Introduction

A new job is almost akin to the start of a new life. It is an overwhelming experience, especially if it is someone's first job. You have no idea of knowing if you'll get along with your new colleagues, which is something that makes job-goers anxious as they have to spend a major part of their day with each other. Then there are your boss's expectations that you have to meet, which is completely another level of anxiousness. Undoubtedly, a new job can be daunting.

Adding to this mix are all the procedures that one has to deal with at the time of starting a new job. There are various documents that have to be understood as well. And in most cases, this is the last thing you want to do. You already have your work-related aspects to understand, the job-related procedures and documentations are something you would rather procrastinate.

But you don't need to do that now that you have this handbook in hand. We have covered everything you need to know about working in a company, complying to the processes and using work-related documents to do that. To make it easier for you, this handbook has been divided into different sections that cover aspects of joining a new job, salary structures and components, investments and benefits and filing income tax returns.

How to use

The handbook has been kept concise and precise, to allow you to have a fair idea of each topic. If you wish to dig deeper into them, there is a link that has been provided for you to read further. The best way to make use of this handbook is by skimming through it once right now and then coming back to specific sections when you need to dwell into that aspect.

Share the Joy of Finances

Share this handbook among your friends and colleagues as well. Reach out to us on support@cleartax.in if you have any questions about any of the topics covered here.

All the best for your new financial life!

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Joining a New Job

Offer Letter

The first step in the process of getting a job is the interview. Often, a prospective candidate has to pass several rounds of interviews before he or she is selected for a position in a company. The number of interview rounds differ from company to company, but once a candidate has cleared the interviews, he or she is given an offer letter by the company.

The structure of an offer letter would not be the same for every company, but on a broad level it would contain:

Job title

Job description

Salary breakup

Company policies and regulations

Usually, the offer letter also has the last date of acceptance by which the candidate has to say yes or no to the offer. What is important to understand is that the offer letter is not binding. The company can revoke the offer and the candidate can reject the offer.

A job confirmation takes place when a candidate accepts the offer letter and agrees to join the company. This is when something called the appointment letter comes into the picture. The company will roll out the appointment letter after the candidate has accepted the job. Apart from the details mentioned in the offer letter, the appointment letter could also contain the date of joining and documents required to be submitted.

It can also be the case that the offer letter and appointment letter would be one. The procedure of putting forward an offer to a candidate and appointing him or her for the job after acceptance depends entirely on the company, but these are the aspects of an offer letter that you should generally know about.

Permanent account number (PAN)

The PAN is a 10-digit code that acts a personal identification for anyone who pays income tax in India. The PAN is unique to every individual and is an alpha-numeric code. The PAN, along with your name, father's name and your date of birth is displayed in a PAN card that is issued to you by the Income Tax Department.

<sample PAN card image>

The PAN is important because it is mandatory for important financial transactions like opening a savings bank account, receiving salary, paying income tax and filing income tax return, purchase and sale of assets, etc. The PAN is used by the tax department to keep a check on an individual's transactions and prevent tax evasions.

It is important for you to get a PAN as soon as you start a new job because it will be quoted in the Form 16 that you receive at the end of the financial year. You will require the PAN to file your income tax return, which you should do even if you don't have taxable income at the end of the year. Your employer will also ask for your PAN when you get a salary account or you're given salary by cheque.

Acquiring a PAN is something that you have to do only once in your lifetime. You can register for a PAN through the NSDL online facility.

Aadhaar

Aadhaar is a 12-digit unique identity number that can be obtained by residents of India, based on their biometric and demographic data. It is governed by the Unique Identification Authority of India (UIDAI). The primary purpose of the Aadhaar is to document and identify every individual in India.

To correctly identify the individuals attempting to evade taxes, the government has made it mandatory for every individual to link the Aadhaar with the PAN by 30th June 2018. It is a two-step process and can be done online by an individual.

Salary

Salary Structure

Understanding the way your salary is structured is important because what you earn on paper is not always what you get in your bank account. There are certain parts of your salary that get lawfully deducted before the salary is paid out to you.

The sum before the deductions is called cost to the company (CTC). The CTC contains all the benefits and allowances that you receive as part of your salary. The CTC is also before TDS is deducted on your salary.

Here is an example of CTC:

Component	Amount
Basic salary	Rs 3,00,000
Special allowance	Rs 1,00,000
HRA	Rs 80,000
Medical insurance	Rs 5,000
PF (12% of basic salary)	Rs 36,000
Performance bonus (subject to performance rating)	Rs 75,000
Total CTC	**Rs 5,96,000**

This is CTC. But it is different from taxable salary. Here is a breakup of the taxable salary:

Component	Amount
Basic salary	Rs 3,00,000
Special allowance	Rs 1,00,000
HRA	Rs 80,000
Bonus	Rs 75,000
Total Salary	Rs 5,50,000
Less 12% PF	- Rs 36,000
Less tax payable*	- Rs 14,796
Take home salary	**Rs 5,04,024**

*Tax computation depends on slab rates and tax-saving deductions
This is how the take home salary, also commonly referred to as 'in-hand salary', differs from the cost to the company. The take home salary is after TDS is deducted on it at the applicable slab rates.

