Auditing Course Material

Part 35 of 61 (Chapters 3401-3500)

4. Models of International HRM

International Human Resource Management (IHRM) refers to the process of managing human resources in a global context. As companies expand their operations internationally, it becomes increasingly important to manage their workforce in a way that is effective across different countries, cultures, and legal systems.

There are several models of IHRM that have been developed to guide companies in managing their international workforce. Commonly recognized models are discussed next.

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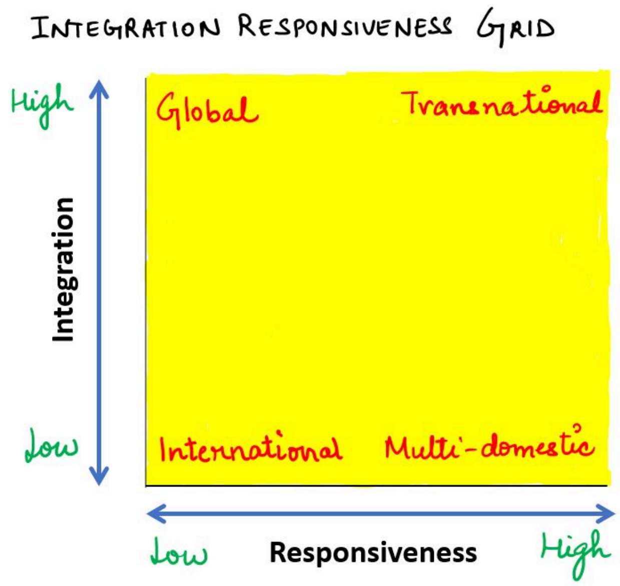
4. Models of International HRM

Prahalad and Doz's Integration Responsiveness (IR) Grid is a model that highlights 2 main pressures that international organizations face:

1. the need to integrate and coordinate their activities across different locations and
2. the need to adapt to local variations.

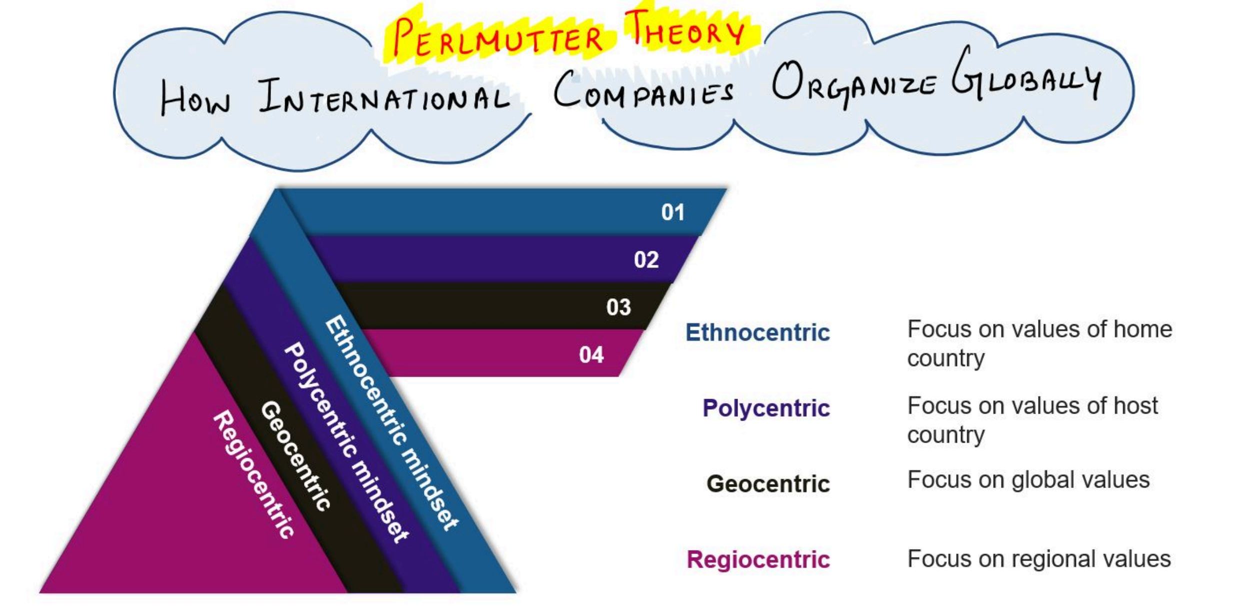
These pressures are represented on a grid, with integration on one axis and responsiveness on the other. MNCs adopt different strategies and structures depending on where they fall within this grid.



For example, a company that is highly integrated but less responsive to local variations may have centralized decision-making and standardized practices across its subsidiaries. On the other hand, a company that is highly responsive to local variations but less integrated may have decentralized decision-making and give more autonomy to its subsidiaries. Companies that are able to balance integration and responsiveness effectively can achieve a competitive advantage by leveraging their global resources while still being able to adapt to local markets.

4. Models of International HRM

Perlmutter (1969) is widely recognised as one of the first theorists to propose a network based model of how international companies organise globally. He proposed a model for how multinational companies organize globally, which is known as the Perlmutter Theory.



This theory identifies 4 different mindsets that companies may adopt when managing their international operations.

1. The **first** mindset is the **ethnocentric mindset**, which is focused on the values and ways of operating of the home country. This mindset leads to key positions in subsidiary companies being filled by parent country nationals or expatriates, allowing for direct control by the parent company over the subsidiary's operations.
2. The **second** mindset is the **polycentric mindset**, which focuses on the values and ways of operating of the host country. In this case, key positions in subsidiaries are more likely to be filled by local employees, and the parent company is less interested in controlling and homogenizing the organizational culture.
3. The **third** mindset is the **geocentric mindset**, which focuses on global values and ways of operating that transcend national boundaries and become almost acultural. This approach seeks to use the best people for the job, regardless of their nationality, and to select from all over the global organization.
4. **Finally**, the **regiocentric mindset** focuses on regional values and ways of operating. In this mindset, the organization is typically structured along regional geographical lines, such as Europe, America, and the Asia Pacific Rim, and employees move around within these regions.

5. Cross Cultural Management

Culture is defined by Hofstede as "the collective programming of the mind which distinguishes the members of one category of people from those of the other".

The national culture of one country may be vastly different from that of another, which creates challenges for recruitment and selection processes. There are 2 dimensions of this aspect that need to be taken care of during recruitment and selection.

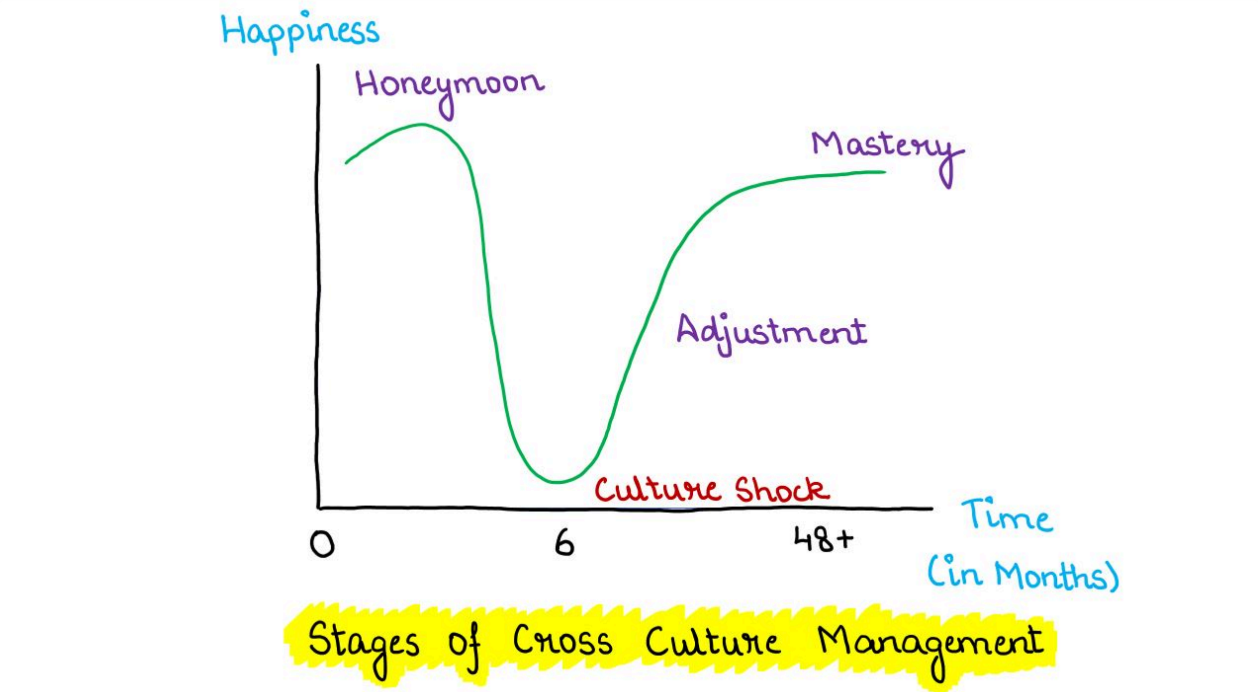
- Firstly, when the selection is done on a global scale, the cultural differences of the candidates may influence the results and conclusions of the selection process if the recruiters are not aware of the cultural background of the candidate.
- Secondly, at the selection stage, careful consideration is to be given to the culture shock that the selected candidate is expected to experience in the country of work.

Cross-cultural Management is the practice of understanding, adapting to, and effectively managing the differences in cultural norms, values, and behaviors among people from different cultural backgrounds in the context of business and organizational settings. It involves identifying and recognizing cultural differences, developing strategies for effectively communicating and collaborating across cultural boundaries, and leveraging cultural diversity to create a more productive and inclusive work environment.

Cross-cultural management is important in today's globalized business environment where companies operate across borders and deal with diverse customers, suppliers, and employees from different cultural backgrounds. Effective cross-cultural management can help organizations overcome cultural barriers, build trust, enhance communication, and improve performance, ultimately leading to greater success in international markets.

5. Cross Cultural Management

International Culture Management is experienced in 4 phases and is said to follow a U curve proposed by Oberg.



1. In the **honeymoon stage**, the individual is fascinated and charmed by the new culture. Only the brighter side of the new social life gets noticed by the individual in this stage.
2. The second stage is the **actual Culture shock stage** in which the individual starts experiencing the negative aspects of the new culture. He starts seeing things in a more realistic way and invariably perceives a vast gulf between his culture and ideals and those of the host country. The language barrier too causes problems at this stage and the individual and his family members become frustrated, irritated, anxious and disappointed.
3. When 'Culture shock' becomes intolerable, some managers may return to their parent country. This is termed as "expatriate failure." Those who choose to continue in the foreign country will undergo an **adjustment stage**. In this stage, the individual gets accustomed to the new way of life and his knowledge about the new culture is increased. Things that appeared quite strange in the beginning will start appearing to be normal as time passes on.
4. In the **Mastery stage**, the individual integrates himself into the new culture. He accepts the good things that the new culture has to offer and even adopts some of the habits of the people of the foreign country. This stage is also called Biculturalism stage.

   The recruiters should take special care to see that not only the selected candidate but also his family members are willing to face the culture shock and that they have the necessary abilities to overcome the shock and move on to the adjustment and finally to the mastery stage.

5. Cross Cultural Management

Cross-cultural management is a critical aspect of HR management, especially in organizations with diverse workforces. HR managers play a crucial role in fostering a positive and inclusive work environment that respects and leverages cultural differences.

Here are key actions that HR managers should take for effective cross-cultural management:

Cultural Sensitivity Training

Implement cultural sensitivity training programs for employees at all levels. This helps create awareness about different cultures, promotes understanding, and reduces the likelihood of cultural misunderstandings.

Diversity and Inclusion Policies

Develop and communicate clear diversity and inclusion policies. These policies should emphasize the organization's commitment to embracing diversity, preventing discrimination, and fostering an inclusive workplace culture.

Recruitment and Onboarding

Ensure that recruitment practices focus on attracting a diverse talent pool. During onboarding, provide cultural orientation and support to help new hires integrate into the organizational culture smoothly.

Cross-Cultural Communication Training

Offer training on effective cross-cultural communication. This includes understanding communication styles, non-verbal cues, and language nuances. Encourage open communication and provide resources for employees to enhance their communication skills.

Employee Resource Groups (ERGs)

Establish Employee Resource Groups or affinity groups based on cultural backgrounds. These groups provide a platform for employees to connect, share experiences, and contribute to a more inclusive workplace.

Mentorship and Buddy Systems

Implement mentorship programs or buddy systems that pair employees from different cultural backgrounds. This can facilitate relationship-building, provide support, and help newcomers navigate the organizational culture.

6. Expatriate Management

An **expatriate** (in abbreviated form, expat) is a person temporarily or permanently residing in a country and culture other than that of the person's upbringing or legal residence. In its broadest sense, an expatriate is any person living in a different country from where he or she is a citizen. In common usage, the term is often used in the context of professionals sent abroad by their companies, as opposed to locally hired staff (who can also be foreigners).

MNCs use expatriates to staff their international assignments mainly for the following three reasons:

- Qualified Home Country Nationals (HCNs) may not be available in the host country, especially in the case of developing economies. The expatriate is a 'position-filler' in this case.
- The MNC may want to develop its managers by sending them on foreign assignments, typically a short term one. In this case, the expatriate may be chosen for the job even if local talent is available.
- The MNC may be aiming at Organizational Development through transfer of knowledge between Head Quarters and Subsidiary and between Subsidiaries.

As the expatriate’s assignment nears its end, the human resource department faces a final challenge: helping the expatriate make the transition back to his or her home country. The process of preparing expatriates to return home from a foreign assignment is called **repatriation**. Reentry is not as simple as it might sound. Culture shock takes place in reverse. The experience has changed the expatriate, and the company’s and expatriate’s home cultures have changed as well. Also, because of differences in economies and compensation levels, a returning expatriate may experience a decline in living standards.

6. Expatriate Management

Expatriate failure refers to the premature return of an expatriate employee to their home country before the completion of their international assignment. This can occur for various reasons, including personal, professional, or cultural challenges that make it difficult for the expatriate to adapt and succeed in the host country. Expatriate failure is a concern for organizations as it can be costly and disrupt the intended benefits of the international assignment.

Some of the approaches for managing Expatriate Failure are listed below:

Selection and Preparation

Careful selection of candidates for international assignments is crucial. Assess not only technical skills but also cultural adaptability and interpersonal skills. Provide thorough pre-departure training to prepare expatriates for the challenges they may face.

Clear Assignment Objectives

Clearly communicate the objectives of the international assignment. Both the expatriate and the organization should have a shared understanding of expectations, goals, and deliverables.

Cultural Training and Support

Offer comprehensive cultural training to help expatriates understand and adapt to the new cultural environment. Provide ongoing support, such as language training and intercultural counseling, throughout the assignment.

Family Support

Recognize the importance of family support. Address the needs of expatriates' families by providing resources, community connections, and assistance with practical matters, such as healthcare and education for children.

Mentoring and Networking

Facilitate mentorship programs and networking opportunities for expatriates. Connecting them with colleagues who have successfully completed international assignments can provide valuable insights and support.

Regular Check-Ins

Maintain regular communication and check-ins with expatriates. Address concerns promptly and provide a platform for them to share their experiences and challenges.

Flexibility in Assignments

Be flexible in adjusting assignments based on evolving circumstances. This may involve modifying the scope of the assignment or providing additional support if challenges arise.

Repatriation Planning

Begin repatriation planning early in the assignment. Discuss the expectations for the return and potential challenges. Provide support in reintegrating into the home country's work culture.

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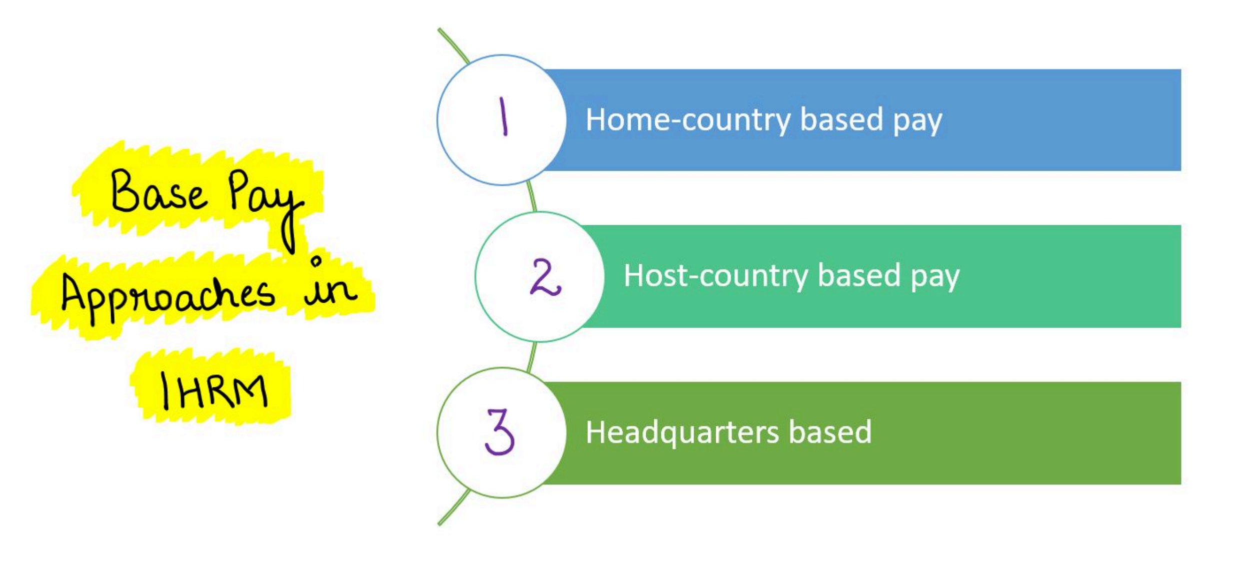
7. International Compensation Management

Employees who are assigned to international positions usually receive a pay package different from domestic employees. The international compensation package typically provides employees with a base salary plus allowances to cover the higher cost of living and housing in the international destination and sometimes incentives to provide encouragement for employees to accept and remain at international assignments.



Generally, companies use one of three approaches to determine base pay for expatriate and third-country national employees:

1. **Home-country based pay approach:** Base salary for expatriates and third-country nationals is comparable to the base salary paid employees in their home country.
2. **Host-country based pay approach:** Base salary for expatriates and third-country nationals is comparable to the base salary paid employees at the host location.
3. **Headquarters based approach:** Base salary for expatriates and third-country nationals is comparable to the base salary paid employees in the country where headquarter is located.

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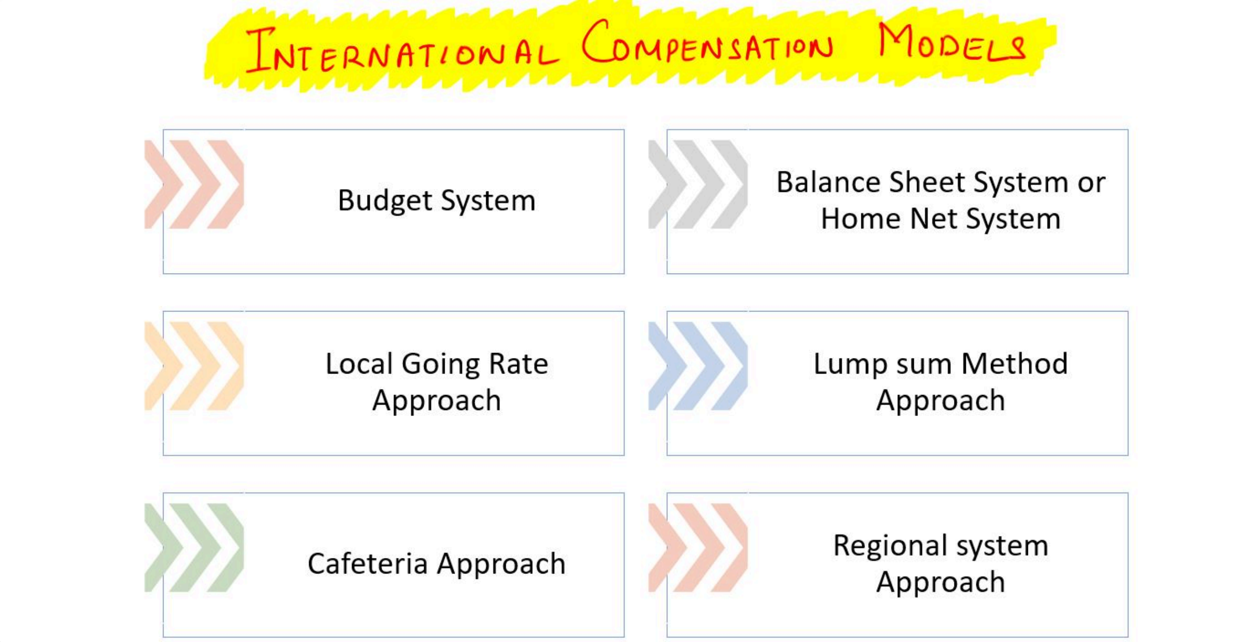
7. International Compensation Management



Based on various approaches to International Compensation, multiple models have develope, which are discussed below.

Budget System

This system takes in to account all costs incurred by the employee at both the home and host country. The MNC will compensate for all the expenses of the expatriate in the home and in the host country. Thus, the MNC will have a control on the spending pattern of the expatriate. The Budget system is extremely expensive to keep up because of many adjustments, which needs to be made for taxes, inflation, etc.

Balance Sheet System or Home Net System

The objective behind this system is to provide the same net sum of salary in both, home and host countries so as to maintain home-country living standard. Here "net" does not mean net salary after taxes and social security contributions. But "net" means freely disposable income. The idea is that spending power must be identical in both countries.

Local Going Rate Approach

The basic objective is to maintain home-country living standard plus a financial inducement to make the package attractive. This prevents the situation where junior staff is paid substantially higher salaries than the expatriates, who are compensated in conformity with the standards of income in the parent country. The idea is that spending power must be identical in both countries. Home-country pay and benefits are the foundations of this approach.

Lumpsum Method Approach

It involves giving the expat a predetermined amount of money and letting the individual make his or her own decisions regarding how to spend it.

Cafeteria Approach

It entails giving expats a series of options and letting them decide how to spend the available funds. For example, expats who have children may opt for private schooling; expats who have no children may choose a chauffeur-driven car or an upscale apartment.

Regional system Approach

Under this approach, the MNC sets a compensation system for all expats who are assigned to a particular region, so that (for example) everyone going to Europe falls under one particular system and everyone being assigned to South America is covered by a different system.

1. Introduction

In the context of Human Resource Management, **Discipline** refers to the willingness to follow rules, regulations, and instructions, and the cultivation of good behavior in collaboration with others in the workplace. It is crucial for promoting employee morale and enhancing productivity, which is the ultimate aim of any organization.

Indiscipline, on the other hand, signifies the lack of adherence to organizational rules and norms by employees. It encompasses behaviors that deviate from accepted standards, such as insubordination, absenteeism, violation of company policies, and other actions that disrupt the smooth functioning of the workplace. Indiscipline can have negative consequences for the work environment, team dynamics, and overall organizational productivity.

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2. Causes of Indisclipine

Indiscipline, or a lack of adherence to established rules and norms within an organization, can stem from different underlying factors. Here's a breakdown of the common causes mentioned:

Lack of knowledge about the company's policies
Employees may exhibit indiscipline if they are not fully aware of or do not understand the organization's rules and policies. This lack of clarity can lead to unintentional violations.

Broken promises from superiors
If employees perceive that promises made by their superiors are consistently unfulfilled, it can erode trust and commitment. This breach of trust may contribute to a sense of disillusionment and, in some cases, indiscipline.

Inadequate grievance procedures
When employees feel that their concerns and grievances are not effectively addressed or that there is a lack of proper channels for expressing dissatisfaction, it may result in frustration and, eventually, indiscipline.

Failure to take appropriate action when necessary
A lack of timely and effective action in response to issues within the organization can lead to a perception of impunity. If misconduct or problems are not addressed promptly, it may encourage a culture of indiscipline.

Personal frustration and miscommunication
Personal dissatisfaction, whether related to work conditions, interpersonal conflicts, or other factors, can manifest as indiscipline. Additionally, miscommunication or a breakdown in communication channels within the organization can contribute to misunderstandings and, subsequently, indiscipline.

It's crucial to recognize that the causes of indiscipline can be multifaceted and may vary from one individual or situation to another. Addressing these issues often involves a combination of effective communication, transparent policies, fair grievance procedures, and proactive management practices to foster a positive and disciplined work environment.

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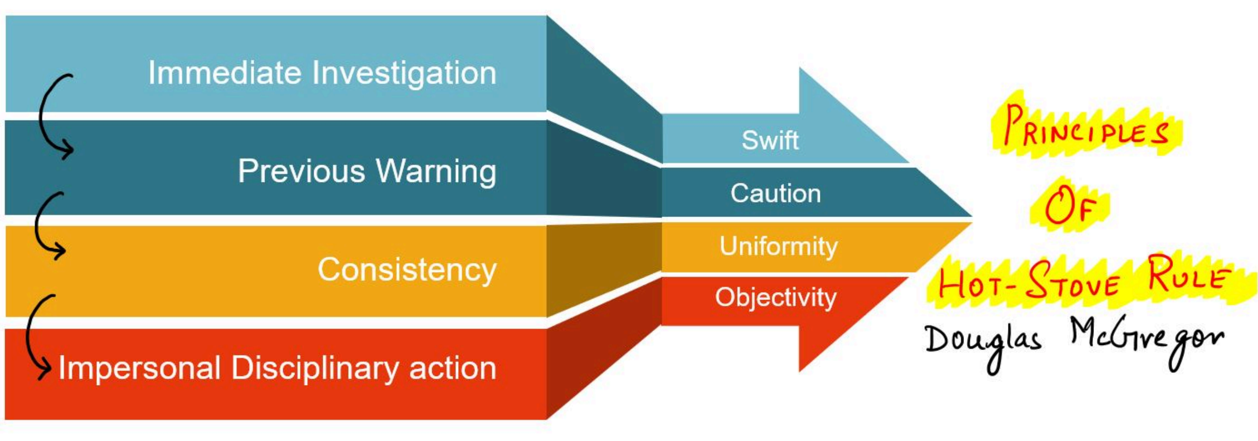
3. Hot-Stove Rule

The Hot-Stove Rule of Douglas McGregor gives a good illustration of how to impose disciplinary action without generating resentment. This rule draws an analogy between touching a hot stove, and undergoing discipline. When you touch a hot stove, your discipline is immediate, with warning, consistent, and impersonal.



These 4 characteristics, according to McGregor, as applied to discipline are self-serving and may be explained as follows:

1. Immediate investigation: When you touch the hot stove, you burn your hand. The burn was immediate. The discipline was directed against the act not against anybody else.

2. Previous warning: You had warning as you knew the stove was red hot and you knew what would happen to you if you touched it. You knew the rules and regulations previously issued to you by the company prescribing the penalty for violation of any particular rule so you cannot claim you were not given a previous warning.

3. Consistency: The discipline was consistent. Every time you touch the hot stove you get burned. Consistency in the administration of disciplinary action is essential. Excessive leniency as well as too much harshness creates not only dissatisfaction but also resentment.

4. Impersonal Disciplinary action: The discipline was impersonal. Whoever touches the hot stove gets burned, no matter who he is. Furthermore, he gets burned not because of who he is, but because he touched the hot stove. The discipline is directed against the act, not against the person. After disciplinary action has been applied, the supervisor should take the normal attitude towards the employee.

