



## Simplifying your Form 16 process

Employee tax deduction is the responsibility of an organization. Having deducted tax, it is mandatory for the organization to issue a Form 16 at the end of the financial year to each employee. This is easier said than done and usually most companies encounter huge delays in issuing Form 16.

With this document, we help simplify this process for you

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Payroll Management made easy





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Employee tax deduction is an organization's responsibility. Having deducted tax, it is mandatory for the organization to issue a Form 16 to every employee at the end of the financial year.

Form 16 is a certificate issued by the employer stating the details of the salary earned by the employee and the tax paid to the government on his/her behalf. Using the information in Form-16, employees prepare and file their Income Tax Return.

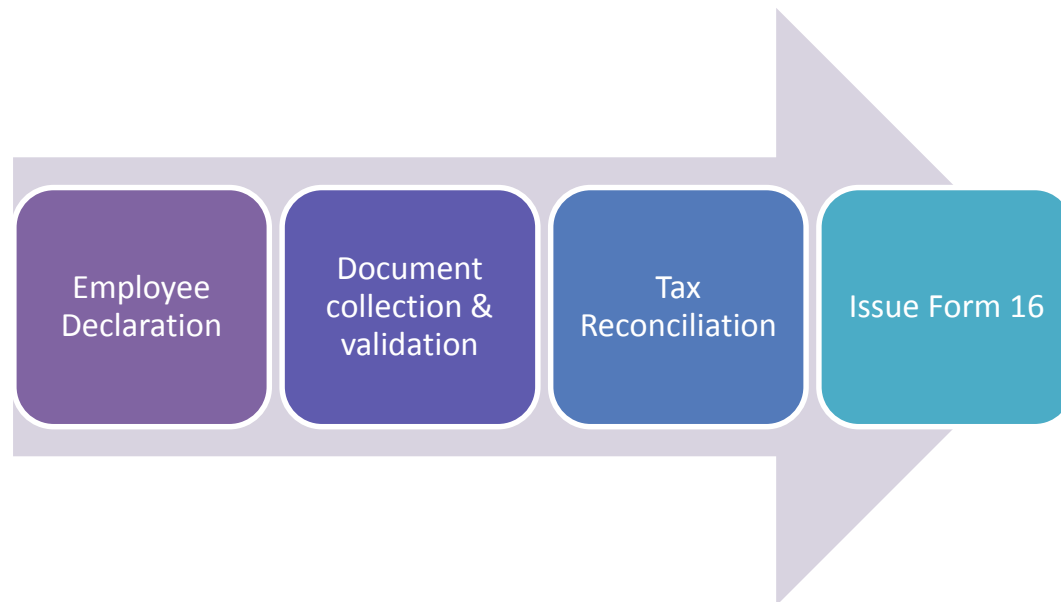
Under the Income Tax Act, 1961, it is mandatory for organizations to issue Form 16 to every employee and it is important that this is done on time, so that the employee has enough time to file his Income Tax return before the govt. published deadlines.

## Understanding the process of Form 16

A lot of organizations process Form 16 in a *traditional way* despite the several hassles & complexities involved. The complexity can be explained with the components involved in the processing of Form 16 which are –

- Personal details of the Employee
  - Including Name, Permanent Account Number (PAN) etc.
- Employer details
  - Including Name, Permanent Account Number PAN, TAN etc.
- Details of Employee Salary
  - including various salary components, Gross Salary, Net Salary, Perquisites
- Details of available deductions
  - As allowable under Income Tax Act and based on documents submitted by the employee including Rent receipts, Medical re-imbursments, other allowable deductions
- Total Income and Total Tax deducted
- Details of the Acknowledgement Number of the Income Tax Payment made by the Employer
- Details of Education Cess or Surcharge etc.

There is a predefined traditional approach to process Form 16 that organizations generally follow



- Employees make **investment declaration** in the months of May-June so they can claim tax exemptions(Based on this declarations Apr-Dec salary is processed)
  - These are typically made in the form of paper documents signed by the employee. These are then uploaded by HR teams to a payroll master. Once these declarations are made, it is usually difficult to make changes
  - Based on these declarations, the organization processes salary and deducts tax through the months of Apr-Dec.
- Employees need to **submit document proofs** based on these declarations in the months of Jan-Feb.
  - HR teams of organizations collect the investment proofs submitted by their employees. They need to verify the proofs submitted against the investment declaration made as also validate and check authenticity of the submitted documents as per income tax rules.
- Based on the actual documents submitted, the **tax liability is re-worked** and the balance tax payable if any is now recovered from the employee salary payable in the months of Jan/Feb/March.
- At the end of the financial year, they need to issue an annual statement and a tax statement signed by a certified authority which is the Form 16

This reconciliation usually takes a lot of manual effort and ends up taking a lot of time. Several organizations are not able to issue Form 16 to its employees on time.

