

Difference Between ELSS Vs. Fixed Deposit(FD)

You could claim tax advantages on certain expenditures and investments under Section 80C of the Indian Income Tax Act. Section 80C rules provide for tax deductions of up to Rs.1.5 lakh per year on ELSS mutual funds and tax-saving FDs, among other investment possibilities. Each of these instruments has its own set of objectives, risks, and rewards.

What is the Meaning of ELSS Funds?

The equity-linked savings plan, or ELSS, is the only **mutual fund** that qualifies for Section 80C deductions. The ELSS scheme is a broadly diversified equity mutual fund that provides annual tax benefits of up to Rs.1.5 lakh.

ELSS returns were formerly tax-free. Long-term capital gains tax over Rs.1 lakh is now payable at 10% following the 2018 Budget. The indexation benefit would not be available to the investor. Even after the 10% tax drop, ELSS has the potential to outperform other tax-saving products in terms of returns. The advantages of ELSS investing go beyond tax savings. If you invest for five years, the power of compounding assures that your money is twice (tenure of tax-saving FD). Furthermore, there is only a three-year minimum lock-in time.

What is the Meaning of a Fixed Deposit?



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Fixed Deposit

Types of Fixed Deposits

FD Interest Rates

Senior Citizen FD Interest Rates

SBI Annuity Deposit Scheme

Certificate Of Deposit

SBI MOD

Short Term Fixed Deposit

Fixed Deposit Sweep-in

Monthly Interest Payout Fixed Deposit

Auto Renewal of Fixed Deposit

FD Calculators

SBI FD Calculator

Post Office FD Calculator

HDFC FD Calculator

Canara Bank FD Calculator

Individuals and Hindu Undivided Families can claim a tax deduction of up to Rs.1,50,000 in a financial year by investing in **fixed deposits** with banks. These deposits have a five-year lock-in duration. This deposit, however, cannot be withdrawn early. However - you can take out loans against your FDs, which is a plus. The interest received on these deposits, however, is taxable according to the individual's tax bracket.

ELSS Vs. Tax Saver FD

The table below represents an overview of both of the investments vehicles on different parameters:

Particulars	ELSS	Fixed Deposit
1) Meaning:	It is a form of ELSS that would predominantly invest in equities and equity-oriented products.	An FD is a traditional investment tool that you could invest a lump sum with any bank.
2) Tax Efficiency of the Schemes:	There is a 10% LTCG tax on the interest earned for over a lakh.	The tax would be according to the individual tax slab.
3) Returns from the Scheme:	It is not guaranteed and is subject to the dangers of the stock market. In the last five years, however - it has provided	The interest rate is set by the bank and ranges from 6% to 7.5%.

PNB FD Calculator

Union Bank FD Calculator

Indian Bank FD Calculator

Axis Bank FD Calculator

ICICI FD Calculator

Yes Bank FD Calculator

Banking

SBI Net Banking

Canara Bank Net Banking

Bank of Baroda Net Banking

PNB Net Banking

Indian Bank Net Banking

UCO Bank Net Banking

Bank of India Net Banking

Axis Bank Net Banking

Union Bank of India Net Banking

IndusInd Bank Net Banking

HDFC Bank Net Banking

ICICI Bank Net Banking

IDFC First Bank Net Banking

YES Bank Net Banking

Kotak Mahindra Bank Net Banking

	returns of 14% to 16%.	
4) Tenure of the Schemes:	There is a mandatory three-year lock-in term after which you can redeem or reinvest.	The minimum term is five years, but it can be extended to ten years.
5) The Risks Involved in the Schemes:	ELSS are riskier due to their equity exposure, but they have historically generated good returns.	It protects your money and is just as safe as a typical savings account.
6) Online Facilities:	An ELSS can be started online as a one-time payment or as a series of payments.	Not all banks allow you to start a savings account online.
7) Liquidity Option:	After three years, you can leave or withdraw from ELSS.	You can't get your money out of a tax-saving FD until it's been five years.
8) Suitability of the Scheme:	ELSS funds are more suitable for investors that have the capacity to take some financial risks.	Fixed deposits are schemes that are most suitable for conservative investors.
9) Credit Facility Against	ELSS funds cannot be used as	FDs can be utilized as collateral




the Assets:	collateral for loans.	against an overdraft or a loan.
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FD Vs. ELSS - Taxability Explained

Under the terms of [Section 80C](#) of the Income Tax Act of 1961, both tax-saver FDs and ELSS provide tax benefits. These instruments' returns, on the other hand, are taxed differently. Because interest is applied to your gross income and taxed at your income tax slab rate, tax-saver FDs are not as tax-efficient as ELSS.

If you are in the highest tax bracket, this is a significant disadvantage. This is an area where [ELSS](#) excels. Long-term capital gains of up to Rs 1 lakh per year are no longer subject to taxation. Gains in excess of this amount are taxed at a fixed rate of 10%, plus any relevant cess and surcharge. All mutual fund dividends are applied to your overall income and taxed at your marginal tax rate.

Comparison of FD rates

Name	Tenure	Highest Interest Rates
 AXIS Bank	6 months - 5 years	5.75% - 7.00%
		More Details
 SBI Bank	3 Months - 10 Years	5.05% - 6.05%
		More Details
 Equitas Bank	7 Days - 10 years	

3.50% - 7.25% More Details
 HDFC Bank3 months - 10 years 4.50% - 7.00% More Details
 ICICI Bank3 months - 10 years 4.50% - 6.90% More Details
 Canara Bank3 months - 10 years 5.50% - 6.70% More Details
 Bank of Baroda3 months to 10 years 5.50% - 6.50% More Details
 Punjab National Bank3 months - 10 years 4.50% - 6.50% More Details
 IDBI Bank3 months - 20 years4.50% - 4.80% More Details
 Indian Bank3 months - 10 years 3.50% - 6.10% More Details
< 1 2 3 4 5 >

FAQs

Q1. What is the disadvantage of ELSS funds? [▼](#)


Q2. Will ELSS be tax-free for a term of 3 years? [▼](#)

Q3. Is an FD risky? [▼](#)

Q4. Can I lose money through ELSS funds? [▼](#)

Q5. Is premature withdrawal allowed with ELSS?






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IPO

Credit

Groww Terminal

915 Terminal

Stocks Screener

Algo Trading

Groww Digest

Version: 6.6.3

Demat Account

Share Market	Indices	F&O	Mutual Funds	Funds By Groww	Calculators	IPO	Groww AMC
Top Gainers Stocks			Top Losers Stocks		Most Traded Stocks		St
52 Weeks High Stocks			52 Weeks Low Stocks		Stocks Market Calender		Su
Tata Motors			IREDA		Tata Steel		Zo
NHPC			State Bank of India		Tata Power		Ye
ITC			Adani Power		Bharat Heavy Electricals		Inf
Wipro			CDSL		Indian Oil Corporation		NE
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Others:

NSE

BSE

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Policies and Procedures

Regulatory & Other Info

Privacy Policy

Disclosure

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Bug Bounty