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A Study on Income Tax Planning and Filing Process for Individual Taxpayers in India

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Abstract

Income tax planning and return filing are important aspects of personal financial management. Although electronic filing has made the process more convenient, individual taxpayers continue to face difficulties in understanding tax laws, collecting documents and calculating tax liability. This paper is based on an On-the-Job Training (OJT) project conducted at M/s. C. D. Dongre & Co., Tax Consultants, Dhule, from 1 June 2026 to 1 August 2026. The study examines the practical process of income tax planning, document verification and return filing. A descriptive research methodology was followed using practical observation, discussions with the tax consultant, secondary information and questionnaire-based data from approximately 100 respondents. The findings indicate that 82.3% of respondents used tax consultants for filing their returns, while 54.6% identified understanding tax laws as their biggest challenge. The study concludes that proper documentation, timely preparation and taxpayer awareness are essential for accurate and efficient return filing.

Keywords: Income tax planning, ITR filing, e-filing, tax consultancy, individual taxpayers, tax compliance.

1. Introduction

Income tax is an important source of government revenue and plays a significant role in individual financial planning. An Income Tax Return (ITR) is a statement of income, deductions, taxes paid and final tax liability for a particular year. Individuals may earn income from salary, house property, capital gains, business or profession, and other sources such as bank interest.

Tax planning involves legally arranging financial affairs to reduce tax liability by using eligible deductions, exemptions and rebates. However, effective tax planning requires knowledge of applicable provisions and proper supporting documents.

The introduction of online filing facilities has simplified the return-submission process. Nevertheless, taxpayers must verify documents such as Form 16, Form 26AS, the Annual Information Statement (AIS), bank-interest details and eligible investment proofs. This study examines the practical process of individual tax filing and the difficulties faced by taxpayers, based on the OJT project conducted at M/s. C. D. Dongre & Co., Dhule.

2. Background

2.1 Tax Consultancy Sector

Tax consultancy firms assist individuals with income tax computation, return filing, tax planning and statutory compliance. They help taxpayers identify income sources, understand applicable provisions, verify documents and submit accurate returns.



Digitalisation has improved access to tax information and online filing facilities. However, professional guidance remains useful when taxpayers have multiple income sources, incomplete documents or difficulty understanding deductions and exemptions.

2.2 Income Tax Planning and Filing

The return-filing process generally involves collecting documents, identifying income sources, checking tax credits, selecting the appropriate ITR form, calculating tax liability, reviewing information and submitting and verifying the return.

Documents such as Form 16, bank-interest records, Form 26AS, AIS and investment proofs where applicable are important for accurate filing. Taxpayers must ensure that deductions are genuine and that all claims satisfy the applicable conditions.

3. Methodology

The study follows a descriptive research design. Primary information was collected through practical observation during the internship and discussions with the tax consultant. Secondary information was obtained from tax-related books, educational material and Income Tax Department resources.

The questionnaire analysis in the original OJT report contains responses from approximately 100 individuals, with the number varying across questions. The responses were analysed using counts, percentages and descriptive interpretation.

The study is limited to individual taxation and the practical exposure available during the two-month internship. The questionnaire sample is restricted and cannot represent all taxpayers in India. Confidential client information has not been reproduced.

4. Findings

4.1 Method Used to File ITR

Table 1: Method of Filing Income Tax Returns

Method	Respondents	Percentage
Self-filing	6	6.3%
Through tax consultant	79	82.3%
Other	11	11.5%

The results indicate that most respondents relied on tax consultants. This suggests that professional assistance remains important despite the availability of online filing facilities.

4.2 Knowledge of ITR Filing Procedure

Table 2: Awareness of Filing Procedure

Response	Respondents	Percentage
Yes	80	76.9%



Response	Respondents	Percentage
No	24	23.1%

Most respondents reported knowing the general filing procedure. However, awareness of the process does not necessarily mean that taxpayers can independently interpret tax provisions or calculate their tax liability correctly.

4.3 Challenges Faced During Filing

Table 3: Major Challenges in ITR Filing

Challenge	Respondents	Percentage
Understanding tax laws	53	54.6%
Gathering documents	30	30.9%
Using filing platform	14	14.4%

Understanding tax laws was the most frequently reported challenge, followed by gathering documents. Using the filing platform was a comparatively smaller difficulty. These results indicate that tax knowledge and documentation are important barriers to accurate return filing.

5. Discussion

The findings show that income tax filing involves more than entering information into an online form. Taxpayers must identify all relevant income sources, verify tax credits and ensure that deductions are supported by appropriate documents.

The high proportion of respondents using tax consultants highlights the importance of professional guidance. Although many respondents were aware of the general filing procedure, understanding tax provisions remained difficult.

Document collection was another major challenge. Missing bank-interest details, incomplete investment proofs or differences between personal records and AIS may delay return preparation. Therefore, early preparation and proper reconciliation of information can reduce errors and unnecessary stress.

Digital filing has improved convenience, but the accuracy of a return continues to depend on the completeness of the information provided and careful review before submission.

6. Limitations

The study was conducted over a two-month internship period, which restricted practical exposure. The questionnaire sample was limited and cannot represent all individual taxpayers in India. Confidential client records were not included, and tax provisions may change from year to year. The findings should therefore be interpreted as observations from the project rather than nationwide conclusions.

7. Conclusion

The study concludes that income tax planning and return filing are important components of personal financial management and statutory compliance. The findings indicate that many respondents depend on tax consultants and experience difficulties in understanding tax laws and gathering documents.

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Timely preparation, accurate document verification, appropriate tax planning and careful review can improve the filing process. Tax consultants can support taxpayers through clear guidance, document checklists and timely reminders. Overall, digital systems have made filing more convenient, but proper documentation, taxpayer awareness and human review remain essential for accurate compliance.

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