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Streamlining Income Tax Return Filing and Tax Compliance for Defence Personnel: A Practice-Based Study at UdChalo

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ABSTRACT

Income tax compliance is difficult for Defence Personnel because of posting-linked allowances, frequent relocation, limited access to documents and recent changes in the tax-regime structure. This paper reports a practice-based, descriptive study carried out during a twelve-week on-the-job training (25 May to 14 August 2026) in the Tax Advisory/ITR Department of UdChalo (Upcurve Consumer Technologies Pvt. Ltd.), Pune. It documents the end-to-end return-filing workflow, from client onboarding and reconciliation of Form 16, Form 26AS and the Annual Information Statement (AIS) to ITR form selection, regime comparison, filing and e-verification, and analyses operational data from 182 completed returns (98 ITR-1, 74 ITR-2 and 10 ITR-3) and more than 400 client contacts handled by a team of eight. Two anonymised case illustrations compare the old and new tax regimes for a junior officer in a field area and a captain in a high-altitude posting. The main bottlenecks were late document submission, AIS and Form 26AS mismatches, unclear treatment of Defence allowances and peak-season workload, while offline camp support was observed to help clients with limited digital access. The paper proposes a standardised pre-filing checklist, automated follow-up, tax-awareness programmes and a tiered review structure.

Keywords: Income tax return; Tax compliance; Defence personnel; Tax advisory; Old and new tax regime; Digital tax filing; UdChalo

1. Introduction

Income tax administration in India has moved from paper-based procedures to an integrated digital system covering return filing, tax payment, information statements, refunds and e-verification. Digitalisation has made compliance faster for many taxpayers, but it has also raised the importance of accurate data, document reconciliation and digital literacy. These demands are sharper for Defence Personnel. Their pay includes posting-linked components such as field area and high altitude allowances, many receive or will receive pension income, and frequent relocation makes it hard to gather documents and to reach an adviser in person.

UdChalo, operated by Upcurve Consumer Technologies Private Limited, began as a travel platform for the Armed Forces and has grown into a broader “Defence super app” covering travel, financial services, housing, shopping and tax or ITR filing (Upcurve Consumer Technologies Pvt. Ltd., 2025). The Tax Advisory Department supports serving personnel, veterans and families in preparing and filing their Income Tax Returns (ITRs). The quality of a return depends on correct classification of income, reconciliation with Form 16, Form 26AS and the AIS, selection of the right ITR form and a sound choice between the old and new tax regimes. Errors in any of these can lead to defective returns, notices or lost tax benefits, and the risk rises when returns are filed in high volume close to the deadline.

This paper reports a practice-based study of how these tasks were handled in the department during a twelve-week on-the-job training (OJT) from 25 May to 14 August 2026. It describes the workflow, analyses operational data and case illustrations, identifies bottlenecks and offers recommendations that can be applied in similar tax-advisory settings.

1.1 Objectives

The study has four objectives:

- To analyse the end-to-end process of filing Income Tax Returns for Defence Personnel;
- To identify the common challenges faced by taxpayers and by the filing team;
- To study the computation of tax liability considering the special allowances and exemptions applicable to the Armed Forces, including the choice of tax regime; and
- To suggest improvements that raise accuracy, speed and client satisfaction.

1.2 Scope

The study covers individual taxpayers served by the Tax Advisory Department, mainly serving Defence Personnel. Operational counts cover ITR-1, ITR-2 and ITR-3 returns; selected ITR-4 (presumptive taxation) cases were also reviewed during the training. Service was delivered through virtual channels and through physical camps at Lullanagar, Bombay Sappers and Ahmednagar. Corporate taxation, international taxation and other specialised areas are outside the scope.

2. Sector and Organisational Context

2.1 Taxation services within financial services

Taxation services form a supporting segment of the financial-services sector, which also includes banking, insurance, capital markets and pensions. The segment has shifted from practices led by chartered accountants towards technology-driven platforms, helped by the Income Tax Department's e-filing portal and reforms such as the Faceless Assessment Scheme of 2020. The Central Board of Direct Taxes (CBDT) and the Income Tax Department set policy and administer income-tax law and the e-filing system, while the Ministry of Finance oversees tax policy. The RBI, SEBI, IRDAI and PFRDA regulate the wider financial sector, and the Digital Personal Data Protection Act, 2023 governs the handling of personal data that tax advisers routinely collect (Ministry of Electronics and Information Technology, 2023).

