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ALLSEC TECHNOLOGIES
Building Lasting Relationships



*"Progress lies not in enhancing what is,
but in advancing towards what will be."*

– Khalil Gibran



With performance appraisals around the corner, employees try to keep their managers happy until D-day and their moods at minimum oscillation. Managers, on their parts, find a sharper microscope to evaluate employees, trying to balance between being good managers to their subordinates, and good employees to their employers.

By definition, a performance appraisal is *"a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives."* Performance appraisals do not happen over one sunrise. For managers to be effective and help employees develop their skills, it is essential for them to begin the process of appraisals from the first day of the appraisal cycle. An appraisal cycle ideally goes through the following stages:

- Define expectations and setting standards
- Continuous measurement and evaluation
- Provide effective feedback continually
- Record performance and set benchmarks

Appraisals ensure that an employee grows in the organization, and promotions are one of the methods to ensure that growth. In this process, it is unquestionably important to evaluate the employee's readiness for a promotion. In various organizations, promotions are made as a result of his/her seniority and experience, and many a time, the employee is unprepared to take up higher responsibilities.

A good manager would review the employee's performance and measure it against seniority to arrive at a logical result. The manager would not only take the employee's current performance into consideration, but would also evaluate whether he/she will be able to handle the next level of responsibilities. Many times, a person is naturally inclined to be a better worker than a leader. Where an employee is found to be extremely good with work responsibilities but does not exhibit natural talent for leadership, it would be wise to increase his/her compensation and benefits, while continuously training the person for manager-ship. Therefore, it is pertinent for an evaluating manager to understand the candidate's potential before qualifying him/her for a promotion.



Pay for Performance, Promote for Potential

In this pursuit, a manager could deploy Assessment Centers to promote potential employees to leadership roles. An Assessment Center is an appraisal technique that assigns certain tasks and exercises to find out how the candidates perform in situations modeled on various work-based scenarios. This is fast becoming the preferred method for promotion and performance appraisals since it measures a broad range of an employee's knowledge, skill and abilities, and serves as a learning experience for both the reviewer and the candidate.

A few things, among others, that a manager might consider before promoting a candidate are:

- **Numbers** – Although this is not the only reason to promote an employee, it would be a good place to start. A manager could maintain a track record to maintain employee performance, thus providing a primitive yet sure standard of measurement.
- **Ownership** – It is important for a leader to own his/her responsibilities. Therefore, a manager should look for signs of 'ownership of work' on the employee's part, to understand the amount of seriousness that the employee has invested in his/her work.
- **Finding Solutions** – Everyone complains. However, standout employees are those who are able to convert a problem into an opportunity. A manager should look out for those people who are able to find a solution, rather than complain about a situation.

A promotion is a joint effort taken by the evaluating manager and the reporting employee. As a manager, one must understand the organization's objectives and assess whether the candidate is in line with those objectives. It is important that the candidate possesses the attitude and aptitude to be a good leader, identifies with the organizational culture, and is capable of delivering to the organization's requirements. Managerial positions require certain kinds of leadership skill, and naturally, only those candidates who match this criteria should be considered for a promotion. In a nutshell, a wise manager would promote only if the candidate has potential, and would reward through a pay hike alone in case the candidate is a good performer but may not possess the potential.





Some Highlights

- Wealth Tax – To be abolished
- Additional 2% surcharge for the super rich with income of over Rs.1 Crore
- Rate of Corporate tax to be reduced to 25% over next four years
- Exemption of up to Rs. 444,200 can be achieved
- 100% exemption for contribution to Swachh Bharat, apart from CSR
- Service tax increased to 14%

Amendment to Salaried Taxes

Health Insurance/ Medical Insurance

Contributions to health insurance by HUF/individuals have been increased from Rs 15,000 to 25,000. For senior citizens, the limit has been increased from 20,000 to 30,000. Hence, the total deduction available u/s 80D of the Act has been increased from Rs. 55,000 to Rs. 35,000, which will help offset the ever-increasing medical costs.

