax administration in India has crossed an inflection point. The Invoice Management System made invoice-level reconciliation mandatory from October 2024; the Goods and Services Tax Appellate Tribunal began hearings in December 2025; the Principal Bench now serves as the National Appellate Authority for Advance Ruling; the Income-tax Act, 2025, and the GST 2.0 rate restructure are reshaping the dispute and compliance landscape from April 2026. For Members of The Institute of Company Secretaries of India, the opportunity is not to compete with tax counsel on adjudication, but to occupy the integration role between GST, governance, and disclosure. This note maps that opportunity across three vectors — AI-driven invoice matching, faceless audit and assessment, and the institutional decline of classification disputes — and offers a practitioner's eight-point action framework.

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"The algorithm flags. The Secretary frames." Four words, parallel structure, captures the integration role exactly.

INTRODUCTION

THE COMPLIANCE OFFICER'S VANTAGE POINT

Nine fiscal years of administering a SEBI-registered municipal bond, coordinating CAG and AG audits, and signing every quarterly compliance certificate for a listed issuer impresses one lesson with unusual clarity: the audit of the future will not come knocking at the door — it will arrive as a system-generated email, anchored to a data point the assessee may not even remember filing. Indirect tax administration in India, particularly the Goods and Services Tax, has crossed that inflection point. The compliance professional who continues to think of GST as a return-filing routine will find herself perpetually playing catch-up with an algorithm.

For Members of the ICSI, this transformation is not a threat. It is, in the strict legal and commercial sense, an opportunity. The Companies Act, 2013, the SEBI (LODR) Regulations, the Prevention of Money-laundering Act, and the CGST/SGST framework now share a common skeleton: machine-readable filings, audit trails preserved in the books of account from 1 April 2023, and risk-based scrutiny driven by data analytics rather than ledger-by-ledger inspection. The Company Secretary who can read this skeleton — and advise the board accordingly — sits at the intersection of governance, risk, and tax.

This note maps that intersection across three vectors: AI-driven invoice matching, faceless audit and assessment, and the decline of classification disputes through institutional and technological reforms. It then offers a practitioner's framework for ICSI members seeking to convert these reforms into chargeable, defensible value for their clients and employers.

THE ARCHITECTURE OF GST 2.0 AND THE DIGITAL STACK

The 56th GST Council meeting in September 2025 set in motion what the press has labelled "GST 2.0" — a two-tier rate structure of 5% and 18%, a 40% demerit rate for luxury and sin goods, correction of the inverted duty structure in textiles and fertilisers, and the long-awaited operationalisation of the Goods and Services Tax Appellate Tribunal (GSTAT). Industry commentary has attributed the post-rationalisation rise in monthly GST collections to a combination of resilient consumption, formalisation of the economy, and improved enforcement through technology-driven monitoring.

The "technology-driven monitoring" deserves unpacking, because it is precisely the layer where the Company Secretary's value addition is now concentrated. The present GST digital stack comprises:

- The Invoice Management System (IMS) on the GSTN portal, mandatory from October 2024, with the "deemed acceptance" rule clarified by the GSTN advisory of 19 June 2025;
- E-invoicing, now mandatory for taxpayers with aggregate turnover above the prescribed threshold, generating a structured invoice ledger at source;
- Multi-Factor Authentication, mandatory for all GST portal users from 1 April 2025;
- Mandatory Input Service Distributor (ISD) registration for entities holding multiple GSTINs under a single PAN;
- Eight-digit HSN reporting in GSTR-1 Table 12, with system-level validation against the supplier-side invoice feed;
- The Directorate General of GST Intelligence (DGGI) analytics layer, increasingly using artificial intelligence and pattern-matching to detect circular trading, fake ITC chains, and unexplained turnover spikes;
- Cross-vertical integration with the Income-tax Department's AIS/TIS, which now ingests DGGI-shared data for reassessment under the Income-tax Act, 2025, applicable from 1 April 2026.

> The Goods and Services Tax has matured from the unification of seventeen indirect taxes into a near-real-time governance platform. Its centre of gravity has shifted from the return form to the data point — and the data point is now read, classified, and risk-rated by an algorithm before any human officer touches it.

What this stack produces, in effect, is a single taxpayer ledger that no human officer maintains and no taxpayer fully controls. The compliance officer's task has shifted from filing returns correctly to ensuring that the ledger constructed about the assessee is one the assessee can defend.

