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# An Exemption Is Only as Good as Its Evidence How HRA Documentation, Perquisite Valuation and the Choice of Tax Regime Shape ITR-1 Preparation for Salaried Individuals

A Case Study of Individual Income-Tax Return Work at E-Arth Accounts Finance & Management Consultants, Pune

(1 June 2026 – 31 July 2026)

**Giriraj Shirish Devle**

Under the guidance of **Prof. Dr. Supreet Oberoi**

School of Business, Indira University, Pune

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## 1. Abstract

A salaried employee's income-tax return looks simple from the outside. Most of the figures arrive already printed on Form 16, and much of the rest is pre-filled on the e-filing portal. What a practice actually does for such a client is less visible: it checks whether each exemption the client wants to claim is backed by evidence, values any benefit in kind correctly, compares the client's own statement of income with what employers and banks have reported, and works out which of the two tax regimes leaves the client with less tax. This paper looks at that routine at E-Arth Accounts Finance & Management Consultants (E-Arth AFMC), Pune, where I worked as an on-the-job trainee between 1 June and 31 July 2026 on the preparation and filing of ITR-1 returns for Assessment Year 2026-27, with particular attention to House Rent Allowance (HRA) and the rent-free accommodation (RFA) perquisite.

The study is descriptive and exploratory. Client data is confidential, so the paper uses no client names, PANs or individual figures beyond one anonymised and rounded salary. It works with the eleven steps of the firm's ITR-1 workflow, the documents verified, the recurring exceptions met in about fifteen returns, and four worked tax computations under both regimes. Seven of the eleven steps (63.6 per cent) drew directly on documents supplied by the client. In the four computations the new regime gave the lower tax in three; of the three cases with an HRA claim, the old regime was cheaper in only one, and that advantage of ₹9,100 would disappear if about ₹29,200 of claimed relief could not be supported. Of five recurring exception types, two concerned the evidence behind an HRA claim, two were income or tax figures that the client's account and the Department's records did not agree on, and one arose from the way an employer labelled salary components.

The paper argues that the regime decision and the exemption claim cannot be separated, because an exemption that cannot be evidenced is worth nothing in either regime. Collecting rent proof and the landlord's PAN at intake, and computing both regimes for every client, are the most economical improvements open to a practice of this size. None of the measures proposed needs new software.

**Keywords:** ITR-1; salary income; House Rent Allowance; Section 10(13A); rent-free accommodation; perquisites; Section 115BAC; old and new tax regimes; Form 16; Form 26AS; AIS/TIS; chartered accountancy practice; India



## 2. Introduction

### 2.1 The Return as the Last Step of a Longer Check

ITR-1, or Sahaj, is the return form meant for resident individuals whose income comes mainly from salary or pension, one house property and other sources such as interest. It is the form most salaried employees use, and it is often treated as clerical work: the employer has already computed salary and deducted tax, and the portal already shows much of the data. In practice the return is only the last visible step. Before it can be filed, someone has to decide which parts of the salary are taxable, whether the exemptions claimed are supported, whether the income the client reports matches what third parties have reported, and which regime to choose.

Two features of the current law make those decisions matter more than they once did. First, since FY 2023-24 the new tax regime under Section 115BAC is the default for individuals. It has lower and wider slabs and a rebate under Section 87A that removes tax entirely where total income does not exceed ₹12,00,000 for FY 2025-26, but it withdraws most exemptions and deductions, including HRA. Second, banks, employers and other reporting entities now report a large part of a taxpayer's financial activity to the Income Tax Department, where it appears in Form 26AS, the Annual Information Statement (AIS) and the Taxpayer Information Summary (TIS). A return that disagrees with those statements invites adjustment or a notice.

The internship also fell at a point of legal transition. The Income-tax Act, 2025 came into force on 1 April 2026 and repealed the Income-tax Act, 1961. Returns filed during the internship, however, related to income earned in FY 2025-26, which under the transitional provisions continues to be governed by the 1961 Act. This paper therefore uses the sections, rules and limits of the 1961 Act as they applied to FY 2025-26 (AY 2026-27).

The question pursued here is a narrow one. If the regime with the lower tax depends on the exemptions and deductions a client can claim, and if each exemption depends on evidence, how far is the regime decision really a documentation decision? The answer decides where a small practice should place its checking effort during a short and crowded filing season.

**Table 1: The Setting in Brief**

| Indicator | Position for FY 2025-26 (AY 2026-27) | Reading for a Small Practice |
|---|---|---|
| Default regime | New regime under Section 115BAC has been the default since FY 2023-24; a salaried individual can choose afresh each year in the return | Every client has a real choice, and the choice has to be justified |
| Rebate under Section 87A | Up to ₹60,000 in the new regime where total income does not exceed ₹12,00,000; up to ₹12,500 in the old regime up to ₹5,00,000 | Many middle-income salaried clients pay no tax under the new regime |
| Standard deduction | ₹75,000 in the new regime; ₹50,000 in the old regime | Narrows the gap the old regime's exemptions have to close |
| HRA exemption | Available only in the old regime, as the least of three limits under Section 10(13A) and Rule 2A; landlord's PAN needed where annual rent exceeds ₹1,00,000 | The claim is only as strong as the rent proof behind it |
| Perquisites | Valued under Section 17(2) and Rule 3 and taxed under both regimes | Correct valuation matters whichever regime is chosen |
| Third-party reporting | Form 26AS, AIS and TIS show salary, TDS and interest reported by employers and banks | The client's own account of income must be tested against them |



| Indicator | Position for FY 2025-26 (AY 2026-27) | Reading for a Small Practice |
|---|---|---|
| Governing Act | Income-tax Act, 1961 applies to FY 2025-26 income; Income-tax Act, 2025 in force from 1 April 2026 | Staff work under the old Act while the new one is already in force |

*Source: Income-tax Act, 1961; Income-tax Rules, 1962; Finance Act, 2025; Income-tax Act, 2025, as summarised in the project report. Third column is the author's reading.*

### 2.2 Who Supplies Which Part of the Return

An ITR-1 return is assembled from several parties' records. The client supplies identity documents, investment and rent proofs and a declaration of income. The employer supplies Form 16 and, where perquisites exist, Form 12BA. Banks report interest and deduct tax on it. The Income Tax Department holds Form 26AS and the AIS and runs the portal on which the return is filed. The practice sits between them and carries the responsibility for the figure that is finally filed.

