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A Study on the Impact of Income Tax Verification Processes on Payroll Accuracy and Employee Satisfaction at Ascent HR Technologies Private Limited, Chennai

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ABSTRACT: The process of verifying income tax entails the systematic checking and validation of tax information of employees including personal details, investment declaration, exemptions and relevant deductions. The timeliness of the verification, accuracy of the information, efficient communication of deductions, automated verification systems, and so on are crucial to reducing the number of payroll errors and enhancing the confidence of employees. Companies that have a systematic and effective tax confirmation system tend to have a more accurate payroll and to increase the level of employee satisfaction. The objective of the study is to analyse the impact of income tax verification processes on payroll accuracy and employee satisfaction. The research design used in this research is descriptive research design, as it aims to describe the existing scenario related to tax verification processes, payroll accuracy, and employee satisfaction. A total of 120 employees were selected as the sample for data collection. The convenience sampling method is employed in this research. The study uses both primary and secondary data. The data are analyzed using statistical procedures such as correlation, chi square analysis, and simple percentage analysis. It is suggested that the company must guarantee prompt system updates following tax verification to prevent wage deduction errors. Furthermore concluded is that employee confidence and pleasure levels are directly impacted by open and consistent communication about tax deductions and legislative changes.

KEYWORDS: Income tax, verification process, payroll accuracy, employee satisfaction

I. INTRODUCTION

With the contemporary dynamic corporate world, organizations are starting paying more attention to proper and effective payroll management as an essential part of human resource processes. Payroll does not simply reflect the reliability, transparency, and dedication of the organization towards the welfare of the employees but it is also used as a method of compensating them. Income tax verification is one of the largest elements influencing the payroll accuracy in that the statutory deductions are not charged inappropriately under government regulations. Mistakes or delays during this process may result in discrepancy in pay, dissatisfaction in employees and lack of trust in the payroll system of an organization.

The process of verifying income tax entails the systematic checking and validation of tax information of employees including personal details, investment declaration, exemptions and relevant deductions. The timeliness of the verification, accuracy of the information, efficient communication of deductions, automated verification systems, and so on are crucial to reducing the number of payroll errors and enhancing the confidence of employees. Companies that have a systematic and effective tax confirmation system tend to have a more accurate payroll and to increase the level of employee satisfaction.

The confidence in the organizational processes goes directly related to employee satisfaction with payroll. The employees also develop a feeling of fairness and trust when their salaries are paid on time, right deductions are made, and they are told about any adjustments that are made due to tax reasons. On the contrary, tax deductions delays, errors or lack of clarity might lead to dissatisfaction and influence general morale. Thus, it is necessary to examine the effects of income tax checking procedures on the quality of payroll and worker satisfaction with the aim of finding the areas of enhancement and the best practices.

This research is based on Ascent HR Technologies Private Limited, located in Chennai, which has a large number of employees and payrolls that are not very difficult. The study will investigate the impact of the timeliness of tax checks and the delivery of the tax deductions on the accuracy of the payrolls and the satisfaction level of the workers. The knowledge acquired as part of this paper can assist the organization in trimming down its payroll processes and minimize errors, improve transparency, and increase employee trust and satisfaction. Furthermore, it also leads to the expanded knowledge of the successful payroll management of the modern business environment.

Objectives

- To examine the impact of timeliness of tax verification on payroll processes.
- To assess the effectiveness of communication of tax deductions to employees.
- To evaluate the level of payroll accuracy in the organization.
- To measure employee satisfaction with payroll management and processes.

II. RESEARCH METHODOLOGY

The research design used in this research is descriptive research design, as it aims to describe the existing scenario related to tax verification processes, payroll accuracy, and employee satisfaction. A total of 120 employees were selected as the sample for data collection. The convenience sampling method is employed in this research. The study uses both primary and secondary data. The data are analyzed using statistical procedures such as correlation, chi square analysis, and simple percentage analysis.

III. REVIEW OF LITERATURE

(Moorepay HR Annual Survey, 2025) The Moorepay HR Annual Survey 2025 was conducted to focus on wider human resource and payroll issues. The research was conducted to reveal trends related to payroll transparency, experience-driven focus, and internal communication that influence employee satisfaction. The primary data was gathered from 442 HR professionals through an online survey technique using descriptive analysis and convenience sampling. The findings highlighted the growing importance of employee experience, payroll transparency, and training, which indicated that these factors are being increasingly associated with employee perceptions of payroll services. The conclusion stated that payroll accuracy and effective communication can improve trust and satisfaction.

