

Time for tax paperwork

Ensure the employer has all relevant documents. Else, your pay will take a serious hit in the next two months

Ravindra Joshi, an employee with a telecommunication company, realised the importance of sending timely tax-saving documents in February 2014, when he received a fifth of his stated monthly salary.

Shocked, he called the accounts' head, who rattled off the mistakes - not given the registered contract for the house rent allowance (HRA), much of his Section 80C declaration and the medical insurance premium documents were not submitted. Worse, he had taken the leave and travel allowance as advance but not given the bills. And, he was informed, the same was to happen the next month, as the shortfall in tax payment was being adjusted in two equal instalments.

Joshi had to take a two-day leave to organise all the papers. "Now, I have dedicated a corner of my desk to keep all these documents," Joshi says.

Most employees get this shock because they're unaware of the process or are simply lazy. Amarpal Chadha, tax partner, Ernst & Young, says, "If the employee fails to submit investment proofs to the employer, the latter will be forced to deduct higher taxes in the last two months of the financial year."

Gaurav Mashruwala, financial planner, says he advises his clients to give photocopies of necessary documents to the company as soon as they get it. "I insist that they meet the December 31 deadline, because otherwise there will be a problem later."

Section 80C: With an enhanced limit of Rs 1.5 lakh, employees will have to make sure they file documents for the additional Rs 50,000. For many, this limit gets exhausted by their employee provident fund that is deducted by the company. But, if it hasn't happened, ensure you have put money in instruments allowed under Section 80C. And, present the necessary policy papers or mutual fund investment document to the department.

HRA: If in a rented flat, it is important to provide a properly registered tenancy agreement. This would have your and the owner's permanent account number (PAN), registered with the municipality. Till a couple of years ago, taxpayers did not have to provide their house owner's PAN unless the rent was at least Rs 1.8 lakh a year or Rs 15,000 a month. The income tax (I-T) department has since lowered the limit to declare the owner's PAN to Rs 1 lakh a year or Rs 8,333 a month.

However, employees who get an HRA up to Rs 3,000 a month are not required to give receipts for proof of the rent paid. This might not benefit a huge number of taxpayers, especially in big cities, unless they are sharing a flat.

If the owner does not have a PAN, the employee needs to give a declaration stating this, with the owner's details. The documents need to reach the I-T department within February. If not, the HRA exemption given will be reversed and the entire HRA amount clubbed with the salary and taxed according to the relevant tax slab.

Leave travel allowance: A lot of employees take the leave travel allowance (LTA) during the year. Now is the time to give the details; some organisations even seek flight tickets to be sure. If you've taken the LTA advance, it is time to give the documents. Else, there will be a serious hit on the salary. For example, if your LTA is Rs 50,000 annually, not presenting the document could hit you by Rs 10,000-Rs 15,000 depending on the I-T bracket.

Rs 50,000 in National Pension System? A lot of investors would have been enthused by the finance minister's decision to allow another Rs 50,000 tax benefit for investing in the National Pension System from this year. If you had declared it, move quickly. Else, the benefits that have accrued to you during the year will be reversed increasing your tax outgo.

Medical, conveyance, other: A lot of employees feel the yearly medical allowance of Rs 15,000 is tax-free and be paid to them even if they do not produce any bills. But, if you do not produce adequate bills, this amount will be taxed by the personnel department. Similarly, petrol, diesel and other bills need to be given to ensure you are not taxed on these amounts.

"Also, remember you only give xeroxes in the initial part of the year because if you shift jobs during the year and the earlier company has misplaced any of the originals, you will be in deep trouble," adds Mashruwala.

Yes, it is all a lot of paperwork. However, if you have been lazy on this during the year, it is time to get active and quickly do all the pending work. Otherwise, you are staring at two bankrupt months.

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