



Investment option for Tax saving Equity Linked Savings Scheme ELSS

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Introduction

Equity Linked Savings Scheme, popularly known as ELSS are close-ended, lock-in period of 3 years diversified equity schemes offered by mutual funds in India. They offer tax benefits under the new Section 80C of Income Tax Act 1961. ELSS can be invested using both SIP and lump sums investment options

Investment Option

ELSS offer both growth and dividend options. Investors can also invest through Systematic Investment Plans (SIP), and investments up to ₹ 1.5 lakhs, made in a financial year are eligible for tax deduction.

Is ELSS Safe

Don't invest just for tax saving: ELSS schemes provide you tax benefits but, in the end, they are equity schemes. So, you should remember that they can be risky, but they can be extremely rewarding. Whenever you are picking a tax-saving instrument like ELSS, be careful about the risk, lock-in period, returns, etc.

ELSS Vs PPF

ELSS has a shorter lock-in period compared to PPF

ELSS has a short lock-in period of just 3 years as compared to the 15-year lock-in of the PPF. You enjoy a higher liquidity on ELSS schemes, which is an advantage in a financial emergency

Return from ELSS

Currently, returns on ELSS schemes are taxed at 10% (without indexation benefit) if they exceed Rs. 1,00,000 in any financial year. However, there is no taxation on returns on ELSS mutual fund schemes if the returns are under Rs. 1,00,000 in a financial year.

ULIP or ELSS

In a ULIP, the mix of investment and insurance prevents savers from having a clear cost-vs-benefit understanding of either of the two components. ... On the other hand, ELSS funds provide both tax-saving benefits as well as higher returns from equity investments, and so are preferable as an investment option.

How to buy ELSS

You can buy ELSS Directly from MF Company website, either Paytm, Phone pay, as well Dmat companies also offering, like HDFC, KOTAK, SBI, VENTURA, ZERODHA ETC.

References:

- Wikipedia, Google, ESBI Website, Mutual fund adviser site, funds India site, Google search & self-study

Written By: - Mr Roshan Vasantrao Pawar | Student - Indira Gandhi National Open University Delhi | School of Social Work

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