How to Save tax for FY 2016-17?

Incorporates changes made in Income Tax laws in Budget presented on **February 29, 2016**

Version 1.0

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How much tax I need to pay this year!

What is the max I can save on taxes?

How do I learn about my investment and taxes?

Why did I buy that Insurance thing I never required?

Can I use both HRA and Home Loan to save taxes?

How I am paying more tax than my boss with higher income?

How much benefit I can get for my home and education loan?

Everyone is talking about 80C, 80CCC, 80D, 80E, 80!@#### - what's the mystery of 80's in tax planning?

PPF, FD or Insurance for saving tax?

If the above thoughts haunt you, this presentation is for you!

How to Use This Deck?

This presentation (deck) is **quick and simple "know how"** of all tax saving instruments available in India for Individual tax payers

The focus is to help even the layman to understand tax saving instruments and plan accordingly

If you seek more details on the topic you can click the boxes next to Useful Links. This would redirect you to relevant articles on ApnaPlan.com Apna Personal Finance Guide!

In case you find have any doubts or feedback, write me back at **apnaplan.com@gmail.com**

- ❖ I hope this helps you to understand the tax saving avenues available to Individual tax payers in India and help you save tax and your hard earned money
- ❖ This deck would be continuously updated based on your feedback
- ❖ **This deck has been updated based on changes proposed in Budget presented on February 2016**

History of Income Tax Slabs in India

How Much Tax you need to Pay?

The first step for tax planning is to know how much Tax you need to pay!

Income Tax Slabs for FY 2016–17 (AY 2017-18)

General Public (Below 60 Years of Age)		Senior Citizens (60 to 80 Years of Age)		Very Senior Citizens (More than 80 Years of Age)	
Income Tax Slab	**Tax**	**Income Tax Slab**	**Tax**	**Income Tax Slab**	**Tax**
Up to Rs. 2.5 Lakhs	Nil	Up to Rs. 3 Lakhs	Nil	Up to Rs. 5 Lakhs	Nil
Rs. 2.5 – 5 Lakhs	10%	Rs. 3 – 5 Lakhs	10%	Rs. 5 – 10 Lakhs	20%
Rs. 5 – 10 Lakhs	20%	Rs. 5 – 10 Lakhs	20%	Above Rs. 10 Lakhs	30%
Above Rs. 10 Lakhs	30%	Above Rs. 10 Lakhs	30%		

- Education cess of 3%
- Surcharge of 15% on Rs 1 crore plus income earners
- Tax credit of Rs 5,000 for income up to Rs 5 lakhs u/s 87A
- **There are no separate slab for male and female**

Income Tax Calculator for FY 2016-17 (AY 2017-18)

Click on the excel logo to download the Income Tax Calculator

You should be connected to internet to download this

Fill up the relevant details to know your tax liability for FY 2016-17

Tax Saving Sections

Below is the list of all Tax Saving Sections available for Individuals in India

Investments & Expenditure

Maximum Rs 1.5 Lakh Deduction for Income Tax combining these 3 Sections

Section 80C	Section 80CCC	Section 80CCD
Lots of Options like PPF, ELSS, FD, etc.	Pension Products	Central Government Employee Pension Scheme

NPS

Section 80CCD(1B)

Budget 2015 has allowed additional exemption of Rs 50,000 for investment in **NPS**

Useful Links

History of Income Tax Slabs in India

ApnaPlan.com Apna Personal Finance Guide!

Tax Saving Sections (Contd…)

Health and Well Being

Section 80 D

Medical Insurance for Family and Parents

Deduction Up to Rs 60,000

Section 80DD

Maintenance & medical treatment of disabled dependent

Deduction Up to Rs 1.25 Lakh

Section 80DDB

Treatment of certain Disease/ Ailment

Deduction Up to Rs 80,000

Section 80U

Physically Disabled Assesse

Deduction Up to Rs 1.25 Lakh

Loans

Section 80E

Interest payable on Education Loan

No Limit for Deduction

Section 24

Interest payable on Housing Loan & Home Improvement Loan

Deduction Up to Rs 2 Lakh for Home Loan and Rs 30,000 for Home Improvement Loan

Section 80EE

Additional deduction up to Rs 50,000 for Interest Payable on Home Loan

For First time home buyers

Tax Saving Sections (Contd…)

Donations

Section 80G
Donation to certain charitable funds, charitable institutions, etc.

Deduction Up to Rs 40,000

Section 80GGA
Donations for scientific research or rural development

Deduction Up to Rs 1 Lakh

Section 80GGC
Donation to political parties

Deduction Up to Rs 60,000

Others

Section 80GG
For Paying Rent in case of no HRA

Deduction Up to Rs 24,000

Section 80CCG
Rajiv Gandhi Equity Savings Scheme (RGESS)

Deduction Up to Rs 25,000 (50% of amount invested)

Section 80TTA
Interest received in Saving Bank Account

Deduction Up to Rs 10,000

Section 80C/ 80CCC/ 80CCD

- Following options are available for deduction under sec 80C/80CCC/80CCD
- The maximum deduction combining all these investments/ expenditures is Rs 1.5 lakh

Investment Options (Debt)

- Provident Fund (EPF/ VPF)
- Public Provident Fund (PPF)
- Sukanya Samriddhi Account
- National Saving Certificate (NSC)
- Senior Citizen's Saving Scheme (SCSS)
- Tax Saving Fixed Deposits (for 5 Years)

Investment Options (Others)

- Life Insurance Premium
- Pension Plans from Mutual Funds
- Pension Plans from Insurance Companies
- New Pension Scheme (NPS)
- Tax Saving Mutual Funds (ELSS)
- Central Govt. Employees Pension Scheme

Expenditures

- Principal Payment on Home Loan
- Stamp duty and registration cost of the House
- Tuition Fee for 2 Children

All these options have been explained in details in subsequent slides.