**Table 2: Parties Behind an ITR-1 Return**

| Party | Role | Consequence for the Practice |
|---|---|---|
| Client (salaried individual) | Supplies KYC documents, rent receipts, investment and premium proofs, and declares other income | Gaps or late submission hold up the return; undisclosed income has to be found elsewhere |
| Employer | Pays salary, deducts TDS under Section 192, issues Form 16 and Form 12BA | Labels of salary heads and the regime used for TDS may not match the best treatment in the return |
| Banks and other reporting entities | Credit interest, deduct TDS and report to the Department | Their figures appear in 26AS and AIS and must be matched |
| Practice (CA firm) | Prepares the income summary, classifies salary, verifies claims, enters data and files under supervision | Answers for the accuracy of what is filed |
| Income Tax Department (CBDT) | Notifies forms, holds 26AS, AIS and TIS, operates the e-filing portal | Sets the reference against which the return is tested |
| ICAI | Regulates professional conduct and confidentiality | Defines how client data may be handled and reported |

*Source: Researcher's observation during the internship; consequence column is the author's interpretation.*

A short strategic reading of the sector explains why accuracy is a commercial matter and not only a technical one. Entry into individual tax filing needs a qualification but little capital, and online filing platforms have lowered the practical barrier further. Clients filing a simple ITR-1 can switch providers easily, so buyer power is moderate to high. Free government utilities and pre-filled forms are real substitutes in salary-only cases, and rivalry among local firms is intense. A small firm cannot win on price against a platform; it can win on advice about the regime and on returns that do not come back with a notice. In the PESTEL reading, the legal and technological factors were the ones felt day to day, the first through annual changes in slabs and limits and the second through pre-filled data and the AIS.

### 2.3 The Host Organisation

E-Arth Accounts Finance & Management Consultants is a Chartered Accountancy practice based in Pune, established in 2006 and led by Mr. Nilesh Deshmukh, with offices in Pune and Satara. It provides taxation, accounting, audit and advisory services to individual and business clients, most of them in and around Pune. Its individual clients are mainly salaried employees and professionals; its business clients are small and medium enterprises. Return filing for individuals is a seasonal and deadline-driven line of work, concentrated in the months before the due date for filing. During the



internship the firm prepared returns in the Winman tax software and used Microsoft Excel for income summaries and working papers.

**Table 3: Service Lines of the Host Firm**

| Service Line | Scope as Observed |
|---|---|
| Individual income-tax returns | Preparation and filing of ITR-1 and other returns; the line in which the internship was placed |
| Tax planning and advisory | Regime comparison, HRA and deduction planning for salaried individuals and professionals |
| Accounting and book-keeping | Accounts for small and medium business clients |
| Audit | Statutory and tax audit services, as applicable |
| GST compliance | Registration, return filing and compliance support |
| TDS compliance | TDS returns and related statutory filings |

*Source: Researcher's internship records, E-Arth AFMC, June–July 2026.*

Competition comes from other CA firms in Pune, from online filing platforms that compete on price for salary-only returns, and to a lesser extent from national networks that focus on corporate clients. A practice is not a listed company and publishes no turnover or profit; the firm did not disclose these to a trainee, and they are left out here rather than estimated.

## 3. Literature Review

The literature that bears on this study comes from four places: the statute and its procedural guidance; decisions of tribunals and courts on House Rent Allowance and on perquisites; published studies of the choice between the old and the new tax regime; and the strategy frameworks used to read the sector. Statutory and professional material is plentiful. What is thinner is work that joins the three questions this paper joins: what evidence supports an exemption, how a benefit in kind is valued, and how both feed into the choice of regime.

### 3.1 The Statutory and Procedural Framework

The operative law is the Income-tax Act, 1961 and the Income-tax Rules, 1962, as amended up to the Finance Act, 2025. Section 10(13A) read with Rule 2A sets the HRA exemption as the least of the actual HRA received, rent paid in excess of 10 per cent of salary, and 50 per cent of salary in Mumbai, Delhi, Kolkata or Chennai or 40 per cent elsewhere. For this purpose salary means basic pay, dearness allowance where it forms part of retirement benefits, and turnover-based commission. Section 17(2) and Rule 3(1) govern the valuation of rent-free or concessional accommodation; for accommodation leased by a private employer, the value is the lower of the lease rent and a percentage of salary, with furniture charges added and any rent recovered deducted. Section 115BAC makes the new regime the default and lists the exemptions and deductions it withdraws. Section 16 provides the standard deduction and, in the old regime only, the deduction for professional tax.

Procedural guidance comes from the Income Tax Department: the ITR-1 instructions, which set eligibility conditions for the year, and the AIS and TIS user guides, which describe how third-party information is presented and how a taxpayer may respond to it. Form 16, Form 12BA and Form 12BB are the documents through which salary, perquisites and an employee's declarations of rent and investments pass between employer and employee. Standard student texts such as Singhania's *Students' Guide to Income Tax* explain each provision with worked examples, and ICAI's professional framework explains why client data is not reproduced in a paper of this kind.

### 3.2 HRA and the Burden of Evidence: What Tribunals Have Decided

Section 10(13A) allows the exemption only where the employee actually pays rent for accommodation that he or she occupies and does not own. It does not say how the rent must be proved, and it does not forbid payment to a relative



(Agarwal, 2023). What counts as adequate evidence has therefore been worked out in appeals before the Income Tax Appellate Tribunal (ITAT), and these decisions are the most useful source on how a claim is tested once it is challenged.

In *Meena Vaswani v. ACIT* (ITA No. 1983/Mum/2015), reported at [2017] 80 taxmann.com 2, the Mumbai bench refused an HRA claim on rent paid to the assessee's mother. The rent was paid in cash against receipts; there was no written lease or licence agreement; the bank statements showed too little cash withdrawn to account for the rent; the mother had not declared the rent as income; and an inspector's visit found that the assessee lived at another address, which she had shown in her return as her self-occupied house. She could also produce nothing beyond receipts, such as a letter to the housing society or utility bills paid by cheque. The tribunal treated the arrangement as a sham (Agarwal, 2023).

The same question has been answered the other way where the evidence was better. In *Bajrang Prasad Ramdharani v. ACIT* (ITA No. 715/Ahd/2013), the Ahmedabad bench allowed HRA on rent paid to the assessee's wife, even though the couple lived in the same house, because rent receipts were produced, payment was made by bank transfer, and both conditions of the section, payment of rent and occupation of the house, were met. In *Aman Kumar Jain v. DCIT* (ITA No. 267/Del/2023), the Delhi bench allowed a similar claim, relying on *Abhay Kumar Mittal v. DCIT* (ITA No. 3385/Del/2019): the wife had filed her own return declaring the rent along with other income, the flat stood in her name, and she serviced the bank loan on it (Agarwal, 2023).

At the other end, the Hyderabad bench dismissed the appeal of Veera Reddy Posham, who had produced not one rent receipt or other document for his HRA claim, and the whole exemption stayed disallowed (Taxscan, n.d.-a). Closer to the setting of this study, the Pune bench in *Pavan Gopal Chotiya v. ITO* ([2025] TAXSCAN (ITAT) 1663) is reported to have restricted the exemption to 50 per cent of the rent where the rent agreement was in the joint names of the assessee and his brother (Taxscan, n.d.-b).

Read together, these decisions do not turn on who the landlord is. They turn on corroboration: a written agreement, payment through a bank, the landlord's declaration of the rent in the landlord's own return, and some proof that the assessee really lived in the premises. Rent proof and the landlord's PAN, which this paper proposes to collect at intake, are the first two steps of the same chain.

