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Managing Income Tax when you have Worked with More Than One Employer in a Financial Year

Switching jobs or working with multiple employers in a financial year is a common scenario. However, this situation demands careful tax planning to avoid unexpected liabilities when filing the Income Tax Return (ITR). Here are some crucial points that employees should keep in mind:

Understanding Slab Benefit and Standard Deduction

- Each employer will consider the income earned from them independently and apply the basic exemption limit (₹3,00,000, increased to ₹4,00,000 as per Finance Bill 2025) and standard deduction of ₹75,000 while calculating tax deductions under TDS.

Top Trends

- Income Clubbing Impact – Employees with multiple employers in a year may face unexpected tax liabilities as each employer calculates TDS separately, but ITR filing considers total income.
- Employer Coordination – Share previous salary details with the new employer for accurate TDS and to avoid tax shortfalls.

Top Trends

- Slab & Deduction Confusion – Employers apply tax slabs and standard deductions independently, but individuals are eligible for these benefits only once, leading to potential underpayment of taxes.
- Surcharge Applicability – If combined income crosses ₹50 lakh, surcharge (10% or more) applies, even if individual employers didn't deduct it.
- Duplicate Deduction Issues – Employees must avoid claiming deductions like 80C, 80D, and HRA twice, as this can lead to tax demands during ITR processing.
- Advance Tax Consideration – If TDS is insufficient due to multiple employers, employees must proactively pay advance tax to avoid penalties.

- However, when filing the ITR, an individual is entitled to these benefits only once.
- This may result in lower TDS deductions by employers and lead to additional tax payable during ITR filing.

Example:

- Suppose you worked with Employer A from April to October and earned ₹35 lakhs.
- You then joined Employer B from November to March and earned ₹25 lakhs.
- Each employer will deduct TDS based on their individual calculations and apply slab benefits separately.
- However, at the time of filing, the total income will be ₹60 lakhs, and the correct slab rates must be applied cumulatively.

Surcharge Applicability on Combined Income

- What is Surcharge? Surcharge is an additional tax imposed on individuals with higher income levels. It is levied over and above the regular income tax based on specific income thresholds.
- Surcharge Rates for Individuals:
    - Income between ₹50 lakhs to ₹1 crore → 10% surcharge
    - Income between ₹1 crore to ₹2 crore → 15% surcharge
    - Income between ₹2 crore to ₹5 crore → 25% surcharge
    - Income above ₹5 crore → 37% surcharge (reduced to 25% as per Finance Bill 2023)
- If an individual earns income from two employers, each employer calculates TDS based on their own payout, without considering the employee's total income.

Example:

- If an employee earns ₹35 lakhs from the first employer and ₹25 lakhs from the second, each employer will compute tax on their respective portion, and surcharge may not be levied since the individual income remains below ₹50 lakhs for each.
- However, at the time of filing the ITR, the total income will be ₹60 lakhs, and a surcharge of 10% on income exceeding ₹50 lakhs will be applicable.
- Thus, failure to disclose salary from the previous employer can lead to a shortfall in TDS and a higher tax liability when filing the return.

Deduction Proofs and Exemptions

- Employees must ensure that deductions such as 80C (Investments), 80D (Medical Insurance), HRA, and other exemptions are not claimed twice.
- Both employers may allow deductions separately, but while filing the ITR, they must be consolidated and claimed only once.
- Any excess deductions claimed due to multiple employers may result in a tax demand during ITR processing.

Advance Tax Considerations

- If an employee realizes that the TDS deducted is insufficient due to multiple employers considering separate tax slabs, they should pay advance tax to avoid penalties.
- Advance tax is required if the total tax liability (after TDS) exceeds ₹10,000.
- Employees should estimate their total income and tax liability in advance to avoid last-minute surprises.

What Should Employees Do in This Case?

- Employees must provide salary details from their previous employer to their current employer.
- Form 12BB should be submitted to the new employer, enabling them to compute tax correctly by considering total income.
- This helps in preventing tax underpayment and reduces the chances of interest and penalties under Sections 234B and 234C for advance tax shortfall.
- Additionally, in Form 16, under section 1(e) - Reported total amount of salary received from other employer(s) must be mentioned accurately to ensure correct tax computation.
- Below is a sample section from Form 16 showing where salary from previous employers should be reported under point 1(e):

1.	Gross Salary	Rs.	Rs.
(a)	Salary as per provisions contained in section 17(1)	[redacted]	
(b)	Value of perquisites under section 17(2) (as per Form No. 12BA, wherever applicable)	0.00	
(c)	Profits in lieu of salary under section 17(3) (as per Form No. 12BA, wherever applicable)	0.00	
(d)	Total		[redacted]
(e)	Reported total amount of salary received from other employer(s)		0.00

This ensures that the total salary is considered while calculating TDS and prevents discrepancies at the time of ITR filing.

Top Trends

- Form 12BB Submission – Providing previous employer salary details to the new employer helps in accurate tax computation and prevents tax shortfalls.
- Form 16 Accuracy – Employees must report total salary from all employers under section 1(e) in Form 16 to avoid mismatches during ITR filing.
- Proactive Tax Planning – Proper disclosure, surcharge assessment, and timely tax payments help in avoiding last-minute tax burdens and compliance issues.
- Misreported Income Risk – Failure to disclose previous salary can lead to lower TDS, resulting in higher tax dues at the time of filing.
- Impact of New Finance Bill 2025 – The basic exemption limit has increased from ₹3,00,000 to ₹4,00,000, and the standard deduction is now ₹75,000, affecting tax calculations.

Top Trends

- Interest & Penalties Under Sections 234B & 234C – If advance tax is not paid on time, individuals may face interest charges for shortfall in tax payments.
- Tax Filing Complexity – Having multiple Form 16s from different employers can make ITR filing tricky, requiring careful consolidation of income and deductions.
- Surcharge Reduction Benefit – The highest surcharge rate has been reduced from 37% to 25% (as per Finance Bill 2023), benefiting high-income earners.
- TDS Certificate Cross-Check – Employees should verify TDS deductions in their Form 26AS and reconcile them with Form 16 to ensure correct reporting.

Conclusion

Working with multiple employers in a financial year can lead to tax miscalculations if proper disclosure and planning are not done. To ensure smooth tax compliance:

- Always disclose previous salary details to the new employer.
- Consider total income while planning for tax deductions.
- Check surcharge applicability based on total earnings.
- Pay advance tax if required to avoid interest penalties.

Proper tax planning will help in avoiding last-minute tax burdens and compliance issues.

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