EPF/VPF (Employee Provident Fund)

- EPF is mandatory for salaried employees working for companies with more than 20 employees
- Under EPF rules, you need to contribute 12% of your Basic pay + DA to EPF
- The employer matches this EPF contribution
- You have option to put up to 100% of Basic pay + DA to EPF. This is known as Voluntary Provident Fund (VPF)
- The employer generally **does not match** your VPF contribution

The Good

- The interest earned on EPF/VPF is Tax Free
- Can take loan against EPF and also do partial withdrawal under certain conditions
- Convenient to invest as the amount is directly deducted from salary

The Bad

- Money is locked till your retirement
- The EPF interest rates are market linked and set by EPFO every year
- This option is only for salaried employees
- The withdrawal of EPF takes time

- You can opt for VPF by giving a request to your company at the start of every financial year
- Only your contribution in EPF and VPF is considered for Tax Deduction
- If you withdraw your EPF before 5 years the amount is taxable and also the earlier tax deduction claimed is nulled
- In case you change your job, you can transfer the previous EPF to your current employer

PPF (Public Provident Fund)

Download PPF Calculator

- ❖ PPF can be opened at Post Offices, 24 Nationalized Banks and ICICI Bank
- ❖ Has mandatory locking of 15 Years and can be extended further 5 years at a time
- ❖ Maximum Investment Allowed: Rs 1.5 Lakh per Year *(Budget 2014 increased this limit)*
- ❖ Minimum Investment of Rs 500 required every year to keep the account active
- ❖ Interest Rates paid on PPF are market linked onward hence would vary every quarter The interest rate is 8.1% for Q1 (FY 2016-17)

The Good

- The interest earned on PPF is Tax Free
- After opening the PPF account, investment can be done online every Year (for some banks)
- Can take loan against PPF and also do partial withdrawal
- It cannot be attached by court orders
- Highest Safety – backed by Govt. of India

The Bad

- Longer Locking period
- The PPF interest rates are market linked and hence would change every year
- HUFs and NRIs cannot open PPF Account

- Investment done till 5th of the month earns interest for the month. So deposit your money before 5th of month
- PPF can be opened on minors name with either parents as guardian
- The total investment in your PPF and the minor child PPF account (for whom you are guardian) should not exceed Rs1.5 lakh in a financial year

Sukanya Samriddhi Account (SSA)

- Sukanya Samriddhi Account is a new scheme by Government to promote all round development of Girl Child
- Can only be opened for Girl child below 10 years of age (max for 2 girl child by a parent)
- Deposit to the account to be made for 14 years and account matures at 21 years from date of opening
- Maximum Investment Allowed: Rs 1.5 Lakh per Year per account
- Minimum Investment of Rs 1,000 required every year to keep the account active
- Interest Rates paid are market linked & is reset every quarter. The present interest rate is 8.6% (Q1 – FY 17)

The Good

- The interest earned on SSA is Tax Free
- 50% withdrawal allowed when girl turns 18 for marriage/higher education
- Highest Safety – backed by Govt. of India
- Investment can be done online

The Bad

- Longer Locking period
- The SSA interest rates are market linked and hence would change every quarter
- HUFs and NRIs cannot open SSA Account

- Documents Needed – Date of Birth proof for Girl Child, Your Identity and Address Proof
- Minimum deposit of Rs 1,000 needs to be made every year else penalty of Rs 50 is levied
- Account can be closed before 21 years in case of marriage
- Only resident Indians are eligible to open SSA account

NSC (National Saving Certificate)

- NSC is Tax saving Fixed Deposit Scheme from India Post
- It is available for 5 years (NSC VIII) – *10 Year NSC has been discontinued from 2016*
- The interest is market linked and changes every quarter. Its 8.1% for 5 Year for Q1 FY 2016-17
- There is no maximum limit for investment in NSC but the deduction is only till maximum of Rs 1.5 Lakh u/s 80C
- You can buy NSC in denominations of Rs 100, 500, 1000, 5000 and 10000

The Good	The Bad
• Certificates can be kept as collateral security to get loan from banks • No Tax deduction at source • The interest accrued for NSC qualifies for Sec 80C deduction in subsequent years • Highest Safety – backed by Govt. of India	• The interest earned is taxable • You need to go to post office to invest and redeem. There is no online investment/ redemption facility • Trust and HUF cannot invest

- Maturity value of a certificate of Rs100 purchased on or after April 1, 2016 shall be Rs 147.61 after 5 years.
- NSC is better tax saving option than banks Tax Saving FD (offering similar interest) as interest accrued for NSC qualifies for Sec 80C deduction in subsequent years

Tax Saving FD from Banks/ Post Offices

- These are like normal Fixed Deposit with banks but is labeled as "Tax Saving FD" while making the deposit
- Has minimum tenure of 5 Years. Some banks offer special schemes for longer tenures with higher interest rates
- Some banks offer 0.25% to 0.75% additional interest for Senior Citizens and their employees
- As of today banks are offering 7% -7.5% for general public and 7.5% - 8% for Senior Citizens

The Good

- Convenient to invest. Many banks offers online facility for Tax Saving FD
- Redemption on maturity comes directly to your bank account
- High Safety - FD up to Rs1 Lakh is insured by RBI