A Porter's Five Forces reading of the niche gives the following picture. The threat of new entrants is low to moderate, because credibility within the armed forces and knowledge of Defence-specific taxation take time to build. Buyer power is moderate to high, since clients can use chartered accountants or file on their own. Supplier power is low to moderate. Substitutes such as self-filing and general platforms are a moderate threat, and rivalry is high among chartered accountants, online platforms and other Defence-focused services such as Hum Fauji Initiatives (2025). A PESTEL view highlights frequent legislative change and government digitalisation (political and technological), rising financial literacy and demand for convenience (social), and data-protection and e-Return Intermediary (ERI) requirements (legal).

Growth in the segment is driven by regulatory mandates, rising financial literacy and demand for personalised advice, and by technology such as mobile applications and AI-assisted tools that let platforms process high volumes. The main constraints are data security, the digital divide and frequent amendments to tax law. The digital divide is especially visible for personnel in remote postings, which is why offline support remains important in this niche.

2.2 Organisation profile

Table 1 summarises UdChalo. As a private, unlisted company it does not publish market-based indicators such as market capitalisation, EPS or EVA, and detailed audited financials were not available for this study. Public company-information sources place its operating revenue for FY 2024–25 in the Rs. 25–50 crore range.

Table 1 - Profile of the host organisation.

Particular	Details
Legal name	Upcurve Consumer Technologies Private Limited (brand: UdChalo)
Incorporated	14 September 2012; UdChalo platform operating since 2015
Headquarters	Viman Nagar, Pune, Maharashtra
Founders	Ravi Bansidhar Kumar and Varun Jain
Services	Travel, financial services, housing, shopping, tax advisory and ITR filing
Primary customers	Defence personnel, paramilitary personnel, veterans and their families
Company size	201–500 employees (LinkedIn)
Listing status	Private limited company; not listed on NSE or BSE

The company's stated vision is to make life simpler for soldiers, and its mission is to build convenient and cost-effective platforms through which they can access consumer products and services. Tax services suit this mission because they generate recurring service revenue from ITR filing, tax consultancy, notice management and tax planning.

3. Theoretical Background

3.1 Income, ITR forms and compliance

Income tax is a direct tax on income earned in a financial year. Taxable income is classified under five heads: salary, house property, profits and gains of business or profession, capital gains and other sources. Correct classification matters because tax treatment and the applicable return form depend on it. ITR-1 suits eligible resident individuals with simple income such as salary or pension and one house property. ITR-2 applies to individuals and HUFs without business income but with more complex income such as capital gains or multiple properties. ITR-3 applies to individuals with business or professional income, and ITR-4 to those opting for presumptive taxation (Government of India, 1961; Singhania & Singhania, 2024).

Tax compliance goes beyond filing. It involves reporting all income correctly, claiming only eligible deductions, reconciling tax credits, paying any balance tax, filing on time and e-verifying the return. Three documents anchor the process. Form 16 is the employer's certificate of salary and tax deducted at source (TDS). Form 26AS is a consolidated statement of tax credits. The AIS gives a broader view of reported financial transactions. Comparing client records against all three before filing reduces discrepancies and later notices.

3.2 Old and new tax regimes

The old regime allows a wider set of deductions and exemptions, such as Section 80C and 80D deductions, house-rent allowance and home-loan interest, under higher slab rates. The new regime has lower slab rates and a simpler structure with fewer deductions. Table 2 compares them. The better regime depends on the taxpayer's total income and eligible deductions, so the choice should be tested by computation, not assumed.

Table 2 - Comparison of the old and new tax regimes (general position).

Basis	Old regime	New regime
Rate structure	Higher slab rates	Lower slab rates, simpler structure
Deductions	Chapter VI-A deductions (e.g. 80C, 80D) available subject to limits	Most Chapter VI-A deductions not available
Exemptions	HRA and specified allowances available subject to conditions	Generally not available, with limited exceptions
Standard deduction	Available to salaried and pension taxpayers	Available, at a higher amount
Suits	Taxpayers with substantial eligible deductions	Taxpayers with few deductions
Documentation	Proofs needed for each deduction	Comparatively simple

3.3 Digital taxation and e-filing

Digital tax administration lets taxpayers file returns, view Form 26AS and the AIS, check TDS, pay tax, track refunds, respond to certain communications and e-verify, all online (Income Tax Department, 2025). Tax authorities in turn use data analytics, digital identity and automated processing to handle large volumes of information. For advisers this raises the value of accurate data entry, systematic reconciliation and verification before submission, because the department's records are visible to both sides.