### 3.3 Perquisites and Rent-Free Accommodation: Valuation and Its Limits

The leading authority on employer-provided housing is *Arun Kumar and Others v. Union of India* ((2006) 286 ITR 89 (SC)). The Supreme Court upheld Rule 3 as amended in 2001 but described it as a machinery provision: it prescribes how a concession in rent is to be valued, and it applies only after it is established that the employer has in fact given a concession under Section 17(2)(ii). The Court treated the existence of a concession as a jurisdictional fact and found no deeming provision in the Act that makes low rent a concession by itself, so an employee may argue that no concession exists (Tyagi, 2006).

Earlier, in *K.S. Sundaram v. CIT* ((2001) 251 ITR 781 (SC)), the Supreme Court affirmed a Madras High Court view that, for rent-free accommodation, only the formula in Rule 3 is relevant, so that the rent the employer actually pays for the premises cannot be taken as the value of the perquisite (TaxGuru, n.d.). Between them the two decisions show that the value of an RFA perquisite is neither what the employer pays nor an automatic figure. It rests on a prescribed formula and on a prior finding that a concession exists.

### 3.4 Studies of the Old and New Regime Choice

Several published studies address the regime choice for salaried individuals. Manjhi and Matalia (2023), writing in *The Management Accountant* after Union Budget 2023-24 had raised the Section 87A rebate limit in the new regime to ₹7,00,000, computed tax under different circumstances and concluded that the old regime remains the better option for individuals with substantial deductions and exemptions. Balaswamy (2025) compared the two regimes for salaried taxpayers in Shivamogga District, noted the confusion taxpayers feel about which regime benefits them, and advised a comparative evaluation under both before choosing.

Visapute, Ingle, Dusane and Chavan (2026) surveyed more than one hundred respondents and found that regime selection was shaped by income level, investment habits and ease of compliance, and not by slab rates alone. Many respondents were uncertain about the choice, which the authors read as a gap in financial literacy, and they recommended



better comparison tools, taxpayer education and stronger advisory support. A Policybazaar survey reported by Business Standard (2023) found that 63 per cent of respondents chose the old regime and 37 per cent the new regime in FY 2023-24, and that 43 per cent cited lower tax liability as the main reason for choosing the old regime.

These studies agree that the better regime depends on income and on the deductions available, and they recommend computing both. What they take for granted is that the deductions listed can in fact be claimed; none of them asks what happens to the comparison when a claim cannot be supported. Several also relate to years before Budget 2025 raised the rebate limit to ₹12,00,000, when the old regime was more attractive. The old-regime majority reported for FY 2023-24 should therefore not be carried over to FY 2025-26, in which the new regime gave the lower tax in three of the four computations in this paper, though four computations are a small base and not a survey.

### 3.5 Frameworks Used to Read the Sector

Two strategy frameworks, Porter's Five Forces and PESTEL, were used to read the sector. The operational reading borrows a plain idea from operations management: each step of a workflow has an input, a check and an output, and a step depends on another when it uses the other's output.

### 3.6 Author's Review (Giriraj Devle)

This review was prepared under the guidance of my mentor, Prof. Dr. Supreet Oberoi, School of Business, Indira University, Pune. I read each source with one question in mind: does it help explain what I saw at E-Arth AFMC between June and July 2026?

On HRA, the tribunal decisions match what I saw at the desk. In the returns I worked on, two of the five recurring exception types concerned the evidence behind an HRA claim. The decisions show why such gaps matter: where evidence was thin (*Meena Vaswani*; *Veera Reddy Posham*) the exemption was lost, and where it was complete (*Bajrang Prasad Ramdharani*; *Aman Kumar Jain*) a claim that looked doubtful on its face survived. The lesson I take from them is that the file, and not the landlord's relationship to the client, decides the claim, which is why the recommendations in this paper put rent proof and the landlord's PAN at intake.

On rent-free accommodation, *Arun Kumar* made me more careful about my own illustration. No RFA case arose during the internship, so the computation for Employee Y applies the Rule 3 formula to a concession I assumed. The Supreme Court's reasoning is a reminder that in a real file the first question is whether there is a concession at all, and only then how it is valued.

On the regime choice, the published studies helped me see what my four computations add. They agree that both regimes should be computed, but they do not test what happens when an exemption cannot be proved. In Case B the old regime's advantage of ₹9,100 would disappear if about ₹29,200 of relief failed. That is the point at which this paper departs from the regime literature.

This review has limits. I use the tribunal decisions to see what evidence authorities look for, not to forecast the result of any client's case, because each turned on its own facts. The decisions and studies are discussed as reported in professional commentary, journal abstracts and a press report of a survey, and the full orders and articles should be consulted before anyone relies on them. I did not find a study of the kind attempted here, made from inside a practice during a filing season, but my search was limited and I do not claim that none exists.

## 4. Research Gap

HRA, perquisite valuation and the choice of regime are each explained at length, but almost always separately. Regime comparisons in the financial press usually assume that every deduction listed is available; textbook HRA examples assume that rent is paid and proved. Little describes, from inside a practice, how the evidence a client actually produces feeds into the regime decision, or which kinds of error tend to appear in the files of salaried clients and where they begin. The case law reviewed above shows what evidence tribunals look for once a claim is challenged, and the regime studies show what taxpayers choose; neither shows how the two meet at the preparation stage, before any return is filed. This paper tries to fill a small part of that gap with one continuous period of observation in a Pune practice during a filing season.



## 5. Research Objectives

Two months are enough to study a filing process closely and not enough to measure a profession, so the objectives were limited to what the internship could actually answer.

- To document the step-by-step process followed at the firm for taking a salaried individual's ITR-1 return from document collection to e-filing.
- To examine the tax treatment of House Rent Allowance, including the documentation on which the exemption depends.
- To examine the taxability and valuation of the rent-free accommodation perquisite for a salaried employee.
- To compare the outcome under the old and new regimes for representative salary structures and identify what decides the cheaper regime.
- To classify recurring exceptions by origin and suggest low-cost verification controls.

### 5.1 Hypotheses

**H0:** For a salaried individual who claims HRA exemption and Chapter VI-A deductions, the old regime results in the lower tax, so the HRA claim by itself settles the choice of regime.

**H1:** The cheaper regime depends on the total of documented exemptions and deductions relative to income, and on whether new-regime income falls within the Section 87A rebate limit, so the regime can be chosen only after both computations are made, and an exemption counts only to the extent it is evidenced.

Because the evidence consists of a small number of worked computations and process maps rather than a sample of returns, the hypotheses are examined by comparison and tracing and not through a statistical test. A supplementary question is also asked: when a figure in a client's file could not be accepted as it stood, where had the problem begun?

## 6. Research Methodology

The design is descriptive and exploratory. It is descriptive because it records how the work was done: how documents were collected and checked, how salary was classified, how data was entered and how tax credits were reconciled. It is exploratory because it looks for the points at which the final tax figure depends on evidence supplied earlier.