The Bad

- The interest earned is taxable
- Cannot be withdrawn prematurely
- Cannot be pledged to secure loan or as security

- The Post Office Time Deposit Account (which is FD offered by Post Office) of 5 Years maturity also qualifies for 80C deduction. Its offering 7.9% since April 1, 2016
- Don't be mislead by banks advertisements about their yield on Tax Saving FDs. Those are manipulative calculations
- Be cautious of small co-operative banks as they have higher risk than bigger private and public sector banks

Senior Citizens Savings Scheme (SCSS)

- As the name suggests, SCSS is for senior citizens who are 60 years or above on the date of opening of the account. Also people with 55 years of age who have retired by VRS can open SCSS after 3 months of retirement
- Minimum Investment: Rs 1,000 while Maximum Investment: Rs 15 Lakhs
- The joint account can be opened only with your spouse.. There is no age limit applicable for the joint account holder.
- The interest is paid out quarterly. The interest is 8.6% w.e.f April 1, 2016
- No partial withdrawal is permitted before 5 years. The account may be extended for a further period of 3 Years

The Good

- The interest is paid quarterly to the saving account, hence can serve as regular income for retired
- Redemption on maturity comes directly to your bank account or through post dated cheques
- The SCSS carries a sovereign guarantee for principal and interest payments. So it's the safest investment

The Bad

- The interest from SCSS is taxable
- Bank would deduct TDS if the total interest in a year is over Rs 10,000
- NRIs and HUF are not eligible to open an account

- You can open SCSS with Post offices, 24 nationalized bank or ICICI bank
- SCSS account can be closed after 1 Year (with penalty) but in case you have availed Sec 80C benefit, it would be reversed
- If your income is not taxable, you can provide form 15H or 15G so that banks don't cut TDS
- Any retired Defense Services personnel is eligible for SCSS irrespective of his age

Life Insurance

- The only product you should consider from Life Insurance companies is – **Term Plan**
- The sum assured on death should be at least 10 times the annual premium
- This limit is altered only in special cases of disability (the premium should be 15% or less of sum assured)
- Buy insurance only if you have dependents.! Do not buy insurance to save tax! There are plenty of better ways to save taxes

How much Insurance?

- Your life insurance should be adequate to replace your income
- This roughly turns out to be 7 to 10 times your present annual income
- This might vary widely based on your assets, liabilities and situation

- Online Term Plans are cheaper than products sold by agents. So if you are comfortable with online purchasing go for it
- Never hide anything from insurance companies. A wrongly stated fact might deny insurance to your dependents when they need it most
- PPF along with Term Plans are better products than Endowment Plans. Similarly Mutual Funds with Term plans turn out better option than ULIPs
- The maturity proceeds of life insurance is tax free u/s 10(10)D, subject to certain conditions

National Pension Scheme (NPS)

3 Tax benefits on NPS

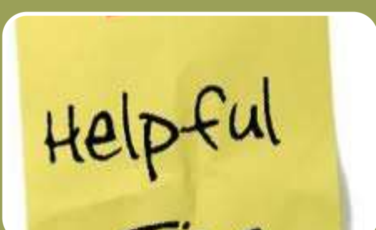
- ❖ NPS was introduced in April 2009 and has two types of Accounts – Tier I and Tier 2
- ❖ Tier 2 account is optional and only contribution to Tier I account is eligible for Tax Deduction u/s 80CCD
- ❖ Tier- I account requires a minimum investment of Rs 6,000 annually and Rs 500 per transaction
- ❖ Salaried employees can claim deduction up to 10% of your salary, which comprises basic + DA, while for self employed its capped capped at 10% of gross total income

The Good

- This is lowest cost Pension plan in the country
- You can choose your investment profile based on your risk. NPS can invest maximum of 50% in selected stocks.
- On death the entire amount is paid to the nominee

The Bad

- NPS is partially taxable at withdrawal
- The locking is till you are 60 years of age
- You can withdraw max of 60% at maturity and have to compulsorily buy annuity for min 40% corpus



- You should opt for 50% equity investment when young and slowly move to debt as you approach your retirement
- Budget 2015 has announced additional tax exemption of Rs 50,000 for investment in NPS u/s 80CCD(1B)

Do You know how Your Family can Help You Save Taxes?

Click to Know How Your **Spouse** can Help you save taxes!

Click to Know How Your **Parents** can Help you save taxes!

Click to Know How Your **Children** can Help you save taxes!

Equity Linked Saving Scheme (ELSS)

- ELSS is popularly known as Tax Saving Mutual Fund
- The minimum investment is Rs 500
- There is no limit for maximum investment but the maximum deduction you get 1.5 Lakhs every year

The Good

- The gains on ELSS Fund is Tax Free
- Only investment option which can beat inflation
- Has the shortest locking period of 3 years
- ELSS can be bought and redeemed online

The Bad

- The returns are dependent on stock market. So its high risk investment. You might loose money at the end of 3 years

- Doing SIP (Systematic Investment Plan) in one or two ELSS Fund is the best way to invest
- Dividend Reinvestment option in ELSS has been discontinued from February 2015
- You should choose maximum of two funds for investing
- Research well before you invest in ELSS Fund
- You should try to invest directly to fund as this would give you 0.5% to 1% higher returns as compared to when you invest through broker

Pension Plans from Insurance Companies

- Pension Plans from Insurance Companies Qualify for deduction under Sec 80CCC
- There were few launches in Pension Plan space this year from life insurance companies
- These are **very inefficient products , so you should stay away from these plans**
- They generally have assured return in the range of 1-2% per annum, which is very low return. Savings accounts pay at least 4%

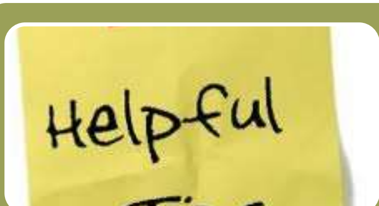
Why you should never buy these Pension Plans?

