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Tax planning: Time to rush

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With March 31 approaching fast, most employees should ideally have given all their tax planning proof to their respective companies. If you have still not done so, it's time to rush.

WHEN EXEMPTIONS CAN BE DENIED

If an under-construction property is not completed within 3 years, you stand to lose 85 per cent of the tax benefit under Section 24

If premium is paid in cash for health insurance under Section 80D

If donations made in ca

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under Section 80G

If freelancers or businesses make cash expenses of over Rs 20,000

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There are some key documents you need to submit as soon as possible. If your employer is still accepting documents, you will be able to claim reimbursements such as leave travel allowance, medical and telephone. "A person can claim house rent allowance while filing returns but not the rest," says Archit Gupta, chief executive officer and founder, ClearTax. If a person has missed the deadline for submitting tax-related documents, all deductions from Section 80C to 80U can be claimed directly while filing the tax return, says Gupta. Those who could not meet the employer's deadline can make the required investments now and claim deductions at the time of filing returns.

Use technology: Thanks to technology, you can do almost all transactions on the internet. But, for certain transactions, like mutual funds, you need to complete the Know Your Client (KYC) formalities. Many online mutual fund platforms such as FundsIndia or Aditya Birla Money's MyUniverse can help you do this online, too. An Aadhaar card can also fast-track the KYC procedure for some instruments. These facilities should help you get done with your entire tax planning before the four-day bank holiday starting Tuesday.

"While making last-minute investments, individuals should avoid instruments that need recurring commitments. If the person later realises it wasn't suitable, he will be stuck with it for years," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. This means you should avoid opening a new Public Provident Fund (PPF) account or opt for a new

insurance plan.

Do the numbers: First, check the deductions you can claim under Section 80C, which has a limit of Rs 1.5 lakh. There are about 15 types of investments and expenses a person can claim deductions for in this section. Before shortlisting the right products, check the amount already exhausted by the Employees' Provident Fund (EPF). Subtract the EPF amount from Rs 1.5 lakh to know the available limit.

What the liability will be if advance tax is not paid

Assumptions for tax computation:

- ₹10,00,000 as the total taxable income has been considered after all the deductions
- Total tax has been calculated on the tax slab applicable for an individual (below the age of 60) for financial year 2015-16 as follows:

Taxable Income (₹)	Tax rate for financial year 2015-16	Tax calculated in the example (₹)
Income up to 2,50,000	NIL	0
Income from 2,50,001 to 5,00,000	10%	25,000
Income above 5,00,000 to 10,00,000	20%	1,00,000
Income above 10,00,000	30%	NA
	Tax calculated above is topped with 3% education cess	₹3,750 i.e. 3% of ₹1,25,000
Total Tax Payable		₹1,28,750

Interest on non-payment of advance tax:

- Taxpayer is an individual and aged below 60
 - Total tax payable including cess: ₹1,28,750
- Advance tax is payable in three instalments as follows:

Instalments	Due date	Advance payment	Amount payable
Instalment 1	Sept 2015	30% of total tax payable	₹38,625
Instalment 2	Dec 15, 2015	60% of total tax payable (less already paid)	₹38,625
Instalment 3	Mar 15, 2016	100% of total tax payable (less already paid)	₹51,500

On failure to pay advance tax as mentioned above, interest under Section 234B and 234C of the Income Tax Act at the rate of 1% per month would be applicable.

Interest payable is shown below:

Interest	Amount payable
Under Section 234B (on payment of total tax due on April 1, 2016)	₹1,287
Under Section 234C (on non-payment of advance tax till March 15, 2016)	₹4,762

If you have a home loan, the principal portion can form another big chunk and help you exhaust the Section 80C limit. If you have a joint home loan, remember to claim deductions only to the extent you are contributing. If it is 50:50, you should claim only 50 per cent of the principal repayment. If you are planning to prepay a portion of the home loan, it would be a good idea to do so immediately. You can use the additional payment to get a deduction

in case of a shortfall. Similarly, the interest paid on the home loan can be claimed under Section 24. If it's a self-occupied property, the deduction allowed is up to Rs 2 lakh. For a second house, the entire interest can be claimed as deduction.

Investment options: Options that don't require recurring payments include a five-year tax-saving fixed deposit, National Savings Certificates and an equity-linked saving schemes (ELSS). Of these, most investment advisors suggest a person should look at ELSS if they have risk appetite for stocks. The preferable route to invest here is via a systematic investment plan (SIP) but as you are already late, you can invest a lumpsum, according to Surya Bhatia, a certified financial planner. Given the market conditions, even a lumpsum amount won't hurt. "Most SIPs made in the last year have negative returns. A lumpsum will not hurt investors at present," says Bhatia. If you already have a PPF account or ongoing term plan, you must make use of it.

You can also take a call on instruments, depending on the debt to equity ratio in your portfolio. If you have a higher allocation to equities, look at fixed instruments and vice versa. The decision should also be based on the requirement of money in the future, according to Dhawan. Each tax-saving instrument has a different lock-in period. You must choose depending on your goals. If you are saving to buy a house three to five years down the line, ELSS would make more sense than fixed income instruments.

Insurance benefits: Many people buy a term plan and also take an add-on critical illness cover. While life insurance gets a deduction under Section 80C, critical illness is covered under Section 80D. Many people don't remember to separately claim these two.

Though it is not advisable to go for products with recurring commitments, one exception is medical insurance. "A person below 45 years can get it easily and quickly for himself, wife and children. He can get a deduction of up to Rs 25,000," says Vikram Ramchand, founder, Makemyreturns.com. Preventive health checks that you would have done during the financial year also qualify for deduction up to Rs 5,000 under this section, adds Ramchand.

Benefits through senior citizens and dependents: If your parents are senior citizens and you pay for their health insurance, you can get a deduction up to Rs 30,000. In the case of parents over 80 years, who might not be eligible for insurance, medical expenses up to Rs 30,000 can be claimed for both. Additional deductions are provided for parents over 80 years for medical treatment such as cancer or neurological illness.

If your dependent is suffering from a specified disease (cancer neurological diseases, chronic renal failure), deduction can be claimed under Section 80DDB. For dependents below 60 years deduction up to Rs 40,000 is allowed. In case of senior citizens, deductions are permitted up to Rs 60,000 and for those above 80 years, up to Rs 80,000.

Section 80DD provides benefits for disabled dependents. If the disability is 40 per cent or more but less than 80 per cent, a fixed deduction of Rs 75,000 is permitted. Where there is severe disability (disability is 80 per cent or more), a fixed deduction of Rs 1.25 lakh can be claimed.

Donations and education loan: One can also get either 50 per cent or 100 per cent on donations made, depending on the institution which receives the funds. "Donations made beyond 10 per cent of gross total income in a year do not qualify for any tax deductions," says Vaibhav Sankla, director, H&R Block India. He adds that if a person has an ongoing education loan, the interest can be used for deduction under Section 80E.