Medical expenditure for self and dependant (Section 80DDB of the Act)

For resident individuals who are very senior citizens (80 years or more), deduction for medical treatment of certain diseases has been increased from Rs. 60,000 to Rs. 80,000. The tax payer is required to obtain a prescription from a specialist doctor in order to claim this deduction instead of certificate from prescribed Government hospital. This is a welcome and refreshing change which takes into account sophisticated equipment needed and increased medical costs.

Sukanya Samriddhi account scheme

Contributions made under this scheme will be eligible for deduction under Section 80C of the Income Tax Act, 1961. Interest on deposits and withdrawal from such scheme are exempt from tax.

Expenditure for the medical treatment / deduction for disabled persons u/s 80DD and 80 U

For individual/ HUF who is a resident in India, deduction for expenditure on medical treatment including nursing has been increased from Rs. 50,000 to Rs. 75,000 if the person is suffering from disability, and from Rs, 100,000 to Rs. 125,000 in case of severe disability.





Contribution to Pension Scheme u/S 80CCC

A deduction up to Rs. 100,000 was available from the total income of an individual who was contributing to the pension scheme. The said limit has been increased to Rs. 150,000 in the proposed budget. However, the overall limit U/S 80 CCE is unchanged i.e. Rs 150,000.

Contribution to National Pension Scheme (NPS) u/s 80CCD

An additional deduction up to Rs. 50,000 is proposed for contributions to New Pension Scheme. This measure is aimed to provide for old age retirement security and is in line with the Government's vision to consider retirement benefits for all sections of society.

Exemption for Transportation allowance

The exemption has been increased from Rs. 800 per month to Rs. 1,600 per month. This would enable all individuals to meet the increasing travel expenditure. However, there is no change announced for physically handicapped employees whose current exemption is Rs.1600/-.

Increase in Surcharge

There is an increase in Surcharge for Taxable Income of above Rs. 1 Crore from the earlier rate of Rs.10%, to a proposed rate of 12%.

Other Intended Amendments

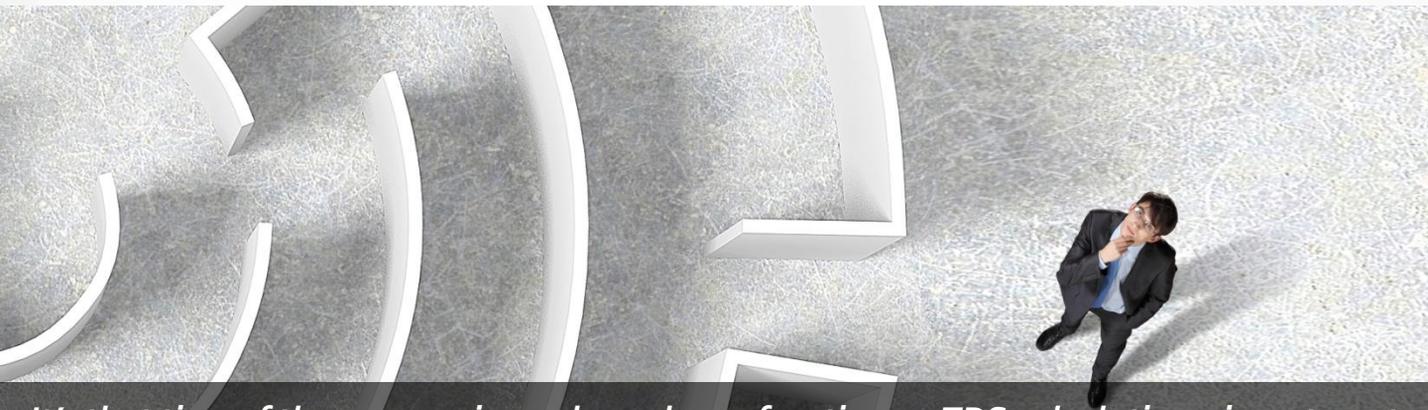
It is the view of the Ministry that a Provident Fund should handle the social security needs of the employees. Therefore, an employee has two options – either opt into the PF Scheme or the New Pension Scheme. However, it is proposed that there cannot be a dormant employee.

