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Digitally Enabled and Personalised Income Tax Advisory for Indian Defence Personnel: An Operational and Service-Delivery Study of ITR Filing at udChalo

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ABSTRACT

Background. Income tax return (ITR) filing in India is increasingly digital, yet taxpayers with non-standard income structures still depend on intermediaries. Indian defence personnel are one such group: their salaries include service-specific allowances, some exempt under Section 10(14) of the Income-tax Act, 1961, and they often serve in remote postings with limited time and connectivity.

Problem. Intermediaries serving this group must handle high-volume, deadline-driven filing, incomplete documentation, low awareness of the old versus new tax regime, and correct treatment of allowances, while keeping returns accurate.

Purpose. The study documents and analyses a hybrid (telephone, WhatsApp, and on-site camp) ITR filing model at udChalo, a defence-focused services platform, and identifies what makes such a model work and where it falls short.

Methodology. A descriptive, exploratory, single-organisation case study based on participant observation and operational records. Primary data are the author's own work records: 250 prospective clients contacted, 180 returns filed (135 ITR-1 and 45 ITR-2), and a team of seven. Five anonymised illustrative cases are used to compare tax liability under the old and new regimes. Secondary data come from statutes, government portals, and scholarly literature. Analysis uses descriptive statistics, process mapping, and comparative tax computation.

Findings. ITR-1 accounted for 75% of filings and ITR-2 for 25%. In four of the five illustrative cases, the new regime produced lower tax, with differences of about ₹24,000 to ₹1.45 lakh; the one retired pensioner with substantial deductions did better under the old regime. Document collection, mismatches between client records and portal data, and awareness gaps emerged as recurring operational bottlenecks, and in-person camps were an important complement to digital channels.

Implications and Contribution. The study offers a practical process model and five recommendations (phased outreach, digital document intake, client segmentation, on-ground playbooks, and year-round advisory). It adds a documented case in an area with little published research: specialised tax-filing services for Indian defence personnel. Findings are exploratory and not statistically generalisable.

Keywords: Income tax return filing; defence personnel; tax advisory services; tax regime selection; digitalisation; operational efficiency

1. Introduction

1.1 The Indian taxation system and the importance of ITR filing

India's tax system combines direct taxes, levied on income, with indirect taxes such as GST, levied on the supply of goods and services. For individuals, the central statute is the Income-tax Act, 1961, administered by the Central



Board of Direct Taxes (CBDT). Income is classified under five heads: salary, house property, business or profession, capital gains, and other sources. Filing a return is the mechanism through which taxpayers declare income, claim deductions and exemptions, reconcile tax deducted at source (TDS), and obtain refunds. Accurate filing also protects taxpayers from interest, late-filing fees, and notices.

For Assessment Year 2026–27 (Financial Year 2025–26), individuals could choose between the old regime, which permits many deductions and exemptions (Sections 80C, 80D, 24(b), and certain allowances), and the new regime, which has lower slab rates, a higher standard deduction, and a higher rebate threshold but few deductions. This choice is itself an advisory decision, and it is a major reason many salaried taxpayers seek help. (Note: the Income-tax Act, 2025 is legislated to replace the 1961 Act for later periods; returns for FY 2025–26 are governed by the 1961 Act. Readers should confirm current applicability.)

1.2 Defence personnel: income structure, allowances, and exemptions

The pay of armed forces personnel comprises basic pay, dearness allowance, and a range of service-specific allowances. Under Section 10(14) and the associated rules, certain allowances are exempt up to prescribed monthly limits under the old regime. Those referred to in the source report include Field Area Allowance, High Altitude Allowance (different limits by altitude band), Siachen Allowance, and Composite Hill Compensatory Allowance. Disability pension and gratuity receive separate exemptions under other sub-sections of Section 10. Under the new regime, most of these exemptions are not available, which makes the regime choice for a defence taxpayer less obvious than for a typical salaried employee, and makes allowance-level knowledge necessary for accurate advice.

These taxpayers also face practical constraints: frequent relocation, postings in remote or high-altitude areas, limited time, and uneven digital access.

1.3 Digitalisation and the role of professional tax advisory

India's e-filing system, with pre-filled data, the Annual Information Statement (AIS), Form 26AS, and electronic verification, has made self-filing technically possible. Yet complexity arises where income includes capital gains, property, multiple employers, or allowances, and where pre-filled data disagree with employer documents. Authorised intermediaries, including Electronic Return Intermediaries (ERIs), therefore remain relevant, and platforms combine technology with human advice. Digitalisation also introduces data-protection obligations, notably under the Digital Personal Data Protection Act, 2023.