Primary material came from supervised participation in the preparation of about fifteen ITR-1 returns over sixty working days, discussion with the supervising Chartered Accountant, the internship work diary and the firm's working formats, including its document checklist and income-summary template. Secondary material came from the Income-tax Act, 1961 and Rules, the Finance Act, 2025, the Income-tax Act, 2025, ITR-1 instructions, AIS and TIS user guides and standard taxation texts.

Sampling was purposive. The units of analysis are the workflow step, the document category, the exception type and the worked computation, not the client. The firm's workflow was broken into eleven steps and each was mapped by input, check and output. Five recurring exception types were identified from the work diary and classified by where they began. Four tax computations were prepared under both regimes: one on the salary of an actual client, anonymised and rounded (Employee X), and three on illustrative salary structures of the kind used in the firm's comparison worksheets (Employee Y and Cases A and B). No case handled during the internship involved an RFA perquisite, so the RFA computation is necessarily illustrative.

No client name, PAN, employer, bank detail or unrounded figure is used. Percentages in this paper are shares of counts of steps, cases or exception types; they are not shares of returns filed, time spent or tax collected.



**Table 4: Stages of the ITR-1 Workflow and What Was Examined**

| Stage | Work Covered | What Was Examined |
|---|---|---|
| Document collection | KYC, Form 16, interest certificates, rent and investment proofs, client appraisal form | Completeness and consistency of what the client supplied |
| Classification and computation | Income summary; basic pay, allowances and perquisites; tax under both regimes | Correct heads, exemptions and valuation |
| Evidence checks | HRA rent proof and landlord PAN; deduction proofs | Whether each claim was supported |
| Reconciliation | Form 16 and client declarations against 26AS, AIS and TIS | Differences between the client's account and third-party reports |
| Entry, review and filing | Data entry in Winman, cross-check with pre-filled data, final review, e-verification | Accuracy of what was finally filed |

*Source: Research design, internship at E-Arth AFMC, 2026.*

**Table 5: Coverage of the Internship by Block**

| Block | Working Days | Main Activities |
|---|---|---|
| 1 | Days 1–15 | Preparation of income summaries for individual clients from Form 16 and related documents |
| 2 | Days 16–30 | Preparation of client document folders: KYC, Form 16, AIS, 26AS, TIS, rent agreement, bank statements, interest certificates |
| 3 | Days 31–45 | Coordination between clients and the supervising Chartered Accountant; follow-up on missing documents and information |
| 4 | Days 46–60 | Data entry and filing of ITR-1 returns in Winman under supervision |

*Source: Internship work diary, 1 June – 31 July 2026 (60 working days; about 15 ITR-1 returns).*

## 7. Data Analysis and Interpretation

The counts and computations in this chapter describe what was seen at one practice over one filing season. They do not describe salaried taxpayers in general, and three of the four computations are illustrative rather than drawn from client files.

### 7.1 Concepts as Defined and as Practised

In the classroom, HRA, perquisites and the two regimes are separate topics with tidy definitions. At the desk each one turned out to depend on a second document or a second decision.

**Table 6: Concepts as Usually Defined versus What the Work Required**

| Concept | As Usually Defined | What the Work Required | Shift |
|---|---|---|---|
| HRA exemption | Least of three limits under Section 10(13A) | Rent receipts or bank-transfer proof, landlord PAN above ₹1,00,000 a year, and an old-regime choice; otherwise worth nothing | ↑ Wider |
| Rent-free accommodation | A perquisite valued under Rule 3 | Correct definition of salary, comparison with lease rent, furniture charges and rent recovered; taxed in both regimes | ↑ Wider |



| Concept | As Usually Defined | What the Work Required | Shift |
|---|---|---|---|
| Form 16 | Employer's certificate of salary and TDS | Read with Form 12BA; break-up of allowances must total the Form 16 gross salary; checked against pre-filled data | ↑ Wider |
| Choice of regime | Lower slabs or deductions, whichever suits | Decided only after computing both; the employer's TDS regime does not bind the return | ↑ Wider |
| Income from other sources | Interest on savings and deposits | Must agree with what banks report in 26AS and AIS, whatever the client declares | ↑ Wider |
| ITR-1 eligibility | Simple form for salaried individuals | Conditions and thresholds confirmed against the year's notification before preparation | ↑ Wider |

*Source: Researcher's observation compared with standard definitions. ↑ = requirement added or widened in practice.*

All six concepts widened, and in the same way: each came to depend on something outside the definition, usually a document held by someone other than the taxpayer. The six are those that recurred most often in the work and not a survey of the field, so the pattern describes this exposure and nothing more.

### 7.2 What the File Had to Contain Before a Return Could Be Prepared

A return can only report what the file supports. The documents below were verified during income-summary and filing work, and the table gives the reason each one mattered later.

**Table 7: Documents Verified and Their Later Use**

| Document | Why It Mattered Later |
|---|---|
| PAN, Aadhaar and, where applicable, passport | Identity and matching with pre-filled data; small mismatches delay processing |
| Form 16, Parts A and B | Salary, exemptions allowed by the employer and TDS under Section 192; the base of the income summary |
| Form 12BA, where issued | Values of perquisites such as accommodation, which must be added to salary in both regimes |
| Form 26AS, AIS and TIS | Third-party record of salary, interest and TDS against which the client's figures are tested |
| Bank statements and FD interest certificates | Income from other sources; compared with interest reported by banks |
| Rent receipts or bank-transfer proof, and landlord PAN | Support for the HRA exemption in the old regime |
| Rent agreement (let-out property); loan sanction letter (self-occupied property) | House property income, and interest claimed under Section 24(b) |
| Insurance premium, mediclaim, tuition fee and donation receipts | Deductions under Sections 80C, 80D and 80G in the old regime |
| Client appraisal form | Personal details, declared income and investments, before any document is checked |

*Source: Researcher's internship records, E-Arth AFMC, June–July 2026.*



A useful check on the salary documents was the firm's Annexure BA, which breaks gross salary into its components. If the total of the break-up did not equal the gross salary on Form 16, the income summary could not be finalised. It is a small control, but it caught classification errors before any regime was compared.

### 7.3 The Workflow Step by Step

The firm's ITR-1 workflow was mapped into eleven steps. For each step the table records the input, the key check and the output, and whether the step drew directly on documents supplied by the client or only on the output of an earlier step.