AI-DRIVEN INVOICE MATCHING

From GSTR-2A to IMS to Predictive Reconciliation

The Invoice Management System represents the most consequential procedural change since e-invoicing. Until October 2024, GSTR-2B was a passive feed: GSTN published it, the taxpayer reconciled it against the purchase register, and any mismatch was a problem to be cleaned up after the fact. After IMS, every inward invoice requires an explicit Accept, Reject, or Pending decision before it crystallises into GSTR-2B. Inaction triggers "deemed acceptance" — a default rule that places the entire reconciliation burden on the recipient.

For an enterprise processing 800 or more inward invoices a month, manual decision-making within the six-day window between GSTR-2B generation on the 14th and GSTR-3B filing on the 20th is operationally infeasible. AI-driven invoice matching is no longer a productivity enhancement; it is a control requirement. Practitioner playbooks now describe a three-key reconciliation — supplier GSTIN, invoice number, and tax period — running with an amount tolerance of approximately one rupee or 0.1 percent. The technology stack typically includes optical character recognition for unstructured invoices, named-entity recognition to extract GSTIN and HSN from PDF feeds, and a decision engine that posts Accept, Reject, or Pending against the purchase register without human touch except for exceptions.

The compliance dividend is significant:

- **Earlier closure of ITC:** Supplier delays, duplicate invoices and rate errors are flagged at intake rather than at year-end reconciliation.
- **Cleaner ITC posture for Section 16(4) defence:** Time-barred credit claims are eliminated structurally, not by exception.
- **Audit-ready trail:** Each Accept/Reject/Pending decision is timestamped and attributable, providing what every forensic auditor seeks first — chain of custody.
- **Vendor governance leverage:** Persistent rejection patterns become quantitative grounds for re-rating or replacing a supplier, a discipline very few organisations exercised before IMS.

The Company Secretary's specific contribution here is to translate this operational reform into board-level reporting. The ITC reconciliation report — historically buried in the CFO's monthly pack — now belongs in the audit committee agenda alongside Related Party Transaction disclosures and the Director's Responsibility Statement under Section 134. A material ITC leakage, in many companies, will exceed the materiality threshold for a Section 143(12) fraud-reporting obligation under the Companies Act long before it surfaces as a GST demand. The integration is not optional; the only question is whether it is done deliberately or inherited as a deficiency observation.

FACELESS AUDIT AND ASSESSMENT

The Customs Precedent and the GST Horizon

The Faceless Assessment Scheme was first notified under the Income-tax Act, 1961, by Notification S.O. 2743(E) of 13 August 2020, and was subsequently subsumed into the statute under Section 144B. The Income-tax Act, 2025, applicable from 1 April 2026, preserves and refines the faceless regime — clarifying the bifurcation between the Jurisdictional Assessing Officer for initial enquiry and the National Faceless Assessment Centre for final evaluation, expanding AI-based case selection, and authorising the CBDT to conduct targeted, accelerated audits.

The Central Board of Indirect Taxes and Customs has already extended the faceless philosophy to customs. Circular No. 18/2026-Customs dated 1 April 2026 mandates faceless assessment of all Bills of Entry filed for SEZ-to-DTA clearances under concessional duty provisions, citing efficiency, uniformity, and transparency as the operational rationale. The direction of travel is unambiguous: classes of GST proceedings — particularly scrutiny under Section 61, audit under Section

65, and special audit under Section 66 — will be migrated to a faceless architecture within the medium term. Official statements on GST 2.0 explicitly cite "AI-driven audit systems and real-time tracking" as procedural simplifications already underway.

From the compliance officer's chair, the faceless transition reorders professional priorities in four ways:

- **Documentation discipline becomes outcome-determinative:** Personal hearings did, historically, allow oral explanation to soften documentary weakness. A faceless officer reads only what is uploaded.
- **Submission architecture matters as much as content:** A four-hundred-page reply uploaded as a single PDF is materially harder to defend than the same reply organised with a navigable index, exhibit numbering, and a cross-reference matrix. Internal style standards — Georgia or Calibri body, navy or charcoal headers, a uniform Exhibit Schedule — are no longer aesthetic preferences; they are advocacy infrastructure.
- **Time discipline tightens:** Faceless systems do not, in practice, grant the indulgent extensions that personal-hearing dockets sometimes did. Calendaring becomes a compliance control.
- **Cross-vertical exposure rises:** The DGGI-to-Income-tax data-sharing channel, illustrated by recent reassessment notices issued in early 2026, means a single GST irregularity can seed proceedings under the Income-tax Act, the PMLA, and — for listed entities — SEBI's LODR disclosure obligations almost simultaneously.