1.4 udChalo and its financial services

udChalo (Upcurve Consumer Technologies Pvt. Ltd., Pune, founded 2012) is a services platform for the armed forces community covering travel, housing, consumer services, and financial services including ITR filing and advisory. During the author's internship, the ITR function operated through outbound calls, WhatsApp-based document collection, portal-based preparation and e-filing, team-lead review, and offline camps at the Khadki Military Camp, Pune.

1.5 Why streamlining matters

ITR filing is highly seasonal, with demand concentrated near the filing deadline. Without a structured workflow, document delays, errors, and rework accumulate exactly when capacity is scarcest. Streamlining therefore concerns both compliance quality (accuracy, regime choice, and correct allowance treatment) and service quality (turnaround, clarity, and trust). This paper examines how a defence-focused intermediary approaches both.



2. Review of Literature

This review draws on widely cited work in tax compliance, financial literacy, technology adoption, and service quality, together with primary legal sources.

2.1 Income tax compliance

Allingham and Sandmo (1972) formalised an economics-of-crime model in which compliance depends on audit probability and penalties. Later work broadened the explanation. Kirchler, Hoelzl, and Wahl (2008) proposed the "slippery slope" framework, in which compliance rests on both enforcement power and trust in authorities. Alm (2019) reviews evidence that tax compliance is also shaped by social norms, perceived fairness, and the quality of services taxpayers receive, not just by deterrence. Chan, Troutman, and O'Bryan (2000) examined determinants of taxpayer compliance across the United States and Hong Kong, supporting the view that behavioural and knowledge-related factors matter alongside enforcement. The implication for this study is that facilitation—meaning making compliance easy and understandable—is itself a compliance lever.

2.2 Tax literacy and financial literacy

Lusardi and Mitchell (2014) review evidence that limited financial literacy is widespread and affects household financial decisions. Tax-specific literacy (for example, understanding regimes, deductions, and exemptions) is a related but narrower concept, and the regime choice in India makes it directly decision-relevant. The source internship observed that many clients did not understand the old versus new regime and the deductions available to them; this is consistent with the literacy literature, though it remains a field observation rather than a measured survey result.

2.3 Digitalisation of tax filing

Davis (1989) introduced the Technology Acceptance Model, in which perceived usefulness and perceived ease of use drive technology adoption. Venkatesh, Morris, Davis, and Davis (2003) integrated several acceptance models into the UTAUT framework, adding social influence and facilitating conditions. These frameworks suggest that where users have limited time, connectivity, or confidence, assisted channels (phone, messaging, and in-person help) can raise adoption of digital processes. Official information about India's e-filing ecosystem is available from the Income Tax Department's e-filing portal and CBDT publications.

2.4 Customer satisfaction and service quality in advisory services

Parasuraman, Zeithaml, and Berry (1988) developed SERVQUAL, which assesses service quality along dimensions including reliability, responsiveness, assurance, empathy, and tangibles. Oliver (1980) framed satisfaction as the outcome of comparing expectations with perceived performance. For tax advisory, reliability (an accurate return) and assurance (trust in the advisor's competence) are especially salient, and for a community-focused platform, empathy and responsiveness are likely to matter as well.

2.5 Operational efficiency in financial services

Heskett, Jones, Loveman, Sasser, and Schlesinger (1994) described the service-profit chain, linking internal service quality, employee productivity, customer satisfaction, and financial performance. This supports examining workflow design, delegation, and quality control (for example, a team-lead review step) as drivers of both efficiency and client outcomes.



2.6 Defence personnel and tax awareness

Within the scope of this review, peer-reviewed empirical studies specifically addressing tax awareness, ITR filing behaviour, or tax advisory services for Indian defence personnel remain scarce. Relevant material is largely statutory (Section 10 and related rules), governmental (CBDT circulars and Ministry of Defence pay communications), and practitioner-oriented. This highlights a clear opportunity for dedicated empirical research in this domain.

3. Research Gap

The literature above is general. It explains compliance, literacy, technology acceptance, and service quality for taxpayers at large. Four gaps follow:

1. **Population gap.** There is little published empirical work on ITR filing for Indian defence personnel, whose allowance-heavy pay and posting conditions differ from typical salaried employees.
2. **Decision gap.** Studies rarely examine regime selection (old versus new) where specialised exemptions are available only under one regime.
3. **Channel gap.** Digital-adoption research often treats channels as digital or physical alternatives; hybrid models in which phone, messaging, and on-site camps work together are under-documented, especially for users in remote postings.
4. **Operations gap.** Few accounts document the end-to-end workflow, bottlenecks, and quality controls of a high-volume, deadline-driven filing operation.