- Low Returns: They don't invest in equities, which is must for long term wealth creation
- If you want to surrender these, you loose a lot in terms of returns
- On surrendering, the tax benefit you claimed earlier, would be reversed and you would need to pay these taxes back
- On maturity, you cannot withdraw the entire corpus and have to compulsorily buy Annuity

- Don't invest in pension plans just by seeing their emotional advertisements. They are high cost products and would ruin our retirement planning
- PPF/ EPF & VPF turns out to be a better plan for retirement even for most risk averse investor
- NPS is also good alternative to these Pension plans

Tuition Fee

- The expenses on tuition fees for maximum of two children is eligible for deduction u/s 80C
- The maximum deduction available is Rs 1.5 Lakh
- The deduction is available for full time courses only
- The deduction is not available for tuition fee to coaching classes or private tuitions
- The educational institute should be located in India, though it may be affiliated to any foreign university



- The following expenses are not considered as tuition fees – Development Fee, Transport charges, hostel charges, Mess charges, library fees, Late fines, etc
- This deduction is not available for tuition fees for self or spouse

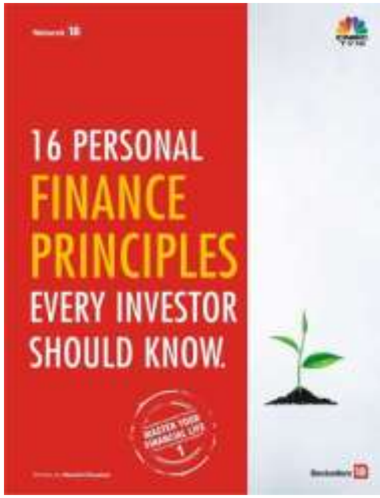
Stamp Duty & Registration Charges

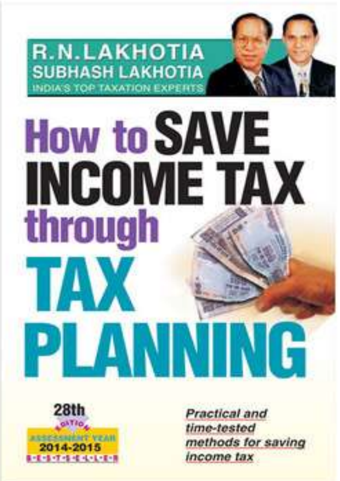
- Stamp duty and registration charges up to Rs 1.5 Lakh can be claimed for deduction u/s 80C
- The payment should have been made in the same financial year for which the tax is being paid. i.e. the deduction cannot be carried forward to next year
- The house should be in the name of assessee claiming deduction
- The payment for stamp duty should have been made from his own funds
- This benefit is available on purchase on new residential unit only

How builders use super built-up area to deceive home buyers?

Recommended Books

- I have often been asked books I would recommend for Personal Finance. Below are some of recommendations





As the name suggests, it's a book on retirement planning written by PV Subramanyam a CA and regular blogger

Blogs at Subramoney.com

Both the books have been authored by Manish who an avid blogger and features on PLAN F program of CNBC.

Blogs at Jagoinvestor.com

Authored by Lakhotia, a very renowned tax consultant and is regular on CNBC Awaaz "Tax Guru" Program. Good book to understand your taxes!

Clicking on Books Image would take you to Amazon.in where you can buy these books online.

Useful Links

ApnaPlan.com Apna Personal Finance Guide!

Do You know how Your Investments are Taxed?

How is your Investment in **Mutual Funds** Taxed?

Know Taxation of Equity, Debt, Arbitrage, International Mutual Funds

Is your **Life Insurance Policy** eligible for Tax Benefit?

Not all Policies are eligible for Tax Benefit at Investment and on Maturity

TDS and Tax on NCDs (Non Convertible Debentures)

Home Loan: Interest & Principal

- ❖ Buying a house is one of the top most priority for most
- ❖ The good news is you get tax deduction on both principal and interest payment on your Housing Loan

- Home Loan
  - Principal
    - Deduction u/s 80C up to Rs 1.5 Lakh
  - Interest
    - Deduction u/s 24 up to Rs 2 Lakhs
    - Additional Deduction u/s 80EE up to Rs 50,000 (Budget 2016)

Deduction on Principal Payment on Home Loan

- ❖ Deduction up to Rs 1.5 Lakh is allowed on the principal repayment of the housing loan if the house is self occupied or vacant
- ❖ The house should be registered in the name of assessee. (He should be one of the owners, in case of joint ownership)
- ❖ The loan should be taken from Banks, NBFCs or respective employers. Loans taken from friends/ relatives does not qualify for this deduction
- ❖ This deduction is available also to people with multiple properties

- The deduction is only available from the year of possession/ completion of the house
- All the benefit of tax u/s 80C will reversed if house property is sold with 5 year from purchase of house property

SEC 24 | SEC 80C | SEC 80EE

Home Loan: Interest & Principal

Deduction on Interest Payment on Home Loan

- Deduction up to Rs 2 Lakh is allowed on the principal repayment of the housing loan in case of single non-rented house
- Budget 2016 has given additional Rs 50,000 deduction for first time home buyers (details on next slide)
- Section 24 covers "Loss/Gain from Housing Property"
- For Sec 24, all the rent you receive from houses is your income while
- The interest paid on housing loan is considered as expense
- So broadly speaking the (income – expense) subject to certain conditions is added to your income.
  - In case the interest paid is more than your rental income, the above calculation is negative and hence a deduction to your total income