(HiBob, 2025) In its study, "Why Payroll Accuracy Is a Cornerstone of Employee Experience," HiBob examined U.S. employee attitudes toward payroll accuracy, errors, and their impact on trust and retention. The aim was to quantify the impact of payroll errors on employee morale and engagement in the workplace. A significant online sample of U.S. employees was surveyed using quantitative research and descriptive statistics. Results revealed that payroll errors lead to trust, financial, and turnover-related problems, with a substantial number of employees considering leaving the organization due to frequent errors. Recommendations included improving payroll visibility, efficient error resolution, and automated verification to minimize errors. The study concluded that accurate payroll management is a direct driver of positive employee experience and organizational loyalty.

(Alight, 2024) The Company Payroll Complexity Report, conducted by Alight, focused on payroll penalties, compliance difficulties, and best practices among global companies. The aim was to evaluate the characteristics of payroll errors and penalties, with emphasis on the effectiveness of systems and processes. The study involved close to 300 payroll professionals and stakeholders, who were surveyed on technology adoption, error causes, and compliance results. The descriptive research approach and survey analysis revealed the prevalent use of spreadsheets and manual processes as major error causes. The results indicated that 53% of companies have paid payroll penalties in the past five years because of non-compliance and traditional processes. The report recommended the adoption of integrated systems

and cloud technology for enhanced accuracy and compliance, concluding that effective payroll processes minimize errors and improve the employee experience.

Data analysis and interpretation

Table 1. Demographic Characteristics of Respondents

	Categories	Frequency	Percentage
Educational background of the respondents	Upto HSC	19	15.8
	UG	8	6.7
	PG	7	5.8
	Others	86	71.7
Income of the respondents Per annum	Below Rs. 50,000	13	10.8
	20,001 - 30,000	24	20.0
	30,001- 40,000	53	44.2
	Above 40,000	30	25
Gender of the respondents	Male	88	73.4
	Female	32	26.7
Designation	Entry-level	45	37.5
	Team Lead	46	38.3
	Department Head	13	10.8
	Others	16	13.3

Source: Primary data

The table above demonstrates that 71.7% of the respondents have completed other educational qualification, 44.2% of the respondents said that Rs. 30,001- 40,000 as their income, 73.4% of the respondents belong to male and 38.3% of the respondents said that team lead as their designation.

Table 2. Timeliness of Tax Verification

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Payroll processing is not delayed due to pending tax verification.	68(56.7%)	24(20.0%)	8(6.7%)	12(10.0%)	8(6.7%)
Tax deductions are updated promptly after verification.	33(27.5%)	59(49.2%)	12(10.0%)	9(7.5%)	7(5.8%)
The organization follows a fixed schedule for tax verification.	9(7.5%)	21(17.5%)	64(53.3%)	12(10.0%)	14(11.7%)

Payroll adjustments related to tax corrections are executed quickly.	20(16.7%)	19(15.8%)	18(15.0%)	35(29.2%)	28(23.3%)
Tax verification results are available before payroll finalization.	16(13.3%)	37(30.8%)	25(20.8%)	7(5.8%)	35(29.2%)

Source: Primary data

The table above demonstrates that 56.7% of the respondents said that strongly agree in Payroll processing is not delayed due to pending tax verification, 49.2% of the respondents said that agree in Tax deductions are updated promptly after verification, 53.3% of the respondents said that not neither agree nor disagree in the organization follows a fixed schedule for tax verification, 29.2% of the respondents said that disagree in Payroll adjustments related to tax corrections are executed quickly and 30.8% of the respondents said that agree in Tax verification results are available before payroll finalization.

Table 3. Communication of Tax Deductions

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Employees receive prior information regarding changes in tax rules affecting payroll.	35(29.2%)	27(22.5%)	26(21.7%)	15(12.5%)	17(14.2%)
Details of deductions are explained in an understandable format.	43(35.8%)	33(27.5%)	29(24.2%)	6(5.0%)	9(7.5%)
Channels for clarifying tax-related queries are effective.	24(20.0%)	28(23.3%)	39(32.5%)	16(13.3%)	13(10.8%)
Updates about tax deductions are consistently provided.	40(33.3%)	27(22.5%)	32(26.7%)	12(10.0%)	9(7.5%)
Communication ensures awareness of all components affecting net salary.	41(34.2%)	36(30.0%)	28(23.3%)	7(5.8%)	8(6.7%)

Source: Primary data

The table above demonstrates that 29.2% of the respondents are strongly agree towards Employees receive prior information regarding changes in tax rules affecting payroll, 35.8% of the respondents are strongly agree towards details of deductions are explained in an understandable format., 32.5% of the respondents are neither agree nor disagree towards Channels for clarifying tax-related queries are effective, 33.3% of the respondents are strongly agree towards Updates about tax deductions are consistently provided .and 34.2% of the respondents are strongly agree towards Communication ensures awareness of all components affecting net salary..