4. Prgoressive Discipline

Progressive discipline is an approach used by organizations to address and correct undesirable employee behavior in a systematic and graduated manner.

Instead of immediately resorting to severe consequences, this method involves a series of escalating interventions, warnings, or sanctions to encourage employees to improve their conduct. The primary goal of progressive discipline is to help employees understand the consequences of their actions, provide opportunities for correction, and promote positive behavioral changes.

Here's how it typically works:

1. Verbal Warning

The first stage often involves a private, verbal warning. A supervisor or manager discusses the issue with the employee, outlining the specific concerns and expectations for improvement. This serves as an initial alert and an opportunity for the employee to rectify the behavior.

2. Written Warning

If the behavior persists, a written warning may be issued. This document formally communicates the problem, details the previous verbal warning, and outlines the consequences if the behavior continues. It also usually includes a timeframe for improvement.

4. Suspension or other Action

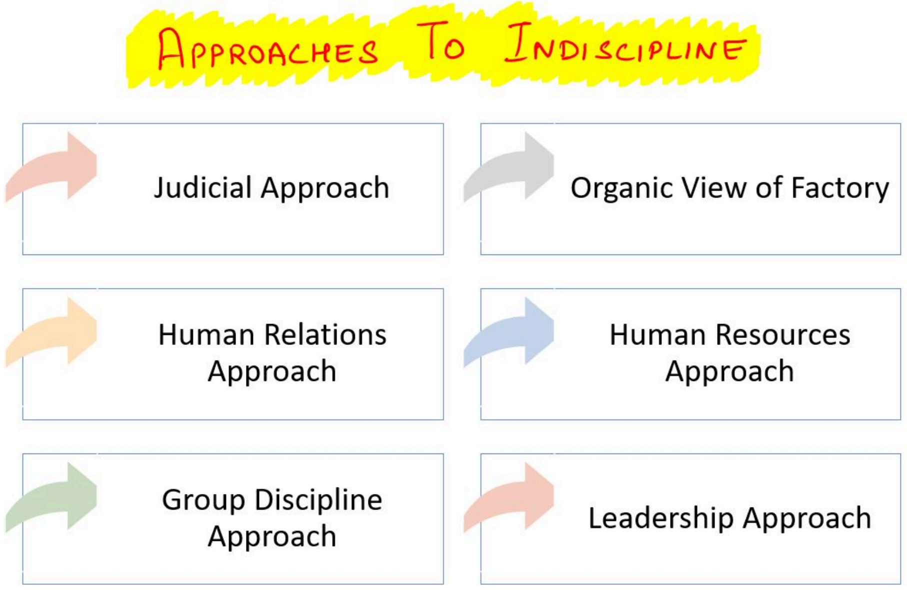
If there is no improvement or if the behavior continues to escalate, the organization may implement more serious consequences. This could involve suspension, additional training, or other measures designed to address the specific issue.

4. Termination

In cases where the employee fails to correct their behavior despite previous interventions, termination may be the final step in progressive discipline. This is typically considered after exhausting other attempts to rectify the situation.

5. Approaches to Indiscipline

Management can adopt any of the 6 possible approaches to any act of indiscipline, which are discussed next.



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5. Approaches to Indiscipline

This approach, commonly used in India, involves determining the degree of an act of indiscipline through a careful evaluation of evidence and following prescribed disciplinary procedures while adhering to the principles of natural justice. For example, if an employee was accused of theft in the workplace. The management would conduct a thorough investigation, gather evidence, and follow the prescribed disciplinary procedure to determine the degree of the offense. They would ensure that the principles of natural justice are upheld throughout the process.

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5. Approaches to Indiscipline

A company that adopts this approach would view their workplace as a living organism and treat their employees with dignity and respect. The management would enforce discipline in a way that does not harm the morale of the workers. They would keep in mind criteria such as basic human rights, need for esteem from others, and desire for recognition and respect, as outlined by Professor F. N. Balsara.

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5. Approaches to Indiscipline

This approach is focused on understanding human behavior in the workplace and modifying it to achieve organizational goals while also fulfilling employee aspirations. For example, a company might survey their employees to understand what motivates them and what might be causing any disciplinary issues. Based on that information, they would make changes to their policies and procedures to create a positive work environment.

5. Approaches to Indiscipline

A company that follows this approach would view each employee as a valuable resource. If an employee is exhibiting disciplinary issues, the management would first determine the cause and whether it is due to a lack of training or motivation or if it is the employee's own failure to meet expectations. Based on this analysis, they would make corrections and work to improve the situation.

5. Approaches to Indiscipline

In this approach, the employee is not seen as an isolated individual, but as part of a group. The group sets norms and is responsible for controlling the behavior of individual members. For example, if an employee is consistently not meeting deadlines, their coworkers would discuss the issue with him and find a solution to improve his performance.

5. Approaches to Indiscipline

In this approach, managers and supervisors are responsible for guiding, controlling, training, developing, leading a group, and enforcing discipline. For example, a manager might provide additional training to an employee who is not following company policies and procedures and set clear expectations for his behavior moving forward.

6. Domestic Enquiry

Domestic Enquiry refers to an internal investigation conducted by an employer within the workplace to determine the facts surrounding an alleged act of misconduct or violation of company rules and regulations by an employee. The purpose of a domestic enquiry is to establish the truth of the matter, gather evidence, and make a decision on disciplinary action, if necessary. The enquiry is typically conducted by a designated official within the company and is subject to certain principles of natural justice, such as the right to be heard and the right to a fair and impartial investigation.

The term, 'domestic enquiry' has come to be restricted to an enquiry into the charges of indiscipline and misconduct framed against an employee or a workman. An employee or a workman cannot be dismissed or discharged by way of punishment for any misconduct unless he is afforded an opportunity to defend himself in an enquiry to be held by the employer on the charges framed against him. In some cases, the holding of such enquiries is made obligatory by a statute.

Constitutional protection to Public Servants

Article 311 of the Indian Constitution deals with the protection of public servants from arbitrary removal or reduction in rank. It provides for a fair procedure to be followed in cases where a public servant is dismissed, removed or reduced in rank. The article aims to ensure that public servants are not subjected to arbitrary or unreasonable actions by their superiors. It lays down the provisions for a fair and impartial inquiry in cases of disciplinary action against public servants. The article is considered to be an important safeguard for the rights of public servants in India.

Article 311(2) of Indian Constitution provides that, no person can be dismissed or removed or reduced in rank, unless:

(a) an inquiry is held;

(b) in the inquiry, he is informed of the charges framed; and

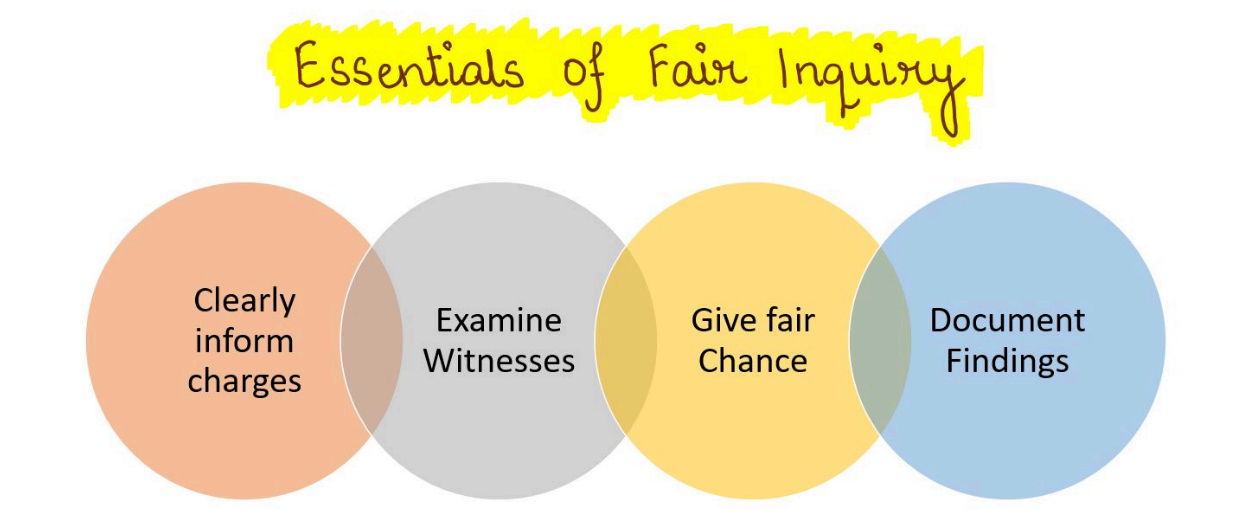
(c) the person is given an opportunity to defend himself.

Regulation of Private Sector Employees

In private sector, the holding of a domestic enquiry is laid down by standing orders framed under the Industrial Employment (Standing Orders) Act, 1946. The procedure for holding enquiries has also been laid down by awards or settlements under the Industrial Disputes Act, 1947. The principles underlying the domestic enquiry are essentially calculated to ensure the job security to an industrial employee and so, the employer has to justify the disciplinary action, which he proposes to take against an employee by holding a domestic enquiry in a fair and impartial manner.

Procedural justice concerns the fairness and the transparency of the processes by which decisions are made. It involves ensuring that the processes used in decision-making and conflict resolution are transparent, unbiased, and treat all parties involved equally.

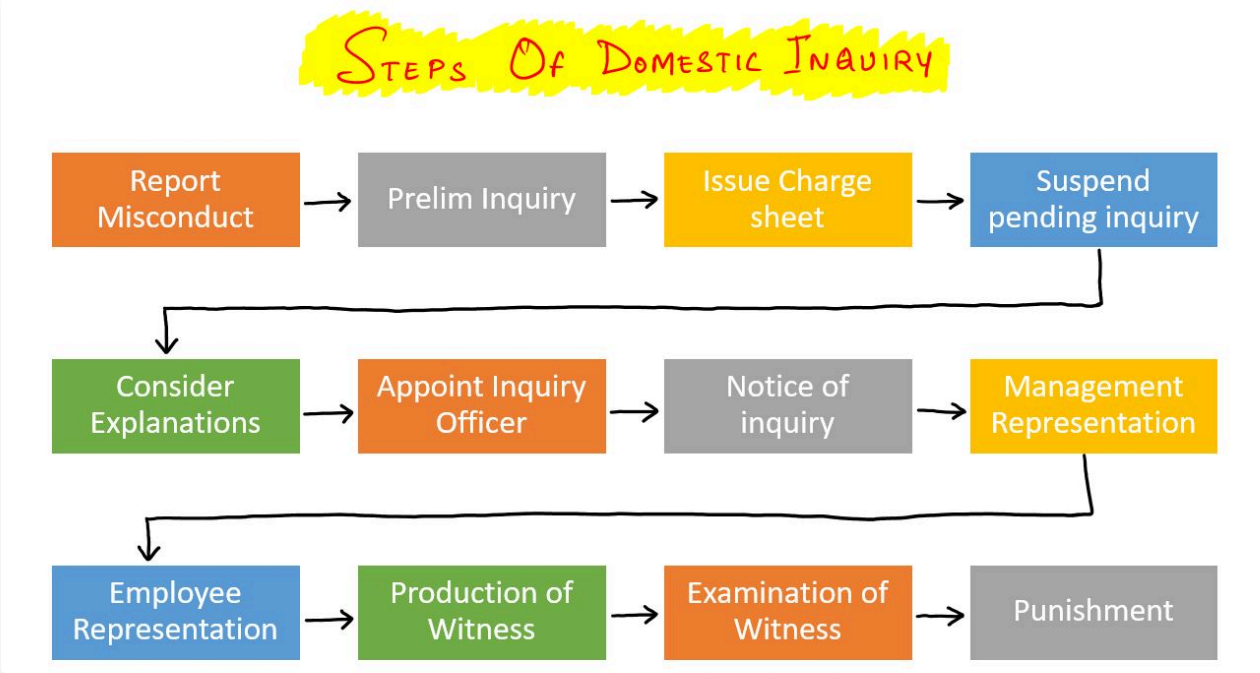
6. Domestic Enquiry



For an inquiry to be considered fair and just, the following essentials must be met:

1. The employee being investigated must be clearly informed of the charges against them.
2. The witnesses should typically be examined in the presence of the employee, with regards to the charges.
3. The employee must be given a fair chance to defend themselves by examining witnesses, including themselves, on any relevant matter.
4. The inquiry officer must document their findings and provide reasons for their conclusions in their report.

6. Domestic Enquiry



The steps involved in Domestic Enquiry are given below.

1. Report of misconduct

Complaint is the starting point of any disciplinary action. The process of domestic enquiry begins with a written complaint about an act of misconduct committed by an employee.

2. Preliminary Inquiry

This inquiry is conducted to determine if there is sufficient evidence to initiate a domestic inquiry against the employee.

3. Charge and Chargesheet

The domestic inquiry begins when the chargesheet, or show cause notice, is issued to the employee. It informs the employee of the alleged misconduct.

4. Service of the Chargesheet

The chargesheet should be served personally to the employee, with an acknowledgement obtained, if possible.

5. Suspension pending enquiry

An employer may suspend a workman on finding that misconduct complained against him is of grave and serious nature. Suspension can be ordered either before the issue of charge sheet or after the receipt of reply of the employee or at any time during the pendency of the enquiry proceedings or after the findings of the inquiry varying according to the circumstances. The employee is paid subsistence allowance during suspension.

The subsistence allowance for the first 90 days is 50% of the emoluments and shall be 75% if exceeds the above period.

In the inquiry, the workman shall be entitled to appear in person or to be represented by an office bearer of a trade union of which he is a member. The proceedings of the inquiry shall be recorded in Hindi or in English or in the language of the state where the industrial establishment is located, whichever is preferred by the workman. The proceedings of the inquiry shall be completed within a period of 3 months provided that the period of 3 months may, for reasons to be recorded in writing, be extended by such further period as may be deemed necessary by the inquiry officer.

6. Consideration of explanation by employer

After a charge sheet has been served on the accused workman, he may send his explanation in either of the following ways:

- admitting the charges and pleading for mercy.
- denying the charges in totality.

- requesting for more time to submit the explanation after inspection of certain documents which is in possession of the management.
- the employee may not submit the explanation at all.

7. Appointment of inquiry officer

After considering the employee’s explanation or if no reply is received, the management should appoint an impartial inquiry officer with high integrity and moral values, who is not a witness or has a personal interest in the case.

8. Notice of Inquiry

The inquiry officer must send a notice to both the employee and the management, directing them to present any witness or documentary evidence for the inquiry. The notice should clearly state the date, time, and place of the inquiry, and that the inquiry will proceed ex-parte if the employee fails to attend.

9. Management Representative

The management representative will lead the case on behalf of the management, with the right to cross-examine the employee and his witnesses.

10. Representation of the charge sheeted employee

The employee must be present for the inquiry, but if he refuses to participate or does not attend despite notice, the inquiry may proceed ex-parte.

11. Production of witnesses

The inquiry officer cannot legally compel the attendance of witnesses, unlike adjudicatory authorities under the Industrial Disputes Act.

12. Examination of witnesses

If the employee denies the allegations, the management bears the burden of proof and the witnesses must be allowed to be cross-examined by the employee, who can also present evidence in his defense.

13. Enquiry pending criminal proceedings

If the incident giving rise to the charges is being tried in a criminal court, the employer should stay the domestic inquiry until the outcome of the criminal case.

14. Punishment

Imposing punishment is the final step in the disciplinary process against an offending employee. This step begins after the disciplinary authority has received the report from the investigation officer, a copy of which has been served to the employee along with a request for their response. The authority considers any response received from the employee before proceeding with punishment.

Industrial law permits employers to impose various punishments as disciplinary action for a workman's misconduct, including: (i) Warning (ii) fine (iii) withholding of increment (iv) Demotion (v) Suspension (vi) Discharge and (vii) Dismissal from service.

Minor Penalties such as:

- Censure (form of written or verbal warning given to the employee to correct their behavior in the future)
- Withholding of Promotion
- Withholding of increments of pay with or without cumulative effect
- Recovery from pay or such other amount as may be due to him

Major Penalties such as:

- Reduction to a lower grade or post or to a lower stage in a time scale
- Dismissal from service
- Removal from service which shall not be a disqualification for future employment.

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7. De-Novo Inquiry

A **De-Novo Inquiry** is a process in which the disciplinary inquiry is re-conducted either at the request of the charged employee or at the discretion of the Disciplinary Authority, if they believe it is necessary to do so in the interest of justice. The process of re-conducting the inquiry is carried out in accordance with the instructions of the Disciplinary Authority.

A de novo inquiry can be used in a variety of legal contexts, including administrative law, civil litigation, and appellate proceedings. For example, in an appellate court, a de novo inquiry might involve a review of the evidence and testimony presented at the original trial, as well as any new evidence or arguments that were not considered in the first decision. The goal of a de novo inquiry is to ensure that the decision-making process is fair and impartial, and that the final outcome is based on the most accurate and complete information available.

It's important to note that a de novo inquiry does not necessarily mean that the final decision will be different from the original one. The decision-making body is free to consider the evidence and arguments in the manner it sees fit and may come to the same conclusion as in the previous decision. The de novo inquiry simply provides an opportunity for a fresh look at the matter.

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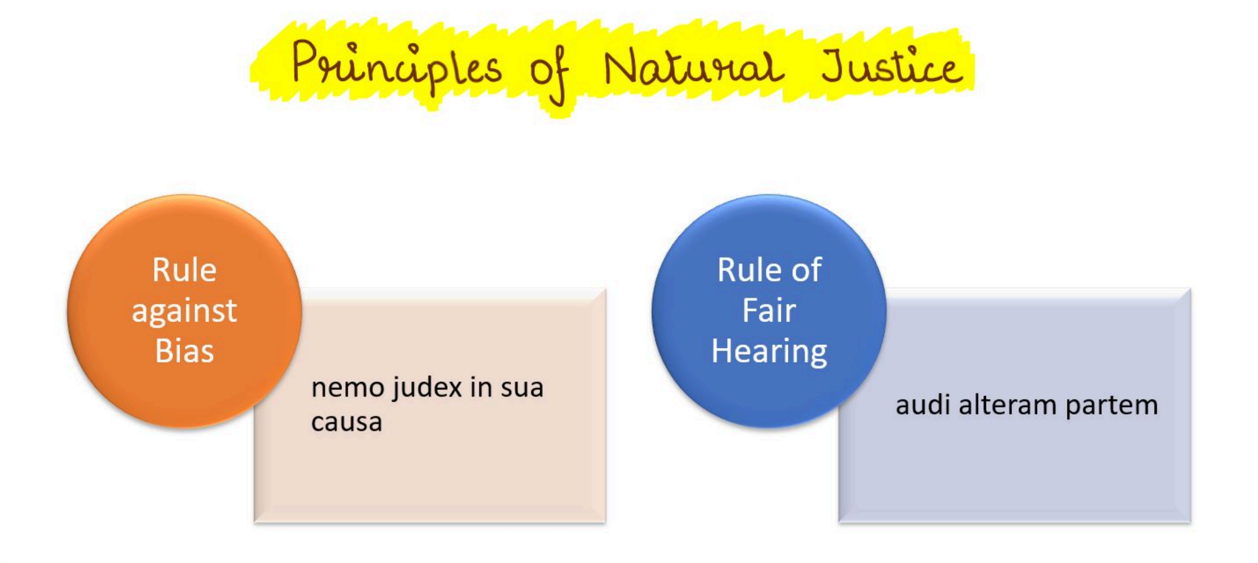
8. Natural Justice

Natural justice refers to the principles of fairness, impartiality, equity, and reasonableness in decision-making. It is a concept rooted in common law and is equivalent to "procedural due process" in American law. These higher procedural standards, developed by judges, must be upheld by all administrative agencies when making decisions that impact an individual's rights.

Fundamental Principles of Natural Justice



The principles of natural justice are fundamental concepts in the legal system, which ensure fairness and impartiality in decision-making processes. The 2 main principles of natural justice are:

1. Rule against bias

This is referred to as the *nemo judex in sua causa* principle which states that all decision-makers must be impartial and unbiased, and should not have any personal, financial, or official interest in the outcome of the matter. This principle is based on the idea that justice should not only be done but also be seen to be done, and that those involved in the decision-making process should be above suspicion. The bias can be (i) pecuniary, (ii) personal, or (iii) official.

2. Rule of fair hearing

The principle states that the party or parties involved in the matter should be given the proper opportunity to present their cases, before the administrative decision-maker decides the case. This is referred to as the *audi alteram partem* principle, which means, literally, hear the other side, and i.e., hear both sides.

The requisites of Fair Hearing are as follows.

- Right to Notice
- Right to present case and evidence
- Right to rebut evidence
- No evidence should be taken at the back of the other party
- Report of the enquiry to be shown to the other party
- Reasoned decision or speaking order
- Rule against dictation
- Financial assistance to attend the enquiry

Reasoned decisions or speaking orders

A reasoned decision or speaking order is a decision or order made by an administrative body or a court that explains the reasoning behind its decision. The decision or order is not just a simple statement of the outcome, but a detailed explanation of how the decision was reached based on the evidence and arguments presented by the parties involved. Reasoned decisions provide transparency and accountability in the decision-making process, and they help to ensure that the decision is fair, impartial and based on the rule of law.

8. Natural Justice

Principles of natural justice are firmly grounded in Articles 14 and 21 of the Constitution.

Article 14 guarantees equality before law and equal protection of law. It bars discrimination and prohibits both discriminatory laws and administrative action. In Maneka Gandhi v. Union of India, (SC) opined that Article 14 is an authority for the proposition that the principles of natural justice are an integral part of the guarantee of equality. An order depriving a person of his civil right passed without affording him an opportunity of being heard suffers from the vice of violation of natural justice.

Article 21 lays down that no person shall be deprived of his life or personal liberty except, according to 'procedure established by law'.

The **Maneka Gandhi case** was a legal challenge to the Indian government's order to surrender her passport. Maneka Gandhi requested the reasons for the order, but the government declined to provide them. She then filed a petition in the Supreme Court, claiming that the order violated her constitutional rights to due process and equal protection. The Supreme Court ruled that the Passport Act was unconstitutional because it granted vague and undefined powers to the passport authorities and did not provide a fair process for those affected. This case became a landmark decision in Indian constitutional law and established important principles for the interpretation of Articles 14 and 21 of the Constitution.

Before this case in India, the concept of 'procedure prescribed by law' existed, but it was replaced by 'due process of law' with regards to Article 21 of the Constitution.

According to Justice Bhagwati in the case of Maneka Gandhi v. Union of India, "Natural justice is a great humanizing principle intended to invest law with fairness and to secure justice and over the years it has grown into a widely pervasive rule affecting large areas of administrative action".

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1. Introduction

Grievance refers to any dissatisfaction or sense of injustice which is felt by an employee in relation to his pay, working conditions, leave, recoveries of dues or other aspects of employment. Broadly speaking, "a grievance is any dissatisfaction that adversely affects organisational relations and productivity."

Richard P. Calhoon observed that "Grievance procedure is a control necessary for protecting the standards of the employee as discipline is the control necessary for preserving standards of the company".

According to Michael J. Jucius, the term Grievances means any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out of anything connected with work that an employee thinks, believes or even feels is unfair, unjust or inequitable.

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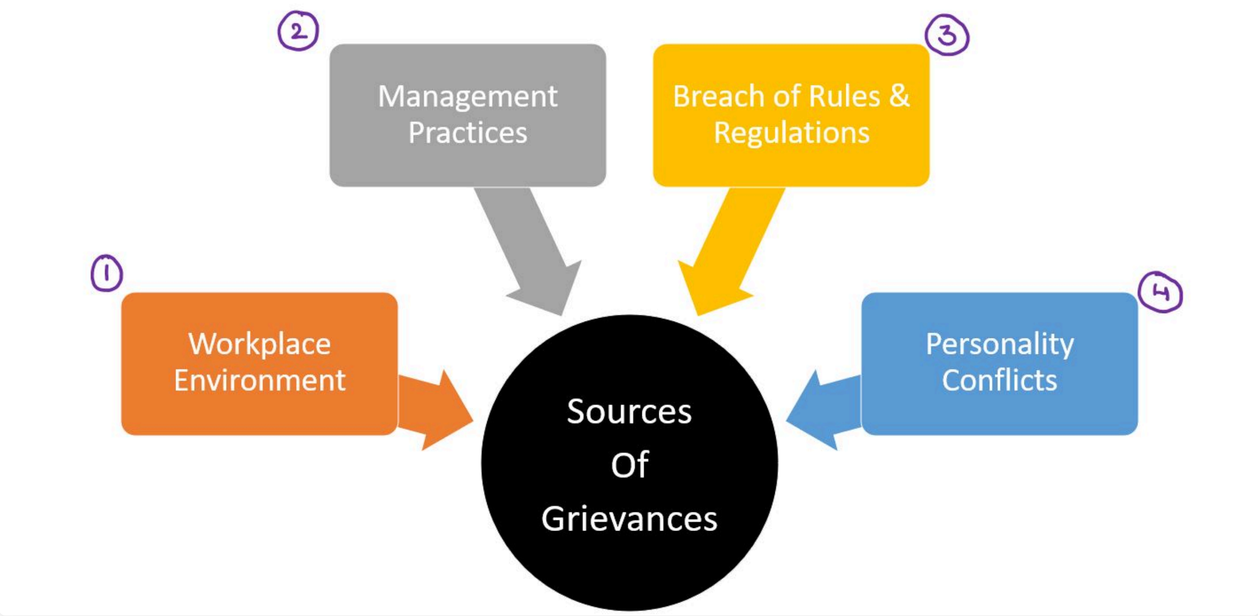
1. Introduction



Grievances within an organization can arise from diverse sources, and they are often categorized into four main types based on their origins:

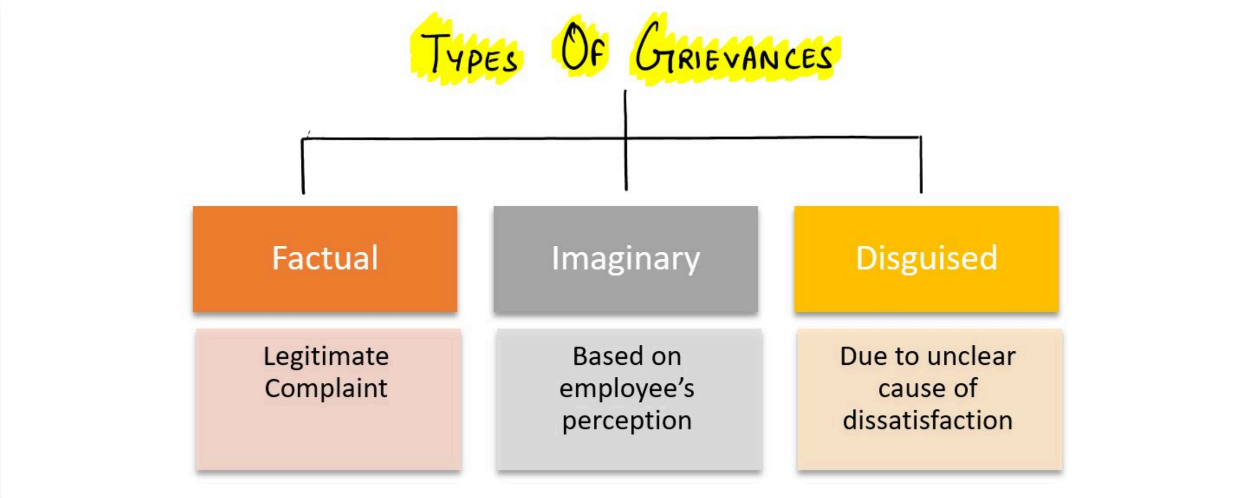
1. Workplace Environment Issues
Grievances in this category relate to concerns about the physical or environmental aspects of the workplace. Examples are unsafe work conditions, inadequate safety measures, dirty or poorly maintained restrooms, insufficient or outdated equipment, lack of necessary tools or resources, and uncomfortable workspaces. These grievances can affect employee well-being, health, and safety. They may also impact productivity and job satisfaction.