After increase of the PF wage limit to Rs.15,000/- per month, the most affected employees are those drawing a lesser salary. To ensure payment of a minimum take-home salary, the budget proposes to allow those employees with a wage of less than Rs. 15,000/- to opt-out of the PF Scheme without affecting or reducing the employer's contribution.

With respect to ESI, the employee will have the option to choose either ESI or a Health Insurance Product, recognized by the Insurance Regulatory Development Authority.

Conclusion

The emphasis of Budget 2015 is on savings and investments, rather than helping people handle rising inflation. Labor laws like the Provident Fund and ESI Schemes have already increased the mandatory ceiling, leading to lower take-home salaries for employees. Adding to this, investing in schemes like Insurance Scheme and the New Pension Scheme (where the withdrawal norms are rigid) seems highly unrealistic for the middle class. Increasing the tax threshold would have greatly helped the salaried class. However, claiming that Budget is pro-poor/middle class and pro-growth is extravagant.



It's that time of the year again, and people are frantic over TDS calculations, investment proofs and tax saving opportunities. This article is a brief Income Tax guide that helps you weave through those complications and have a stress-free year end.

To begin with, the total income for the year is to be estimated. This could comprise of salary, house property, interest income etc. Relevant deductions applicable to each source of income, on account of eligible investments, interest on housing loans, etc, can be considered to calculate the taxable income. On this amount, the tax payable as per the applicable tax rates is to be calculated.

After computing the total tax liability, the amount of Tax Deducted at Source (likely to be) suffered on the above income is to be calculated. If the balance tax payable exceeds Rs. 5,000, the employee will be required to comply with the advance tax provisions for which payment is due in three installments – September 15th, December 15th and March 15th. If he/she misses all the deadlines, the amount may still be paid under self-assessment taxes.

The Income-Tax Act, 1961 casts a responsibility on the employer for TDS at the time of payment of salary to those employees whose salary income is above the stipulated threshold. The employer is required to deduct TDS on salary at the average rate of income-tax, deposit the amount with the government within prescribed timelines and file appropriate returns. Various penalties are levied on the employer in case of default, making the entire procedure equally painful for the employer.

Though TDS is an obligation solely of the employer, an employee can be held liable if he/she is aware that there has been a TDS default, since the employee is the owner of investment proofs provided for the purpose of tax computation. Where tax is required to be deducted but has not been done, the employee is mandated to pay tax through the advance tax route.

It is important to ensure that one is aware of all the income earned apart from salaries during the financial year and to check for TDS by the relevant institutions that credit this income to the employee's account.

Failure to deposit taxes could lead to concealment of income on the employee's part, resulting in penalty of 100-300% of the tax amount not deposited. Interest implications are also possible. However many judicial precedents support the tax payers' case stating that no interest is payable where TDS is not paid by an employee.



Checklist for Employees

- Your PAN
- Your total Income earned for the year
- Previous employment income , if any, as per your declaration
- If you have joined and resigned in the same year, is your income correct?
- Your perquisite valuation computation
- Accuracy of exemptions under section 10
- Other income like Interest, Dividends, etc
- Loss from House property
- Your savings through salary–PF, LIC, Medclaim
- All your other investments under Sec 80C
- Rebates against 80E, 80EE, 80CCD, 80DDB, 80U etc
- Have all your proof of investments been considered?
- If there are rejections, can you justify your claim?
- Have all your queries to the employer answered?
- Arithmetical accuracy of Taxable Income
- Is the Tax slab considered correctly?
- Does the Tax deducted till date match with your pay slips?