3.4 Behavioural frameworks

Three frameworks help explain compliance in this setting. The Theory of Planned Behavior holds that intention, and so behaviour, is shaped by attitude, subjective norms and perceived behavioural control (Ajzen, 1991). For filing, this means that a taxpayer's confidence, the influence of colleagues and the belief that filing is worthwhile all matter. The Technology Acceptance Model explains adoption of digital systems through perceived usefulness and perceived ease of use (Davis, 1989), which is relevant because filing is done on an online portal. Economic deterrence theory links compliance to the perceived likelihood and cost of detection and penalty (Allingham & Sandmo, 1972). Modern tax administration also relies on simplified processes, taxpayer education and professional assistance, not on deterrence alone.

4. Research Methodology

The study follows a descriptive, observation-based design grounded in professional practice. The author worked as a trainee in the Tax Advisory Department from 25 May to 14 August 2026 and recorded the activities performed, the volume and type of returns handled and the problems met. Primary data are the operational counts of the team and observations from client interactions and camp visits. Secondary data come from the Income-tax Act,

1961, the Income-tax Rules, 1962, the Income Tax Department's e-filing portal, the company website and the literature cited. The author supported client communication, document verification, tax computation and e-filing, and during the peak period coordinated a team of eight, including the author.

4.1 Workflow of the filing process

Each case moved through the eight steps shown in Fig. 1. Client requirements were first understood and documents collected, mostly through messaging channels, and then checked against Form 16, Form 26AS, AIS, bank statements and investment proofs. Income and deductions were analysed, the ITR form was selected and, where relevant, the two regimes were compared. The return was prepared on the e-filing portal, reviewed for errors in PAN, income, TDS, deductions and bank details, filed, and the client was guided through e-verification. Records were then updated for future reference.

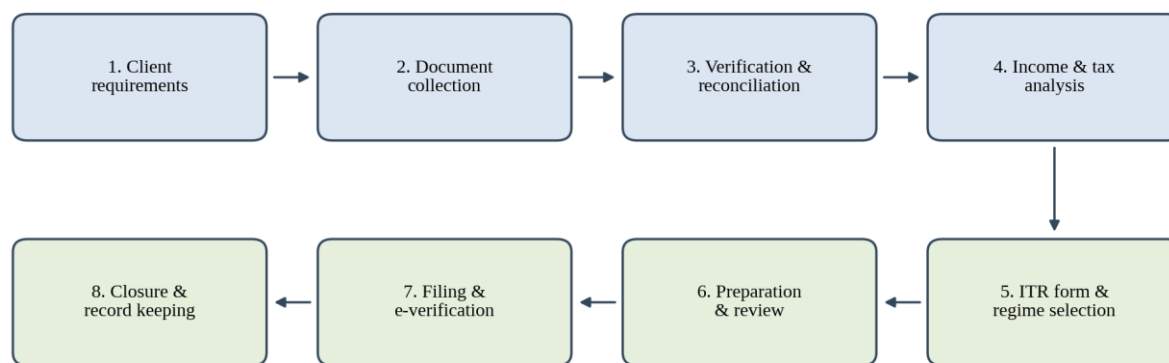


Fig. 1 - Workflow of ITR filing followed in the Tax Advisory Department.

Two field activities supplemented the routine work. Operation Agni Veer focused on tax awareness and client education. Operation LEA involved reviewing incorrectly filed ITRs to understand common errors. To protect confidentiality, no client identifiers are reported, and the case examples that follow are anonymised and illustrative.

4.2 Activities performed

The main activities during the training were:

Collecting client information on salary, other income, investments, deductions and earlier tax details;

Collecting and cross-checking form 16, form 26as, ais, bank statements and investment proofs to find missing or inconsistent details;

Selecting the itr form from the client's income sources, with exposure to itr-1, itr-2, itr-3 and selected itr-4 cases;

Computing taxable income and tax liability and comparing the old and new regimes where applicable;

Preparing, reviewing and filing returns on the e-filing portal and guiding clients through e-verification;

Resolving client queries on missing documents, corrections, refunds and filing status, and giving basic tax-planning guidance; and

Coordinating the team: allocating cases, reviewing quality and tracking pending files.