2. Management Decisions and Practices
Grievances in this category stem from decisions or practices implemented by the management of the organization. Examples are discontent with wage rates and payment structures, concerns about incentives or bonus programs, disputes related to seniority, dissatisfaction with promotion or transfer decisions, and issues with performance evaluations. Grievances related to management decisions can lead to demotivation, frustration, and decreased employee morale. Unresolved issues may affect overall employee engagement and loyalty.

3. Breach of Rules and Regulations
Grievances arising from the violation or perceived violation of organizational rules and regulations fall into this category. Examples are allegations of unfair treatment, discrimination, harassment, nepotism, or any other violation of the company's policies and procedures. Breaches of rules and regulations can erode trust in the organization and its leadership. They may also lead to legal complications and damage the organization's reputation.

4. Personality Conflicts
Grievances based on interpersonal issues and clashes in personalities are categorized under this type. Examples are fault-finding behavior, interpersonal conflicts, excessive ambition causing friction, and disputes arising from differences in communication styles or working preferences. Personality conflicts can disrupt teamwork, communication, and collaboration. They may create a tense work environment, hinder productivity, and contribute to employee stress.

1. Introduction



There are following 3 main categories of grievances in an organization.

1. Factual Grievance

Factual grievances arise when an employee has a legitimate and verifiable complaint related to their employment terms or conditions. The grievance is based on concrete, factual information that can be objectively assessed.

For example, an employee's contract specifies a certain salary, but the employer consistently pays a lower amount. The employee has a valid factual grievance because there is a clear discrepancy between the agreed-upon terms and the actual practice.

2. Imaginary Grievance

Imaginary grievances occur when an employee perceives a problem or injustice that does not actually exist in reality. The grievance is based on a misunderstanding, misinterpretation, or false belief about their employment situation.

For example, an employee believes they deserve a promotion to a higher position, but there was no promise or indication from the employer about such a promotion. The perceived injustice is not grounded in any actual commitment or agreement.

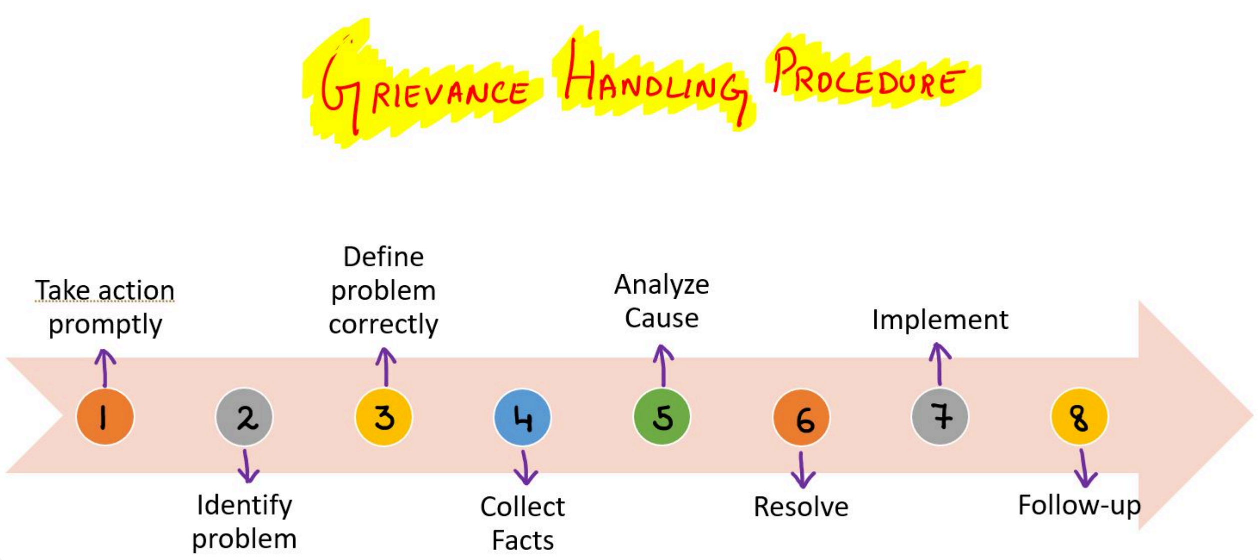
3. Disguised Grievance

Disguised grievances occur when an employee experiences dissatisfaction, but the true cause of their discontent is not immediately apparent to them or others. The employee may attribute their unhappiness at work to factors that are not directly related to the workplace.

For example, an employee is stressed and unhappy at work, but the root cause is personal issues such as family problems or financial stress. The employee may not initially connect their dissatisfaction to factors outside the workplace.

2. Grievance Handling Procedure

Grievance management is an important aspect of Human Resource Management (HRM) that focuses on addressing and resolving employee grievances or complaints related to workplace issues. It involves creating and implementing policies and procedures to handle grievances in a fair and efficient manner.



The main objective of grievance management is to provide a mechanism for employees to voice their concerns and seek resolution of their issues, while also maintaining a positive and productive work environment. Effective grievance management can lead to increased employee satisfaction and engagement, improved communication between employees and management, and ultimately, better organizational performance.

The steps followed in Grievance Handling Procedure are as follows.

1. Prompt Actions
It is important to quickly resolve any issues that arise. The first line manager should be trained to identify and resolve these problems promptly and appropriately.

2. Identification of the Problem
The supervisor must first identify the issue, as not all grievances expressed by employees may be legitimate. It's possible that the grievance may be imaginary, emotional, or unclear.

3. Defining Correctly
Once the problem has been identified, the management must define it properly and accurately.

4. Collection of Facts
Relevant facts and data related to the grievance are collected from all parties involved. The information gathered is then categorized as facts, opinions, and feelings to avoid any data distortion.

5. Analysing and solving the cause of Grievance
The collected facts are analyzed to determine the root cause of the grievance. Once the cause is determined, alternative solutions to the problem are generated and the best one is chosen to resolve the grievance and prevent its reoccurrence.

6. Implementation and Follow up
The selected solution is communicated to the employees and immediately implemented by the appropriate authority. Follow-up is then done at every stage to ensure effective and swift implementation.

2. Grievance Handling Procedure

The **Model Grievance Procedure** was formulated in pursuance to the 'Code of discipline' adopted by the 16th Session of the Indian Labour Conference in 1958. Most of the grievance procedures now-a- days are built around the Model Grievance Procedure with certain changes to suit the size and special requirements of an enterprise.

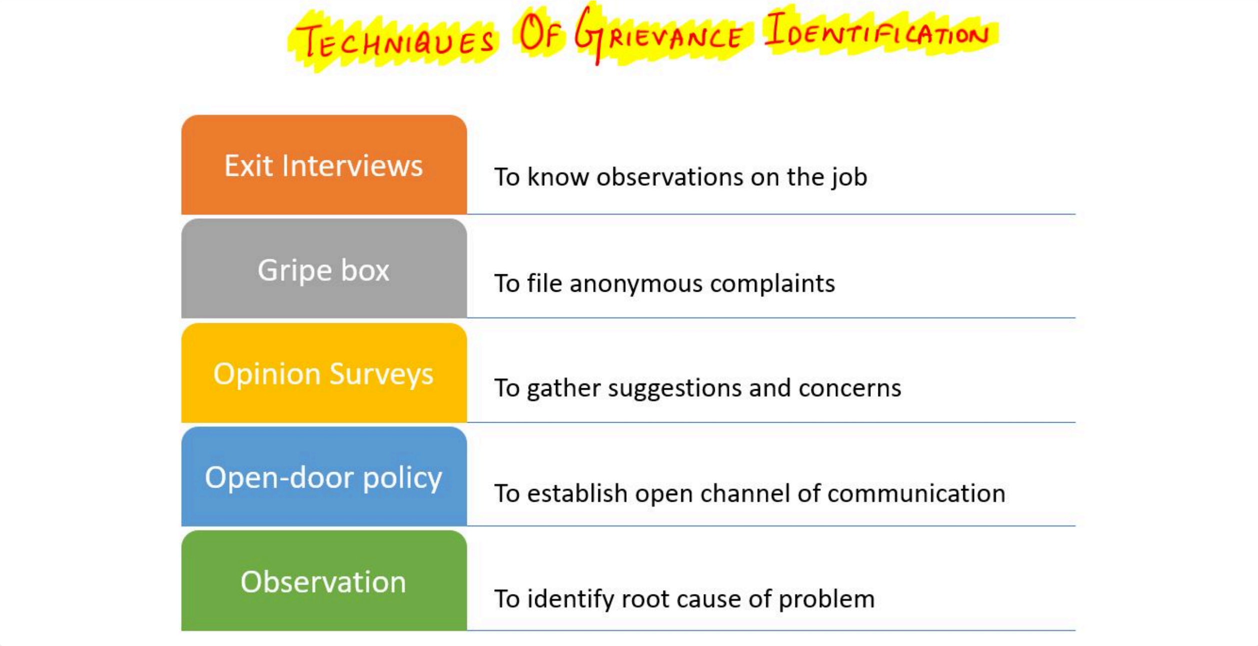
The Model Grievance Procedure provides for following 5 successive time-bound steps:

1. The aggrieved employee must raise his grievance verbally to the officer designated by management. A response must be given within **48 hours** of the complaint being made.
2. If the employee is not satisfied with the initial response or fails to receive any response within the stipulated period, he can present his grievance to the head of the department, either in person or through a representative. He should receive an answer within **3 days** of the complaint being made.
3. If the department head's decision is unsatisfactory, the employee can request for the grievance to be forwarded to the Grievance Committee, which will make its recommendation to management within **7 days**. The final decision will be communicated to the employee by the Personnel Officer within **3 days**.
4. If the decision is not satisfactory, the employee can request a revision, and management must communicate its decision within **7 days**.
5. If an agreement cannot be reached, the grievance can be referred to voluntary arbitration by the union and management within **7 days** of the employee receiving the management's decision.

3. Techniques of Grievance Identification

An organization must have the ability to diagnose, detect, recognize and resolve the grievances at an earlier stage.

The major techniques to identify grievances include exit interview, gripe box system, opinion survey, open door policy and observations.



These are discussed below.

Exit Interview

When employees quit an organization for any reason, an exit interview may be conducted to obtain information about the job-related matters. At this time, those quitting their jobs speak freely and frankly about their experience and observations on the job. This can provide the employer with an invaluable insight into the simmering problems and anxieties concerning the employees.

Gripe Box

The gripe box is a facility to file anonymous complaints about the various causes of discontent and dissatisfaction in the organization. A gripe box may be kept at prominent locations in the factory for lodging anonymous complaints pertaining to any aspect relating to work. Unlike a suggestion scheme, anonymity is maintained, and no incentives or repercussions are involved. This allows employees to freely and openly express their concerns without fear of retaliation.

Opinion Surveys

Opinion surveys are a grievance handling technique used to gather information from employees about their opinions, concerns, and suggestions regarding work-related issues. This technique involves distributing questionnaires to employees asking them to rate different aspects of their work, such as job satisfaction, management policies, working conditions, and employee relations.

Open-door Policy

The open-door policy is a grievance handling technique used in many organizations. It refers to the practice of keeping the doors of management open to all employees at all times, regardless of their position in the organization. This means that employees are free to approach their supervisors or managers at any time to discuss their concerns or grievances. The open-door policy is based on the idea that employees should have a channel of communication that is always open and that they can use to bring their concerns to management. By creating an environment in which employees feel free to voice their grievances, organizations can help to prevent issues from escalating into more serious problems.

Observation

Observation is a grievance handling technique where the management observes the work environment, work processes, and the employees' behavior to identify the root causes of a grievance. It involves taking a proactive approach to identify and address potential issues before they become grievances. Once these issues are identified, management can take corrective action to address the problems and prevent them from escalating into grievances.

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4. Whistle Blowing

'No regrets,' says Edward Snowden, after 10 years in exile

But whistleblower says 2013 surveillance 'child's play' compared to technology today

Edward Snowden has been in exile in Russia since 2013 after fleeing Hong Kong, where he handed over tens of thousands of top-secret documents to journalists. Photograph: Baikal/Alamy

Edward Snowden has warned that surveillance technology is so much more advanced and intrusive today it makes that used by US and British intelligence agencies he revealed in 2013 look like child's play.

A **whistleblower** is an individual who discloses private information about an organization to the public or some higher authority, usually related to any wrongdoing, fraud, corruption, etc. A whistleblower could be an employee of a company, contractor, supplier, government agency, etc. who becomes aware of any illegal activities. Besides the provisions in Companies Act, 2013 and Clause 49 of Listing Agreement, for the protection of whistleblowers, Whistleblower Protection Act, 2014 is another step forward for safeguarding the whistleblowers in India.

Every listed company and other classes of companies should establish a **Vigil mechanism** for Directors and employees to report genuine concern.

Whistle blowing refers to the act of employees or insiders reporting unethical or illegal activities within their organizations to the relevant authorities or stakeholders. Whistleblowers play a crucial role in exposing wrongdoing, fraud, corruption, or any form of malpractice that may be harmful to the company, its stakeholders, or the public interest.

Those who become whistleblowers can choose to bring information or allegations to surface either internally or externally.

Internally, a whistleblower can bring his/her accusations to the attention of other people within the accused organization such as an immediate supervisor.

Externally, a whistleblower can bring allegations to light by contacting a third party outside of an accused organization such as the media, government, law enforcement, or those who are concerned.

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4. Whistle Blowing

The Whistle blowers Protection Act, 2014 was passed in Parliament on February 21, 2014.

The provisions of Whistleblowers Protection Act, 2014 are listed next.

The Act states that any person, including a public servant, NGO etc., may make a public interest disclosure related to an act of corruption, willful misuse of power or discretion, or criminal offence by a public servant.

A **public interest disclosure** is made before a 'Competent Authority' and it should be in writing or by electronic mail. The Act specifies the 'Competent Authority' for each category of public servant. For example, it would be the Prime Minister for a Union Minister; Speaker/ Chairman for Members of Parliament; High Court for district court judges; the Central or State Vigilance Commission for government servants etc.

A **public servant** shall include ministers, members of Parliament, the lower judiciary, regulatory authorities, central and state government employees, etc. It shall not include a Judge of the Supreme Court or a Judge of a High Court.

The Competent Authority shall conceal the identity of the complainant, unless the complainant has himself revealed his identity. The Competent Authority shall conduct a discreet inquiry to ascertain whether the disclosure requires to be investigated.

If the Competent Authority is of the opinion that the disclosure requires to be investigated, it shall seek comments or explanation or report from the Head of the Department of the organisation or authority. The Competent Authority or the Head of the Department shall not reveal the identity of the complainant unless necessary for investigation. It shall be done only with prior written consent of the complainant. If the Competent Authority is of the opinion that the facts and allegations contained in the disclosure are frivolous or vexatious, it shall close the matter.

If the Competent Authority is of the opinion that there has been willful misuse of power or willful misuse of discretion or substantiates allegations of corruption, it shall recommend to the public authority to take the following measures: (**Public authority** means any authority, body or institution falling within the jurisdiction of the Competent Authority)

- initiating proceedings against the concerned public servant;
- taking appropriate administrative steps for redressing the loss caused to the Government;
- recommend to the appropriate authority or agency for initiation of criminal proceedings, if so warranted by the facts and circumstances of the case;
- recommend for taking of corrective measures;
- take any other measures not falling under clauses (i) to (iv) which may be necessary for the purpose of this Act.

The public authority shall take decision within 3 months of receipt of recommendation made by competent authority. If the public authority does not agree with the recommendation of the Competent Authority, it shall record the reasons for such disagreement.

The Competent Authority shall finally inform the complainant about the action taken on the complaint and the final outcome thereof. In a case where, after making an inquiry, the Competent Authority decides to close the case, it shall, before passing the order for closure of the case, provide an opportunity of being heard to the complainant, if the complainant so desires.

A Public interest disclosure shall not be allowed, which is likely to prejudicially affect the interest of the sovereignty and integrity of India, the security of the State, friendly relations with foreign State, public order, decency or morality or in relation to contempt of court, defamation or incitement to an offence. Also, the provisions of the Act shall not apply to the armed forces of the Union.

Safeguards

The Act provides adequate safeguards against victimization of the person making such disclosure. Such safeguards can be mentioned below:

- The complainant may file an application before the Competent Authority to seek protection against victimization and such authority shall take necessary action.
- The Competent Authority, at any time after the making of disclosure by the complainant or public servant, if it is of the opinion that any corrupt practice required to be stopped during the continuation of any inquiry for the said purpose may pass such interim orders as it may deem fit, to prevent the immediate stoppage of such practice.

Penalties under the Act

The following are some penalties imposed under the Act.

- If the organisation or official concerned has not furnished the report within the specified time or malafidely refused to submit the report, a penalty of upto Rs. 250 per day shall be imposed till report is furnished. The total amount of such penalty shall not exceed Rs. 50,000. However, if the organisation or official concerned, has knowingly given incomplete, incorrect or misleading or false report or destroyed record or information which was the subject of the disclosure, a penalty of upto Rs. 50,000 shall be imposed. Provided that no penalty shall be imposed against any person unless he has been given an opportunity of being heard.
- Any person who negligently or malafidely reveals the identity of a complainant shall be punishable with imprisonment for a term extending up to 3 years and a fine which may extend up to Rs 50,000.
- If the disclosure is done mala-fidely and knowingly that it was incorrect or false or misleading, the person shall be punishable with imprisonment for a term extending up to 2 years and a fine extending up to Rs. 30,000.

Any person aggrieved by any order of the Competent Authority related to imposition of penalties as above, can make an appeal to the concerned High Court within a period of 60 days from the date of the order.

Proposed Amendment

An amendment to the aforementioned Act was proposed in the form of the Whistleblowers Protection (Amendment) Bill, 2015. The Whistleblowers Protection (Amendment) Bill, 2015 was introduced in Lok Sabha on May 11, 2015. However, the Amendment Bill was not passed by the Rajya Sabha and consequently, it lapsed.

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1. Employee Morale

Morale is the collective sense of satisfaction and belonging experienced by individuals or groups within an organization. It encompasses the overall emotional well-being and mindset of employees, reflecting their attitude toward their work environment, colleagues, and the organization as a whole.

Conversely, job satisfaction is the personal contentment an individual derives from their specific job role.

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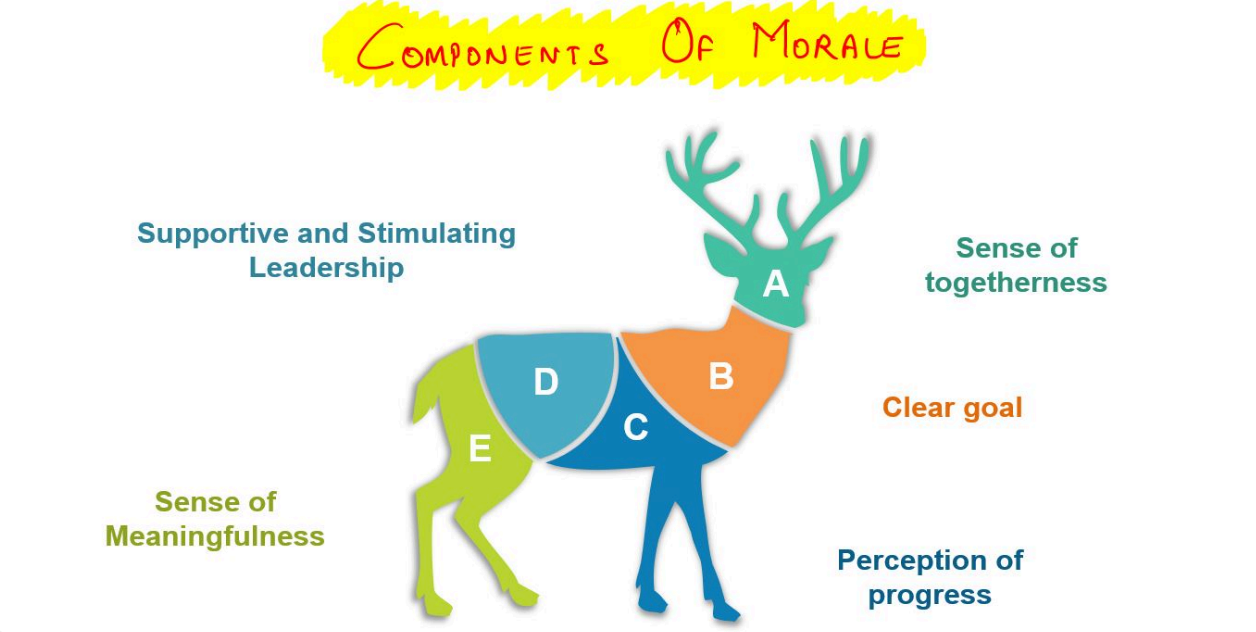
1. Employee Morale



There are 5 key components of morale.

1. Sense of Togetherness
This component involves creating a feeling of belonging and cohesion within a group. Individuals should perceive themselves as part of a collective effort rather than isolated entities.

For example, in a workplace, team-building activities, shared goals, and open communication contribute to a sense of togetherness. Employees who feel connected to their colleagues are more likely to experience high morale.

2. Clear Goal or Target
Having a clear and defined goal or target provides the group with a common purpose and direction.

For instance, a sales team aiming to achieve a specific revenue target for the quarter has a clear goal. This clarity helps in aligning individual efforts toward a collective objective, fostering a sense of purpose and motivation within the group.

3. Perception of Progress
Individuals derive morale from seeing progress towards the accomplishment of set goals. Regular updates on achievements create an expectation of success and boost morale.

For example, if a project team can measure and communicate milestones reached, it instills confidence and motivates members. Celebrating small wins along the way contributes to a positive perception of progress.

4. Sense of Meaningfulness in Tasks
Morale is higher when individuals find meaning and purpose in the tasks assigned to them. Assigning tasks that align with employees' skills and interests and clearly communicating the significance of their contributions enhances morale.

For instance, employees engaged in projects that directly impact the company's mission may find their work more meaningful, leading to increased morale.

5. Supportive and Stimulating Leadership
Leadership plays a crucial role in morale. Supportive and stimulating leaders contribute to positive group dynamics. Leaders who provide guidance, encouragement, and resources help maintain high morale.

For example, a manager who recognizes and appreciates the team's efforts, fosters an inclusive environment, and provides opportunities for growth contributes to a positive leadership impact on morale.

2. Effects of Low Morale

Low morale in organizations can lead to a host of challenges, including:

Decreased Productivity

Employees with low morale may lack the motivation and enthusiasm needed to perform at their best, resulting in decreased productivity and efficiency.

Increased Absenteeism

Low morale often contributes to higher rates of absenteeism as employees may be less inclined to come to work, leading to disruptions in workflow and project timelines.

Higher Turnover Rates

Employees experiencing low morale may actively seek new job opportunities, leading to higher turnover rates. This can result in recruitment and training costs for the organization.

Poor Team Dynamics

Low morale can negatively impact team dynamics, leading to increased conflicts, lack of collaboration, and reduced effectiveness in achieving common goals.

Negative Workplace Culture

A pervasive sense of dissatisfaction can contribute to a negative workplace culture, hindering employee engagement and making it challenging to attract and retain top talent.

Decreased Employee Engagement

Employees with low morale are less likely to be engaged in their work, resulting in a lack of commitment, innovation, and a diminished sense of ownership.

Impact on Customer Service

Low morale can affect how employees interact with customers, potentially leading to poor customer service, reduced customer satisfaction, and damage to the organization's reputation.

Increased Stress and Burnout

Employees experiencing low morale may face increased stress and burnout, negatively impacting their mental health and overall well-being.

Resistance to Change

Low morale can create resistance to organizational changes, making it challenging for the company to adapt to evolving market conditions or implement new strategies.

Diminished Creativity and Innovation

Low morale may stifle creativity and innovation as employees may be less inclined to contribute new ideas or take risks in a discouraging work environment.

3. Factors affecting Morale

Outlined below are the various factors that influence an employee's morale in an organization

Leadership Style

The leadership style adopted by managers and executives significantly impacts morale. Supportive, transparent, and inspirational leadership tends to elevate morale, while autocratic or unsupportive leadership can have a negative effect.

Recognition and Rewards

Recognition for accomplishments and appropriate rewards contribute to a positive work environment. Employees who feel valued and appreciated are likely to have higher morale. Recognition can be in the form of praise, awards, or other incentives.

Workplace Culture

The overall culture of the workplace, including values, norms, and the quality of relationships among colleagues, influences morale. A positive and inclusive culture fosters higher morale, while a toxic or negative culture can have detrimental effects.

Job Design and Responsibilities

Well-designed jobs that align with employees' skills and interests positively impact morale. Clear roles, meaningful responsibilities, and opportunities for skill development contribute to job satisfaction and higher morale.

Communication and Transparency

Effective communication and transparency in organizational matters contribute to a positive work environment. When employees are kept informed about decisions, changes, and organizational goals, it fosters trust and positively influences morale.

Work-Life Balance

Policies and practices that support a healthy work-life balance contribute to higher morale. Employees who feel they can balance work and personal life are generally more satisfied and motivated.

Career Development Opportunities

Opportunities for growth and advancement within the organization positively impact morale. Employees are likely to be more engaged and motivated when they see a clear path for career development and progression.

Fair Compensation and Benefits

Fair and competitive compensation, along with attractive benefits packages, positively influence morale. Employees who feel they are fairly rewarded for their contributions are more likely to be satisfied and motivated.

Team Dynamics and Collaboration

Positive team dynamics, collaboration, and effective teamwork contribute to a supportive work environment. Employees who enjoy working with their colleagues and feel a sense of camaraderie are likely to have higher morale.

Training and Skill Development
Opportunities for continuous learning, training, and skill development contribute to higher morale. Employees appreciate organizations that invest in their professional growth and provide avenues for acquiring new skills.

Job Security
A sense of job security positively influences morale. Employees who feel confident about the stability of their positions are more likely to be motivated and focused on their work.

Employee Involvement
Involving employees in decision-making processes and seeking their input can positively impact morale. Employees value being heard and having a say in matters that affect their work.

Workplace Environment
The physical workplace environment, including factors like office layout, facilities, and amenities, can impact morale. A comfortable and well-maintained workspace contributes to a positive employee experience.

4. Morale and Productivity

The correlation between **productivity and morale** is significant in the workplace and is widely studied.

It may be noted that the productivity pertains to how efficiently employees perform tasks and generate output. Morale, on the other hand, reflects their overall job satisfaction and motivation.

Morale and productivity are often believed to have a positive correlation, with higher morale leading to higher productivity and vice versa. However, this is not always the case and there are instances where morale and productivity do not go hand in hand. While there may be some correlation between the two, an increase in morale does not guarantee a proportional increase in productivity.