**Table 8: Inputs, Checks and Outputs by Step**

| Step | Input | Key Check | Output | Draws on Client Documents? |
|---|---|---|---|---|
| 1. Document collection | Client's papers and appraisal form | Everything on the checklist received | Checklist of received and pending items | Directly |
| 2. Preliminary review | Collected documents | Complete and consistent | Items flagged for client follow-up | Directly |
| 3. Income summary | Form 16, certificates, proofs | All heads captured | Draft income summary | Directly |
| 4. Salary classification | Form 16 Part B, Form 12BA | Basic, allowances, perquisites correctly split | Classified salary break-up | Directly |
| 5. Allowance and perquisite check | Rent proof, landlord PAN, 12BA | Conditions for each exemption met | Supported exemption figures | Directly |
| 6. Deduction verification | Investment and premium proofs | Proof matches amount claimed | Verified deduction list | Directly |
| 7. Data entry | Income summary, pre-filled data | Entries agree with pre-filled data | Draft return in Winman | Through earlier output |
| 8. Tax review | Draft return | Both regimes computed | Tax liability and regime note | Through earlier output |
| 9. TDS and income reconciliation | Form 16, certificates, 26AS, AIS | Claimed TDS and income agree with reports | Reconciliation note; escalations | Directly |
| 10. Payable or refund | Tax review, reconciled credits | Balance tax paid before filing | Self-assessment tax or refund figure | Through earlier output |
| 11. Final review and filing | Completed return | All figures traced to source | Filed and e-verified return | Through earlier output |

*Source: Researcher's internship records and firm workflow. The dependency classification is the author's.*

**Table 9: Steps Grouped by Stage and Dependence**

| Grouping | Steps | Number | Share % |
|---|---|---|---|
| Document collection and evidence checks | 1, 2, 5, 6 | 4 | 36.4 |
| Classification and computation | 3, 4, 8, 10 | 4 | 36.4 |



| Grouping | Steps | Number | Share % |
|---|---|---|---|
| Data entry and reconciliation | 7, 9 | 2 | 18.2 |
| Final review and filing | 11 | 1 | 9.1 |
| **Total** | | **11** | **100.0** |
| Drawing directly on client documents | 1–6, 9 | 7 | 63.6 |
| Drawing only on an earlier step's output | 7, 8, 10, 11 | 4 | 36.4 |

*Source: Derived by the author from Table 8. Share = steps ÷ 11 × 100, rounded to one decimal, so totals may differ from 100.0 by rounding. These are shares of steps, not of time.*

Seven of the eleven steps drew directly on what the client supplied, and the remaining four could only use what those seven had produced. Data entry, which is what an outsider usually pictures as tax filing, was one step in eleven. The tax review and the final review, where the regime is chosen and the return is approved, sat at the end of a chain that began with the document checklist.

**Table 10: Nature of the Intern's Involvement**

| Involvement | Areas of Work | Number | Share % |
|---|---|---|---|
| Performed under supervision | Document collection and review; income summaries; salary classification; deduction verification; data entry; TDS reconciliation | 6 | 75.0 |
| Observed | Final review, judgement calls and submission; client discussion on sensitive tax-planning matters | 2 | 25.0 |
| **Total** | | **8** | **100.0** |

*Source: Internship work diary. Final judgement and sign-off remained with qualified members of the firm.*

### 7.4 HRA on an Anonymised Salary: Employee X

To see how the HRA rules operate on a real salary structure, the salary of one client, referred to as Employee X, was worked through. The figures are rounded and identifying details withheld. Employee X lives in rented accommodation in Pune, a non-metro city for HRA purposes, and the computation relates to FY 2025-26.

**Table 11: Salary Structure and Rent Details of Employee X (FY 2025-26)**

| Particulars | Per Month (₹) | Per Annum (₹) |
|---|---|---|
| Basic salary (no DA forming part of salary) | 60,000 | 7,20,000 |
| House Rent Allowance | 24,000 | 2,88,000 |
| Special allowance | 35,000 | 4,20,000 |
| **Gross salary** | **1,19,000** | **14,28,000** |
| Rent actually paid | 25,000 | 3,00,000 |
| Professional tax | – | 2,500 |
| Section 80C investments (EPF, PPF, LIC) | – | 1,50,000 |
| Section 80D premium (self and family) | – | 25,000 |

*Source: Anonymised client data, rounded; E-Arth AFMC internship records.*



**Table 12: Exempt HRA of Employee X under Section 10(13A) and Rule 2A**

| Particulars | Amount (₹) |
|---|---|
| (a) Actual HRA received | 2,88,000 |
| (b) Rent paid minus 10% of salary (3,00,000 − 72,000) | 2,28,000 |
| (c) 40% of salary, Pune (40% × 7,20,000) | 2,88,000 |
| **Exempt HRA: least of (a), (b) and (c)** | **2,28,000** |
| Taxable HRA, old regime (2,88,000 − 2,28,000) | 60,000 |
| Taxable HRA, new regime (no exemption under Section 115BAC) | 2,88,000 |

*Source: Author's computation from Table 11.*

**Table 13: Tax of Employee X under Both Regimes (FY 2025-26)**

| Particulars | Old Regime (₹) | New Regime (₹) |
|---|---|---|
| Gross salary | 14,28,000 | 14,28,000 |
| Less: HRA exempt u/s 10(13A) | (2,28,000) | Nil |
| Less: Standard deduction u/s 16(ia) | (50,000) | (75,000) |
| Less: Professional tax u/s 16(iii) | (2,500) | Nil |
| Income from salary | 11,47,500 | 13,53,000 |
| Less: Sections 80C and 80D | (1,75,000) | Nil |
| **Total income** | **9,72,500** | **13,53,000** |
| Tax on total income | 1,07,000 | 82,950 |
| Rebate u/s 87A | Nil | Nil |
| Health and Education Cess @ 4% | 4,280 | 3,318 |
| **Total tax (rounded u/s 288B)** | **1,11,280** | **86,270** |

*Source: Author's computation. Old regime: 5% of ₹2,50,000 + 20% of ₹4,72,500. New regime: 5% of ₹4,00,000 + 10% of ₹4,00,000 + 15% of ₹1,53,000.*

Even with an HRA exemption of ₹2,28,000 and deductions of ₹1,75,000, Employee X pays ₹25,010 less under the new regime. Working back from the figures, the old regime would only have matched the new one if Employee X had been able to document about ₹1,20,000 of further relief. The HRA claim was real and properly supported, and it still did not decide the regime.

The documentation point is practical. The employer allows the exemption in monthly TDS only if the employee declares rent in Form 12BB and supports it; because rent here exceeds ₹1,00,000 a year, the landlord's PAN is also required. If proofs are not given in time, the employer deducts TDS on the full HRA, and the exemption can still be claimed in the return, but only if the same evidence exists.

### 7.5 Rent-Free Accommodation on an Illustrative Salary: Employee Y

None of the returns handled during the internship involved an RFA perquisite. To complete the third objective, the valuation was therefore worked on an illustrative salary. Employee Y works in Pune in a flat leased by the employer for the whole year at ₹20,000 a month; the employer also hires furniture at ₹1,000 a month and recovers ₹2,000 a month from salary as rent. Employee Y receives no HRA.