- The deduction is only available from the year of possession/ completion of the house
- The Pre-EMI interest you pay before the completion of the house can be claimed as deduction in 5 equal installments starting from year the construction of the house completes
- You can claim benefit of both HRA and Home Loan together
- In case the Home Loan is taken before April 1, 1999 the deduction on interest is only Rs 30,000
- In case the house is not completed within 5 years (*enhanced from 3 yeas in Budget 2016*) of start of loan, the interest exemption for self-occupied home is capped at Rs 30,000 only

Home Loan: Interest & Principal

Additional Deduction on Interest Payment on Home Loan u/s 80EE

❖ Budget 2016 had added a new section 80EE, which gives additional exemption of Rs 50,000 on payment of interest on Home Loan subject to following conditions:

- ✓ The loan needs to be taken in the financial year 2016-17 (i.e. between April 1, 2016 to March 31, 2017)
- ✓ If you were not able to exhaust the complete Rs 50,000 limit in FY 2016-17, this could be carry forward to FY 2017-18
- ✓ Rs 50,000 is the maximum allowed deduction combining both financial years above
- ✓ The loan can only be taken from Banks or Housing Finance companies
- ✓ The loan should not exceed Rs. 35 lakh
- ✓ The house should not cost more than Rs. 50 lakh
- ✓ The borrower should not own any other property at the time of loan sanction

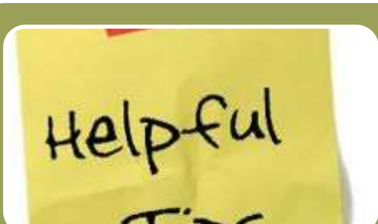
Home Improvement Loan: Interest

- ❖ Deduction up to Rs 30,000 is allowed on the interest payment for loan taken for Home Improvement
- ❖ Home improvement Loan can be taken for furnishing of new home or repairing, painting or refurnishing existing home
- ❖ The above limit is for self-occupied homes only
- ❖ There is no limit of deduction for rented or vacant homes
- ❖ This exemption is over and above the Rs 2 Lakh limit that you can claim for Home Loan interest
- ❖ No deduction is available for the principal portion of the repayment on home improvement loans

- If the loan for acquisition/construction was taken before April 1, 1999 - then the combined (interest paid on the loan taken for acquisition/construction and the loan taken for repair/renewal) limit for interest deduction stays at Rs.30,000
- You can take loan of up to 80% of the cost of valuation of the home improvement work
- The maximum tenure of home improvement loan can go up to 10- 20 years depending on lending institution
- The interest rate for home improvement loan is 0 – 2.5% higher than home loan from the same institution

Section 80D: Medical Insurance

- Premium paid for Mediclaim/ Health Insurance for Self, Spouse, Children and Parents qualify for deduction u/s 80D
- You can claim maximum deduction of Rs 25,000 in case you are below 60 years of age and Rs 30,000 above 60 years of age.
- An additional deduction of Rs 25,000 can be claimed for buying health insurance for your parents (Rs 30,000 in case of either parents being senior citizens)
  - ✓ This deduction can be claimed irrespective of parents being dependent on you or not
  - ✓ This is not available for buying health insurance for in-laws.
- HUFs can also claim this deduction for premium paid for insuring the health of any member of the HUF



- To avail deduction the premium should be paid in any mode other than cash
- Budget 2013 introduced deduction of Rs 5,000 is also allowed for **preventive health checkup** for Self, Spouse, dependent Children and Parents. Its continued to this FY too.
- This Rs 5,000 is within Rs 25,000 limit for Health Insurance

Section 80DD: Handicapped Dependents

- ❖ In case you have dependent who is differently abled, you can claim deduction for expenses on his maintenance and medical treatment
- ❖ You can claim up to Rs 75,000 or actual expenditure incurred, which ever is lesser. (The limit is Rs 1.25 Lakh for severe conditions)
- ❖ Dependent can be parents, spouse, children or siblings. Also the dependent should not have claimed any deduction for self

40% or more of following Disability is considered for purpose of tax exemption

- Blindness and Vision problems
- Leprosy-cured
- Hearing impairment
- Locomotor disability
- Mental retardation or illness

Deductions are permissible in either of the following cases

- Costs incurred for medical treatment, training or rehabilitation of a disabled dependent, including amount spent for nursing
- Amount paid towards an insurance scheme for the maintenance of your disabled dependent in case of your untimely death

- A severe disability condition is 80% or more of the disabilities
- Individuals would need disability certificate issued by state or central government medical board to claim deduction
- The life insurance policy should be on the tax payer name, with the disabled person as the beneficiary.
- In case the disabled dependent expires before you, the policy amount is returned back and treated as income for the year and is fully taxable.

Section 80DDB: Treatment of Certain Diseases

- Cost incurred for treatment of certain disease for self and dependents gets deduction for Income tax.
- For very senior citizens the deduction amount is up to Rs 80,000; while for senior citizens it Rs 60,000 and for all others its Rs 40,000
- Dependent can be parents, spouse, children or siblings. They should be wholly dependent on you.