Morale reflects an individual's attitude towards their work and there are several variables that impact this attitude and, in turn, productivity. Attitude is influenced by an individual's likes or dislikes towards people, things, or situations. While morale and productivity may be related, not all expressed attitudes are put into practice.

For instance, a company launches a flexible work schedule to boost employee morale. While the team appreciates the increased work-life balance, immediate productivity may not surge by the same percentage. Factors like project timelines, individual work habits, and external pressures contribute to a nuanced relationship between morale and productivity, demonstrating that they are not always directly proportional.

4. Morale and Productivity

According to Miller and Form, there are 4 possible combinations of morale and productivity:

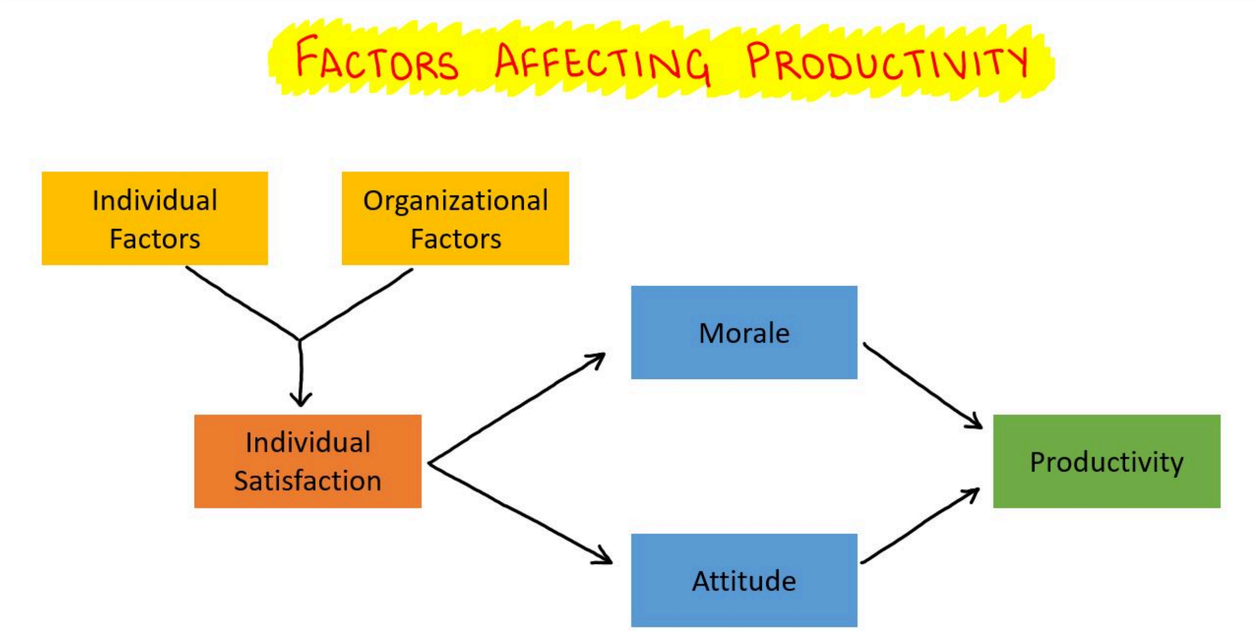
1. High Morale and High Productivity
This ideal state occurs when workers are highly motivated, receive considerate supervision, and possess advanced training. It represents the optimal use of human resources.

2. Low Morale and Low Productivity
This extreme scenario arises when there is a lack of motivation, unclear job roles, and strained superior-subordinate relationships. Low morale leads to frustrations, tensions, discontentment, and grievances, resulting in diminished productivity.

3. High Morale and Low Productivity
High morale may coincide with low productivity when employees are content but lack proper motivation. Additional factors contributing to low productivity include inefficient supervision, faulty materials, technology, and a low level of skills. Group norms may also restrict output despite high morale.

4. Low Morale and High Productivity
This situation occurs when management employs strict supervision and punishments to enforce high productivity. While it's possible to achieve short-term productivity gains with such measures, sustaining high productivity in the long run requires employees to be willing to work. A lack of willingness to work, stemming from low morale, poses challenges for long-term success.

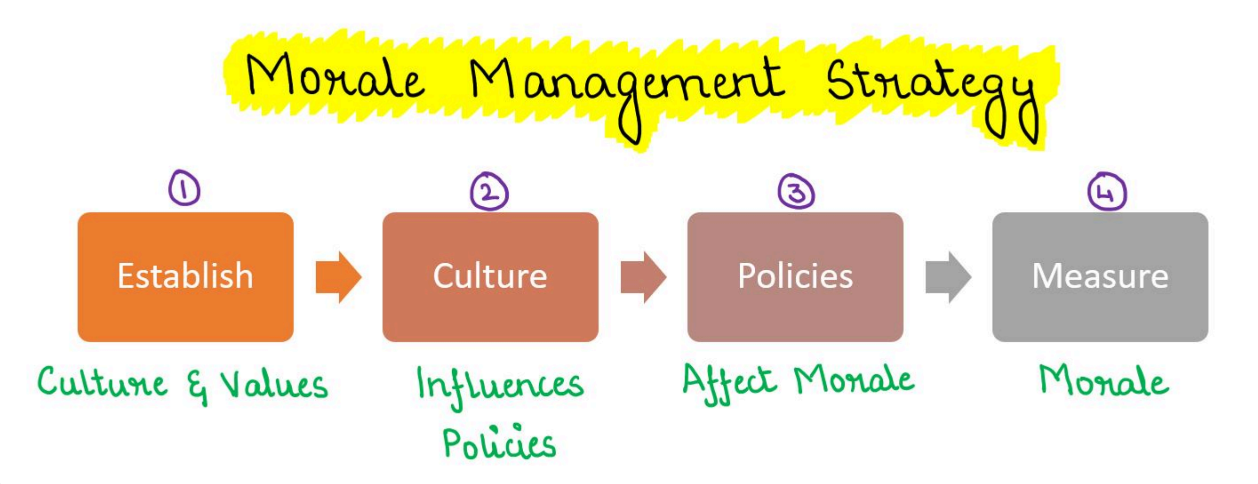
Thus, the relationship between morale, individual and organizational factors and productivity is very complex.



The figure shows that productivity is a function of 4 factors - organizational factors, individual factors, attitudes and morale. Attitudes and morale, in turn, are determined by the satisfaction of individuals, which is again affected by organizational and individual factors. Thus, productivity is a function of several variables; morale being one of the important ones. Though it is possible to achieve high productivity with low morale, this position cannot continue for long, because in the long run, employee will show their resistance and dissatisfaction, which eventually leads to low productivity.

5. Morale Management

Morale management involves strategically shaping and nurturing the overall well-being, motivation, and satisfaction of individuals within an organization. It encompasses leadership efforts to establish a positive culture, align organizational values, and address factors influencing employee morale to enhance overall workplace effectiveness.



The morale management strategy involves 4 key steps:

Step 1: Defining Organizational Culture and Values
Leadership establishes the overall "culture" and values of the organization, drawing from their own life experiences, beliefs, and the organizational needs.

Step 2: Culture's Impact on Operations
The established culture dictates "how things are done," influencing Human Resource policies, key personnel selection, management styles, and employee treatment.

Step 3: Employee Experience within the Culture
Employees interact with HR policies, management styles, and other cultural aspects in their daily work. Their psychological reactions to these elements, influenced by their personalities, contribute to individual morale. This individual morale merges with the group morale, shaped collectively by the workforce.

Step 4: Monitoring and Adjustment
In certain organizations, morale is measured and analyzed. Feedback, ranging from senior management to non-management employees, is provided. Adjustments are made to HR practices, procedures, and personnel to address lower morale sources. The results may prompt leadership to reconsider their thinking, beliefs, and practices, initiating a continuous loop that can re-start at Step 1 or 2.

6. Boosting Morale and Productivity

As an HR manager, one can play a crucial role in ensuring that workforce is motivated and productive. To achieve this, one can adopt one or more of the following strategies:

Recognize Individual Differences

Acknowledge diverse needs, attitudes, and personalities that influence employee motivation. Tailor motivation strategies to accommodate individual variations.

Match People to Job

Align employees with roles that fulfill higher growth needs, integrating the principles of the 'Job Characteristics Theory' by Hackman & Oldham. Job designs should encompass dimensions like Skill Variety, Task Identity, Task Significance, Autonomy, and Feedback.

SMART Goals

Set Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals. Ensure employees receive clear and challenging objectives along with feedback to drive motivation and performance.

Link Rewards to Performance

Apply the 'Reinforcement theory of motivation' by connecting key rewards, such as pay increases and promotions, to employee performance. Positive consequences should reinforce desired behavior.

Equity

Consider 'Equity theory' where employee motivation is influenced by the perceived fairness of benefits and rewards in comparison to the effort invested. Address imbalances to prevent employee demoralization.

Hygiene and Motivational Factors

Recognize Herzberg's Hygiene and Motivational factors. Hygiene factors, like pay and working conditions, prevent dissatisfaction, while Motivational factors, such as recognition and growth opportunities, lead to positive satisfaction.

Management by Objectives (MBO)

Implement Management By Objectives (MBO) to boost motivation by involving employees in goal-setting, fostering collaboration between managers and employees.

Job Quality

Utilize job enrichment, job enlargement, and job redesign to provide varied tasks, more responsibility, and improved worker-job alignment, promoting employee motivation.

Working Hours

Offer flexible work arrangements like flextime, part-time work, job sharing, and telecommuting to enhance motivation and job satisfaction by accommodating individual needs and responsibilities.

Employee Participation
Implement employee empowerment, self-managed work teams, and employee ownership programs, such as Employee Stock Ownership Plans (ESOPs), to increase employee involvement, decision-making authority, and commitment to organizational success.

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7. Fatigue

Fatigue can be defined as the state of decreased capacity or ability of a person to carry out work due to previous work and is characterized by physical and psychological depletion. It is caused by excessive work without rest, which consumes human energy and results in the accumulation of lactic acid in the blood and breakdown of tissues.

Fatigue has implications for efficiency and productivity and can be measured using tools like the Ergo Graph.

The key features of fatigue are as follows:

- Fatigue is reduced capacity for doing work/carrying out the activities.
- Fatigue is associated with physical and psychological depletion. It is conscious inability to continue the work after a certain state.
- It expresses in the form of a gradual decline in the work curve with a final "End Spurt".
- It is measurable with certain limitations.
- It can be reduced through the rest pauses.
- All workers experience fatigue.
- It can be reduced but can’t be prevented/avoided.

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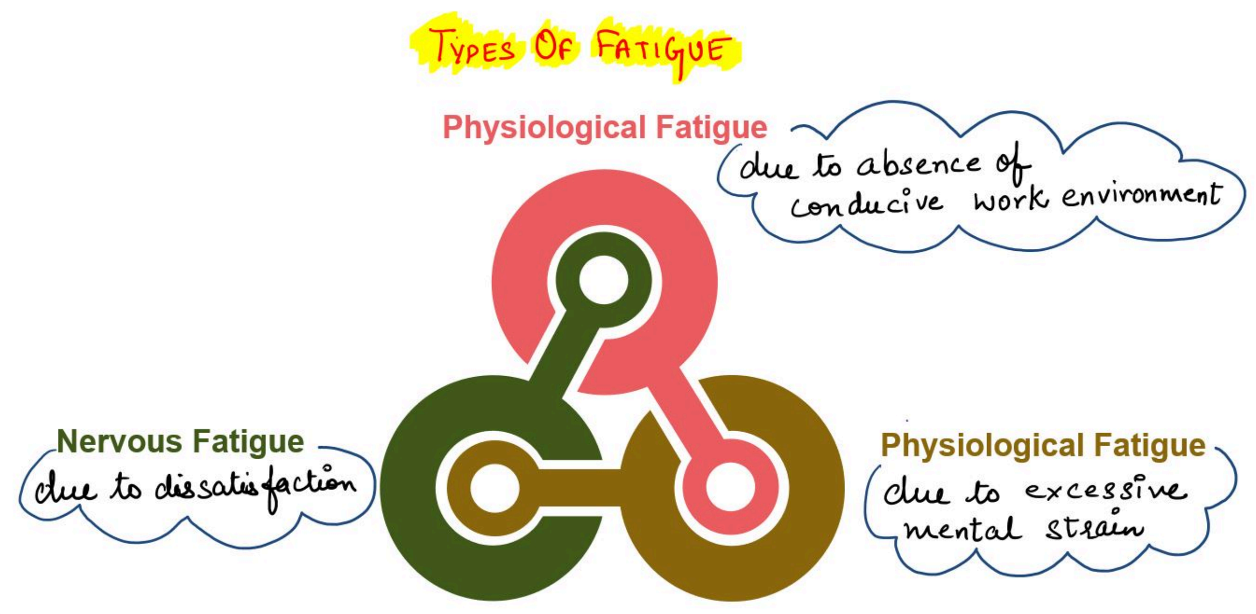
8. Types of Fatigue



Different types of fatigue include:

Physiological Fatigue

This type of fatigue is caused due to the absence of conducive physical work environment. Excessive and continuous work causes overstrain of the worker. At this stage, workers' organs fail to cooperate with him. Therefore, worker's efficiency, activities and output is reduced at this stage.

Psychological Fatigue

Employees doing mental work, managers, executives and scientists normally experience mental/psychological fatigue. They experience fatigue due to excessive mental strain, excessive thinking, excessive analysis and decision-making under pressure due to competition. Psychological fatigue is also known as monotony.

Nervous Fatigue

Excessive work sometimes results in inactiveness of muscles. This type of fatigue occurs when the employee is dissatisfied with the job, organization and the management.

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8. Types of Fatigue

Angelo Masso developed an instruction called **Ergo Graph**. This instrument helps to investigate the relation between fatigue and work in a relatively isolated part of the body.

The principle of ergo graph is that all fingers except middle are similarly immobilized. A string is then fastened to the free finger which is to be put to work. The free finger can be made to pull against the load, by placing the load on the other side of the string. A recording device is fastened to the moving string in order to obtain the graph of the output.

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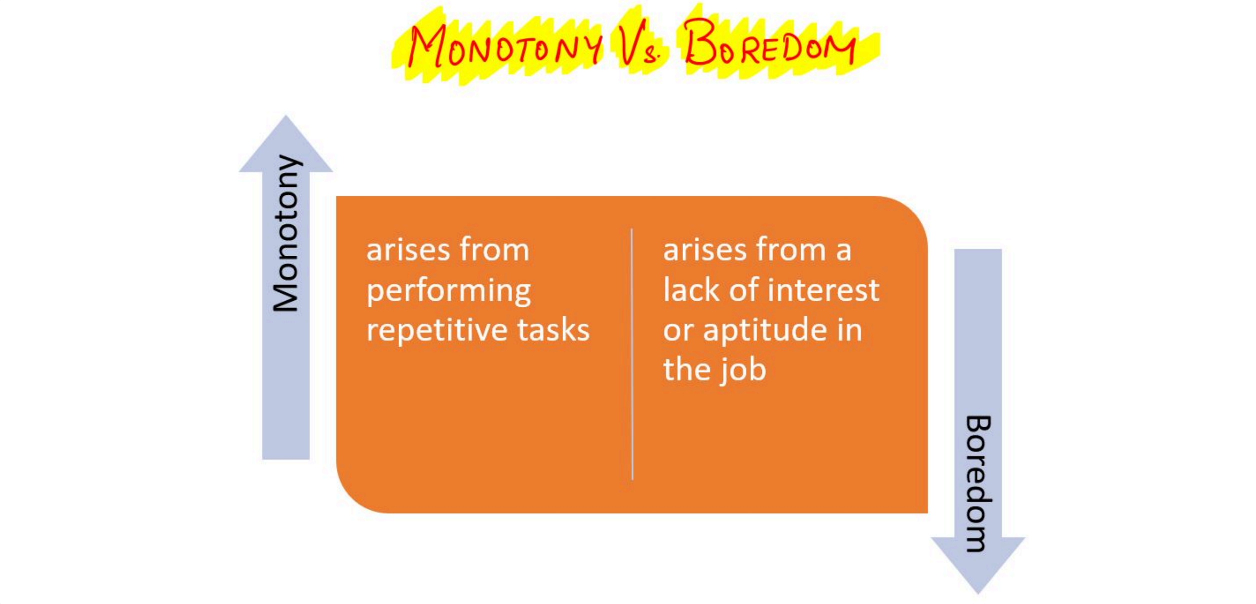
9. Monotony and Boredom



Monotony refers to the state of mind that arises from performing repetitive tasks, without necessarily indicating any emotional dislike towards the work. Job enlargement is a common cause of monotony, as it can overload employees with a horizontal expansion of duties, leading to the repetition of the same activities. For instance, jobs such as bank clerks, computer programmers, and accountants may experience monotony due to performing the same tasks repeatedly. Monotony is not necessarily caused by mental or physical exhaustion; rather, it is a state of mind or attitude towards the job.

Boredom, on the other hand, arises from a lack of interest or aptitude in the job. It is characterized by depression and a desire for a change of activities. Unlike monotony, boredom is affected by various factors such as personality, attitude, aptitude, or interest patterns, rather than performing repetitive tasks. Boredom is the desire for a change in work rather than a rest or relief from work. Repetitive, less challenging, or insignificant jobs can cause boredom in employees. It is a subjective aspect of fatigue, which is highly specific and may affect employees differently.

Imagine a worker who is working in a factory assembling the same part over and over again. The worker may experience monotony because they are doing the same task repeatedly, which can become tedious and unvarying. However, the worker may not necessarily feel bored if they are still engaged in the task and are motivated to complete it accurately and efficiently.

In contrast, another worker may be assigned a task that they do not find challenging or interesting. They may feel bored because they are disinterested or unengaged in the task, even if it's not monotonous because it requires different skills or knowledge.

Therefore, the key difference between monotony and boredom is that monotony relates to the nature of the task, while boredom relates to the individual's level of engagement or interest in the task.

1. Employee engagement and QWL

Employee engagement is an important aspect of creating a positive work environment that promotes Quality of Work Life (QWL). Both these concepts are discussed below.

Employee Engagement

Employee engagement refers to the emotional commitment an employee has to their organization and its goals, which can lead to increased productivity, job satisfaction, and employee retention. When employees are engaged, they feel valued and supported, which can have a positive impact on their overall quality of life.

For example, an organization that promotes employee engagement might offer opportunities for employees to provide feedback and suggestions for improvement, encourage open communication between employees and management, and provide opportunities for professional development and career growth. These practices can help to create a work environment that supports employee satisfaction and QWL.

Quality of work life (QWL)

Quality of work life (QWL) refers to the overall quality of the workplace and the work environment that an organization provides to its employees. It is a broad concept that encompasses various aspects such as job satisfaction, work-life balance, job security, workplace safety, employee wellness programs, fair and equitable treatment, and opportunities for career growth and development.

QWL is focused on creating a workplace that not only meets the physical and psychological needs of employees but also enables them to achieve their full potential and improve their quality of life. It is an essential aspect of Human Resource Management (HRM) that has become increasingly important in modern organizations as they recognize the link between a positive work environment and employee productivity, retention, and overall business success.

QWL can be influenced by many factors, including working conditions, compensation, and opportunities for growth and development. For instance, an organization that provides safe and healthy working conditions, fair compensation, and opportunities for career growth and development is more likely to have employees who are satisfied with their work and have a high QWL.

Additionally, promoting social integration within the work organization, such as through team building activities and social events, can also have a positive impact on QWL. By fostering a sense of community and belonging within the workplace, employees are more likely to feel supported and engaged in their work.

Thus, employee engagement and QWL are closely related and can have a significant impact on the success of an organization. By promoting a positive work environment that supports employee satisfaction, organizations can improve QWL and increase employee engagement, leading to a more productive and successful workforce.

2. Improving Quality of Work Life

Improving the quality of work life (QWL) is a continuous process and can be achieved through various techniques that prioritize employee satisfaction and well-being.

Techniques of Improving QWL

Some of the techniques for improving quality of work life are listed below:

Job Redesign

This involves restructuring job responsibilities and tasks to make them more challenging, stimulating and interesting. Job enrichment can lead to greater job satisfaction, motivation, and personal growth. For example, an administrative assistant's job could be enriched by assigning them more responsibilities such as managing company-wide events or handling social media accounts.

Career Development

Providing employees with opportunities for career advancement and growth helps to boost their commitment and loyalty to the organization. Career planning, mentoring, training programs, and skill development opportunities can help meet the expectations of achievement-oriented employees. For example, an organization can offer its employees access to online learning platforms to acquire new skills and knowledge.

Autonomous Work Groups

In an autonomous work group, employees are given the freedom to make decisions, plan, coordinate and control their activities. This approach provides employees with a sense of ownership and accountability for their work, which can enhance motivation and job satisfaction. For example, a manufacturing company could create self-managed work teams responsible for managing the production line.

Flexible Work Schedules

Flexible work arrangements such as flextime, job sharing, and reduced work weeks can provide employees with greater control over their schedules. This can help to balance work and personal life demands, reducing stress levels and increasing job satisfaction. For example, an employee with children could benefit from the option of working remotely or adjusting their work hours.

Participative Management

Employees want to have a say in decisions that affect their work and lives. Quality circles, suggestion systems, and management by objectives are examples of participative management techniques that can foster employee engagement and increase job satisfaction. For example, a suggestion system could be set up to encourage employees to share their ideas on how to improve workplace safety or reduce waste.

Employee recognition and rewards

Recognizing and rewarding employees for their efforts and contributions can improve their job satisfaction and motivation. For example, an employee of the month program, bonuses, or non-monetary rewards like extra time off or gift cards.

Health and wellness programs

Promoting healthy lifestyles can improve employees' physical and mental well-being, which can positively impact job performance and satisfaction. Examples of health and wellness programs include gym memberships, healthy snacks, mental health support, and ergonomic workstations.

Employee empowerment

Empowering employees to make decisions and take ownership of their work can increase their sense of control and autonomy. Examples of empowering employees include giving them autonomy over their work processes, encouraging them to take on leadership roles, and involving them in decision-making processes.

By implementing these techniques, organizations can improve the quality of work life for their employees and create a more positive work culture. This can lead to increased job satisfaction, higher employee morale, and improved productivity.

3. Quality Circles

Quality Circles are a participatory management technique that involves a small group of employees working in the same area and doing similar work, who voluntarily come together to identify, analyze and resolve work-related problems, with the goal of improving overall performance and enriching their work life. Quality Circles have been used successfully in many organizations around the world, especially in Japan, where they originated in the 1960s.

For example, Toyota Motor Corporation is famous for its Quality Circle program, which involves employees from all levels of the organization, from top managers to shop floor workers. Quality Circles have helped Toyota to achieve high levels of quality, productivity and innovation, and have contributed to its success as a leading automaker.

India established the National Productivity Council (NPC) in 1958, but at that time, product quality was not given much importance by Indian industries. This complacency persisted until BHEL took the initiative to introduce Quality Circles at its Ramachandrapuram Plant, following extensive technological collaboration with Japan that required visits by BHEL's senior managers to Japan. Under the leadership of S.R. Udpa, the General Manager (Operations), BHEL became the first Indian organization to implement QCs.

In 1982, BHEL launched a quarterly newsletter called the 'Quality Circle Forum'. Furthermore, a recording of the QC movement in BHEL was broadcasted over All India Radio (AIR).

As defined by S. R. Udpa, Quality Circle is a small group of employees in the same work-area or doing a similar type of work who voluntarily meet regularly for about an hour every week to identify, analyse and resolve work-related problems, leading to improvement in their total performance, and enrichment of their work life.

Essentials of Quality Circles

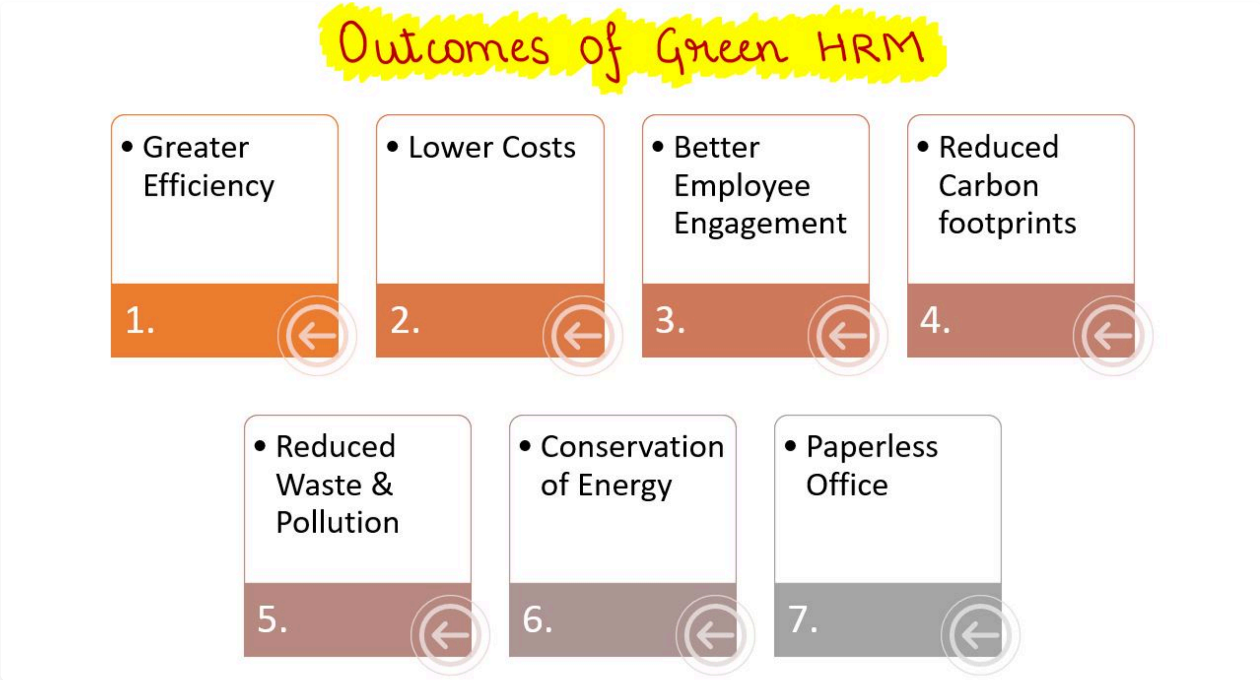
The essentials of Quality Circles are as follows.

- It is a small group of employees in the same work area and doing similar type of work.
- The membership of the quality circle is voluntary.
- They meet regularly for about an hour every week.
- Problems are identified, analysed and resolved through different techniques and procedures.
- It leads to improvement in total performance and enrichment of quality of work life.

Both the concepts (Quality Circles and Quality of Work Life) are interlinked. The quality circle may be regarded as a new tool to improve quality of work life.

1. Green and Sustainable HRM

Green Human Resource Management is a fairly new but an important and common human resources approach. Green and sustainable HRM (Human Resource Management) refers to the integration of environmentally sustainable practices into HRM policies, procedures, and practices. This means that companies consider the impact of their human resource decisions and actions on the environment and work to reduce their negative environmental impact. Green HRM is also called **Sustainable HRM**.



Green and sustainable HRM covers a wide range of areas, including recruitment, training and development, employee engagement, compensation and benefits, and employee relations.

These are illustrated below.

Green Recruitment and Selection

- Hiring people with mindset of care for environment.
- Using less paper during process of application screening, interviews, offer letters etc.
- Promoting sustainable culture of organization through job descriptions.