**Table 14: Valuation of the RFA Perquisite of Employee Y under Section 17(2) and Rule 3(1)**

| Particulars | Amount (₹) |
|---|---|
| Basic salary (₹50,000 per month) | 6,00,000 |
| Special allowance (₹25,000 per month) | 3,00,000 |
| Bonus | 60,000 |
| **Salary for RFA purposes** | **9,60,000** |
| (a) 10% of salary | 96,000 |
| (b) Lease rent paid by employer (₹20,000 × 12) | 2,40,000 |
| Value of unfurnished accommodation: lower of (a) and (b) | 96,000 |
| Add: Furniture hire charges (₹1,000 × 12) | 12,000 |
| Less: Rent recovered from employee (₹2,000 × 12) | (24,000) |
| **Taxable value of the perquisite** | **84,000** |

*Source: Author's illustrative computation; figures are fictional.*

**Table 15: Tax of Employee Y under Both Regimes (FY 2025-26)**

| Particulars | Old Regime (₹) | New Regime (₹) |
|---|---|---|
| Salary | 9,60,000 | 9,60,000 |
| Add: RFA perquisite u/s 17(2)(i) | 84,000 | 84,000 |
| Gross salary | 10,44,000 | 10,44,000 |
| Less: Standard deduction | (50,000) | (75,000) |
| Less: Professional tax | (2,500) | Nil |
| Less: Section 80C | (1,50,000) | Nil |
| **Total income** | **8,41,500** | **9,69,000** |
| Tax on total income | 80,800 | 36,900 |
| Rebate u/s 87A | Nil | (36,900) |
| Health and Education Cess @ 4% | 3,232 | Nil |
| **Total tax (rounded)** | **84,030** | **Nil** |

*Source: Author's illustrative computation.*

The contrast with HRA is the main lesson. HRA is an exemption that one regime allows and the other denies. The RFA perquisite is income, and the same ₹84,000 appears in both columns. What the regime changes is the slabs and the deductions, not the value of the benefit. In this case the perquisite still left new-regime income within the ₹12,00,000 rebate limit; a larger perquisite could push income over that limit and remove the rebate, which is why correct valuation matters even for a client who has chosen the new regime.

### 7.6 Testing the Hypotheses Across Four Computations

To test the hypotheses, Employees X and Y were set beside two illustrative cases prepared in the same way as the firm's comparison worksheets: Case A, an employee in Pune with moderate deductions, and Case B, an employee in Mumbai with high rent and full deductions. For each, the table shows the total relief claimed under each regime, meaning exemptions, standard deduction, professional tax and Chapter VI-A deductions together.



**Table 16: Four Computations Compared (FY 2025-26, amounts in ₹)**

| Case | Gross Income | Old-Regime Relief (% of Gross) | New-Regime Relief | Total Income Old / New | Tax Old / New | Lower Tax |
|---|---|---|---|---|---|---|
| X (anonymised client; HRA) | 14,28,000 | 4,55,500 (31.9) | 75,000 | 9,72,500 / 13,53,000 | 1,11,280 / 86,270 | New, by 25,010 |
| Y (illustrative; RFA) | 10,44,000 | 2,02,500 (19.4) | 75,000 | 8,41,500 / 9,69,000 | 84,030 / Nil | New, by 84,030 |
| A (illustrative; HRA, Pune) | 12,52,000 | 5,81,500 (46.4) | 1,35,000 | 6,70,500 / 11,17,000 | 48,460 / Nil | New, by 48,460 |
| B (illustrative; HRA, Mumbai) | 20,80,000 | 8,67,500 (41.7) | 1,55,000 | 12,12,500 / 19,25,000 | 1,83,300 / 1,92,400 | Old, by 9,100 |

*Source: Author's computations; Cases A and B from the project's illustrative worksheets. Gross income includes savings-bank interest in Case A. Relief share = old-regime relief ÷ gross income × 100. New-regime relief is the standard deduction plus employer's NPS contribution under Section 80CCD(2).*

**Table 17: Cases Grouped by What Decided the Lower Tax**

| Deciding Condition | Cases | Lower Tax | Number | Share % |
|---|---|---|---|---|
| New-regime income within ₹12,00,000 rebate limit | Y, A | New (nil tax) | 2 | 50.0 |
| New-regime income above the limit; old-regime relief not large enough | X | New | 1 | 25.0 |
| New-regime income above the limit; old-regime relief large enough | B | Old | 1 | 25.0 |
| **Total** | | | **4** | **100.0** |

*Source: Derived by the author from Table 16. Share = cases ÷ 4 × 100. These are worked cases, not a sample of returns.*

The new regime gave the lower tax in three of the four cases. Of the three cases with an HRA claim, the old regime was cheaper in only one. On this evidence H0 is not supported and H1 is. The size of the relief, taken alone, did not decide the result either: Case A claimed the largest share of relief, 46.4 per cent of gross income, and still paid nothing under the new regime, because its new-regime income fell within the rebate limit. Only where new-regime income was above the limit did the amount of relief begin to matter, and then the answer depended on the client's own figures.

The caveat is plain. Four computations, three of them illustrative, show how the rules interact; they do not show how often the old regime wins among the firm's clients. The comparison is an exercise in tracing, not a measurement.

**Table 18: What Happens to the Old Regime if the HRA Claim Cannot Be Supported (₹)**

| Case | Old Regime as Computed | Old Regime without HRA Exemption | New Regime | Lower Tax without HRA Proof |
|---|---|---|---|---|
| X | 1,11,280 | 1,79,560 | 86,270 | New |
| A | 48,460 | 90,900 | Nil | New |
| B | 1,83,300 | 3,08,100 | 1,92,400 | New |

*Source: Author's derivation from Table 16, removing only the HRA exemption and keeping all other figures unchanged; tax rounded to the nearest ₹10 under Section 288B.*



Case B is where the evidence point becomes concrete. Its old-regime advantage of ₹9,100 would vanish if only about ₹29,200 of claimed relief failed, and without the HRA exemption of ₹4,00,000 the old regime would cost ₹1,15,700 more than the new one. A rent receipt that cannot be produced does not merely reduce one exemption; it reverses the regime decision. This is the sense in which the regime choice was, at bottom, a documentation question.

### 7.7 Where Exceptions Began

Five exception types recurred in the files handled during the internship. Each looked at first like a figure that could not be accepted, but they did not begin in the same place.

**Table 19: Recurring Exceptions by Origin and Handling**

| Exception | Surfaced In | Origin | Handling |
|---|---|---|---|
| HRA exemption claimed without rent-payment proof | Allowance check (step 5) | Client's evidence | Follow-up for rent receipts or bank-transfer records before the return was finalised |
| Landlord PAN not furnished where annual rent exceeded ₹1,00,000 | Allowance check (step 5) | Client's evidence | PAN obtained from the client before finalising |
| FD interest declared by the client differed from Form 26AS | Reconciliation (step 9) | Client's declaration against bank's report | Reported to the supervising Chartered Accountant |
| Small interest or other receipts not volunteered by the client but shown in the AIS | Reconciliation (step 9) | Client's declaration against third-party report | Identified through the AIS and included in income |
| Salary heads with unfamiliar or misleading names | Salary classification (step 4) | Employer's presentation | Form 16 Part B and Form 12BA cross-referenced line by line, with senior guidance |

*Source: Internship work diary and project records, E-Arth AFMC. Origin classification is the author's. No amounts are given because client figures are confidential.*

**Table 20: Exception Types Grouped by Origin**

| Origin | Exception Types | Number | Share % |
|---|---|---|---|
| Evidence behind an exemption | Missing rent proof; missing landlord PAN | 2 | 40.0 |
| Declaration not matching third-party data | FD interest mismatch with 26AS; income visible only in AIS | 2 | 40.0 |
| Employer's presentation of salary | Unfamiliar or misleading salary heads | 1 | 20.0 |
| **Total** | | **5** | **100.0** |

*Source: Derived by the author from Table 19. Share = types ÷ 5 × 100. These are shares of exception types, not of occurrences.*

Missing rent proof and a missing landlord PAN together were the commonest documentation gap in the files, and both concerned HRA. Every one of the five types was caught by a check that set a client's statement against a document: a receipt, a PAN, Form 26AS, the AIS or Form 12BA. None was caught by the software. The response differed by origin.