Diseases Covered						
Neurological Diseases	Parkinson's Disease	Malignant Cancers	AIDS	Chronic Renal failure	Hemophilia	Thalassaemia

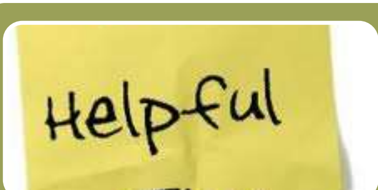
- A certificate from specialist from Government Hospital would be required as proof for the ailment and the treatment
- In case the expenses have been reimbursed by the insurance companies or your employer, this deduction cannot be claimed.
- In case of partial reimbursement, the balance amount can be claimed as deduction

Section 80U: Physically Disabled Assesse

- Tax Payer can claim deduction u/s 80U in case he suffers from certain disabilities or diseases.
- The deduction is Rs 75,000 in case of normal disability (40% or more disability) and Rs 1.25 Lakh for severe disability (80% or more disability)

Disabilities Covered

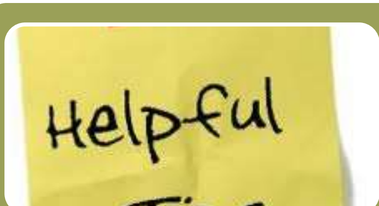
- Blindness and Vision problems
- Leprosy-cured
- Hearing impairment
- Locomotor disability
- Mental retardation or illness
- Autism
- Cerebral Palsy



- A certificate from neurologist or Civil Surgeon or Chief Medical Officer of Government Hospital would be required as proof for the ailment.

Section 80E: Education Loan

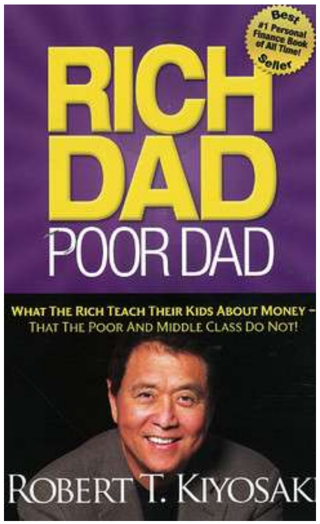
- The entire interest paid on education loan in a financial year is eligible for deduction u/s 80E
- There is no deduction on principal paid for the Education Loan
- The loan should be for education of self, spouse or children only
- The loan should be taken for pursuing full time courses only
- The loan has to be taken necessarily from approved charitable trust or a financial institution only

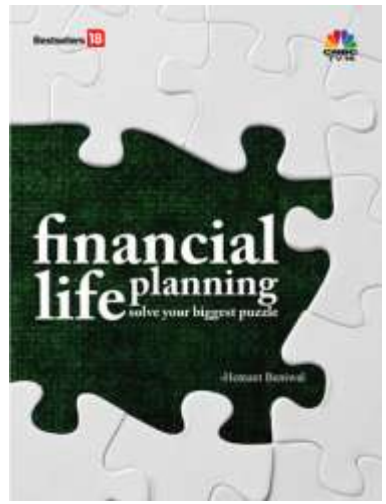


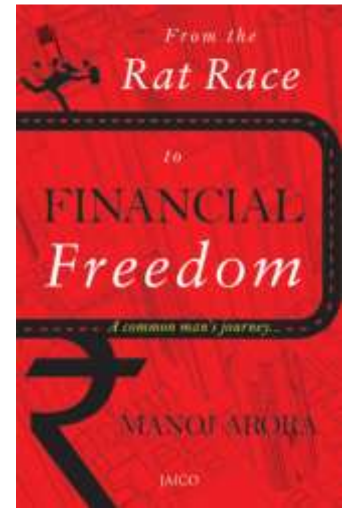
- The deduction is applicable for the year you start paying your interest and seven more years immediately after the initial year.
- So in all you can claim education loan deduction for maximum eight years.

Recommended Books - 2

❖ I have often been asked books I would recommend for Personal Finance. Below are some of recommendations







One of the world's Best Sellers in Personal Finance and one of the earliest books I read. Good book but not everything relevant for Indian Audience

Authored by Hemant, who is Certified Financial Planner and regular blogger

Blogs at Tflguide.com

Authored by Manoj Arora, an engineer by profession, is a gold medalist from Aligarh Muslim University

Clicking on Books Image would take you to Amazon.in where you can buy these books online.

Useful Links

ApnaPlan.com Apna Personal Finance Guide!

Rajiv Gandhi Equity Savings Scheme (RGESS)

- RGESS is a new Tax Saving Scheme which was announced in Budget 2012 to encourage first time investors in stock market
- Under RGESS, you are eligible for a tax deduction on 50% of the amount invested
- The maximum amount eligible for investment in a year for RGESS is Rs 50,000. So maximum deduction is 50% of 50,000 = Rs 25,000
- You can take advantage of RGESS for three consecutive years
- RGESS allows you to invest directly in stocks which are part of CNX-100 index or BSE-100 index
- Some Mutual Funds and ETFs which invest only in the above companies are also eligible for RGESS

Who can invest in RGESS?