Chi-Square Analysis- Relationship Between Timeliness of Tax Verification And Employee Satisfaction with Payroll

Null hypothesis (Ho):

There is no significant relationship between Timeliness of Tax Verification And Employee Satisfaction with Payroll.

Alternative hypothesis (H1):

There is some significant relationship between Timeliness of Tax Verification And Employee Satisfaction with Payroll..

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	388.685 ^a	80	.000
Likelihood Ratio	240.205	80	.000
Linear-by-Linear Association	88.752	1	.000
N of Valid Cases	120		

a. 101 cells (96.2%) have expected count less than 5. The minimum expected count is .06.

Interpretation:

It may be deduced from the preceding table that 0.000 is the P value and that at the 5% (0.05) level of significance, it is noteworthy. The anticipated count is at least 0.06. Consequently, the alternative theory is acknowledged and it is found that there is some significant relationship between Timeliness of Tax Verification And Employee Satisfaction with Payroll.

Correlation Analysis- Relationship Between Communication of Tax Deductions And Employee Satisfaction with Payroll Correlations

		Communication of Tax Deductions	Employee Satisfaction with Payroll
Communication of Tax Deductions	Pearson Correlation	1	.929**
	Sig. (2-tailed)		.000
	N	120	120
Employee Satisfaction with Payroll	Pearson Correlation	.929**	1
	Sig. (2-tailed)	.000	
	N	120	120

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation:

According to the table above, of the 120 responses, co-efficient of correlation between Communication of Tax Deductions And Employee Satisfaction with Payroll is 0.929. It is below 1. So there is positive relationship between Communication of Tax Deductions And Employee Satisfaction with Payroll.

Suggestions

- To guarantee tax checks are finished well in advance of payroll cycles, the business should improve tax verification and payroll team coordination.
- The company must guarantee prompt system updates following tax verification to prevent wage deduction errors.
- The organization should keep payroll processing consistent by following a organized and clearly communicated tax verification schedule.
- To reduce payroll correction delays, the firm has to simplify internal approval and rectification processes.
- The corporation must guarantee quick completion of tax verification so that payroll closing is precise and error-free.
- To enable staff members to plan and comprehend pay fluctuations, the firm ought to give tax legislation change advance notice.
- The organization has to provide deduction information in a clear and easy manner to increase transparency and confidence.
- Effective handling of tax-related questions from employees requires the company to reinforce support systems like HR portals or helpdesks.

- To keep staff members informed all through the financial year, the firm must maintain periodic updates on tax payments.
- To make sure staff clearly understand all elements affecting their net wage, the firm should improve wage communication methods.

IV. CONCLUSION

It is determined that ensuring payroll accuracy and raising staff happiness depend on the efficacy of income tax verification procedures. The research reveals that early verification, quick update of tax deductions, and consistent scheduling greatly help to minimize payroll errors and prevent delays. Employees have more faith in the correctness and dependability of their compensation distribution when tax-related changes are carried out well and verification results are concluded before payroll processing. Maintaining uniformity and operational effectiveness in payroll management calls for a well-designed tax verification system.

Furthermore concluded is that employee confidence and pleasure levels are directly impacted by open and consistent communication about tax deductions and legislative changes. Employee awareness is increased and tax-related component confusion is decreased by a clear explanation of deductions, availability of efficient question resolution channels, and frequent updates. Therefore, the combination of effective verification techniques with forward-looking communication channels improves organizational credibility and employee morale in addition to payroll accuracy.

V. FUTURE RESEARCH

Increasing the sample size is advised for future scholars so that more thorough and generalizable results on income tax verification systems and payroll correctness may be achieved. To get more thorough understanding of organizational procedures, the research could be broadened to include employees from many departments and levels of hierarchy. Future academics could examine how tax verification effectiveness affects employee retention, performance, and organisational confidence over time. Including more factors like digital payroll systems, automation in tax compliance, and employee knowledge of statutory rules might also help to extend the study.

The research could be expanded to other areas and states inside the same sector to see if comparable patterns are present across several geographical areas. Future investigators might use best practices and performance gaps by examining and contrasting the payroll and tax verification methods of rival companies. To know differences in salary governance, it is also advised to do comparative research between little, medium, and big organizations. To better understand employee views and corporate policies, future researchers may also employ mixed research designs—qualitative techniques including interviews and case studies.

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