A missing proof is chased from the client; a mismatch with 26AS is escalated and investigated before either figure is changed; a misleading salary head is resolved by reading the employer's own forms more closely.

### 7.8 Challenges in Learning the Work

**Table 21: Challenges Faced and the Response**

| Challenge | Why It Was Difficult | Action Taken |
|---|---|---|
| A data-handling lapse | A completed income summary was not saved to the office system before the end of the day and had to be redone | Work saved and backed up at the end of each task rather than each day |
| Varied salary structures | Employers split pay differently, some through a single special allowance, others through many named heads | Form 16 Part B and Form 12BA read line by line, with guidance on unfamiliar heads |
| Allowance or perquisite | The difference between a taxable allowance, a partly exempt allowance and a valued perquisite was not intuitive at first | Repeated reference to the forms and to the supervising team until classification was routine |
| Undisclosed income | Some small receipts were not volunteered by clients | Client declarations checked against the AIS and TIS as a matter of course |
| Changing provisions | New slabs, a new rebate limit and a new Act in force for later years | Reliance on the official portal and senior staff, not informal online sources |
| Several cases at once | Each client had a different structure and a different set of pending documents | Simple task lists and record-keeping, which improved over the season |

*Source: Researcher's internship records and work diary.*

### 7.9 Common Impression versus Observed Practice

**Table 22: How Return Filing Is Imagined and How It Was Seen**

| Dimension | Common Impression | Observed in the Practice |
|---|---|---|
| Nature of the work | Typing Form 16 into the portal | Collecting evidence, classifying salary and reconciling with third-party data; entry was one step in eleven |
| HRA | Always saves tax | Saves tax only in the old regime and only with proof |
| The new regime | Removes tax on benefits | Perquisites such as RFA are taxed in both regimes |
| Form 16 | A complete record of income | Needed Form 12BA beside it, and the AIS sometimes showed income the client had not mentioned |
| Choice of regime | Settled by a rule of thumb | Settled only after computing both |
| Good service | Quick filing | A return in which every claim can be supported if questioned |

*Source: Researcher's observation; rationale recorded in the work diary.*

The returns that went through without trouble were not the ones handled fastest. They were the ones whose papers had been complete from the start, so that the regime comparison at the end rested on figures that could be defended.



## 8. Verification Controls and Recommendations

The checks that caught the exceptions in Table 19 can be read as a short list of controls. Each asks a question of the file before it is allowed to move to the next step.

**Table 23: Verification Checks as Operating Controls**

| Check | What It Tests | Where Applied | Exceptions Addressed |
|---|---|---|---|
| Rent proof and landlord PAN | That the rent claimed for HRA was paid and the claim is complete | Allowance check | Missing rent proof; missing PAN |
| Form 16 read with Form 12BA; break-up total equals gross | That salary is complete and correctly classified | Salary classification | Misleading salary heads |
| Declared income against 26AS, AIS and TIS | That income is complete and TDS claimed is accurate | Reconciliation | Interest mismatch; undisclosed receipts |
| Tax computed under both regimes | That the regime chosen gives the lower lawful tax on supported figures | Tax review | Regime chosen by habit |
| Entries against pre-filled data, checked twice against source | That what is filed is what was prepared | Data entry and final review | Transcription errors |

*Source: Researcher's internship records; linkage column is the author's.*

Client trust in a practice of this kind rests on small things being right: an HRA claim that can be defended, interest that matches the bank's report, a regime chosen because the numbers favoured it. It is lost at the same points. The recommendations below are aimed first at intake, where the evidence is collected, and at the tax review, where the regime is chosen.

**Table 24: Recommendations, Expected Outcomes and Reasons**

| Recommendation | Expected Outcome | Reason |
|---|---|---|
| A single one-page document checklist shared with every client at the start of the season | Fewer follow-ups and earlier completeness | Seven of eleven steps draw directly on client documents |
| Rent proof and landlord PAN as compulsory intake items for any HRA claim | Fewer last-minute chases; defensible claims | The commonest documentation gap concerned HRA |
| A spreadsheet template that computes tax under both regimes once income and reliefs are entered | A regime comparison for every client in minutes | The cheaper regime differed by case and could not be guessed |
| AIS and 26AS downloaded and compared before the income summary is finalised, not only at the end | Undisclosed income found before the regime is compared | Two of five exception types were declaration mismatches |
| A short internal note on the HRA formula, RFA valuation and supporting documents | Faster induction and fewer classification errors | Allowance and perquisite classification was the steepest learning curve |



| Recommendation | Expected Outcome | Reason |
|---|---|---|
| Work saved and backed up at the end of each task | No rework from lost files | One lapse of this kind occurred during the internship |

*Source: Author's recommendations based on the internship. To be agreed with the firm and reviewed whenever slabs, limits or forms change.*

## 9. Findings

- Of the eleven steps in the firm's ITR-1 workflow, seven (63.6 per cent) drew directly on documents supplied by the client and four (36.4 per cent) used only the output of earlier steps. Data entry was a single step.
- In four worked computations the new regime gave the lower tax in three. Of the three cases with an HRA claim, the old regime was cheaper in only one. This does not support H0 and supports H1.
- Where new-regime income fell within the ₹12,00,000 rebate limit, the new regime gave nil tax whatever relief the old regime offered; Case A claimed relief of 46.4 per cent of gross income and still paid nothing under the new regime.
- Where new-regime income exceeded the limit, the result depended on documented relief. Employee X would have needed about ₹1,20,000 of further relief for the old regime to break even, while Case B's old-regime advantage of ₹9,100 would vanish if about ₹29,200 of relief failed.
- Without the HRA exemption, the old regime would have been costlier in all three HRA cases, so a missing rent receipt could reverse the regime decision.
- The RFA perquisite of ₹84,000 was taxed identically in both regimes; the regime changed slabs and deductions, not the value of the benefit.
- Of five recurring exception types, two (40.0 per cent) concerned the evidence behind an HRA claim, two (40.0 per cent) were mismatches between the client's declaration and third-party data, and one (20.0 per cent) arose from the employer's presentation of salary. All five were caught by comparing a statement with a document.
- All six concepts examined required more in practice than their usual definitions, and in each case the added requirement involved a second document or a second decision.
- No case during the internship involved an RFA perquisite, so the third objective was met through study and an illustrative computation rather than casework.