- This scheme is to encourage New Investors in Stock market. So as per RGESS, you are new investor if
  - did not have a Demat A/C before November 23, 2012 OR
  - have not transacted in the equity or derivate segment till November 23, 2012 OR
  - had a demat account but as second joint holder
- Additionally your gross income should be less than Rs 12 Lakhs

Continued in Next Slide …

Rajiv Gandhi Equity Savings Scheme (RGESS)

4 Steps to Claim Tax Benefit in RGESS

1. Open a Demat Account
2. Designate the A/C as RGESS Account by filling up relevant form
3. Buy Eligible Stocks or ETFs
4. Submit Demat Statement as Proof to claim tax benefit

The Good

- The gains on RGESS Fund is Tax Free
- The returns generated can beat inflation
- Has short locking period
- Everything needs to be done through your demat account. So its convenient

The Bad

- The returns are dependent on stock market. So its high risk investment. You might loose money.
- Its complicated for a normal investor

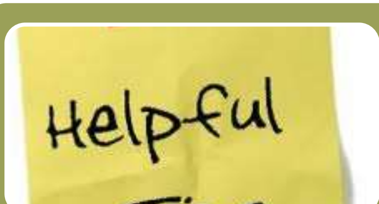
- As first time investors, it makes sense to either invest in eligible mutual fund schemes or ETFs
- Investing directly in stocks is very risky and you can loose money if you select the wrong one
- There is concept of flexible and fixed lock-in, which makes the scheme complex. For simplicity you should assume that your investment in RGESS is locked in for 3 years
- I recommend investing in the scheme through ETFs, as the tax break gives you a cushion to your prospective losses, if any. Moreover, its those few schemes which have possibility to generate positive inflation adjusted returns.

Donation to Approved Charitable Organizations

- The government encourages us to donate to Charitable Organizations by providing tax deduction for the same u/s 80G
- Some donations are exempted for 100% of the amount donated while for others its 50% of the donated amount
- Also for most donations, the maximum exemption you can claim is limited to 10% of your gross annual income

How to Claim Sec 80G Deduction?

- A signed & stamped receipt issued by the Charitable Institution for your donation is must
- The receipt should have the registration number issued by Income Tax Dept printed on it
- Your name on the receipt should match with that on PAN Number
- Also the amount donated should be mentioned both in number and words



- Only donations made to approved organizations and institutions qualify for deduction
- Only donations made in cash or cheque are eligible for deduction. Donations in kind like giving clothes, food, etc is not covered for tax exemption

Donation to Political Parties/ Scientific Research

Section 80GGA – Donation for Scientific Research

- 100% tax deduction is allowed for donation to the following for scientific research u/s 80GGC
  - ✓ To a scientific research association or University, college or other institution for undertaking of scientific research
  - ✓ To a University, college or other institution to be used for research in social science or statistical research
  - ✓ To an association or institution, undertaking of any programme of rural development
  - ✓ To a public sector company or a local authority or to an association or institution approved by the National Committee, for carrying out any eligible project or scheme
  - ✓ To the National Urban Poverty Eradication Fund set up

Section 80GGC – Donation to Political Parties

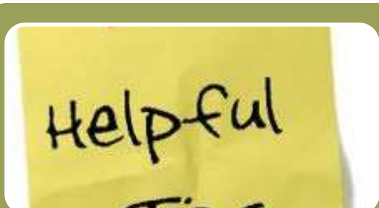
- 100% tax deduction is allowed for donation to a political party registered under section 29A of the Representation of the People Act, 1951 u/s 80GGC
- The maximum exemption you can claim is limited to 10% of your gross annual income

Interest on Saving Account

- ❖ Budget 2012 introduced a new Section 80TTA, which allows deduction of Rs 10,000 on interest earned on saving bank account
- ❖ This benefit is continued for FY 2016-17

House Rent in case HRA is not part of Salary

- ❖ In case, you do not receive HRA (House Rent Allowance) as a salary component, you can still claim house rent deduction u/s 80GG
- ❖ Tax Payer may be either salaried or a self-employed
- ❖ You cannot claim this deduction if you or your spouse or your children own any home in India or abroad.



- The House Rent deduction is lower of the 3 numbers:
  - Rs. 5,000 per month [*changed from Rs 2,000 to Rs 5,000 in Budget 2016*]
  - 25% of annual income
  - (Rent Paid - 10% of Annual Income)

Tax on Salary Components

11 Tax Free Components You Must have in Salary

- Your salary has multiple components
- Some of them are fully taxable while others are partially taxable or tax free

Fully Taxable	Partially Taxable/ Tax Free
• Basic Salary • Dearness Allowance (DA) • Special Allowance • Band Pay • Bonus • Over time • Arrears • Personal Pay • Food Allowance • Furniture Allowance • Shift Allowance	• Medical Reimbursement up to Rs 15,000 per year • Transport Allowance up to Rs 1600 per month • Leave Travel Allowance (LTA) • Vehicle Maintenance • House Rent Allowance (HRA) • Uniform Allowance – Amount up to Rs 24,000 per annum is tax free • Children Education Allowance (Rs.100/ month per Child (Rs.300 for Hostel Expenditure) Max for 2 Children) • Newspaper/Journal Allowance – Amount up to Rs 12,000 per annum is tax free • Telephone Allowance • Meal Coupons

- Some of the components have been explored in next few slides

Partially Taxable Salary Components

House Rent Allowance

- The HRA that can be claimed for tax exemption is minimum of
  - Actual HRA Received or
  - 40% (50% for metros) of Basic + Dearness Allowance or
  - Rent paid (-) 10% of (Basic + Dearness Allowance)
- If the annual rent paid is more than Rs 1 Lakh, you need to give PAN Card number of landlord to your employer
  - In case the landlord does not have PAN Card, he needs to give a declaration for the same
- You can claim benefit of both HRA and Home Loan together

Company Car/ Car Maintenance Allowance

- If the company provides you a car for personal and official purposes and reimburses the fuel, insurance, maintenance and driver's salary the taxable value shall be:
  - in case the car is less than equal to 1600 CC – Rs 1,800 per month
  - in case the car is greater than 1600 CC – Rs 2,400 per month
  - Also Rs 900 per month in case company provides driver
- In case the car is owned by you, the reimbursement of running and maintenance cost up to
  - Rs 1,800 per month (for car less than 1600CC) and
  - Rs 2,400 per month (for car greater than 1600CC)
  - along with Rs 900 for driver salary is tax free