Green Training and Development

- Training on working methods that conserve energy, reduce waste.
- Spread environmental awareness within the organization.
- Provide opportunity to engage employees in environmental problem-solving.

Green Performance Management

- Weightage to energy saving parameters in Key Performance Indicators, KPIs.
- Continuous focus on firm's environmental outcomes.
- Aligning firm's environmental outcomes to individual performance measures.

Green Rewards

- Employees are rewarded for alignment with green company practices.
- Awarding bonuses for outstanding work on green projects.
- Green rewards can include the use of workplace and lifestyle benefits, ranging from carbon credit offsets to free bicycles.
- Emphasis on research for environment-friendly practices.

Green Audit

- HR Audit to include parameters for audit of environment-friendly practices.

Green Practices

- Conservation of Energy
- Paperless office
- Using less pollution-emitting vehicles
- Recycling and waste disposal
- Green Building

By adopting green and sustainable HRM practices, companies can reduce their environmental impact while also benefiting from improved employee engagement, retention, and productivity. Companies can also enhance their reputation as environmentally responsible organizations, which can lead to increased customer loyalty and improved relationships with stakeholders.

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2. Challenges of Green and Sustainable HRM

Green and sustainable HRM also faces several challenges. Some of the main challenges are given below.

- **Resistance to change:** Employees and managers may be resistant to change and may not fully understand the benefits of green and sustainable practices.
- **Lack of knowledge and expertise:** Many organizations lack the necessary knowledge and expertise to implement green and sustainable HRM practices effectively.
- **Cost:** Implementing green and sustainable practices can be expensive, and organizations may be hesitant to invest in these practices.
- **Measurement and evaluation:** It can be difficult to measure the effectiveness of green and sustainable HRM practices, and organizations may struggle to evaluate their impact.
- **Inconsistent regulations and standards:** Regulations and standards related to green and sustainable practices can vary by country, region, and industry, which can create challenges for organizations operating in multiple locations.

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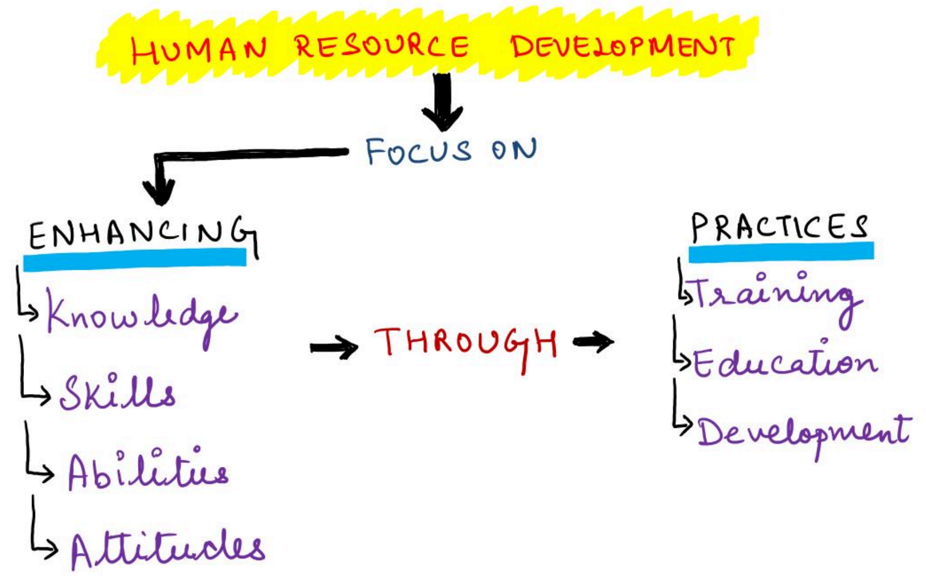
1. Introduction

Human Resource Development (HRD) is a term used to describe a range of practices and processes that an organization can use to enhance the knowledge, skills, abilities, and attitudes of its employees.



The concept of HRD first emerged in the United States in 1969 when Leonard Nadler published his book "Developing Human Resources." Since then, HRD has become an essential part of Human Resource Management (HRM), with a focus on training, education, and development.

HRD is a systematic and planned practice designed to ensure that employees at all levels of an organization have the necessary knowledge and skills to perform their jobs effectively. HRD activities begin when an employee is hired and continue throughout their tenure with the organization. These activities are designed to direct current and future job demands so that valuable resources are used efficiently and effectively.

The implementation of HRD can be centralized or decentralized, depending on the structure and functions of the organization. In a **centralized HRD structure**, the responsibility for HRD lies with a specific department or function, such as the training or development department. In a **decentralized HRD structure**, the responsibility for HRD is distributed throughout the organization, with each department or function responsible for developing its employees.

HRD as an integral part of HRM

HRD is an integral part of HRM, which covers all aspects of managing human resources in an organization. While HRM includes HRD, it also encompasses other critical functions, such as recruitment and selection, compensation and benefits, employee relations, and performance management.

HRD is a critical component of HRM, providing a range of practices and processes to enhance employee knowledge, skills, abilities, and attitudes. It is a systematic and planned practice that begins when an employee is hired and continues throughout their tenure with the organization. HRD can be centralized or decentralized, depending on the structure and functions of the organization. While HRD is a critical part of HRM, it is essential to remember that HRM covers all aspects of managing human resources in an organization.

1. Introduction

HRD mechanisms refer to the systems, processes, and practices used to support HRD interventions, such as HR policies, procedures, and infrastructure. HRD interventions are the specific activities used to build competence, culture, and commitment among employees, while HRD mechanisms provide the framework for implementing these activities.

For example, an HR manager may use a training and development program to improve employee skills and knowledge, such as leadership training or technical skills training. The HR policies and procedures that support this program, such as performance appraisals and career development plans, are HRD mechanisms. The goal of these interventions and mechanisms is to create a positive HRD climate and culture that supports employee development and organizational success.

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2. Prominent Definitions

Patricia McLagan defined HRD as any process or activity that, either initially or over the longer-term, has the potential to develop adults' work based knowledge, expertise, productivity, and satisfaction, whether for personal or group/team gain, or for the benefit of an organization, community, nation, or, ultimately the whole humanity.

Leonard Nadler defined HRD as those learning experiences which are organized, for a specific time, and designed to bring about the possibility of behavioral change.

Prof. T.V. Rao (considered as Father of Indian HRD) defined, HRD is a process by which the employees of an organisation are helped in a continuous and planned way to:

- acquire or sharpen their capabilities required to perform various functions associated with their present or expected future roles;
- develop their general capabilities as individual and discover and exploit their own inner potential for their own and /or organisational development purposes;
- develop an organisational culture in which superior-subordinate relationship, team work and collaboration among sub-units are strong and contribute to the professional well-being, motivation and pride of employees.

According to M.M. Khan, HRD is the process of increasing knowledge, skills, capabilities and positive work attitudes and value of all people working at all levels in a business undertaking.

According to Udai Preek, HRD is new systematic approach to proactively deal with the issues related to individual employees, teams and organizations and a movement to develop organizational capability to manage change and challenge.

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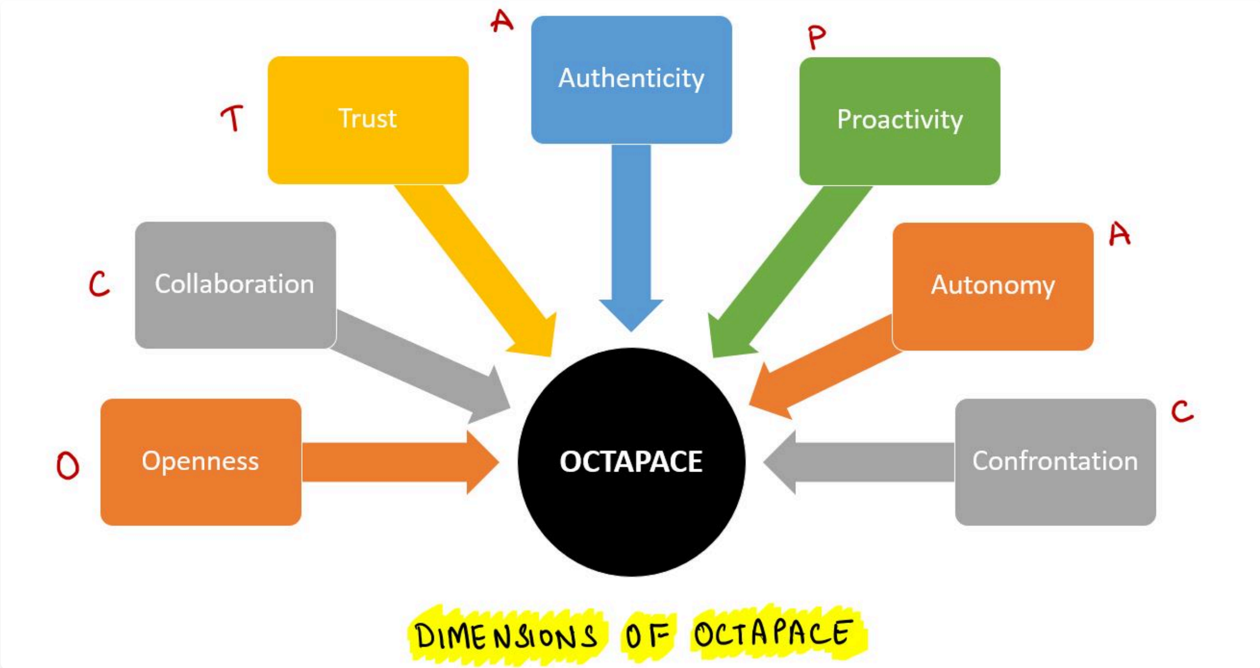
3. HRD Climate and Culture

The HRD climate and culture refer to the shared beliefs, attitudes, and practices within an organization that shape employee behavior and performance. This culture is established by the top management and the HRD system and practices that they implement. HRD focuses on building competence, culture, and commitment among employees.

OCTAPACE Model

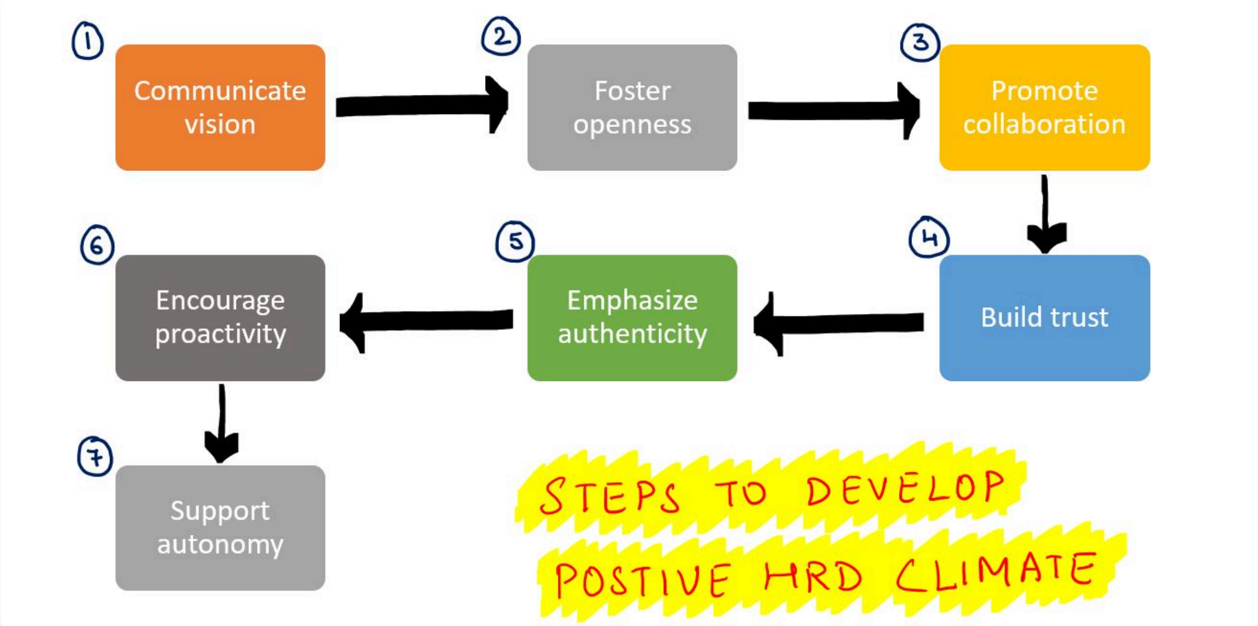


The OCTAPACE model defines the characteristics of a positive HRD culture, which include openness, collaboration, trust, authenticity, proactivity, autonomy, and confrontation.

- **Openness** refers to a culture where employees are free to express their ideas, opinions, and feelings without fear of retribution.
- **Collaboration** involves a culture where employees are willing to help each other.
- **Trust and trustworthiness** are essential components of a culture where people believe in each other and act on verbal instructions without waiting for written explanations.
- **Authenticity** is a culture where people speak truthfully and keep their promises.
- **Proactivity** involves promoting initiative and exploration among all employees.
- **Autonomy** allows employees to exercise discretion in their work.
- Finally, **confrontation** is a culture where employees can discuss issues without hurting each other.

4. Developing positive HRD climate

To develop a positive HRD climate and culture, HR managers can take the following steps:



1. Communicate the vision

HR managers should communicate the organization's vision, goals, and values to employees. This will help employees understand the organization's direction and how they fit into the bigger picture.

2. Foster openness

HR managers should create a culture where employees feel comfortable expressing their ideas, opinions, and feelings without fear of retribution. This can be achieved by encouraging open communication and active listening.

3. Promote collaboration

HR managers should encourage employees to work together and help each other. This can be achieved by implementing team-building activities and encouraging cross-functional collaboration.

4. Build trust

HR managers should create an environment where employees believe in each other and act on verbal instructions without waiting for written explanations. This can be achieved by being transparent and consistent in HR practices.

5. Emphasize authenticity

HR managers should promote a culture where people speak truthfully and keep their promises. This can be achieved by ensuring that HR practices align with the organization's values and by holding employees accountable for their actions.

6. Encourage proactivity

HR managers should promote initiative and exploration among all employees. This can be achieved by providing opportunities for employees to take on new challenges and by recognizing and rewarding proactive behavior.

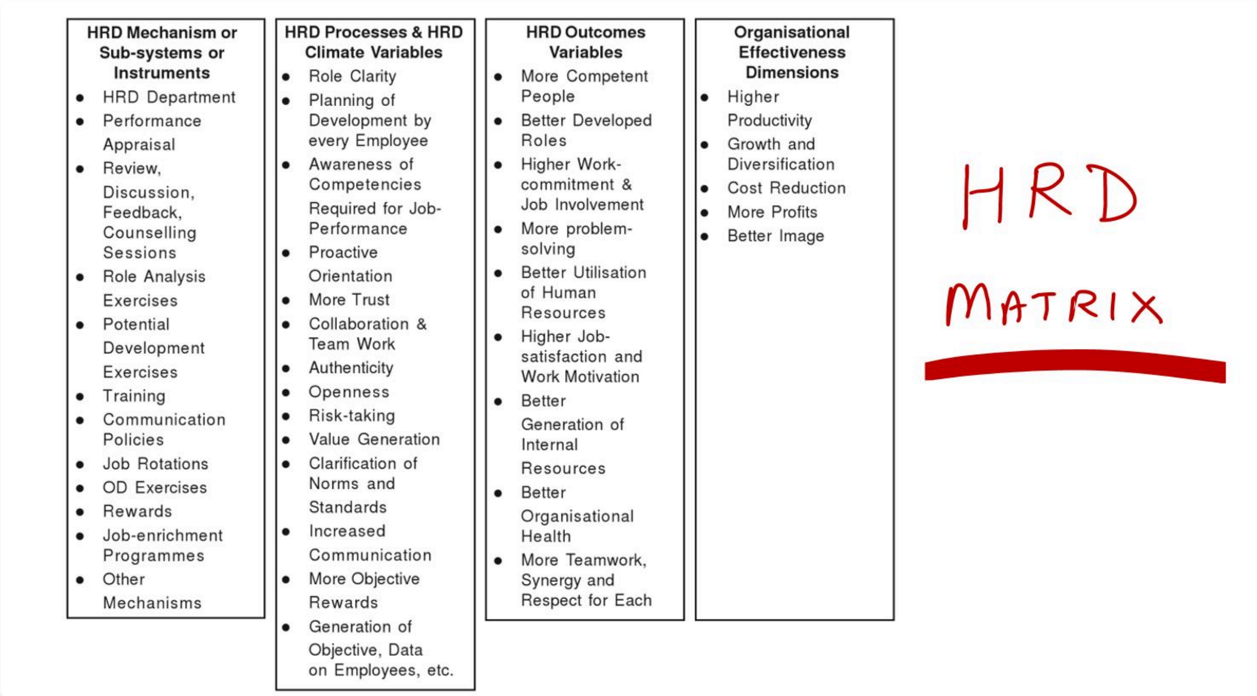
7. Support autonomy

HR managers should allow employees to exercise discretion in their work. This can be achieved by providing clear goals and expectations and by trusting employees to make decisions.

HR managers can use various HRD interventions to develop a positive culture and climate, such as training and development programs, performance management systems, and employee engagement initiatives.

5. HRD Matrix

The Integrated HRD Approach, developed by Pareek and Rao, is a comprehensive approach to Human Resource Development (HRD). The approach was originally developed in 1975, when Larsen & Toubro appointed the two consultants from the IIM, Ahmedabad to study the performance appraisal system and make recommendations for improving it. Based on their study, Pareek and Rao recommended that different aspects of HRD, including Performance Appraisal, Potential Appraisal, Feedback and Counseling, Career Development and Career Planning, and Training and Development, be treated as unique parts of an integrated system, which they called the Human Resources Development System. They proposed that this system be treated as a separate system with strong linkages to the Personnel (Human Resources) system.



Overall, the Integrated HRD Approach has 5 key elements.

- **First**, it requires a separate and differentiated HRD department with full-time HRD staff.
- **Second**, it includes 6 HRD subsystems.
- **Third**, it emphasizes the interlinkages between the various subsystems.
- **Fourth**, it is designed with 14 principles in mind, and
- **Fifth**, it is linked to other subsystems of the Human Resource Function.

For example, in the early 1990s, the State Bank of India (SBI) decided to adopt the Integrated HRD Approach and create a new HRD department. The bank had over 300,000 employees and was facing a number of challenges related to human resource management, including low employee morale, inadequate training and development programs, and high turnover rates.

Under the Integrated HRD Approach, the bank established a separate and differentiated HRD department with full-time HRD staff. The HRD department worked closely with the Personnel (Human Resources) department to ensure that HRD was closely linked to the overall human resource strategy of the bank. The bank also adopted the 14 principles of the Integrated HRD Approach, which helped to promote a culture of continuous learning and development throughout the organization.

As a result of these efforts, the bank was able to improve employee morale, reduce turnover rates, and enhance the skills and capabilities of its workforce.

5. HRD Matrix

Pareek and Rao also outlined a philosophy for a new HR system that includes 14 principles that should be kept in mind when designing the HRD system.

1. HRD systems should help the company to increase enabling capabilities.
2. HRD systems should help individuals to recognize their potential and help them to contribute their best towards the various organizational roles.
3. HRD systems should help maximize individual autonomy through increased responsibility.
4. HRD systems should facilitate decentralization through delegation and shared responsibility.
5. HRD systems should facilitate participative decision-making.
6. HRD system should attempt to balance the current organizational culture with changing culture.
7. HRD should balance differentiation with integration.
8. HRD should Balance specialization with diffusion of the function.
9. HRD system should ensure responsibility.
10. HRD should build feedback and reinforcement mechanisms.
11. HRD system should maintain a balance quantification and qualitative decisions.
12. There should be a balance between external and internal help.
13. The HRD system should plan the evolution of the function.
14. There should be a continuous review and renewal of the function.

5. HRD Matrix

As given by Pareek in 1991, HRD is a continuous process that involves multiple human units and systems. These units include individual employees, roles, dyads, teams, inter-teams, and the organization as a whole. Each unit has specific processes that are relevant to their development.

The 6 HRD Units of HRD Matrix are:

1. Individual Employee

There are 3 important processes relevant to the development of persons or individuals in organisations.

- **Self-Management:** The person working in an organisation should develop competencies to manage his/her work effectively.
- **Competence Building:** The main contribution of HRD to the individual development is in terms of building competencies required for better performance on the job.
- **Advancement:** HRD should help in the process of advancement of employees with a two-pronged approach: (i) identifying their potential for use in higher responsibilities in the organization, and (ii) helping them to develop further potential to take up new challenges progressively.

2. Role

There are 3 main aspects of the development processes of roles:

- **Optimum Stress:** Each role must have enough stressors which may help the role occupant to stretch himself/herself to meet the challenge.
- **Linkages:** While roles in organisations are occupied by individual employees, it is necessary to build linkages amongst the roles, as well as linkages of different roles with challenging goals.
- **Autonomy:** HRD must attempt to develop a sense of autonomy in every role, even at the lowest level in the organization.

3. Dyad

The dyadic unit, defined in terms of an employee and his supervisor, is the basic building block in an organisational structure. The stronger the dyads are, the stronger the organisation will be. The focus of development of dyads in an organisation would involve developing the following 3 processes:

- **Trust:** Trust must develop between employee and his supervisor.
- **Mutuality:** Helping mutual relationship employee and his supervisor.
- **Communication:** Health communication employee and his supervisor.

4. Teams

There are 2 primary areas on which HRD efforts must focus:

- **Cohesion:** The team should be cohesive. Well-knit teams produce synergy and are able to utilise individual competencies and stimulate innovations.
- **Resource Utilisation:** Effective teams maximise the use of resources available amongst members of the team.

5. Inter Teams

The main emphasis of inter-teams is to develop cooperation amongst various groups in the organisation (for example, departments, divisions, functions) so that they are able to work effectively towards the common objectives.

6. Organization

As far as the organisation is concerned, the following three processes deserve attention of HRD:

- **Growth:** Every organisation looks forward to growing.
- **Impact:** Each organisation would like to have some impact on outside organisations or customers like developing new markets, developing services or products, introducing new technology.
- **Self Renewal:** The organisation must examine its working from time-to-time and take steps to update its technology.

5. HRD Matrix

HRD functions are carried out through its systems and sub systems. Udai Pareek developed the following systems framework of HRD has 6 major systems and each of the systems has sub systems (Interventions).

1. Career system

As an HRD system, career system ensures attraction and retention of human resources through the sub-systems of Manpower planning, Recruitment, Career planning, Succession planning, Retention etc.

2. Work system

Work-planning system ensures that the attracted and retained human resources are utilized in the best possible way to obtain organizational objectives. The sub systems of the work planning system are Role analysis, Role efficacy etc.

3. Appraisal System (also called Performance Management System)

The sub systems of the appraisal system are Performance plan, Performance feedback and guidance, Performance appraisal, Promotion, Job rotation, Reward etc.

4. Development system (also called Training System)

The development system ensures that the retained (career system) and utilized (work system) human resources are also continuously developed so that they are in a position to meet the emerging needs of the hour. The sub - systems are Induction, Training, Job enrichment, Self-learning mechanisms, Potential appraisal, Succession Development, Counseling, Mentor system etc.

5. Self-renewal system

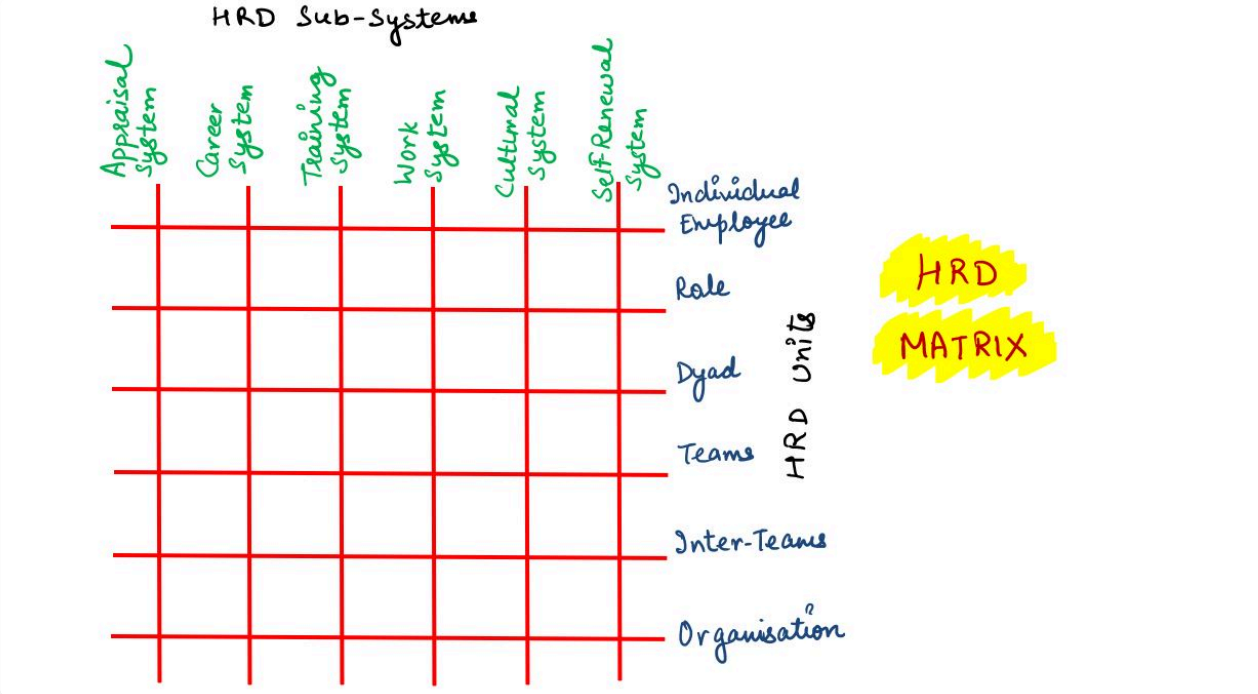
It is not enough to develop individuals and teams in the organizations but occasionally there is a need to renew and re-juvenate the organization itself. The sub-systems that can be utilized to renew the organization are Survey, Action research, Organizational Development interventions, Organizational Retreats etc.

6. Culture system

The culture will give a sense of direction, purpose, togetherness, and teamwork. The culture building subsystems are Vision, Mission and Goal, Values, Communication, Get-togethers and celebrations, Empowerments, Rewards and recognition etc.