5. Results and Analysis

5.1 Operational profile

Table 3 and Fig. 2 summarise the work. The team contacted more than 400 clients and completed 182 returns. ITR-1 accounted for 98 returns (53.8%), ITR-2 for 74 (40.7%) and ITR-3 for 10 (5.5%). The mix shows exposure to returns of different complexity. That about two in five returns were ITR-2 suggests that a large share of clients had capital gains or income from more than one source, which calls for more careful review than simple salary cases.

Table 3 - Summary of work during the training period.

Particular	Value
Clients contacted	400+
ITRs completed	182

Particular	Value
ITR-1	98 (53.8%)
ITR-2	74 (40.7%)
ITR-3	10 (5.5%)
Team size (including author)	8
Offline support locations	3

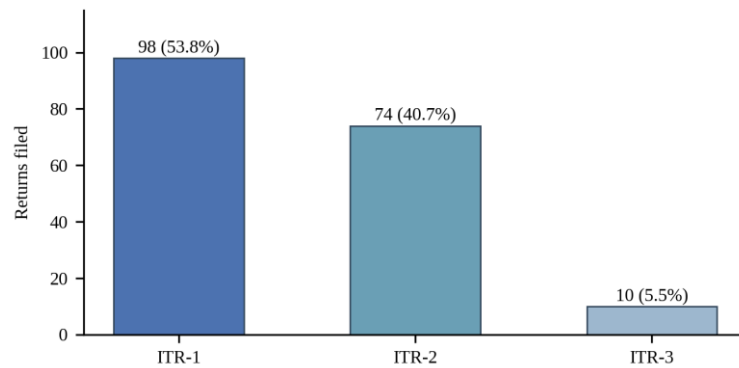


Fig. 2 - ITR forms among the 182 completed returns.

5.2 Regime comparison: case illustrations

Two anonymised cases show how regime choice works for Defence Personnel (assessment year 2026–27). Case A is a 25-year-old Lieutenant posted in a field area, with salary of Rs. 8,68,800, Field Area Allowance of Rs. 31,200, net let-out house property income of Rs. 27,000, savings interest of Rs. 10,000, a PPF investment of Rs. 1,00,000 under Section 80C and health insurance of Rs. 25,000 under Section 80D. Case B is a 35-year-old Captain in a high-altitude posting, with salary of Rs. 11,80,800, High Altitude Allowance of Rs. 19,200, long-term capital gains on equity of Rs. 3,00,000 (Rs. 1,75,000 taxable after the Rs. 1,25,000 exemption), interest of Rs. 1,50,000 on a self-occupied property, Section 80C of Rs. 1,20,000 and Section 80D of Rs. 25,000. In both cases the field or high-altitude allowance was treated as exempt under Section 10(14) in the old regime and as taxable in the new regime.

Table 4 - Tax liability under the two regimes (Rs., including 4% cess).

Case	Old regime tax	New regime tax (before rebate)	New regime tax (after s.87A)	Lower-tax regime
A (ITR-1)	54,517	27,248	Nil	New
B (ITR-2)	1,01,603	77,350	77,350	New

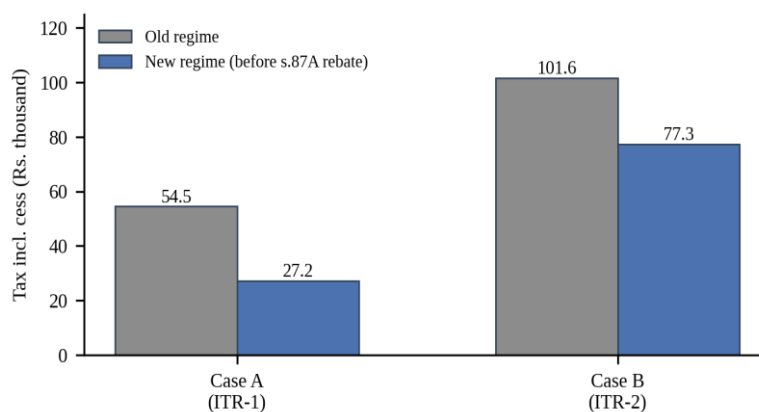


Fig. 3 - Tax under old and new regimes (before Section 87A rebate).