Other Useful Points

- Keep a copy of all your proofs with you.
- If you have claimed loss on let out property, maintain the calculations with you for the purpose of filing.
- If you are declaring previous employment income, check if your 26AS shows the same amount of tax.
- If you have other income like bank interest, etc., remember to get the TDS certificate from these institutions.
- If you have been given RSU, ESOP or ESPP, keep a record of the number of shares and their purchase price.
- If you have any other income or capital gains, ensure that you include all these while filing your returns.



Checklist for Employers

- All employees have valid PAN
- All taxable components mapped to tax
- Are there settlements pending for completion?
- Chase for clearance certificates and speed up the process
- List of taxes due on cleared settlements
- List of rejected proofs – are reasons valid?
- Are there mutually exclusive exemptions provided?
- Have all employees who are working on projects out of India provided proofs?
- Is the requisite valuation computation checked?–Random (Shares in particular)
- Does the summary of TDS deducted match with 24Qs
- Accuracy regarding entity transfer cases
- Resignation reversals during the same year
- Re-joiners during the same year
- Transfer in and out of India during the year
- Employees under stop salary in March
- Unclaimed CTC reconciliation
- Exemptions under Medical, LTA, Telephone etc
- Was there a change in TAN of the employer during the year?
- Are there pending queries from employees?
- Does the sum of Gross match with section 17(1)
- Challenges faced in the previous year
- Flow and arithmetical accuracy of Tax computation
- Defaults posted in Traces for previous quarters
- Rectify defaults
- Check that all defaults are resolved before March end

Other Useful Points

- Check if the total Challan value under salary tax for all the quarters match with your GL.
- Check if there are no delays in payment of taxes.
- Check if all the shares transferred during the financial year to employees are added to their tax computation.
- Check if all defaults are rectified for the previous quarters.
- Check that there are no employee tax liability pending remittance.



PF Admin Charges

The Ministry of Labour & Employment, through notification dated 2 February 2015, has stated that consequent to the increase in wage ceiling, there will be a reduction in rates of administrative charges from 1.10% to 0.85 % of the pay. This notification will come into effect from 1 January 2015, and has been considered a welcome move by the employer representatives.

PF Rate of Interest

The Employee Provident Fund Organization (EPFO) has announced rates of interest 8.75% on Provident Fund deposit for the current fiscal year (2014–2015) a move which would benefit its 5 Crore+ subscribers across the country.

New EPF Form 11

The EPFO has replaced the existing Form 11 with a new Form 11. The new Form will also replace Form 13 for existing PF members who make a request for transfer of fund by availing UAN facilities. The new Form can be downloaded from http://www.epfindia.com/Forms/Forms_Instructions/Form11Revised.pdf

Online Returns for Employers

Through circular dated 2 February 2015, the EPFO has stated that it is now mandatory for all employers who are covered under EPF Act to file online return in 5A . Failure to file the said return by 31 March 2015 will amount to non–submission of the statutory return and renders the organization liable for action under Section 14 of the Act.

India ranks 18th on most desirable place to work

India has been ranked 18th globally on the list of most desirable destinations to work. Some of the most important workplace attribute in India include good work life balance, job security, learning and career development and appreciation for work.

About Allsec

Allsec is a global company with vast expertise in providing Business Process Solutions across various industry verticals.

Founded in 1998, Allsec Technologies Limited began as an integrated contact centre for businesses intending to outsource their support processes. Gaining over 15 years of domain experience, the company has rapidly expanded with acquisitions across the globe and has extended its expertise to a wide gamut of processes that augment and support businesses.

Our solutions are testimony to the fact that we are a highly customer-centric, flexible and transparent service provider. By taking process responsibility, improving cost efficiencies, and adding value to client businesses through continuous process improvements and quality assurances, Allsec distinguishes and enhances business experience for its clients.



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