HRD Matrix

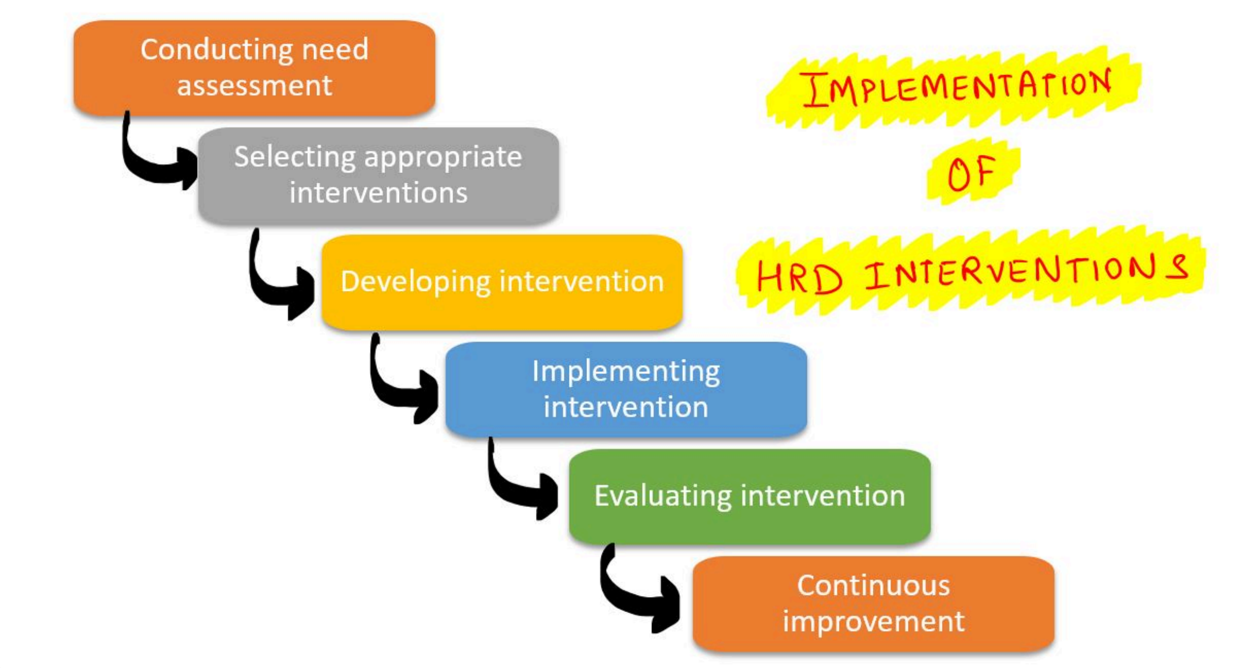
Together, 6 HRD sub-systems and 6 HRD units form a 6 × 6 HRD matrix, which is a comprehensive tool that helps organizations identify their HRD needs and develop appropriate interventions. In other words, HRD Matrix identifies the interrelationships between HRD instruments, processes, outcomes and organisational effectiveness.



An example of the HRD matrix is the employee development process at IBM. The company uses the HRD matrix to identify and evaluate employee skills and potential for growth. The matrix categorizes employees into four quadrants: high potential and high performance, high potential and low performance, low potential and high performance, and low potential and low performance. Based on this categorization, IBM creates individualized development plans for each employee. For example, high-potential employees with low performance are given additional training and mentoring to help them improve their skills and become high performers. On the other hand, low-potential employees with high performance may be given new responsibilities to keep them engaged and motivated. The HRD matrix has helped IBM identify and develop talent, and has been credited with improving employee engagement and retention.

6. HRD Interventions

HRD interventions are activities or programs that aim to improve the performance, productivity, and overall effectiveness of an organization by enhancing the skills, knowledge, and abilities of its employees.



For example, conflict resolution is an HRD intervention that is used to reduce (manage) or find a solution to (resolve) a problem involving disagreement between two or more people. Similarly, team building is an HRD intervention that strengthens the relationships among team members.

HR managers can develop and implement HRD interventions in several ways, including the following:

Conducting a needs assessment

HR managers need to identify the specific areas where the organization needs improvement. They can do this by conducting a needs assessment to determine the gap between the current performance of employees and the desired performance.

Selecting appropriate interventions

After identifying the areas of improvement, HR managers can select the appropriate HRD interventions that can address the specific needs of the organization. Examples of HRD interventions include training and development programs, coaching and mentoring programs, job enrichment, job rotation, and team-building activities.

Developing the intervention

Once the appropriate HRD intervention has been identified, HR managers can develop the program by designing the training modules, selecting the trainers, and determining the resources needed to execute the intervention.

Implementing the intervention

HR managers need to ensure that the HRD intervention is effectively implemented. They need to communicate the program to the employees, ensure that the resources are available, and monitor the progress of the intervention.

Evaluating the intervention

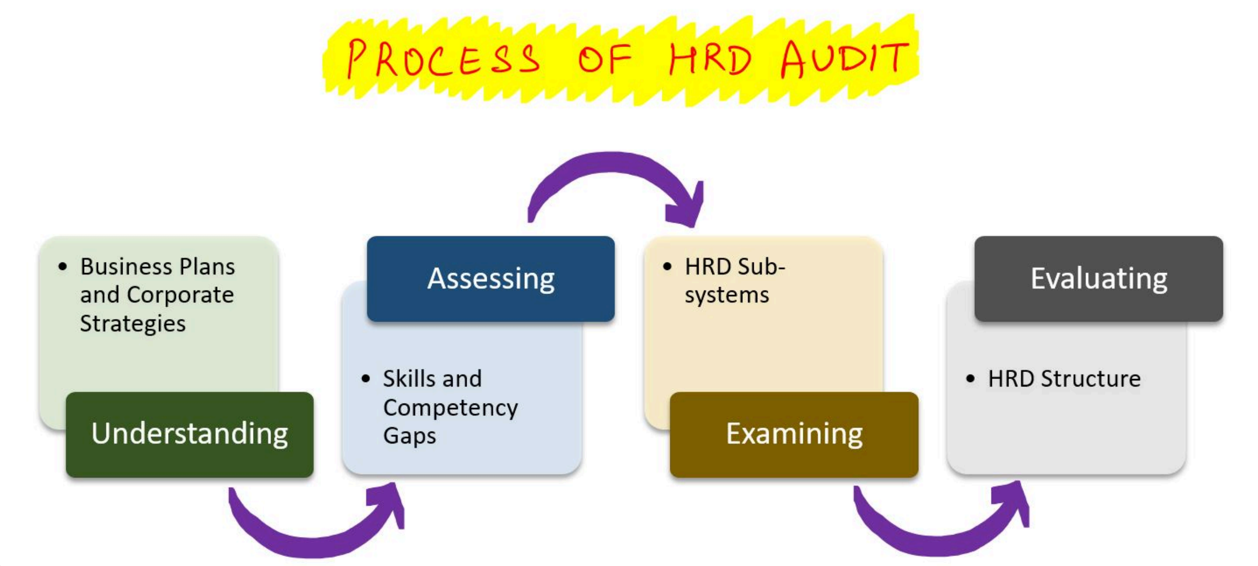
HR managers need to evaluate the effectiveness of the HRD intervention by measuring the performance of employees before and after the intervention. This evaluation will help HR managers to determine if the intervention was successful and if any modifications need to be made.

Continuous improvement

HR managers need to continuously improve the HRD interventions to ensure that they remain relevant to the changing needs of the organization. This can be achieved by seeking feedback from employees, monitoring the effectiveness of the intervention, and modifying the program accordingly.

7. HRD Audit

HRD Audit is a systematic and comprehensive approach to assessing the current and future human resource development needs of an organization. It involves evaluating the effectiveness of HRD systems, competencies, culture, and business linkages in achieving the long-term business goals and short-term results of the company.



Stages of HRD Audit

The approach starts with an understanding of the future business plans and corporate strategies of the organization. This serves as a base for outlining the competency requirements of the organization in the future. The auditors attempt to answer the question of where the company wants to be in ten years' time, three years from now, and one year from now.

The HRD audit then assesses the existing skills and competency gaps of HRD staff in the company in relation to various roles and role requirements. This involves examining the qualifications of HRD staff, job descriptions, and training programs attended. The auditors also attempt to identify various HRD sub-systems that are available to ensure the availability, utilization, and development of skills and other competencies in the company.

In the next stage, the auditors examine whether the current HRD structure can handle the imperative and future HRD needs of the company. This examination helps assess the existing skill base of the HRD staff of the company, their professional preparation, their attitudes, their values, their developmental needs, and the line managers' perceptions regarding them.

The leadership styles, human relations skills, and other factors of senior managers are also examined to facilitate the creation of a learning environment.

7. HRD Audit

The HRD Scorecard is a measure of the HRD maturity level of an organization.

SAMPLE HRD SCORE CARD

HRD SCORE CARD				
Name of the Organization – XYZ Ltd.				
HRD Systems and Strategies	HRD Competencies	HRD Culture and Values	HRD Impact	Overall HRD Maturity Grading
B	D	C	D	BDCD

The maturity level of HRD in an organization is indicated by the following factors (given by T V Rao):

1. HRD Systems Maturity Score: In a HRD Mature organization there will be well-developed HRD systems and HRD systems Maturity can be measured through HRD audit.

2. HRD Competence Score: Competencies of the HRD department and the line managers play a significant role in implementing the systems and processes in ways that could ensure employee satisfaction, competence building and customer satisfaction linkages.

3. The HRD Culture: Values and processes created by the HRD tools, staff and their styles also play a crucial role in building sustainable competencies in the organization. These need to be measured and monitored. It is possible in some corporations to have very little of HR systems and yet have a high level of HR competencies and HR culture.

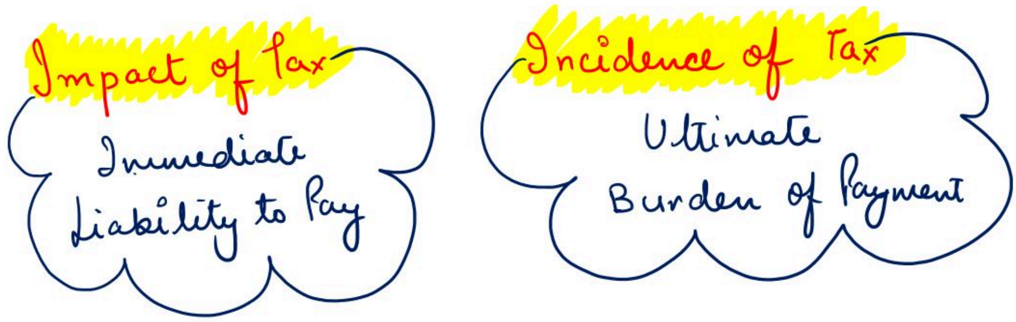
4. HRD-Business Linkage Score: Business linkages of HRD are very crucial component of HRD effectiveness. HRD systems, competencies and the culture must be aligned with the business goals of the corporation. The alignment could be ensured through the direct linkages with customer satisfaction and employee motivation indices.

1. Institutional Framework

The Government of India levies two types of taxes on the citizens of India; Direct Tax and Indirect Tax.

Direct Taxes Code
Through Direct Taxes Code (DTC), the government aims to simplify the structure of 'direct tax' laws in India into a single legislation. The DTC will replace the Income-tax Act, 1961, and other direct tax legislation like the Wealth Tax Act, 1957. The first draft Direct Taxes Code Bill was released on August 12, 2009, and then a Revised Discussion Paper (RDP) was in 2010. In 2017, the government set up an expert committee to draft a new Direct Taxes Code. The report of the task force was submitted in 2019. Akhilesh Ranjan is the head of the task force.

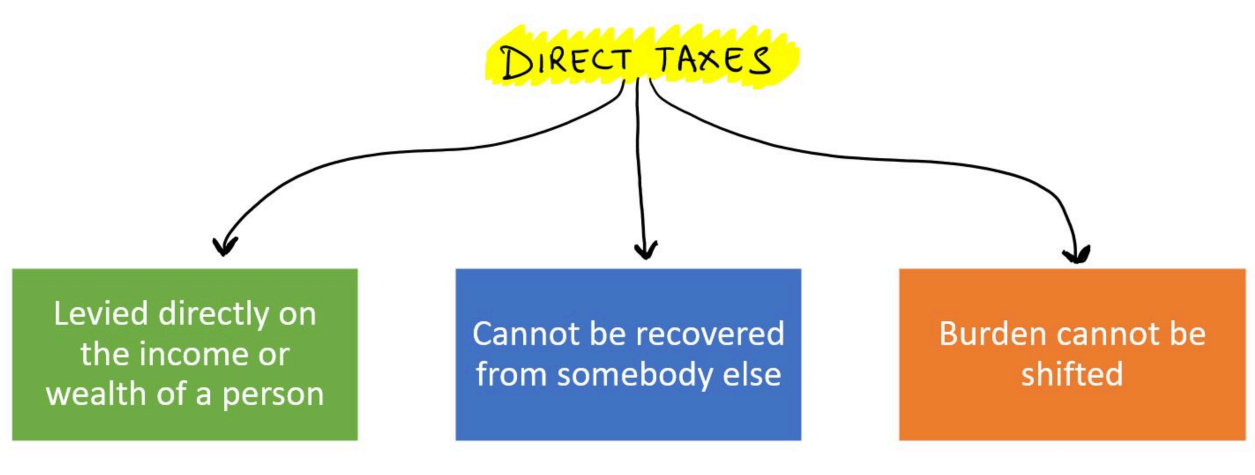
Every Tax which is levied by any Government has the following *two* effects.



1) When a tax is imposed, the immediate effect of the tax is on the person on whom the tax has been imposed and he shall be liable to pay such tax. This effect is known as **impact of tax**.

2) The next issue involved in the imposition of tax is whether the burden of such tax, which is imposed on a person, can be shifted to another person i.e., whether the tax can be recovered from another person. In other words, who will be ultimately affected by the imposition of tax. This effect is also known as **incidence of tax**.

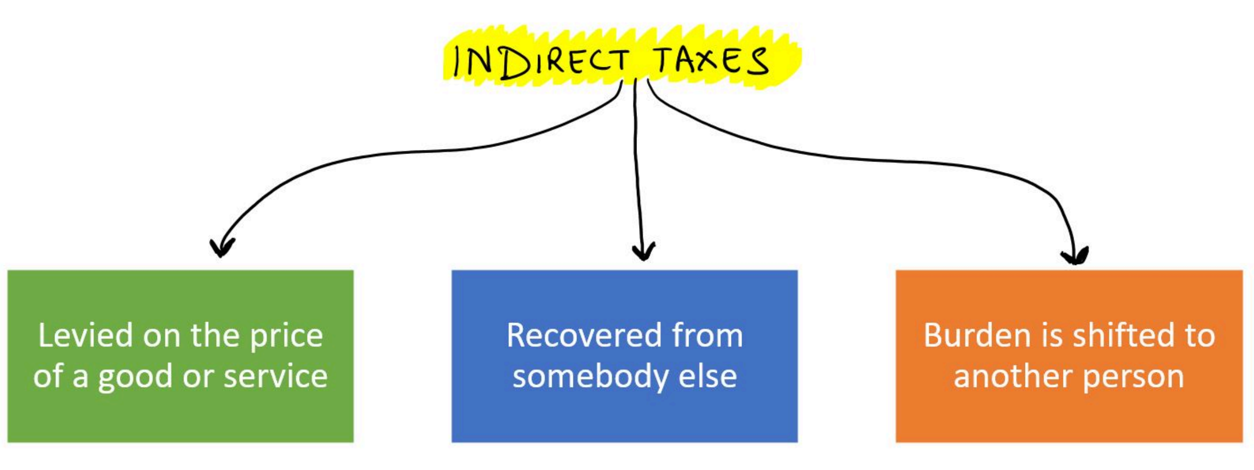
1. Institutional Framework



If the impact and incidence of tax is on the same person, i.e., the burden of tax cannot be shifted or recovered from other person, it is known as **Direct Tax**.

Examples of direct taxes are:
1. Income tax levied by the Central Government
2. Taxes (i.e., stamp duty) on land and building levied by the State Government
3. Estate Tax or Inheritance Tax
4. Wealth Tax
5. Corporation Tax
6. Property Tax
7. Minimum Alternate Tax
8. Capital Gain Tax
9. Gift Tax
10. Fringe Benefit Tax

1. Institutional Framework



If the impact of tax is on one person and the incidence of the tax is on another person i.e., the burden of tax can be shifted or the tax so paid by a person can be recovered from another person, it is known as **Indirect Tax**.

Examples of Indirect Taxes are:
1. Goods and Services Tax (GST) - CGST (Central GST), SGST (State GST), IGST (Integrated GST), UTGST (Union Territory GST)
2. Central Excise Duty levied by Central Government
3. VAT levied by the State Government (under Pre-GST Regime)
4. Service Tax (under Pre-GST Regime)
5. Customs Duty
6. Sales Tax (under Pre-GST Regime)
7. Securities Transactions Tax

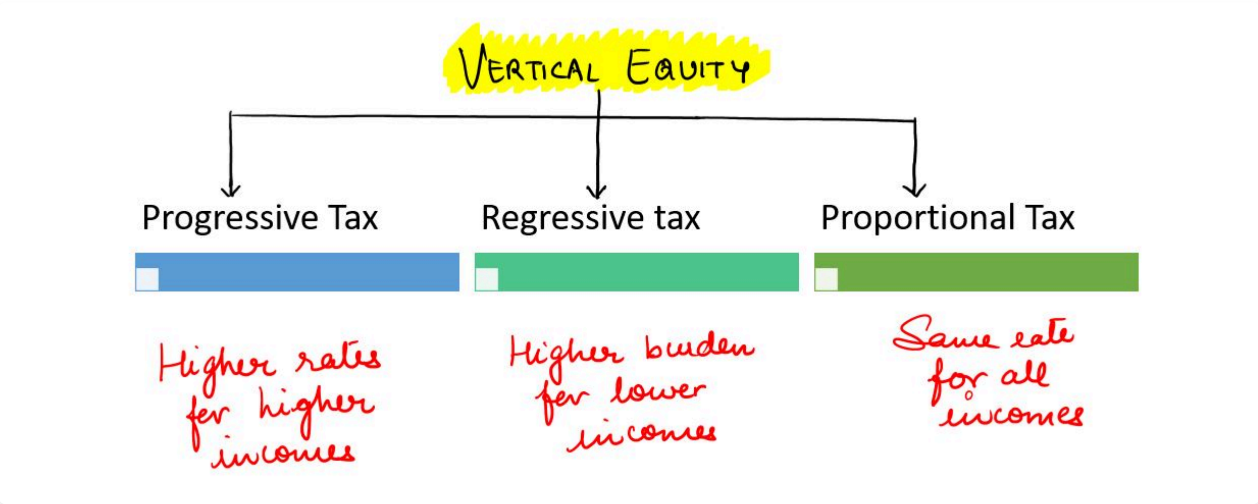
The Department of Revenue functions under the Ministry of Finance. It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through 2 statutory boards namely, the **Central Board of Direct Taxes (CBDT)** and the **Central Board of Indirect Taxes and Customs (CBIC)**. Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct taxes are looked after by the CBDT, whereas those relating to levy and collection of Goods and Service Taxes (GST), Customs and Central Excise duties, Service Tax and other Indirect taxes fall within the purview of the CBIC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Each Board has a sanctioned strength of 6 (six) members.

1. Institutional Framework

A good tax system should meet 5 basic conditions, that is, fairness, adequacy, simplicity, transparency and administrative ease.

Under the taxation system, there are 2 concepts to measure equity; Horizontal Equity and Vertical Equity.

Horizontal equity refers to the system where those who have the same amount of wealth, or similar levels of income, should be taxed at the same rate as others within that same income bracket. For example, if two people earn Rs. 50,000 and receive the same tax bill of Rs. 10,000, then the system is considered horizontally equitable.



However, the concept that people in different income groups should pay different rates of taxes or different percentages of their incomes as taxes, is termed as **Vertical Equity**. It is a method of taxation wherein the personal income tax liability of an individual increases as their income increases. It is based on the principle that individuals with higher incomes and more assets must pay a higher income tax than others. For example, if someone who earns Rs. 2,50,000 is subject to a 10% tax rate and someone who earns Rs. 3,50,000 is subject to a 20% tax rate, then the system is considered vertically equitable.

Vertical equity involves classifying taxes as regressive, proportional, or progressive.

1. Progressive tax
It is a tax that takes a larger percentage of tax from high-income groups than from low-income groups. In simple words, the tax rate is higher for rich and lower for poor people. This helps to reduce unequal distribution of income and wealth in the society.

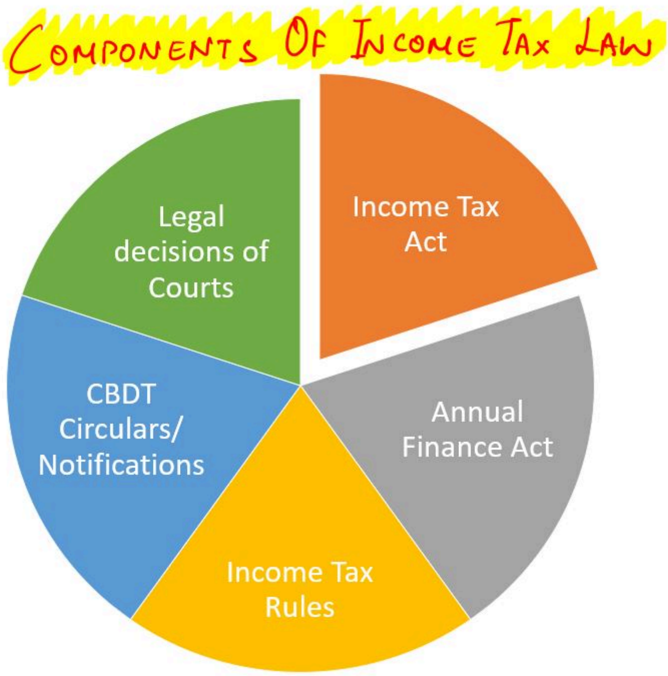
2. Regressive tax

It is a tax that takes a larger percentage of tax from low-income groups than from high-income groups. This is not a popular mode of taxation and not as per the spirit of modern democracies.

3. Proportional tax

It is a tax that takes the same percentage of tax from all income groups. In other words, even when the level of income and wealth increases, the rate of tax remains same.

2. Scheme of Income Tax in India

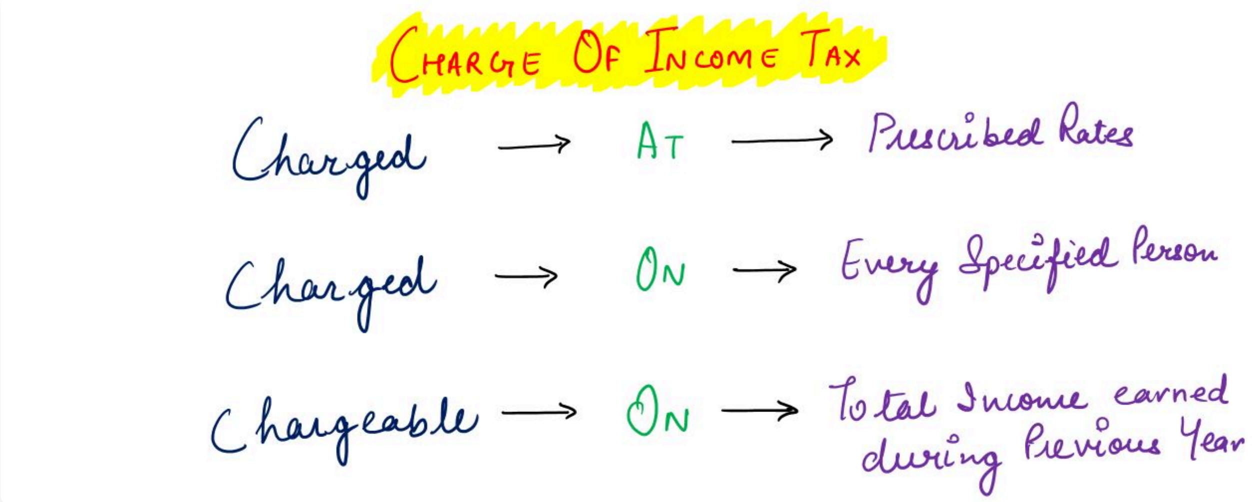


The present law of income tax in India is governed by the Income Tax Act, 1961 which is amended from time to time by the Annual Finance Act and other legislations pertaining to direct tax. The Act which came into force on April 1, 1962, replaced the Indian Income Tax Act, 1922, which had remained in operation for 40 years. Furthermore, a set of rules known as Income Tax Rules, 1962 are framed for implementing the various provisions of the Act, from time to time.

As per Budget 2025-26 (presented in 2025), the contribution of Income Tax is around 22% in total income of the country.

Rupee comes from			**Rupee goes to**	
Borrowing & other Liabilities	24%		Interest payments	20%
GST and others	18%		State's share of Taxes	22%
Income Tax	22%		Central Sector schemes	16%
Corporation Tax	17%		Centrally sponsored schemes	8%
Union Excise Duties	5%		Defence	8%
Non-Tax Receipts	7%		Other Expenditures	9%
Customs	4%		Subsidies	6%
Non-debt Capital receipts	1%		Pensions	4%
			Finance Commission and other Transfers	8%

Levy of IncomeTax in India



Every **person**, whose **total income** of the **previous year** exceeds the **maximum amount** which is not chargeable to income tax, is an **assessee** and chargeable to income tax in the assessment year at the **rates** prescribed in the **Finance Act/ Income Tax Act** for that relevant assessment year. However, the total income of the assessee shall be determined on the basis of **residential status** in India.

Income tax is levied in India in the following manner:
1. Income Tax is **charged on the total income of the previous year** but is taxable in the next following assessment year at the rates applicable to such assessment year. However, there are certain exceptions to this rule.
2. It is **charged at 2 rates, viz. normal rates, and special rates**. Normal tax rates, which can be in the form of slab rate or flat rate are fixed by the Annual Finance Act, but special rates are given in the Income Tax Act.

Although, the income of the previous year is chargeable to tax in the assessment year, but the assessee has to pay income-tax in the same previous year in which income is earned. It is paid in the form of advance tax and deduction of tax at source (TDS).

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3. Key Concepts

Let us discuss some of the key concepts under the Income Tax Act, 1961 one by one.

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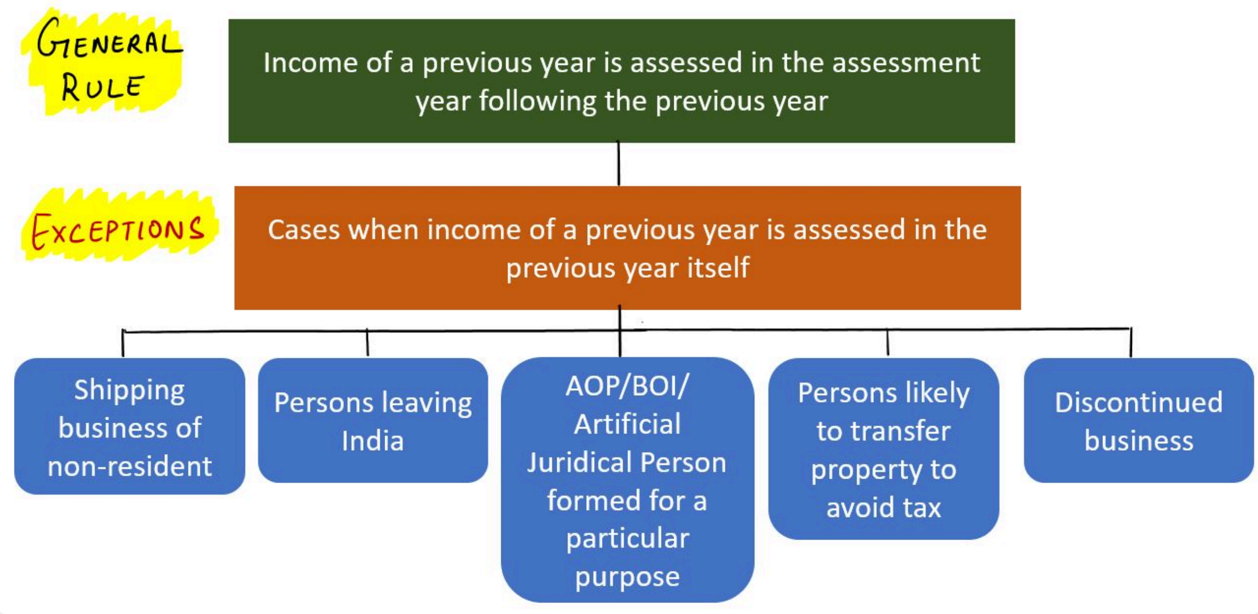
3. Key Concepts

Income earned in a year is taxable in the next year. The year in which income is earned is known as **previous year** and the next year in which income is taxable is known as **assessment year**.