Payslip

A payslip is a document that you should be aware of because it shows you what has been paid to you and what has been deducted. You receive the payslip every month. The payslip has details on the following sections of your salary:

1. Basic salary

This is the fixed component of your paycheck. It is usually the largest portion of your salary. The other components of your salary are determined as per the basic salary and other components. For eg. in context of HRA, salary = Basic + DA (if part of retirement benefit) + Turnover based Commission.

2. House rent allowance

You can claim house rent allowance if you live in a rented house. HRA can be partially or completely exempt from tax.

3. Medical reimbursement

If your company provides reimbursement towards medical expenses, you can claim them by submitting the relevant bills. You can also claim reimbursement towards the medical expenses for your dependent family members.

4) Leave travel allowance

In some cases, you can avail exemption for a trip within India under leave travel allowance. The exemption is for the shortest distance on a trip. You can claim this expense only if you actually take the trip.

Tax Deducted at Source

The salary that you receive is paid after tax is deducted on it. This is called TDS--tax deducted at source. The amount of TDS depends on the income tax slab that you fall under.

The purpose of TDS lies behind the concept of advance tax. Every Indian taxpayer has to pay advance tax to the income tax department at the end of every quarter. This is also referred to as pay-as-you-earn tax. Basically, the government wants you to pay tax periodically through the financial year and not in a lump sum at the end of the year. The TDS deducted from your salary is advance tax paid by your employer on your behalf.

You can get a refund on the TDS deducted on your salary after you file your income tax return. The amount of refund depends on your taxable income and tax-saving deductions that you've availed. You will not be able to get a refund if you don't file your tax return. Hence, you should file your return even if you don't have taxable income. There is more on filing income tax returns covered in latter sections of this handbook.

House Rent Allowance

Anyone who is a salaried employee under an employer-employee contract can claim house rent allowance (HRA) benefits if they live in a rented property. HRA can be partially or completely exempt from tax. Your house rent allowance will be fully taxable if you don't pay rent for your personal residence.

You can claim house rent allowance along with deduction on home loan interest. House rent allowance can be claimed on the minimum of the following:

Actual HRA received

50% of [basic salary + dearness allowance] for those living in metro cities

40% of [basic salary + dearness allowance] for those living in non-metro cities

Actual rent paid less 10% of salary

One important thing you need to be aware of is that you can claim HRA only if you mention your landlord's PAN. This applies to those who pay rent in excess of Rs 1,00,000 in the previous year. So, if you rent a house, make sure you obtain your landlord's PAN.

But what if HRA is not a part of your salary package and you do live in a rented house? The good news is you can still claim tax deductions on the rent you pay under Section 80GG.

What's more, if you stay with your parents in a house that they own, you can even claim HRA by paying rent to them. All you need to do is enter into a rental agreement with them and transfer money to them every month.

Standard Deduction

Standard Deduction of Rs. 40,000 has been reintroduced in the Budget 2018. This deduction has replaced the conveyance allowance and the medical allowance. The employee can now claim a flat deduction of Rs. 40,000 from the total income, thereby reducing the tax outgo.

ESOPs

ESOP stands for Employee Stock Ownership Plan. A lot of companies, especially startups, have started to offer ESOPs to their employees as part of their salary package. An ESOPs package will allow you to own equity share of the company. Once the conditions between you and your employer have been fulfilled, you will be able to buy the shares as per your package. The option to buy the stocks lies with you, it is not mandatory.

If you wish to eventually exercise the option to buy stocks under your ESOPs package, you should that ESOPs are taxed twice--when you buy the stocks and when you sell them. At the time of sale, the gains on the stocks are classified as capital gains.

Fair Market value of shares on the date of exercise of option less amount actually paid by the employee in respect of such shares is the value of perquisites and is fully taxable.

Investments

Section 80 Deductions

Even though paying taxes is important, the government does allow you to lower your taxable income by claiming certain deductions and making certain investments.

Under Section 80 of the Income Tax Act, you can save taxes in a number of ways like by claiming deductions on your home loan interest, medical insurance, donations to social organisations, etc.

Among Section 80 deductions, the popular tax-saving investments that you might have heard about come under Section 80C. These include:

- **Equity Linked Savings Scheme (ELSS):** These are tax-saving mutual funds that invest largely in equity stocks and come with a lock-in of 3 years
- **Insurance Premium:** The life insurance premium that you pay annually
- **School Tuition Fees:** Tuition fees in a year that you pay for the

education up to two children

• Other investment options like Public Provident Fund (PPF), National Pension System (NPS), Tax-saving Fixed Deposits (FD), etc

• **Home Loan Repayment:** The amount of repayment of the principal of your home loan

You can use any of these investments or payments to fulfill your Section 80C obligation of Rs 1.5 lakh in a financial year. These are the investments that you can use to fulfill your long-term financial goals and the expenses that you make around the year, which you should avail to claim tax-saving deductions.