Table 5 - Computation summary for the case illustrations (Rs.).

Component	Case A old	Case A new	Case B old	Case B new
Gross salary incl. allowance	9,00,000	9,00,000	12,00,000	12,00,000
Allowance exempt, s.10(14)	31,200	Nil	19,200	Nil
Standard deduction	50,000	75,000	50,000	75,000
Net house property income / (loss)	27,000	27,000	(1,50,000)	Nil
Other sources (interest)	10,000	10,000	Nil	Nil
Deductions, 80C and 80D	1,25,000	Nil	1,45,000	Nil
Taxable income (normal)	6,99,600	8,62,000	8,16,600	11,25,000
Taxable LTCG, s.112A	Nil	Nil	1,75,000	1,75,000
Tax before cess	52,420	26,200	97,695	74,375
Cess at 4%	2,097	1,048	3,908	2,975
Total tax liability	54,517	27,248	1,01,603	77,350

Table 5 gives the workings. In Case A, taxable income was Rs. 6,99,600 in the old regime and Rs. 8,62,000 in the new regime. The new regime gave the lower tax even though the old regime allowed the Rs. 1,25,000 of deductions and the allowance exemption. The new regime's higher standard deduction (Rs. 75,000 against Rs. 50,000) and lower slabs outweighed them. Because the new-regime taxable income is within Rs. 12 lakh, the Section 87A rebate of up to Rs. 60,000 would reduce this liability to nil. In Case B, normal taxable income was Rs. 8,16,600 in the old regime and Rs. 11,25,000 in the new regime, with the taxable capital gain of Rs. 1,75,000 taxed separately at 12.5% in both. Total income exceeds Rs. 12 lakh, so no rebate applies, but the new regime still saved Rs. 24,253. These results are illustrations of method and not advice, because the outcome turns on each client's deductions.

5.3 Process bottlenecks

Repeated problems slowed filing or caused rework. Table 6 lists them with the controls suggested by the experience of the team.

Table 6 - Key process bottlenecks and suggested controls.

Bottleneck	Effect	Suggested control
Late document submission	Filing delays	Early reminders and a document checklist
AIS and Form 26AS mismatch	Rework and clarification	Pre-filing reconciliation
Unclear allowance treatment	Incorrect taxable income	Tax-rule checklist for Defence allowances
Peak-season workload	Quality risk	Early outreach and case segmentation
Complex ITR-2 cases	Longer turnaround	Experienced reviewer and escalation queue
Digital difficulties	Incomplete submissions	Camp support and a simple upload process

5.4 Key findings

First, a niche focus builds trust. Serving only Defence Personnel allowed targeted advice on allowances and on the logistics of remote postings. Second, there is a tax-literacy gap. Many clients did not know the difference between the two regimes or which deductions they could claim, so the adviser's role in explaining the choice was central. Third, on-ground presence matters. Camp visits gave a channel for building trust and obtaining documents that digital channels could not match, especially for clients less at ease with technology. Fourth, leadership and coordination affect results. With a team of eight, clear delegation, quality checks and quick removal of roadblocks kept work on schedule in the peak period. Fifth, compliance depends on cross-verification. Checking each return against supporting documents protected clients from notices and the firm from reputational risk. These findings come from the author's observation of one organisation and should be read as practice-based evidence and not as statistical results.

5.5 Impact of the assessment year 2026–27 provisions

Under the provisions applied in this season, the tax-free slab in the new regime is Rs. 4 lakh, a resident individual with taxable income up to Rs. 12 lakh can claim a Section 87A rebate of up to Rs. 60,000, and salaried taxpayers receive a standard deduction of Rs. 75,000. Many middle-income salaried clients may therefore find the new regime much more attractive than in earlier years. Clients with large old-regime deductions, home-loan interest or insurance premiums should still have both regimes computed.

6. Challenges Encountered

The main challenges were operational as well as technical.

High-volume, time-sensitive filing. Client numbers rose sharply in the peak period, and each return still needed verification, computation, review and e-verification before the statutory deadline. Case allocation and time management were therefore essential.

