



## Online investment declarations

### Why it is becoming the preferred choice

June, July are those times of the year, when most companies ask their employees to submit their Income Tax declarations for the financial year. These declarations are mandatory and help companies determine the tax deductions that they should be making from monthly salaries of employees till the end of the financial year. They are also important for the employees, as a wrong declaration will mean higher tax deductions and lesser take-home pay.

July 2015

Payroll Management made easy



### What is Income tax? –

- Income tax is tax on individual earnings (income) that is liable to be paid to the government
- Income tax is directly deducted by the employer based on the investment declaration that an employee makes

### What are these Investment Declarations?

- Certain investments and deductions are eligible for rebate under relevant income tax acts
- Investment declaration is done to avail tax benefits, which means paying less income tax (legally, of course) and taking home more of your pay.
- An individual can do investments to save money and to take tax benefit as well
- It is important for employees to know these sections so that they can plan to save tax
- Tax declaration needs to be made in the months of June/July and documents related to it need to be submitted around Jan/Feb timeframe
- Income Tax Saving Declaration is done by the Employees to their employer

It is mandatory to make investment declarations in the month of June, July as per company policies. It is also possible to make changes to this investment declaration through the year based on individual's investment appetite.

With most companies, this investment declaration is 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 balance months in the financial year.

### Typical investment declaration process –

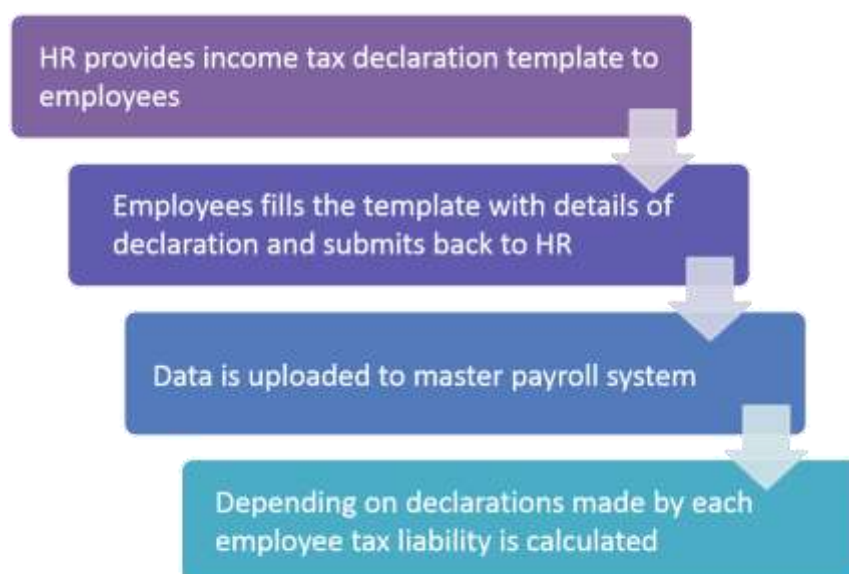


Fig - Typical declaration process

## **There are several difficulties while making investment declarations this way –**

### **Manual 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
- Having made entries in the payroll calculation, employee declarations do change through the year causing further problems in tax computation

### **Employees revise declarations through the year –**

- Many times employees change their declarations through the year
- It becomes very complex for HR to again recalculate tax liability based on newly submitted details.

### **Ignorance or less awareness of employees towards tax liability**

- Many employees are unaware about the tax calculations, so end up making tentative declarations. They are not able to understand the impact of it on their salaries
- When excess tax deductions happen, it leaves the employee unhappy
- It would be far better if the employee was able to visualize the effect of the tax deductions on his salary in a simulated manner.

## **How online investment declaration solves this problem?**

Through an online self-service portal, it is possible for an employee to make his investment declaration. This offers employees immense convenience. They can securely access it 24\*7 with their unique login and transact/view variety of things – Make investment declaration online – Change it anytime.

In terms of tax computation as well, this becomes far easier. The most recent update from employees is automatically considered, while computing payroll for that month. Also since there are no manual entries and data is fed in directly by the employee (stakeholder), the chances of data entry errors are very minimal.

Typically online investment declaration also has a tax simulator attached, where based on the declaration, an employee can understand the impact on his payroll.

### **Benefits of online investment declaration for employees –**

- Data entry mistakes are minimal as it is updated at source by employee
- Regular notifications by Payroll/HR department, intimating the time lines
- Sends reminder mails to employees who have not submitted their declaration.
- Tax simulator gives an idea about exact taxable income to the employees
- Employee can update the details with necessary supporting documents



### **Benefits of online investment declaration for company HR teams**

- Streamlined process as employees are informed about the deadlines from time to time.
- Automated reminders and notifications ensure that HR does not need to actively chase each employee for their investment declarations
- Tracking of submitted declarations and initiate further communication if needed.
- As all data is entered by employee at sources, data errors and efforts get reduced.

Paysquare is a leader in payroll outsourcing with over 14 years of exclusive domain experience. With intelligent use of advanced tools and leveraging years of experience, Paysquare has been making payroll management easy.

- 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
  - Paysquare verifies documents and computes balance tax
  - Tax simulator show the tax liability



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