Investment Declaration - Form 12BB

The Form 12BB was introduced by the government in 2016. This form is applicable from FY2016-17. Form 12BB is an investment declaration form that requires you to state your tax-saving endeavours at the start of a financial year.

You need to submit the filled-out Form 12BB with your employer at the beginning of a new financial year or whenever you start a job during the financial year. Your employer will deduct TDS on your salary on the basis of your tax-saving endeavours that have been declared through Form 12BB. You need to fill in the following details in Form 12BB:

• House rent allowance

• Leave travel allowance

• Home loan interest

• Investments under Section 80C and Section 80CCD
• Life insurance and medical insurance premium
• Deductions under Section 80E, Section 80G and Section 80TTA

In most cases, you would need to make an estimation of the numbers to be filled out under different sections of Form 12BB. You don't need to claim the exact same amounts that you have declared in Form 12BB, but you should try to achieve the maximum tax-saving that you can.

Know Your Customer (KYC)

KYC is the process of individuals being identified by businesses and financial institutions. The process was introduced by the government to prevent frauds and identity theft. KYC helps financial institutions identify their customers in a proper, risk-free manner.

You do not need to get your KYC done when you start your job, but you should as soon as you can because you will need KYC to invest in tax-saving instruments. KYC is also required by most banks at the time of opening a savings bank account.

Getting your KYC done is a one-time process. You don't need to do it for every different bank or financial institution. For KYC, you will need a valid and recognized identity proof and permanent address proof. The same can be submitted with a bank at the time of opening an account to finish your KYC process.

Income Tax Filing

Form 16

The Form 16 is a certificate from your employer that certifies that TDS has been deducted on the salary paid out to you. A Form 16 has to be issued to you by your employer after a financial year ends if TDS has been deducted on your salary in the financial year that ended.

Form 16 is an important income tax form that makes it easy for you to e-file your income tax return. The Form 16 has two parts - Part A and Part B. While Part A has information about the employer and the employee, Part B has details of the employee's salary breakup and tax-saving deductions. You require both Part A and Part B of the Form 16 to file your income tax return.

Your employer will provide the Form 16 to you. You can use it to file your tax return. Of course, income tax returns can also be filed without a Form 16, but having one makes it easy to have all the required information on hand to file tax returns.

Form 26AS

Also known as the Tax Credit Statement, Form 26AS is another important document for filing income tax returns. Form 26AS contains details of tax deducted on your income, which includes not only salary income but also income from other sources like fixed deposits, bank accounts or any freelance work you might have done.

Form 26AS also has information on advance tax, tax collected and details of high-value transactions. In short, the Form 26AS is a detailed summary of your income and taxes of a financial year. You can use the Form 26AS to check if TDS is properly deducted on your income and see if you have missed out any income that you need to show in your income tax return.

Your Form 26AS is linked to your PAN and can be downloaded from the government website. You can also view your Form 26AS via your netbanking account.

Income Tax Slabs

The Income Tax Department doesn't tax everyone at the same rate. How much tax you pay depends on how much income you earn. There are predefined income tax slabs and the tax rate is calculated on the basis of these slabs.

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Income Slab	Tax Rate
Up to Rs 2,50,000	No tax
Rs 2,50,000 to Rs 5,00,000	5%
Rs 5,00,000 to Rs 10,00,000	20%
Rs 10,00,000 and more	30%

On the total tax liability, a health and education cess of 4% is charged.

These income tax slabs include all the income that you earn in a financial year. If you have income other than your salary, you need to add it to your total taxable income and pay tax as per the rate of the slab you fall under.

Of course, you can avail the tax-saving deductions and benefits that we have gone through earlier to minimize your tax outgo.

E-filing Income Tax Returns

Everything that you do to earn all through the financial year boils down to this--filing your income tax return. For any financial year, the income tax return has to be filed in the corresponding assessment year. An assessment year is the year that follows a financial year. For example, for the period between the financial year of 1 April 2017 to 31 March 2018, the assessment year would be between

1 April 2018 to 31 March 2019.

You have to file tax returns in an assessment year for the income earned in the financial year preceding it. Usually, the Income Tax Department sets a deadline of 31 July to file income tax return. You can still file your returns after this due date, but you should meet this deadline because there are many advantages of filing tax returns within this deadline.

To e-file your income tax return, you need to have details of your incomes earned through the year and the TDS deducted on your behalf. You also need to have information of the tax-saving deductions that you want to avail. These documents and proofs don't have to be submitted at the time of filing tax return, but they should be furnished if the tax department asks for them.