Specialised services for this group deserve study because exemption errors can raise or lower tax materially, documentation is difficult to gather from dispersed postings, digital access is uneven, and trust in the intermediary is central to uptake.

4. Research Objectives

1. To map the end-to-end ITR filing workflow used for defence personnel at udChalo, from client outreach to e-verification.
2. To describe the profile of work handled (clients contacted, returns filed, and form mix) during the study period.
3. To compare tax liability under the old and new regimes for representative defence-personnel profiles and identify the factors that determine the better regime.
4. To identify the principal documentation and data-reconciliation challenges encountered in filing.
5. To assess the role of offline camps alongside digital channels in document collection and client support.
6. To examine how team structure and a review step support accuracy and timeliness under peak-season pressure.
7. To propose evidence-based improvements to the filing workflow and client experience.

5. Research Questions and Propositions

Research questions

- **RQ1.** What sequence of activities and controls characterises ITR filing for defence personnel at udChalo?
- **RQ2.** What is the composition of the filing workload by return type (ITR-1 versus ITR-2)?
- **RQ3.** Under what income and deduction profiles does the old regime or the new regime yield lower tax for defence personnel?



- **RQ4.** Which documentation and data-mismatch problems most affect filing turnaround and accuracy?
- **RQ5.** How do offline camps complement digital document collection?
- **RQ6.** Which workflow changes could reduce peak-season pressure?

Exploratory propositions

Formal statistical hypotheses are not formulated in this study. The available data comprise one intern's operational counts and five illustrative cases, with no sample of survey respondents, no quantitative outcome measures (such as satisfaction scores or exact turnaround times), and no comparison group. Hypothesis testing or claims of statistical significance would therefore be unjustified. Instead, the study establishes exploratory propositions that a subsequent survey-based study could test:

- **P1.** Higher-income defence taxpayers with limited eligible deductions benefit more from the new regime.
- **P2.** Clients with large deductions (for example, home-loan interest, Section 80C, and Section 80D) and few allowance exemptions may benefit from the old regime.
- **P3.** Hybrid (digital plus in-person) support improves document completeness relative to digital-only support.

6. Research Methodology

Research design. A descriptive and exploratory single-case study of one organisation's ITR filing operation, using participant observation. The author worked as an intern tax advisor and later as a team lead.

Nature of research. Applied and mixed-method (qualitative and quantitative, predominantly descriptive).

Data sources.

- **Primary:** The author's operational records and observations (clients contacted, returns filed by form, workflow steps, camp participation, and recurring problems) and five anonymised client cases prepared during the internship.
- **Secondary:** The Income-tax Act, 1961 and related rules, CBDT and Income Tax Department materials, the Digital Personal Data Protection Act, 2023, scholarly literature (Section 2), and udChalo public information.

Data collection methods. Direct observation and work logs; telephone and WhatsApp client interaction; on-site assistance at camps; document review of Form 16, salary slips, Form 26AS, and AIS; and review of statutes and publications.

Sampling. Purposive and convenience sampling: the clients and cases the author handled during the study window. No probability sampling was used.

Sample size.

Operational Metric / Item	Count / Share
Prospective clients contacted	250
Total ITRs filed	180
ITR-1 returns filed	135 (75%)
ITR-2 returns filed	45 (25%)



Operational Metric / Item	Count / Share
Team members led	7
Illustrative cases analysed	5

Geographical coverage. Remote and phone-based service to defence personnel across India, supplemented by offline camp work at the Khadki Military Camp, Pune.

Study period. 25 May to 10 July 2026, with peak filing volume concentrated close to the statutory deadline.

Tools of analysis. Descriptive statistics and percentage analysis; process (flowchart) mapping; step-by-step comparative tax computation under both regimes for the five cases; and thematic categorisation of observed bottlenecks.

Scope. ITR-1 and ITR-2 filings for serving defence personnel and pensioners; income-tax compliance and advisory aspects of the operational workflow.

Limitations.

1. Single organisation and single filing season; findings are not statistically generalisable.
2. Non-random sample and absence of a control group.
3. Data are self-recorded and unaudited; there is no independent verification of counts, turnaround times, error rates, or client satisfaction.
4. No structured client survey or formal interviews were conducted, so satisfaction and awareness findings are observational.
5. The five cases are illustrative and anonymised; they demonstrate how regime choice operates rather than measuring how often each regime is superior across the population.
6. Tax provisions and exemption limits are as understood for AY 2026–27 and remain subject to statutory amendment.
7. Participant-observer bias is possible, given that the author served simultaneously as practitioner and researcher.

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