The opportunity for ICSI members is not to compete with others on the technical GST adjudication, but to occupy the integration role: the professional who synthesises the GST submission with its disclosure consequences, governance implications and audit-committee briefing. That is, definitionally, secretarial work.

THE DECLINE OF CLASSIFICATION DISPUTES

HSN (Harmonized System of Nomenclature) Intelligence, GSTAT (GST Appellate Tribunal), and the Principal Bench as NAAAR (National Appellate Authority for Advance Ruling)

Classification disputes — what HSN code applies, whether the supply is a good or a service, whether a composite supply is principal-and-incidental or mixed — have been the single largest source of GST litigation since 2017. The reasons are structural: State Advance Ruling Authorities have issued conflicting rulings on identical questions; the proposed national-level Appellate Authority for Advance Ruling was, until recently, not constituted; and the courts have held that Section 292B of the CGST Act does not cure substantive classification defects.

Three concurrent reforms are reducing this dispute layer:

- **Operationalisation of GSTAT:** The Goods and Services Tax Appellate Tribunal began accepting appeals from the end of September 2025, with hearings commencing in December 2025. The GST Council has recommended that all pending pre-GSTAT appeals be filed by 30 June 2026, clearing a backlog that had effectively suspended dispute resolution for years.
- **The Principal Bench as National Appellate Authority for Advance Ruling:** The Principal Bench of GSTAT now serves as the NAAAR, providing a single forum to resolve conflicting State AAR rulings on classification. This is the institutional cure for what was, until recently, the most-cited grievance of the indirect-tax bar.
- **AI-driven HSN intelligence:** GSTN's automated cross-verification flags inconsistencies between an assessee's HSN reporting in GSTR-1 Table 12 and the customs ITC-HS classification of the same item at import. The implication, for the practitioner, is that HSN classification must be treated as a substantive legal position to be documented contemporaneously — with classification rationale, reference to relevant Chapter Notes, reliance on circulars, and where the stakes warrant, an advance ruling — rather than a clerical entry.

The practitioner's response is to develop, jointly with tax counsel, what may be called the "Classification Memorandum" — a one-page document for each material product or service line, signed off at the level of the Chief Financial Officer or the audit committee, that records the HSN/SAC chosen, the rationale, the supporting circulars and rulings, and the date of last review. Such a memorandum costs almost nothing to produce; in classification litigation, it has, repeatedly, been the difference between a Section 73 (ordinary period) and a Section 74 (extended period with penalty) demand.

THE OPPORTUNITY LANDSCAPE FOR COMPANY SECRETARIES

The opportunity for the ICSI membership — particularly Members serving as Compliance Officers, Company Secretaries in employment and members in practice — can be mapped along four service vectors. For Members in practice, the natural offering is a "GST Compliance and Risk Review", distinct from the statutory audit, that covers precisely those vectors where governance and indirect tax intersect. For members in employment, the opportunity is the converse: to ensure that the compliance dashboards and audit-committee packs reflect GST risk on the same footing as LODR, FEMA, and listing-agreement compliances they already report.

Vector	Service Line for ICSI Members
GST Compliance Assurance	Periodic review of ITC reconciliation, IMS decisions, e-invoicing coverage, and HSN consistency, reported as an annexure to the Compliance Certificate under Regulation 17(3) of the SEBI (LODR) Regulations.
Faceless Submission Architecture	Designing and reviewing replies to scrutiny notices, audit memos, and show-cause notices, with emphasis on exhibit indexing, citation discipline, and integration with disclosure obligations.
Classification Governance	Maintaining the Classification Memorandum for each material product or service, monitoring AAR / AAAR / NAAAR developments, and advising on advance ruling applications.
Board & Audit-Committee Reporting	Translating GST risk indicators into governance language: materiality, fraud-reporting thresholds, related-party impact, and BRSR Core principle disclosures on ethics, transparency and accountability.