## 10. Discussion

### 10.1 The Regime Decision Is a Documentation Decision

The comparison of regimes is usually presented as arithmetic on known figures. In practice the figures for the old regime are not known until the evidence has been checked. An exemption that cannot be supported is not a smaller exemption in the old regime; it is no exemption at all, and in Case B its absence turned the old regime from the better choice into the clearly worse one. For a practice, this means the regime question should be asked twice: once with every claim the client hopes to make, and once with only the claims the file supports.

### 10.2 Exemptions and Perquisites Behave Differently

HRA and RFA are often taught together because both relate to housing. Their tax behaviour is opposite. HRA is an exemption that the new regime withdraws, so its value depends on the regime. RFA is a perquisite that both regimes tax, so its value depends on correct valuation regardless of the regime. Clients who moved to the new regime sometimes assumed their benefits had become tax-free. The distinction is simple to state and easy to lose in a busy week.



### 10.3 The Rebate Limit as the First Question

The ₹12,00,000 rebate limit in the new regime did more to decide the cheaper regime than any single exemption. Two of the four cases were settled by it before HRA or deductions came into play. A practical order of work follows: compute new-regime income first; if it falls within the limit, the old regime is unlikely to compete, and the effort on documenting old-regime claims can be judged accordingly. If it does not, every claim has to be checked carefully, because the margin may be small.

### 10.4 Third-Party Data as a Completeness Check

Two of the five exception types were found only because the client's declaration was set against Form 26AS or the AIS. Clients rarely omit income on purpose; a small deposit or a savings-bank interest credit is simply forgotten. The Department will not forget it. Comparing declarations with third-party data early, before the income summary is closed, prevents a later adjustment and makes the regime comparison rest on complete income.

### 10.5 Implications for Similar Practices

The measures suggested here cost little. A checklist that makes rent proof and the landlord's PAN compulsory at intake, a two-regime template, an early AIS comparison and a short reference note all act on the steps from which later steps take their inputs. None needs new software or extra staff. A practice with more volume might later automate parts of the comparison, but the discipline of asking whether each claim is supported would still be needed.

## 11. Conclusion

This paper set out to understand how HRA documentation, perquisite valuation and the choice of tax regime shape the preparation of ITR-1 returns at a small chartered accountancy practice. At E-Arth AFMC the answer was reasonably clear. Most of the work in a return happens before any figure is entered, in collecting and checking what the client supplies. The cheaper regime differed from case to case and could not be inferred from the presence of an HRA claim; it depended on the rebate limit first and on documented relief second. And because an unsupported exemption is worth nothing, the regime decision in the closer cases turned on whether a rent receipt or a landlord's PAN was in the file.

The practical steps that follow are modest. Every HRA claim should come with its proof at intake. Every client should have tax computed under both regimes. Declarations should be compared with the AIS and Form 26AS before the income summary is closed. A short note on HRA and RFA should be available to every new trainee. These steps should be developed with the firm's mentors and revised whenever slabs, limits or forms change.

The study has clear limits. It covers about fifteen returns at one firm over two months, and only the work open to a trainee. Client data was confidential, so the analysis rests on process maps, exception types and four computations, three of them illustrative, and not on a sample of returns; it cannot say how often the old regime is cheaper among the firm's clients. No RFA case arose, so that part of the study rests on an illustration. The classification of steps and exceptions is the author's own and would benefit from a second reader. The figures apply to FY 2025-26 under the Income-tax Act, 1961; section numbers and some limits change under the Income-tax Act, 2025 from Tax Year 2026-27. Future work with anonymised files could measure how often the regime choice reverses when unsupported claims are removed, and whether the pattern of exceptions holds across practices of different sizes.

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E-Arth Accounts Finance & Management Consultants, Pune. Learning exposure, working formats and guidance received, 1 June – 31 July 2026 (internal; not reproduced).

**Appendix A: ITR-1 Workflow Checklist as Followed at the Firm**

| No. | Checklist Item |
|---|---|
| 1 | PAN and Aadhaar (and passport, where applicable) collected and verified |
| 2 | Form 16, Parts A and B, collected from the employer |
| 3 | Client appraisal form completed: personal details, income details and declaration of investments |
| 4 | AIS, 26AS and TIS downloaded and cross-checked against client-reported income and TDS |
| 5 | Rent agreement collected where the client has let-out house property |
| 6 | Loan sanction letter collected where Section 24(b) interest is claimed on self-occupied property |
| 7 | Bank statements and FD interest certificates collected |
| 8 | Rent receipts and landlord PAN collected where HRA is claimed (the most frequent gap) |
| 9 | Deduction proofs collected: insurance premium, mediclaim (80D), tuition fees (80C), donations (80G) |
| 10 | Salary components classified into basic pay, allowances and perquisites |
| 11 | Data entered in Winman and cross-checked against pre-filled data |
| 12 | TDS reconciled with 26AS and AIS; discrepancies escalated to the supervising Chartered Accountant |
| 13 | Final review completed; return submitted and electronically verified |

*Source: Firm workflow as recorded in the internship report.*

**Appendix B: Slabs and Key Differences Used in This Paper (FY 2025-26)**

**Table B1: Income-tax Slabs for Individuals below 60 Years**

| Old Regime: Income Slab | Rate | New Regime: Income Slab | Rate |
|---|---|---|---|
| Up to ₹2,50,000 | Nil | Up to ₹4,00,000 | Nil |
| ₹2,50,001 – ₹5,00,000 | 5% | ₹4,00,001 – ₹8,00,000 | 5% |
| ₹5,00,001 – ₹10,00,000 | 20% | ₹8,00,001 – ₹12,00,000 | 10% |
| Above ₹10,00,000 | 30% | ₹12,00,001 – ₹16,00,000 | 15% |
| | | ₹16,00,001 – ₹20,00,000 | 20% |
| | | ₹20,00,001 – ₹24,00,000 | 25% |
| | | Above ₹24,00,000 | 30% |

*Source: Income-tax Act, 1961 as amended by the Finance Act, 2025. Health and Education Cess at 4% applies in both regimes.*



**Table B2: Key Structural Differences between the Regimes**

| Feature | Old Regime | New Regime |
|---|---|---|
| Standard deduction u/s 16(ia) | ₹50,000 | ₹75,000 |
| Rebate u/s 87A | Up to ₹12,500; total income up to ₹5,00,000 | Up to ₹60,000; total income up to ₹12,00,000, with marginal relief just above |
| HRA, LTA and most Section 10(14) allowances | Exempt subject to conditions | Taxable |
| Professional tax u/s 16(iii) | Deductible | Not deductible |
| Chapter VI-A deductions | Available | Not available, except mainly 80CCD(2) and 80CCH(2) |
| Interest on self-occupied house property u/s 24(b) | Up to ₹2,00,000 | Not allowed |
| Perquisites u/s 17(2) | Taxable as valued | Taxable as valued |

*Source: Income-tax Act, 1961 and Finance Act, 2025, as summarised in the project report. Readers should confirm current provisions on the official portal; section numbers change under the Income-tax Act, 2025.*