Partially Taxable Salary Components

Meal Coupons

- Meal Coupons like Sodexo or Ticket are tax free subject to Rs 50 per meal
- So assuming 22 days working month and 2 meals a day, meal coupon up to Rs 2,200 per month are tax free
- Annually this amount comes to Rs 26,400

Mobile Phone and Internet Bill Reimbursement

- The reimbursement of mobile and internet bills used for company purpose is tax free
- There is no limit on the amount of reimbursement and is fixed by company depending on work profile

Leave Travel Allowance (LTA)

- You can claim LTA twice for two domestic trips with family in block of four years. The present block is 2014 - 2017
- The meaning of ‘family’ for the purposes of exemption includes spouse and children and parents, brothers and sisters who are wholly or mainly dependent on you
- There is no maximum limit of LTA and is decided by employer
- Only expenses incurred in travelling is covered. You cannot claim hotel stay and food bills

Banks for Opening SCSS & PPF

- At present, Post Offices, 24 Nationalized banks and one private sector bank are authorized to handle the SCSS and PPF

Allahabad Bank	IDBI Bank	State Bank of Travancore
Andhra bank	Indian Bank	Syndicate Bank
Bank of Baroda	Indian Overseas Bank	UCO Bank
Bank of India	Punjab National Bank	Union Bank of India
Bank of Maharashtra	State Bank of Bikaner and Jaipur	United Bank of India
Canara Bank	State Bank of Hyderabad	Vijaya Bank
Central Bank of India	State Bank of India	ICICI Bank Ltd.
Corporation Bank	State Bank of Mysore	
Dena Bank	State Bank of Patiala	

Sec 80G: List of eligible Organizations

100% Exemption

1. National Defense Fund
2. Prime Minister's National Relief Fund
3. Prime Minister's Armenia Earthquake Relief Fund
4. Africa (Public Contributions-India) Fund
5. National Foundation for Communal Harmony
6. Approved university/educational institution
7. Chief Minister's Earthquake Relief Fund
8. Zila Saksharta Samiti
9. National Blood Transfusion Council
10. Medical Relief Funds of state govt
11. Army Central Welfare Fund, Indian Naval Ben. Fund, Air Force Central Welfare Fund.
12. National Illness Assistance Fund
13. Chief Minister's or Lt. Governor's Relief Fund
14. National Sports Fund
15. National Cultural Fund
16. Govt./ local authority/ institution/ association towards promoting family planning
17. Central Govt.'s Fund for Technology Development & Application
18. National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation & Multiple Disabilities
19. Indian Olympic Association/ other such notified association
20. Andhra Pradesh Chief Minister's Cyclone Relied Fund
21. National Fund for Control of Drug Abuse (NFCDA)
22. Swachh Bharat Kosh
23. Clean Ganga Fund

50% Exemption

1. Jawaharlal Nehru Memorial Fund
2. Prime Minister's Drought Relief Fund
3. National Children's Fund
4. Indira Gandhi Memorial Trust
5. Rajiv Gandhi Foundation
6. Donations to govt./ local authority for charitable purposes (excluding family planning)
7. Authority/ corporation having income exempt under erstwhile section or u/s 10(26BB)
8. Donations for repair/ renovation of notified places of worship
9. World Vision India
10. Udavum Karangal

About the Author

- This deck has been authored by Amit Kumar, the brain behind Apnaplan.com, a leading personal finance blog in India
- Amit is MBA from NITIE, Mumbai and BIT from Delhi University

ApnaPlan.com
Apna Personal Finance Guide!

- Apnaplan.com is leading personal finance blog in India
- The blog has more than 500 articles related to
  - Investments like Mutual Funds, Fixed Deposits, Stocks, Bonds, Real Estate etc
  - Taxation – Calculators, FAQs of Tax Saving Options, etc
  - Loans – Home, Personal, Gold, Education, etc
  - Retirement Planning, Money Saving and Smart Shopping Tips
- **Few Numbers:**
  - More than 2.5 Lakhs Page Views with 1.5 Lakh unique visitors monthly
  - Alexa Rank of 62,000 worldwide and 6,000 in India [as of March 20, 2016]

Thank You!

Thank you for reading through the presentation

- We sincerely hope you like it and would help you in your tax planning for FY 2015-16
- **In case you liked our work, please share it with others**
  - You can recommend/email and share this with your friends and family
  - Share it on online forums, your group emails
  - Like us on Facebook
  - Give us +1 on Google
  - Leave us a note of appreciation on Apnaplan.com
- Your appreciation encourages us and motivates us to come out with more such decks

Help us to Make this deck Better!

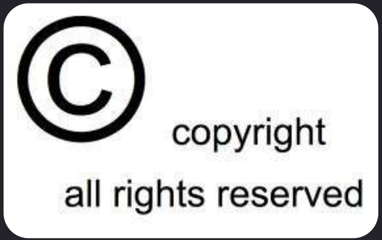
- We look forward to your feedback - Let us know how we can make this deck better and more useful for you!
- You can email us on **apnaplan.com@gmail.com**

Useful Links

ApnaPlan.com
Apna Personal Finance Guide!

Disclaimer

- This deck is for information purpose only and all the information presented is on best effort basis
- You are advised to consult your financial planner or tax expert before taking any investment decision



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