In other words, income of the previous year of an assessee is taxed during the next following assessment year at the rates prescribed.

For example, income earned by an individual during the previous year, 2024-25 is taxable in the immediately following assessment year, 2025-26 at the rates applicable for the assessment year, 2025-26. Thus, it can be said that a financial year plays a double role – it is a previous year as well as an assessment year.

However, this rule is subject to **certain exceptions** (i.e., there are certain cases where income of the previous year is assessed in the same year). These exceptions have been incorporated to ensure smooth collection of income-tax from the taxpayers who may not be traceable, if tax assessment procedure is postponed till the commencement of the normal assessment.



The cases where income of the previous year is assessed in the same year are mentioned below:

1. Income from Shipping Business of Non-Residents (Sec. 172)
A non-resident who is carrying on a shipping business and earns income from carrying passengers/livestock/ goods from a port in India, will be charged to income-tax before the ship is allowed to leave the Indian port. In this case, Seven and half percent (7.5%) of the total freight including demurrage charges or handling charges, shall be deemed to be income of such assessee on which income-tax is to be charged.

2. Income of Persons Leaving India (Sec. 174)
Where it appears to the Assessing Officer that any individual may leave India and that he has no present intention of returning to India, the total income of such individual up to the probable date of his departure from India shall be chargeable to income tax in the same assessment year.

3. Assessment of 'Association of Persons' or 'Body of Individuals' or 'Artificial Juridical Person', formed for a particular event or purpose (Sec. 174A)
Where it appears to the Assessing Officer (AO) that any 'Association of Persons' (AOP) or a 'Body of Individuals' (BOI) or an 'artificial juridical person', formed or established or incorporated for a particular event or purpose, is likely to be dissolved in the assessment year in which such association of persons or body of individuals or artificial juridical person was formed or established or incorporated or immediately after such assessment year, the total income of such person or body or juridical person, for the period from the expiry of the previous year for that assessment year up to the date of its dissolution, shall be chargeable to tax in that assessment year. For example, if AOP is formed in the previous year, 2024-25 and is going to be dissolved on 16.06.2025, then the income of the period 01.04.2025 to 16.06.2025 shall be charged to income-tax in the year assessment year 2025-26 itself, although its assessment year should have been assessment year 2026-27.

4. Persons transferring property or Persons trying to alienate their assets with a view to avoid tax (Sec. 175)

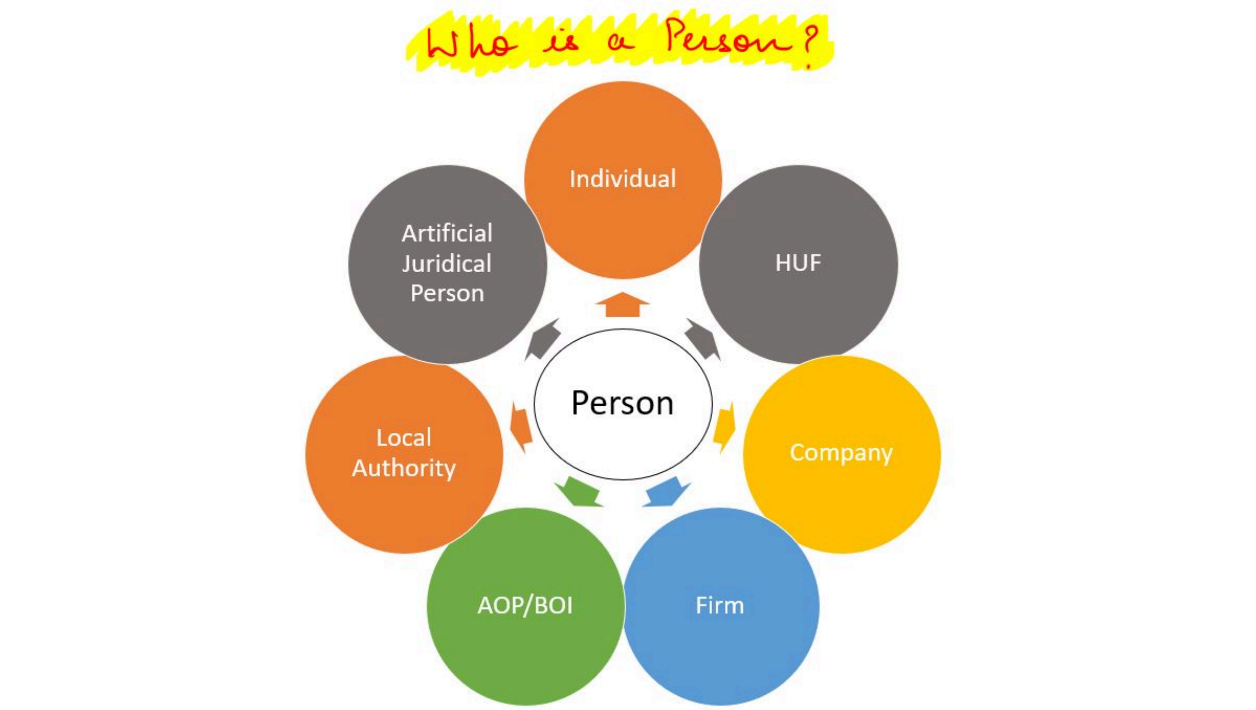
If it appears to Assessing Officer (AO), that any person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets with a view to avoid tax, then the total income of such person up to the date when the AO commences proceedings against him, shall be chargeable to tax in that assessment year.

5. Income of Discontinued Business or Profession (Sec. 176)

Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year for that assessment year up to the date of such discontinuance may, at the discretion of AO, be assessed in that assessment year. For example, if a business is discontinued on 16.07.2024, then the income for the period 01.04.2024 to 16.07.2024 may be assessed in the assessment year, 2024-25 itself. Any person discontinuing any business or profession shall give to AO notice of such discontinuance within 15 days, thereof.

It should be noted that under exceptions 1 to 4 above, it is mandatory for the AO to charge the tax in the same previous year. However, in the 5^{th} exception given above, the AO has the discretionary power to charge the tax in the same previous year (or wait till assessment year).

3. Key Concepts

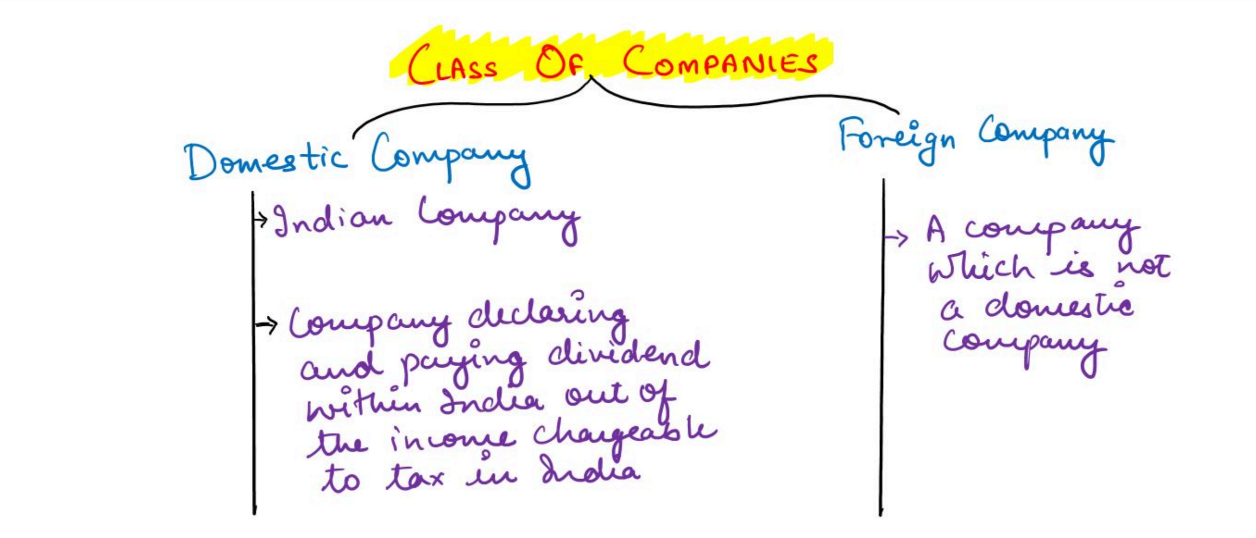


The term 'Person' includes the following:

Individual
It means a natural person, i.e., human being. It includes male, female, minor child. However, the income of a minor is generally included in the income of a parent.

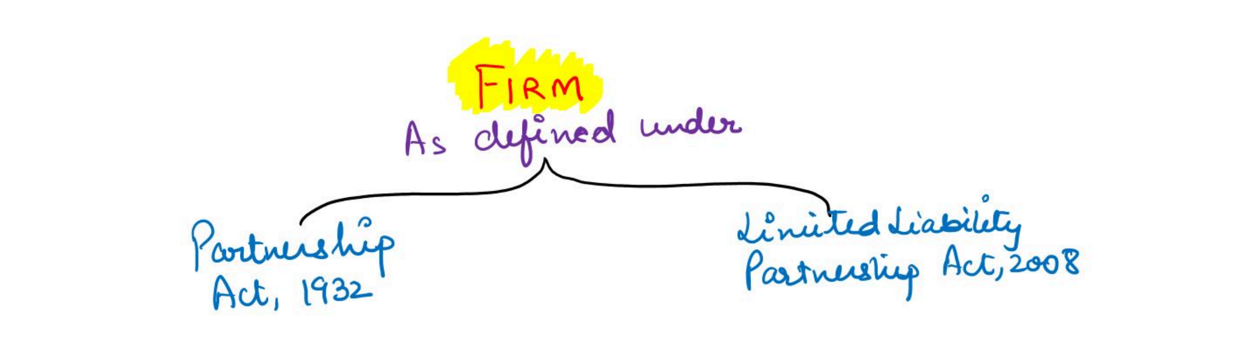
Hindu Undivided Family (HUF)
It means a family which consists of all persons lineally descended from a common ancestor including their wives and daughters. The principal of HUF is called "Karta" and its members are called "Co-parceners".

Company



It includes any Indian company, Foreign company, company in which public is substantially interested.

Firm



It includes a partnership firm whether registered or not and shall include a Limited Liability Partnership (LLP) as defined in the Limited Liability Partnership Act, 2008.

Association of Persons (AOP)

Two or more persons who join for a common purpose with a view to earn an income. It need not be on the basis of contract. Therefore, if two or more persons join hands to carry on a business but do not constitute a partnership, they may be assessed as an AOP.

Body of Individuals (BOI)

It means conglomeration of individuals who carry on some activity with the objective of earning some income. It would consist of only individuals. Entities like companies or firms cannot be members of a body of individuals.

Local Authority

It includes Panchayat, Municipality, Cantonment Board, Municipal Committee and District Board, Port Trust, Gram Panchayat, etc.

Artificial Juridical Person

This is a residuary clause. Artificial Juridical Persons are entities which are not natural persons but are separate entities in the eyes of law. Though they may not be sued directly in a court of law but they can be sued through persons managing them. Generally, a statutory corporation, deity or charitable institution or an endowment for charitable or religious purposes, falls under artificial juridical person. Similarly, all other artificial persons, with a juristic personality, will also fall under this category, if they do not fall within any of the preceding categories of persons, *for example*, University of Delhi or Bar Council is an artificial person, as it does not fall in any of the categories of the persons mentioned above.

3. Key Concepts

Determine the status of the following: (i) Calcutta University (ii) Nimma Paints (P) Ltd. (iii) Punjab Bank Ltd. (iv) X and Y are legal heirs of Z and Z died in 2025 and, thereafter, X and Y carry on his business without entering into a partnership (v) Jayanti Enterprises, a firm consisting of three partners, Jaya, Yamini and Iti (vi) A joint family consisting of Mr. Krishna, his wife, Radha and their son, Om (vii) Municipal Corporation of Delhi (viii) ABC Group Housing Co-operative Society.

Solution:

Sl. No.	Entity	Status
(i)	Calcutta University	Artificial Juridical Person
(ii)	Nimma Paints (P) Ltd.	Company
(iii)	Punjab Bank Ltd.	Company
(iv)	X and Y are legal heirs of Z and Z died in 2025 and thereafter, X and Y carry on his business without entering into a partnership	BOI
(v)	Jayanti Enterprises, a firm consisting of three partners, Jaya, Yamini and Iti	Firm
(vi)	A joint family consisting of Mr. Krishna, his wife, Radha and their son, Om	HUF
(vii)	Municipal Corporation of Delhi	Local Authority
(viii)	ABC Group Housing Co-operative Society	AOP

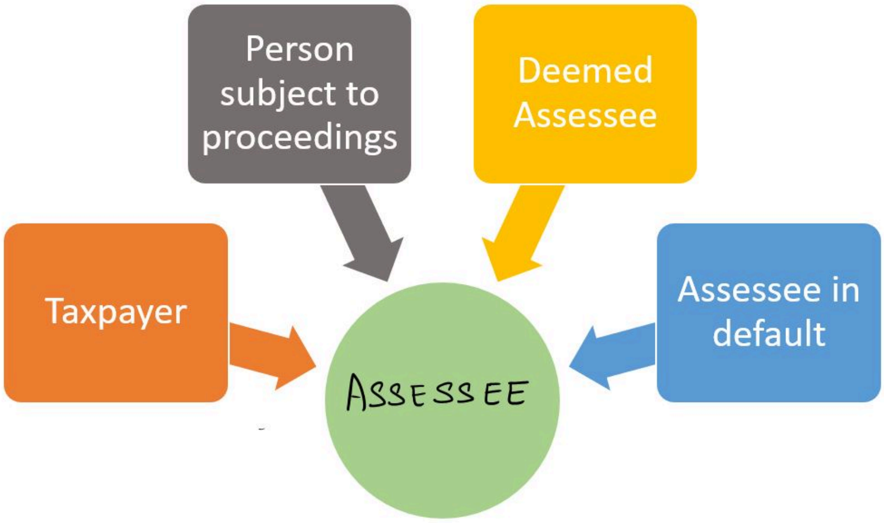
3. Key Concepts

Indicate whether the following statements are true or false:

1. X is a partner of a firm. He is assessable as an 'individual'.
2. Y is a managing director of G Pharma Ltd. Y is assessable as an 'individual'.
3. Bombay Sales Tax Bar Council is an 'association of persons'.

Solution:
Statement 1 and 2 are true, while Statement 3 is false, as Bombay Sales Tax Bar Council falls into the category of artificial juridical person.

3. Key Concepts



Assessee means a person by whom any tax, or any other sum of money is payable under the Act and it includes:

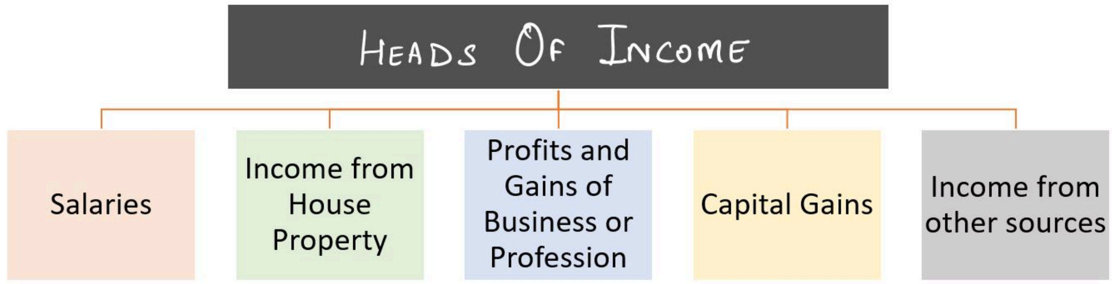
a. a person by whom any tax or any other sum (including interest and penalty) is payable under the Act (irrespective of the fact whether any proceeding under the Act has been taken against him or not).

b. every person in respect of whom any proceeding has been taken under the Act (a) for the assessment of his income or the income of any other person in respect of which he is assessable; (b) of the loss sustained by him or by such other person; (c) the amount of refund due to him or such other person.

c. a person who is deemed to be an assessee under any provision of the Act. *For example*, legal representative of a deceased person.

d. every person who is deemed to be an 'assessee in default' under any provision of this Act. *For example*, under Sec. 201(1), any person who does not deduct tax at source, or after deducting fails to pay such tax, is deemed to be an 'assessee in default'.

3. Key Concepts



As per Section 14 of Income Tax Act, the income of a person is computed under the following **five** heads:
1. Salaries
2. Income from house property
3. Profits and gains of business or profession
4. Capital gains
5. Income from other sources

The aggregate income under the above five heads, after applying clubbing provisions and making adjustment of set off and carry forward of losses, is termed as **Gross Total Income**. In other words, gross total income means total income computed in accordance with the provisions of the Act *before* making any deduction under Sections 80C to 80U.

---

3. Key Concepts

The total income of an assessee is computed by deducting from the gross total income all deductions permissible under Chapter VIA of the Income-tax Act, i.e., deductions under section 80C to 80U.

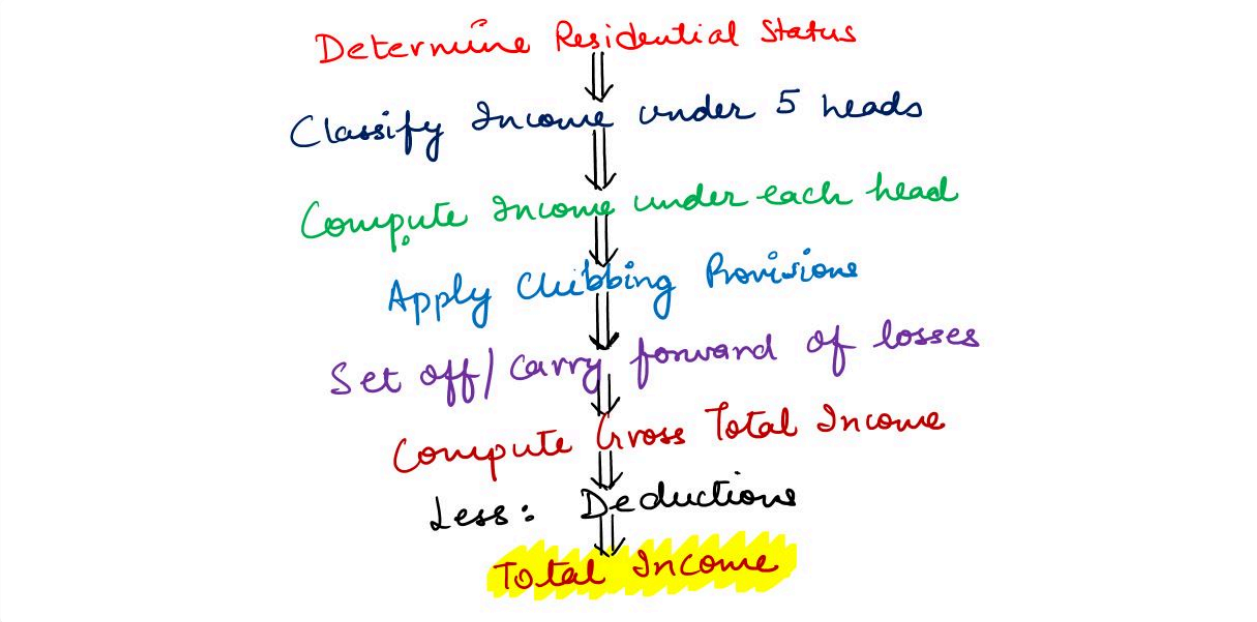
Computation of Income

(a) Income from Salaries

Salary/ Bonus/ Commission etc.	XXX		
Taxable Allowance	XXX		
Value of Taxable Perquisites	XXX		
Gross Salary		XXX	
Less: Deductions under Sec. 16			
Standard Deduction		XXX	
Entertainment Allowance		XXX	
Professional Tax		XXX	
Net taxable income from Salary			XXX
(b) Income from House Property			
Net annual value of House Property		XXX	
Less: Deduction under Sec. 24		XXX	
Income from House Property			XXX
(c) Profits & Gains of Business and Profession			
Net profit as per P & L Account		XXX	
Less/ Add: Adjustments required to be made to the profit as per provisions of the Act		XXX	
Net Profits and Gains of Business and Profession			XXX
(d) Capital Gains			
Capital Gains as computed		XXX	
Less: Exemptions under Sec. 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB and 54H		XXX	
Income from Capital Gains			XXX
(e) Income from Other Sources			
Gross Income		XXX	
Less: Deductions under Sec. 57		XXX	
Net Income from Other Sources			XXX
Total [(a) + (b) + (c) + (d) + (e)]			XXX
Less: Adjustment on account of set-off and carry forward of losses			XXX
Gross Total Income			XXX
Less: Deduction available under Chapter VI A (Sec. 80C to Sec. 80U)			XXX
Total Income or Net Income (rounded off to nearest multiple of ten)			XXX
Computation of Tax Liability			
Tax on Net Income as computed above			XXX
Less: Rebate under Sec. 87A (in the case of a resident individual having net income not exceeding Rs. 5 Lakh)			XXX
Income-tax after rebate under Sec. 87A			XXX
Add: Surcharge			XXX
Total of Tax & Surcharge			XXX
Add: Health & Education Cess (4% on tax & surcharge)			XXX
Less: Rebate under sections 86, 89, 90, 90A and 91			XXX
TAX			XXX
Less: Total of Pre-paid Taxes:			
Tax paid on self-assessment			
Tax deducted or collected at source			
Tax paid in advance		XXX	
TAX LIABILITY (rounded off)			XXX

Steps to compute Total Income

Briefly, the steps by which the Total Income, for any assessment year, is determined, are as represented below.



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3. Key Concepts

As per Section 288A of the Income Tax Act, 1961, the taxable income tax liability shall be rounded off to the nearest multiple of Rs. 10.

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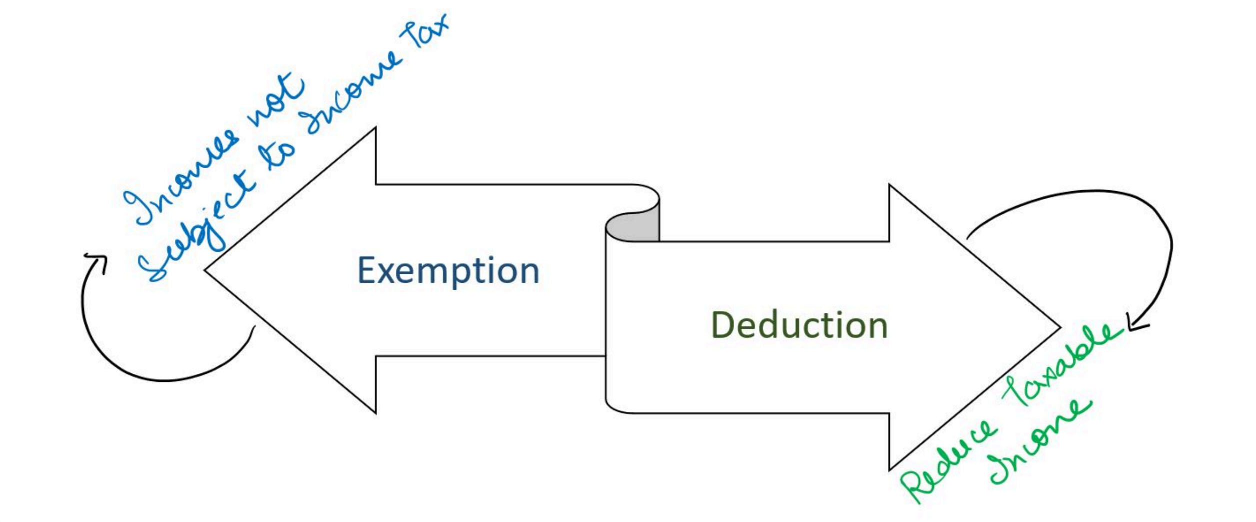
3. Key Concepts



If an income is exempt from tax, it is not included in the computation of income. *Exemption* can never exceed the amount of income. *Deduction* is generally given from income chargeable to tax. Deduction can be less than or equal to more than amount of income. If amount deductible is more than the amount of income, the resulting amount will be taken as loss.

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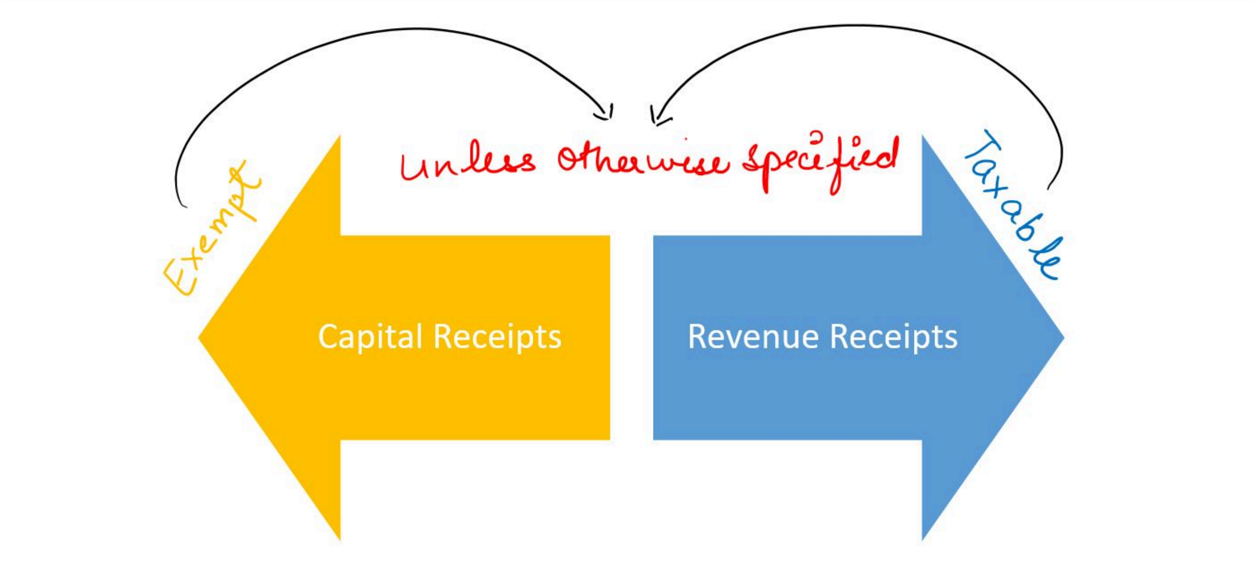
3. Key Concepts



Receipts are of two types – Capital receipts and revenue receipts.

Capital receipts are exempt from tax unless otherwise specified. For instance, capital gains are taxable under section 45, even if they are capital receipts. On the other hand, revenue receipts are taxable, unless otherwise specified, e.g., income exempt under Sec 10.

---

3. Key Concepts

The old tax regime refers to the income tax system and slab structure that existed prior to the introduction of the new regime. Under this system, the applicable tax rates for a resident individual vary based on age, offering a range of exemptions and deductions.