## Common challenges faced while processing Form 16, the traditional way

- Documentation & Errors
  - A lot of documents traverse through multiple hands before they are entered into the payroll file. This can lead to errors
  - The whole system is based on manual entry by non-stakeholders and is thus prone to errors
  - Versioning and integrity of files is always a challenge as multiple team members handle it all the time
  - Having made entries in the payroll calculation, employee declarations do change through the year causing further problems in tax computation
- Investment proof collection and tax finalization for FY
  - This is usually a manual and labor intensive process. Also this usually is a very soft issue causing a lot of concerns to employees as errors directly lead to them losing income
  - Non-timely submission can lead to direct loss of income and this needs strong people management skills
  - Validation of documents happens as per govt. regulations, which change from time to time. This often leads to conflicting arguments with employees and this needs to be well managed
- Tracking change in govt. policies & regulations
  - Need to track change in govt. policies and corresponding change in payroll working. Usually involves software customizations which are difficult to manage in-house

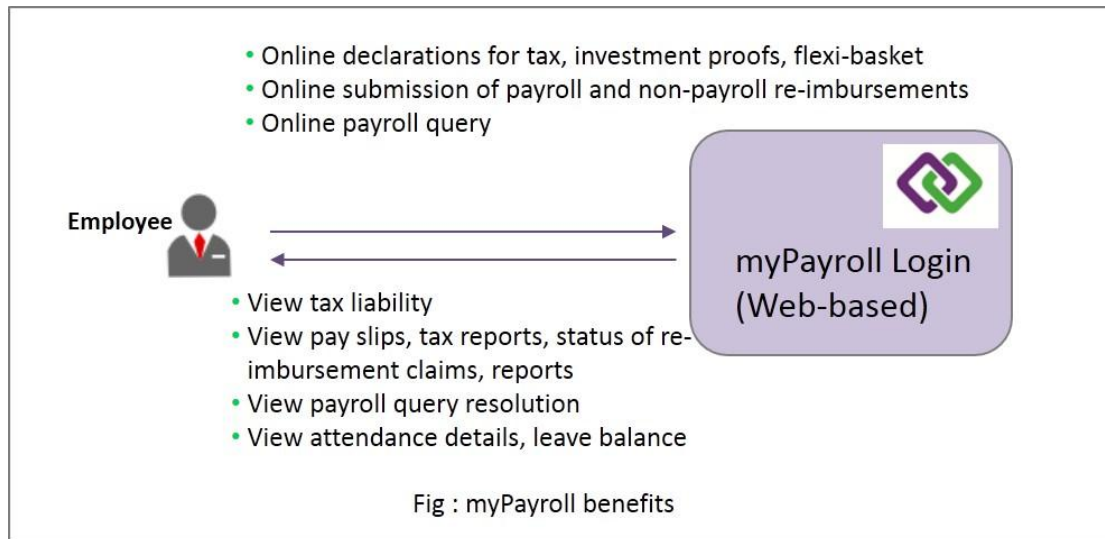
## Paysquare helps you to simplify your form 16 process

Paysquare with its online payroll portal enables its clients to issue the Form 16 as per the latest statutory requirements on time, keeping in mind the diverse requirements of its users.

**myPayroll** - Paysquare's web-based 'myPayroll' portal offers employees a complete access to their salary related information.

Employee can securely access myPayroll 24\*7 with their unique login and transact/view variety of things

- Make investment declaration online
- Change it anytime, the most recent update is considered
- Log queries related to payroll and view responses against them



#### Document submission and verification –

- Paysquare puts up helpdesk at clients place to address and solve employee queries related to form 16 process.
- Through MyPayroll Paysquare it easy for employees to gather and submit documents
- Paysquare keep a watch on changing govt. tax regulations and ensures that compliances are taken care of
- Paysquare verifies documents and computes balance tax

#### Issue form 16 –

- Automation best practices and advanced technology help us to issue form 16 much earlier that traditional in-house manual/automated process.

With intelligent use of advanced tools and leveraging years of experience, Paysquare helps companies simplify the Form 16 process. Paysquare has been managing the form 16 process for companies right from about 5-10 employees to even large multi-location companies having over 10,000 employees.

*We welcome you to experience Form 16 simplicity, the Paysquare way!*



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