Start your tax planning right now

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Last Published: Tue, Apr 17 2018. 07 22 PM IST

Vivina Vishwanathan

The right way to do your tax planning is to start at the beginning of a new financial year, which is right now. Photo: iStockphoto

Has there been an April morning in your life when you have woken up and decided to do your tax planning? Most salaried individuals keep their tax planning for the last minute. And then at the end of the financial year, it is not uncommon for individuals to scramble to get their tax investment proofs. In fact, in most cases, individuals start looking for tax saving products to invest only when their employer sets a deadline for submission of the documents. If such a scenario plays out in your working life year-after-year, you are for a financial disaster. In a hurry to meet the deadline, most people end up buying wrong products. One o the worst money mistakes is to buy financial products that you don't need. The right way to do your tax planning is to start at the beginning of a new financial year, which is right now.

April, the beginning of a new financial year, is the right time to start planning your taxes. Remember that tax planning is just one part of your overall financial plan. Saving tax is just a by-product of the investments that you make which form a part of your overall investment portfolio. When you start planning at the beginning of the financial year, you get enough time to focus on your asset allocation and to take a well-informed decision. "Most tax-saving products have a lock-in period. The sooner you invest, the sooner your lock-in period is completed," said Vishal Dhawan, a Mumbai-based financial planner.

The process

Firstly, you need to know what comes under 80C and how much money you save. For this financial year, under 80C, you can get tax benefit of up to Rs1.5 lakh. The investments eligible for 80C include contribution to public provident fund (PPF), employee's share of PF contribution, National Savings Certificate, children's tuition fee, principal repayment amount of home loan, investment in Sukanya Samridhi Account, unit-linked insurance plan, equity linked saving scheme, and five-year deposit scheme.

Keep a tab

Many are not aware that they are already investing in products that qualify for 80C. For instance, your PF contribution qualifies for 80C. To know the exact amount, check your payslip. If your PF contribution is Rs10,000 a month, automatically Rs1.2 lakh qualifies for 80C. So, in that case, you have to plan for just Rs30,000.

Starting early can get you more

Another benefit of starting early in the financial year will help you earn higher returns. For instance, say you invest Rs1.5 lakh in PPF every year for 15 years, assuming an interest rate of 7.60%. If you do it at the beginning of the year, your total returns would be Rs42.48 lakh and if you do it at the end of the year, it will be Rs39.48 lakh. You will earn Rs3 lakh more by just changing the date of investment.

Other saving products

Other than 80C, there are other deductions you get, including medical insurance for yourself and your dependents, interest on housing loan and donations. If you are paying a home loan, it forms a part of your tax exemption. To get the benefit, all you have to do is provide your loan documents.

First Published: Tue, Apr 17 2018. 07 20 PM IST

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