Understanding Defence-related income. Salary and allowances vary with posting, role and service conditions, so each component had to be classified correctly. A wrong classification gives an incorrect tax calculation and may create compliance problems.

Collecting and verifying documents. Clients posted at different locations could not visit the office, so complete and legible documents had to be collected through digital channels.

Reconciliation of records. Differences between client records and the AIS or Form 26AS in salary, interest income or TDS required clarification or extra documents before filing.

Regime and form selection. Recommending a regime needed analysis of the client's full income and deduction profile, and choosing an inappropriate ITR form can lead to defects or rejection.

Coordinating online and physical service. Camp-based and virtual operations needed timely communication and tracking of pending cases.

Client communication. Technical terms had to be explained in plain language and queries answered promptly to keep clients satisfied.

7. Learning Outcomes

On the domain side, the training built practical command of direct taxation, ITR preparation, regime analysis, reconciliation of tax records and the treatment of Defence allowances. On the skills side, it developed tax computation, use of the e-filing portal, client advisory communication, time management under deadline pressure, team coordination and attention to professional ethics and data confidentiality. These outcomes show how classroom knowledge of taxation is converted into reliable practice when it is applied to real client cases.

8. Discussion

The observations fit the frameworks reviewed earlier. Perceived behavioural control appeared to improve when clients could send documents through familiar messaging channels or meet an adviser at a camp, and unit and peer influence (subjective norms) may explain why camp-based awareness sessions worked well. In terms of technology acceptance, the portal is useful because it saves time and provides digital records, but ease of use is uneven. Clients in remote postings or with mixed income often needed human guidance, which supports a hybrid service model. Operation LEA, which reviewed incorrectly filed returns, showed the practical cost of filing errors, which is the form of deterrence that clients respond to. The Defence-specific element of the work lay in treating posting-linked allowances correctly. As the case illustrations show, an allowance that is exempt in one regime and taxable in the other changes the regime comparison, so a rule checklist for such allowances is essential.

9. Recommendations

Based on the experience gained, the following measures are suggested for tax-advisory teams serving Defence Personnel:

Centralised document verification. Use a digital system to collect and verify Form 16, AIS, Form 26AS, bank statements and investment proofs against a standard checklist for each ITR form.

Automation with human review. Use technology and AI-assisted tools for document checking, ITR form selection, tax computation and detection of missing data, with final verification by a tax adviser.

Tax-awareness programmes. Run regular online and offline sessions on ITR filing, tax regimes, deductions, exemptions and e-verification, ideally before the filing season.

Automated follow-up. Send reminders through WhatsApp, SMS and e-mail for pending documents, corrections and e-verification.

Tiered review. Route complex ITR-2 and similar high-risk cases to experienced reviewers, and train staff continuously on legislative and portal changes.

Progress can be tracked through processing time, error rate, client satisfaction and the e-verification completion rate. Together these measures are expected to reduce filing errors, speed up processing, improve satisfaction and raise compliance.

10. Limitations and Future Scope

The study has limits. The training lasted twelve weeks, so observations reflect the cases met in that period and not every tax situation in the organisation. Operational figures come from internship records and should be cross-checked with the organisation's FY 2025–26 records before official use. Client confidentiality prevented the use of identifiable data, and the case illustrations are anonymised and not representative of any client. Company financials are limited to public information because UdChalo is unlisted. Tax law changes through annual Finance Acts, so slabs, rebates and deductions must be checked for the relevant assessment year. The study also assumes that documents supplied by clients were genuine and complete unless verification showed otherwise.

Future work could examine tax awareness and compliance behaviour among Defence Personnel through a survey, measure client satisfaction with tax-advisory services and explore integrating tax advisory with investment, insurance, loan and retirement planning.

11. Conclusion

The training showed that accurate filing for Defence Personnel depends on process discipline as much as on knowledge of the law. Correct classification of income, reconciliation of Form 16, Form 26AS and AIS, careful ITR and regime selection, and effective client communication were the main determinants of quality. Handling 182 returns within a deadline-driven season showed that systematic workflows, early outreach and tiered review keep quality high at volume, and that a hybrid of digital and on-ground service is valuable for a geographically dispersed client base. The recommendations offered here are practical and low-cost, and can be adapted by other tax-advisory providers serving specialised client groups.

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