A COMPLIANCE OFFICER'S EIGHT-POINT ACTION FRAMEWORK

A practitioner's framework, distilled from over a decade of administering municipal accounts and a SEBI-registered municipal bond, and now applied to the GST domain, has eight elements. None is novel in isolation; their value lies in being adopted together.

1. **Map the digital stack:** For your entity, list every GSTN-facing system in use — e-invoicing portal, IMS, e-way bill, ICEGATE for imports — and confirm that ownership and review responsibility are documented.
2. **Reconcile monthly, not annually:** Establish a fixed cadence for ITC reconciliation against the purchase register and GSTR-2B, with deviations escalated within the same return period.
3. **Adopt IMS automation:** Manual Accept/Reject/Pending decisions do not scale beyond approximately three hundred invoices per month; deploy or procure an automation layer integrated with the ERP.
4. **Standardise submission architecture:** Adopt a uniform Exhibit Schedule, Compilation of Authorities, and Cross-reference Matrix for every reply to a scrutiny, audit, or show-cause notice. In a faceless regime, the document is the advocate.
5. **Maintain Classification Memoranda:** One page per material product or service line, refreshed annually, with sign-off at the level of the Chief Financial Officer.
6. **Integrate with disclosure obligations:** Brief the audit committee quarterly on GST risk; brief the board annually on material adjudications; mirror these in the Director's Report and the BRSR.
7. **Track GSTAT and NAAAR jurisprudence:** Build a small internal precedent library of binding decisions relevant to your sector. With GSTAT now hearing matters, doctrine is being made afresh.
8. **Train continuously:** ICSI's CPE programmes, ICMAI's GST modules, and the Indian Institute of Public Administration's faceless-assessment offerings now provide structured curricula; budget for them as a non-discretionary line item.

CONCLUSION

The Goods and Services Tax has matured from the unification of seventeen indirect taxes into a near-real-time governance platform. Its centre of gravity has shifted from the return form to the data point — and the data point is now read, classified, and risk-rated by an algorithm before any human officer touches it. The compliance officer who responds to this shift defensively, by treating each scrutiny notice as a separate combat, will be overwhelmed. The compliance officer who responds to it institutionally, by building the documentation, automation and governance architecture described above, will find the regime, paradoxically, easier to live with than the pre-digital era ever was.

For Members of the ICSI, the opportunity is precise and immediate: occupy the integration role between GST, governance, and disclosure. That role does not require us to become tax consultants; it requires us to do what the Companies Act has, since 1956, asked us to do — to ensure that compliance, in all its forms, is documented, reviewed, and reported to those charged with governance. The vocabulary has changed. The vocation has not.

REFERENCES:

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iii. *Goods and Services Tax Network, Advisory on Invoice Management System (IMS) — Treatment of Rejected Records, Deemed Acceptance and Procedural Relief, GSTN, 19 June 2025.*

iv. *GST Council, Recommendations of the 56th GST Council Meeting — Press Information Bureau, Ministry of Finance, Government of India, September 2025 (rate rationalisation, operationalisation of GSTAT, and procedural reforms).*

v. *Ministry of Finance, GST 2.0 — Structural Reforms, Rate Rationalisation, and Operationalisation of the Goods and Services Tax Appellate Tribunal, official communications and Press Information Bureau releases, September – December 2025.*

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vii. *The Central Goods and Services Tax Act, 2017 (as amended to date), particularly Sections 16 (Input Tax Credit), 61 (Scrutiny of Returns), 65 (Audit), 66 (Special Audit), 73 and 74 (Determination of Tax) — Ministry of Finance, Government of India.*

viii. *The Companies Act, 2013, particularly Section 134(5) (Directors' Responsibility Statement), Section 143(12) (Fraud Reporting by Auditors), and the Companies (Auditor's Report) Order, 2020 — read with Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on the audit-trail requirement effective 1 April 2023.*

ix. *The Income-tax Act, 2025, effective 1 April 2026, including provisions on faceless assessment, reassessment, and appellate proceedings, as enacted by the Parliament of India.*

x. *The Institute of Company Secretaries of India, Chartered Secretary Journal and Guidance Notes on Compliance Certificate and Secretarial Audit, ICSI Publications (most recent editions), supplemented by ICMAI Sustainability Standards Board and Indian Institute of Public Administration faceless-assessment learning material.*

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