In Budget 2020, a new tax regime was introduced with modified tax slabs and concessional rates. This regime offers lower tax rates but allows for limited deductions and exemptions compared to the old regime. Both regimes have distinct slab structures and benefit provisions.

The choice between the two regimes depends on individual circumstances. To promote the shift toward the new system, the government has introduced several incentives, indicating a long-term plan to gradually phase out the old regime.

From the financial year 2023–24 onwards, the new regime has been made the **default option**. However, the old regime continues to remain available. Taxpayers wishing to opt for the old regime must file the return along with the required form before the due date. Switching between regimes is permitted each financial year, depending on potential tax benefits.

4. Income Tax Rates

It is important to understand the Assessment Year (AY) and Financial Year (FY) carefully. The AY 2025-26 (FY 2024-25) means that the Assessment Year is 2025-26 for Financial Year 2024-25. It means, this is applicable for income which was earned between 1st April 2024 to 31st March 2025. The tax for this income will be assessed in year, 2025-26.

In case of Individuals (resident or non-resident), the following tax rates are applicable. It is again important to note that there are different tax slabs for individuals (less than 60 years), senior citizens (60 years or more) and super senior citizens (80 years or more). This is popularly known as 'old tax regime.'

There are no changes made to the tax slabs under the old regime.

The tax slabs under the old regime are as follows:

Individuals (other than senior citizens and super senior citizens)		
Net Income Range	**Rate of Income Tax**	
	AY 2025-26 (FY 2024-25)	**AY 2024-25 (FY 2023-24)**
Up to Rs. 2,50,000	-	-
Rs. 2,50,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Senior Citizens (who are of 60 years or more at any time during the previous year)		
Net Income Range	**Rate of Income Tax**	
	AY 2025-26 (FY 2024-25)	**AY 2024-25 (FY 2023-24)**
Up to Rs. 3,00,000	-	-
Rs. 3,00,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Super Senior Citizens (who are 80 years or more at any time during the previous year)		
Net Income Range	**Rate of Income Tax**	
	AY 2025-26 (FY 2024-25)	**AY 2024-25 (FY 2023-24)**
Up to Rs. 5,00,000	-	-
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

The tax slabs for HUF, AOP, BOI and Artificial Juridical Person are given below.

Net Income Range	**Rate of Income Tax**	
	AY 2025-26 (FY 2024-25)	**AY 2024-25 (FY 2023-24)**
Up to Rs. 2,50,000	-	-
Rs. 2,50,000 to Rs. 5,00,000	5%	5%

Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

4. Income Tax Rates

The surcharge is levied on the amount of income-tax at following rates, if total income of an assessee exceeds specified limits.

Range of Income	AY 2025-26 (FY 2024-25)	AY 2024-25 (FY 2023-24)
Rs. 50 Lakh to Rs. 1 Crore	10%	10%
Rs. 1 Crore to Rs. 2 Crores	15%	15%
Rs. 2 Crores to Rs. 5 Crores	25%	25%
Rs. 5 Crores to Rs. 10 Crores	37%	37%
Exceeding Rs. 10 Crores	37%	37%

Note:
(i) The enhanced surcharge of 25% & 37%, as the case may be, is not levied, from income (capital gains) chargeable to tax under sections 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.
(ii) From AY 2023-24 onwards, the maximum rate of surcharge on tax payable on dividend income or capital gain referred to in Section 112, shall be 15% and the surcharge rate for AOP with all members as a company, shall be capped at 15%.

4. Income Tax Rates

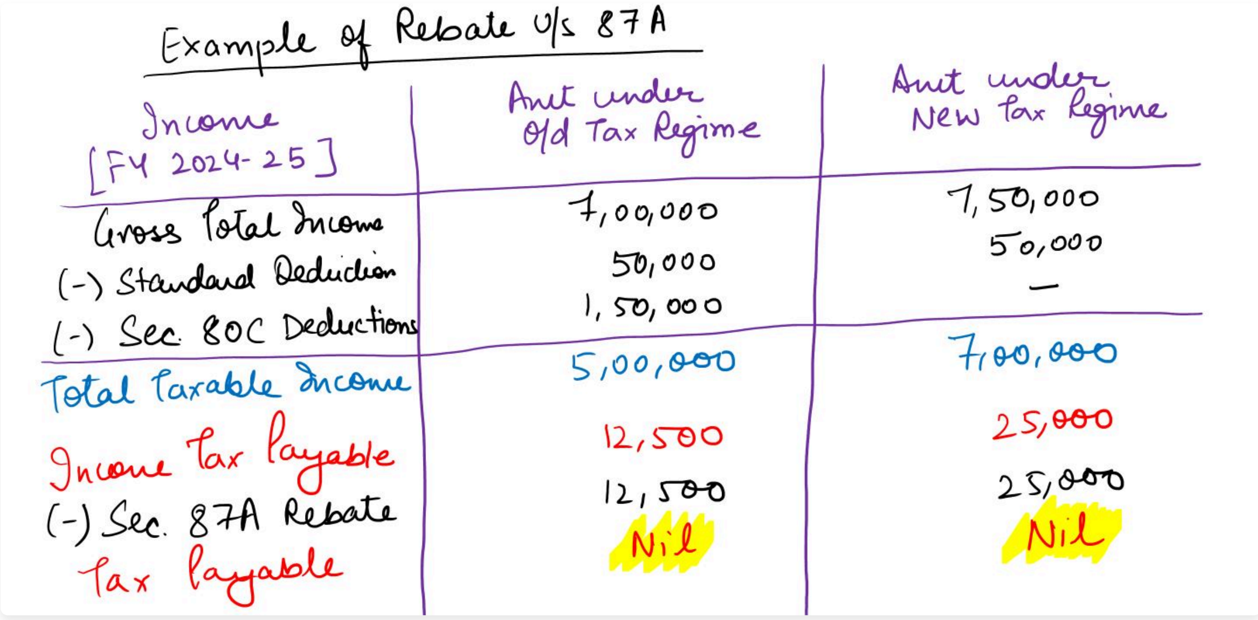
Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

4. Income Tax Rates

Under the Income Tax Act, an individual who is a resident of India can claim a rebate on income tax if certain income conditions are met.

Under the old tax regime:
If the total income of a resident individual is up to ₹5,00,000, then:

- a rebate of 100% of the income tax payable, or ₹12,500, whichever is lower, shall be allowed.
- as a result, no income tax becomes payable for incomes up to ₹5 lakh under the old regime.



Under the new tax regime (Section 115BAC), effective from AY 2024–25:
As per the amendment introduced by the Finance Act, 2023:

(a) If the total income does not exceed Rs. 7,00,000: The individual shall be allowed a rebate equal to 100% of the income tax, or ₹25,000, whichever is less. This means no tax liability arises for incomes up to Rs. 7 lakh under the new regime.

(b) If the total income exceeds Rs. 7,00,000, but the tax payable is more than the extra income over Rs. 7,00,000: A partial rebate shall be provided, equal to the excess tax over the additional income, so that the net tax remains zero or minimal. For example, if the total income is Rs 7,01,000, the excess over Rs 7,00,000 is Rs 1,000. If the tax payable is Rs 1,500, then a rebate of Rs 500 will be given so that the final tax equals Rs 1,000 — the exact excess income.

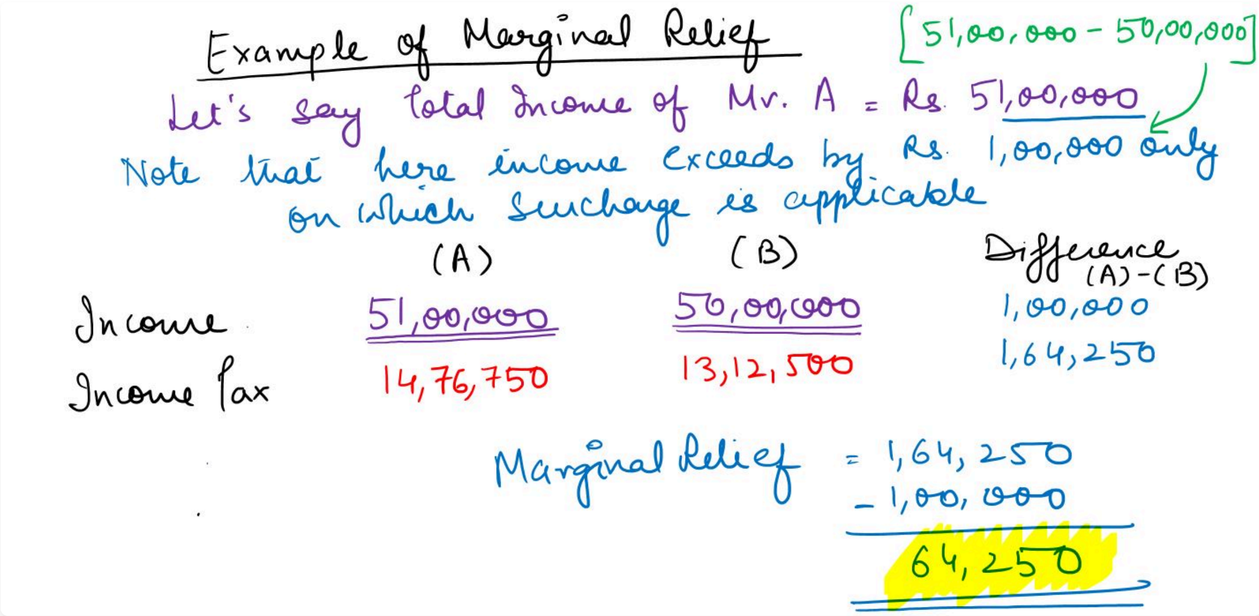
This avoids a sudden increase in tax for slightly higher incomes.

The Rebate Limit Under Section 87A for the different financial years is as follows:

Financial Year	Total Income Taxable Limit	Rebate u/s 87A
2025-26	New Tax Regime: Rs 12 Lakhs	Rs. 60,000
	Old Tax Regime: Rs. 5 Lakhs	Rs. 12,500
2024-25	New Tax Regime: Rs 7 Lakhs	Rs. 25,000
	Old Tax Regime: Rs. 5 Lakhs	Rs. 12,500
2023-24	New Tax Regime: Rs 7 Lakhs	Rs. 25,000
	Old Tax Regime: Rs. 5 Lakhs	Rs. 12,500

4. Income Tax Rates

The surcharge shall be subject to Marginal Relief. According to the Income-tax Act, 1961, a marginal relief is given to individuals whose taxable income is beyond the threshold limit (say 50 lakhs) after which surcharge is payable, but the net income above the threshold is less than the surcharge.



There are provisions of Marginal relief from Surcharge in following cases:

1. In case where net income exceeds Rs. 50 lakhs but doesn't exceed Rs. 1 Crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.
2. In case where net income exceeds Rs. 1 crore but does not exceed Rs. 2 crore, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.
3. In case where net income exceeds Rs. 2 crore but doesn't exceed Rs. 5 crore, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore.
4. In case, where net income exceeds Rs. 5 crore, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crore by more than the amount of income that exceeds Rs. 5 crore.

4. Income Tax Rates

The Finance Act, 2020 has provided an option to Individuals and HUFs for payment of taxes at reduced rates from AY 2021-22 and onwards. The option to pay tax at lower rates shall be available only if the total income of assessee is computed without claiming specified exemptions or deductions.

The **Budget 2025** has brought out changes in the tax rates under new tax regime as follows.

Total Income (In Rs.)	Rates for AY 2026-27	Total Income (In Rs.)	Rates for AY 2025-26	Total Income (In Rs.)	Rates for AY 2024-25
Up to Rs. 4,00,000	Nil	Up to Rs. 3,00,000	Nil	Up to Rs. 3,00,000	Nil
Rs. 4,00,001 to Rs. 8,00,000	5%	Rs. 3,00,001 to Rs. 7,00,000	5%	From Rs. 3,00,001 to Rs. 6,00,000	5%
Rs. 8,00,001 to Rs. 12,00,000	10%	Rs. 7,00,001 to Rs. 10,00,000	10%	From Rs. 6,00,001 to Rs. 9,00,000	10%
Rs. 12,00,001 to Rs. 16,00,000	15%	Rs. 10,00,001 to Rs. 12,00,000	15%	From Rs. 9,00,001 to Rs. 12,00,000	15%
Rs. 16,00,001 to Rs. 20,00,000	20%	Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 12,00,001 to Rs. 15,00,000	20%
Rs. 20,00,001 to Rs. 24,00,000	25%	-	-	-	-
Above Rs. 24,00,000	30%	Above Rs. 15,00,000	30%	Above Rs. 15,00,000	30%

Important Notes:

1. Under the new tax regime, the provisions of **Marginal Relief** will also be applicable.
2. **Health and Education Cess** is levied at the rate of 4% on the amount of income-tax plus surcharge.
3. **Key changes in the new tax regime:**
   - The highest surcharge rate of 37% on income above Rs. 5,00,00,000 has been reduced to 25%.
   - Tax rebate under Section 87A makes tax liability zero for incomes up to Rs. 7 lakh currently. From April 1, 2025, this rebate is extended up to Rs. 12 lakh.
   - If an assessee has opted for the new tax regime, the provisions of **AMT** (Alternative Minimum Tax) shall not be applicable.
   - The new regime is now applicable to **AOPs (except co-operative societies), BOIs, and AJPs**, apart from Individuals and HUFs.
   - Standard deduction for salaried employees has been increased to Rs. 75,000 (earlier Rs. 50,000). Deduction for family pension has also been raised to Rs. 25,000 (earlier Rs. 15,000).

4. Income Tax Rates

The tax slabs for **Partnership Firms (including LLPs)** and **Local Authorities** are given below.

	AY 2025-26 (FY 2024-25)	**AY 2024-25 (FY 2023-24)**
Rate of Tax	30%	30%

Note 1: The rate of Surcharge applicable is 12%, if total income exceeds Rs. 1 Crore. However, the surcharge shall be subject to marginal relief (where income exceeds Rs. 1 Crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 Crore by more than the amount of income that exceeds Rs. 1 Crore).

Note 2: The health and education cess is applicable at the rate of 4% of such income-tax and surcharge.

4. Income Tax Rates

The tax slabs for **Companies** are given below.

Company	AY 2025-26 (FY 2024-25)
In the case of a Domestic Company	
Where its total turnover or gross receipt during the previous year 2021-22 does not exceed Rs. 400 crore	25%
Any other domestic company	30%
Special Tax Rates applicable to a Domestic Company	
If opted for Section 115BA (in case turnover or gross receipt does not exceed Rs 400 crore in the FY 2018-19)	25%
If opted for Section 115BAA (in case assessee is not claming Profit linked deductions, unabsorbed depreciation & Losses)	22%
If opted for Section 115BAB (for new manufacturing companies)	15%
In the case of a Foreign Company (depending upon its nature of income)	
Royalty received or fees for technical services from government or any Indian concern under an agreement made before April 1, 1976 and approved by Central Government	50%
Any other Income	40%
Health and Education Cess It is applicable at the rate of 4% of Income Tax and Surcharge.	
Applicability of MAT (Minimum Alternate Tax) The domestic company who has opted for special taxation regime under Section 115BAA & 115BAB is exempted from provisions of MAT. However, no exemption is available in case where Section 115BA has been opted.	

Note that in the Budget 2024, it is proposed to reduce the corporate tax on foreign companies from 40% to 35%.

The rate of surcharge on Income Tax for Companies is tabled below.

Type of Company	Net Income Range	AY 2025-26 (FY 2024-25)	AY 2024-25 (FY 2023-24)
Domestic Company	0 – Rs. 1 Crore	Nil	Nil
	Rs. 1 Crore to Rs. 10 Crore	7%	7%
	Above Rs. 10 crore	12%	12%
Foreign Company	0 – Rs. 1 Crore	Nil	Nil
	Rs. 1 Crore to Rs. 10 Crore	2%	2%
	Above Rs. 10 crore	5%	5%
Note: In case of a company opting for taxability under Section 115BAA or Section 115BAB shall be flat 10% irrespective of amount of total income.			

The surcharge shall be subject to marginal relief, which shall be as under:
a. Where income exceeds Rs. 1 crore but not exceeding Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

b. Where income exceeds Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore.

4. Income Tax Rates

The taxable income of an individual (age: 45 years) for the assessment year 2025-26 is Rs. 10,86,920. Compute the tax liability.

Solution Person aged less Than 60 Years

Computation of Tax Liability	Tax Rate	Amt. of Tax (in Rs.)
First Rs. 2,50,000	Nil	—
Next Rs. 2,50,000	5 %	12,500
Next Rs. 5,00,000	20 %	100,000
Rs. 10,00,000 & above	30 %	26,076
Tax		1,38,576
Rebate U/s 87A		Nil
Add: Surcharge		Nil
Tax & Surcharge		1,38,576
Add: Health & Edu. Cess	4 %	5,543
Tax Liability (Rounded off)		1,44,120

4. Income Tax Rates

The taxable income of a firm is Rs. 10,86,920 for the assessment year 2025-26. Compute the tax liability.

Solution

Computation of Tax Liability	Amt. (in Rs)
Tax [30% of Rs. 10,86,920]	3,26,076
Add: Surcharge [12%, if Income exceeds 1 crore]	Nil
Tax and Surcharge	3,26,076
Add: Health & Edu. Cess [4% of tax & Surcharge]	13,043
Tax Liability [Rounded off]	3,39,120

4. Income Tax Rates

Illustration 5

The taxable income of a Company for the assessment year 2025-26 is Rs. 10,86,920. Compute the tax liability assuming (a) domestic company (b) foreign company.

Solution

Computation of Tax Liability

		Domestic Company		Foreign Company
Income		10,86,920		10,86,920
Tax Rate	@ 30%	3,26,076	@ 40%	4,34,768
Surcharge		Nil		Nil
Tax & Surcharge		3,26,076		4,34,768
Add: Health & Edu. Cess	@ 4%	13,043	@ 4%	17,391
Tax Liability		3,39,120		4,52,160

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1. Introduction

The Union Budget 2025 introduces significant changes to India's income tax framework with the aim of simplifying tax compliance, reducing the burden on individuals and businesses, and promoting transparency. Key highlights include revised income tax slabs under the new regime, increased rebate limits, rationalized TDS/TCS rates and thresholds, enhanced provisions for startup incentives, and simplified rules for self-occupied property taxation. The budget also focuses on encouraging voluntary tax compliance by extending the deadline for updated returns and supporting inclusive financial planning through deductions like NPS-Vatsalya.

The major amendments that come into effect from FY 2025-26 and FY 2026-27 under Income Tax are discussed next one by one.

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2. Changes in new Income Tax Regime

There have been changes in the income tax slabs under the new tax regime in Union Budget 2025. The new income tax slabs under the new tax regime will come into effect from April 1, 2025 for the upcoming financial year 2025-26.

The highest tax rate of 30% is proposed to be applicable on incomes above Rs 24 lakh under the new tax regime as opposed to Rs 15 lakh currently. In addition, 25% tax rate introduced for incomes between Rs 20 Lakh to Rs 24 Lakh.

The proposed income tax slabs under the new tax regime for FY 2025-26 are as follows:

Tax Rate	Current Income Slab	Proposed Income Slab
Nil	Up to Rs 3 Lakh	Up to Rs 4 Lakh
5%	Rs 3 Lakh to Rs 7 Lakh	Rs 4 Lakh to Rs 8 Lakh
10%	Rs 7 Lakh to Rs 10 Lakh	Rs 8 Lakh to Rs 12 Lakh
15%	Rs 10 Lakh to Rs 12 Lakh	Rs 12 Lakh to Rs 16 Lakh
20%	Rs 12 Lakh to Rs 15 Lakh	Rs 16 Lakh to Rs 20 Lakh
25%	-	Rs 20 Lakh to Rs 24 Lakh
30%	Above Rs 15 Lakh	Above Rs 24 Lakh

3. Zero tax on income upto Rs 12 lakh

In the Union Budget 2025-26, the government announced zero tax on income up to Rs 12 lakh, apart from changing income tax slabs. The zero tax will only be applicable to individuals opting for the new tax regime in FY 2025-26. However, an assessee still need to file an income tax return (ITR), even if his taxable salary is less than Rs 12 lakh. Zero tax is payable due to a tax rebate available under Section 87A of the Income Tax Act, 1961.

The Rebate Limit Under Section 87A for the different financial years is as follows:

FY	Old Regime		New Regime	
	Limit of Total Taxable Income	Amount of Rebate	Limit of Total Taxable Income	Amount of Rebate
2023-24	5,00,000	12,500	7,00,000	25,000
2024-25	5,00,000	12,500	7,00,000	25,000
2025-26	5,00,000	12,500	12,00,000	60,000

Key features of new tax regime

The following are the features of the new tax regime for individual taxpayers:

- The new tax regime is the default tax regime. An individual has the option to opt for the old tax regime in any financial year, provided there is no business income.
- Currently, basic exemption limit of Rs 3 lakh for all individual taxpayers irrespective of their age. From April 1, 2025 (FY 2025-26), the basic exemption limit will be hiked to Rs 4 lakh - an increase of Rs 1 lakh.
- The tax rebate under Section 87A makes zero tax payable for taxable incomes up to Rs 7 lakh currently. From April 1, 2025, tax rebate under Section 87A will be applicable for taxable incomes up to Rs 12 lakh, making them pay zero till income up to Rs 12 lakh.
- The highest surcharge rate for those earning above Rs 2 crore is 25%. This remains same after Budget 2025.

4. Rationalization of TDS rates and thresholds

To improve ease of doing business and better compliance by taxpayers, certain rates of TDS and TCS has been rationalized. Threshold limit for applicability of the TDS and TCS provisions has also been increased.

The following changes are proposed in the rates of TDS and TCS:

Sl. No.	Section	Existing TDS/TCS Rate	Proposed TDS/TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 20% otherwise	10%
2.	Sub-section (1) of section 206C – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after Rs. 7 lakh	Nil

The following changes are proposed in the threshold of TDS and TCS:

Sl. No	Section	Current threshold	Proposed threshold
1	193 – Interest on securities	Nil	Rs. 10,000
2	194A – Interest other than Interest on securities	(i) Rs. 50,000 for senior citizen; (ii) Rs. 40,000 in case of others when payer is bank, cooperative society and post office (iii) Rs. 5,000 in other cases	(i) Rs. 1,00,000 for senior citizen (ii) Rs. 50,000 in case of others when payer is bank, co-operative society and post office (iii) Rs. 10,000 in other cases
3	194 – Dividend for an individual shareholder	Rs. 5,000	Rs. 10,000
4	194K – Income in respect of units of a mutual fund or specified company or undertaking	Rs. 5,000	Rs. 10,000
5	194B – Winnings from lottery, crossword puzzle, etc.	Aggregate of amounts exceeding Rs. 10,000 during the financial year	Rs. 10,000 in respect of a single transaction
6	194BB – Winnings from horse race	Rs. 10,000	Rs. 10,000 in respect of a single transaction
7	194D – Insurance commission	Rs. 15,000	Rs. 20,000
8	194G – Income by way of commission, prize etc. on lottery tickets	Rs. 15,000	Rs. 20,000
9	194H – Commission or brokerage	Rs. 15,000	Rs. 20,000
10	194-I Rent	Rs. 2,40,000 during the financial year	Rs. 50,000 per month or part of month
11	194J – Fee for professional or technical services	Rs. 30,000	Rs. 50,000
12	194LA - Enhanced compensation payments	Rs. 2,50,000	Rs. 5,00,000
13.	206C(1G)- Remittance under LRS and overseas tour program package	Rs. 7,00,000	Rs. 10,00,000

These changes will be effective from 01.04.2025.

5. TCS on foreign remittance limit hiked

As per the current income tax rules, all outward foreign remittances, except for education and medical purposes, attract 20% TCS if the remittance amount is above Rs 7 lakh in a financial year. This includes buying equity shares of a foreign company, making e-commerce purchases from foreign websites, etc. For an overseas tour package, a TCS of 5% is applicable if the amount is below Rs 7 lakh; if the amount exceeds that, a TCS of 20% is applicable.

For medical purposes, the TCS of 5% is applicable if the foreign outward remittance amount exceeds Rs 7 lakh in a financial year. In the case of education, the source of funds decides the TCS rate. If the loan is taken from a financial institution covered under Section 80E, then no TCS is applicable for amounts up to Rs 7 lakh. If it is more, then a TCS of 0.5% will be applicable. On the other hand, if individual funds his/her own education or if the education loan is taken from a financial institution which is not covered under Section 80E, then TCS will be at 5%.

As per Budget 2025, the threshold to collect Tax at Source (TCS) on remittances under RBI's Liberalised Remittance Scheme (LRS), is increased from Rs. 7 lakh to Rs. 10 lakh. Apart from hiking the threshold for TCS on foreign remittances, the government has proposed to remove TCS on foreign remittances for education purposes.

Outward Remittance Purpose	New TCS Rates
LRS for Education Loan from financial institution	Nil
LRS for Education Fees other than bank-financed loan	5% for any amount above Rs. 10,00,000.
LRS for Medical Treatment purposes	5% for any amount above Rs. 10,00,000.
LRS for other purposes	20% for any amount above Rs. 10,00,000.
Overseas Tour Program Purchase	5% for an amount up to Rs. 10,00,000; 20% for any amount above Rs. 10,00,000.

6. Reduction in compliance burden by omission of TCS on sale of specified goods

Section 206C(1H) of the Act provides for collection of tax at source (TCS) on sale of goods at the rate of 0.1% as per present provisions. Every seller who receives any amount as consideration for sale of any goods (other than goods exported outside India, or goods covered in sub-section (1) or (1F) or (1G) of section 206C) of the value or aggregate of such value exceeding Rs. 50 Lakh in any previous year shall collect TCS at the rate of 0.1%.

From 01.04.2025, the taxpayer is not required to collect TCS under this section.

7. Removal of higher TDS/TCS for non-filers of ITR

Section 206AB of the Act, mandates deduction of tax at higher rate where the deductee is a non-filer of Income Tax Return.

Section 206CCA of the Act, mandates collection of tax at higher rate where the collectee is a non-filer of Income Tax Return.

It is proposed to omit these sections from 01.04.2025 onwards. Accordingly, the provisions of these sections will not be applicable on tax deductions to be made after 01.04.2025. However, the higher rates of TDS/TCS in event of invalid PAN or no-PAN shall continue to apply.

8. Extension of Tonnage Tax Scheme to Inland vessels

Chapter XII-G of the Income tax Act 1961 provides special provisions relainng to income of the shipping companies. Tonnage tax scheme, as provided in the Chapter XII-G, is a presumptive tax scheme for shipping companies which allows them to compute their profits on presumptive basis.

- The scheme allows shipping companies to opt for presumptive taxation.
- Under the scheme, computation of income will be made on a presumptive basis based on the net tonnage of the ship and the days involved.
- If scheme is not opted, the income will be computed as per the regular provisions of the Act.
- The scheme provides tax certainty to the shipping companies.

At present, shipping companies which operate 'qualifying sea going ships' registered under the Merchant Shipping Act, 1958, are eligible to avail tonnage tax scheme.

The Finance Bill 2025 proposes to extend the benefit of taxation under the Tonnage tax scheme to the inland vessels registered under the Inland Vessels Act, 2021. Therefore, henceforth companies engaged in the business of inland water transportation can also avail benefits of tonnage tax scheme.
