

ELSS vs Tax-Saving FD vs PPF

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The Income Tax Act allows individuals to save up to Rs. 1.5 lakh under Section 80C by investing in instruments like Equity Linked Savings Scheme (ELSS), Public Provident Fund (PPF), 5-year Fixed Deposit (FD), Sukanya Samriddhi Yojana, National Savings Certificate (NSC), Senior Citizen Savings Scheme, etc. Out of all these options the three most popular ones are ELSS, PPF and a 5-Year FD.

Parameter	ELSS	Tax-saving FD	PPF
Lock-in Period	3 Years	5 Years	15 Years
Minimum Investment Amount	Rs. 500	Rs. 100	Rs. 500
Returns	11%-15%	5.10%- 6.75%	7.1%
Risk Level	Moderate to High	Low	Low
Premature Withdrawal	Not Allowed	Not Allowed	Allowed
Loan Facility	Not Available	Not Available	Available
Taxation of Returns	LTCG Applicable*	TDS applicable	Tax-free

* LTCG of up to Rs. 1 lakh per year on an ELSS is exempt from tax.

Equity Linked Savings Scheme (ELSS)

An Equity Linked Savings Scheme (ELSS) is a type of equity fund and the only mutual fund which qualifies as a tax-saving instrument under Section 80C of the Income Tax Act. Like all other mutual funds, it is offered by fund houses (also known as Asset Management Companies).

Key Features of ELSS

- An ELSS features a lock-in of 3 years.
- An ELSS investment can be started with an investment as low as Rs. 500 using a SIP (Systematic Investment Plan).
- Being a market-linked instrument, an ELSS has the potential of giving returns ranging between 11%-15% over 3 years.

- Premature or partial withdrawals are not allowed in case of an ELSS.
- An ELSS attracts Long-Term Capital Gains (LTCG) at the rate of 10%. Like all equity funds, a LTCG of up to Rs. 1 lakh per year on an ELSS is exempt from tax.

Here is a List of Best Tax Saver ELSS Funds you can Invest in FY 2020:

Fund Name	1 Year Returns	3 Year Returns	5 Year Returns
Aditya Birla Sun Life Tax Relief 96	6.62%	13.49%	11.61%
Axis Long Term Equity Fund	17.62%	17.74%	12.72%
Tata India Tax Savings Fund	16.32%	15.58%	13.67%
Invesco India Tax Plan	15.68%	13.98%	11.08%
Kotak Tax Saver	15.41%	10.84%	11.32%
DSP Tax Saver Fund	16.55%	13.53%	11.83%
ICICI Prudential Long Term Equity Fund	9.33%	11.89%	8.96%
Franklin India Taxshield Fund	8.31%	10.09%	8.86%
IDFC Tax Advantage Fund	2.07%	13.05%	10.01%
L&T Tax Advantage Fund	2.36%	11.16%	9.44%
Motilal Oswal Long Term Equity Fund	15.09%	15.63%	–
Mirae Asset Tax Saver	15.25%	19.13%	–
Principal Tax Savings Fund	2.16%	11.45%	8.73%

Tax-Saving Fixed Deposit

Fixed deposits made for a fixed period of 5 years qualify as a tax-saving instrument under Section 80 of the Income Tax Act. It is one of the risk-free investment instruments which comes with assured returns. Tax-saving FDs are offered by public banks, private banks, small finance banks and the Indian Post Office.

Key Features of Tax-Saving Fixed Deposit

- They come with a lock-in period of 5 years.
- The minimum investment amount for tax-saving FDs starts from Rs. 100, however, it varies from bank to bank.

- Tax-saving FDs offer an interest of around 6.50%-8.25% p.a. The rate of interest is higher for senior citizens (aged 60 years and above) generally by around 0.25%-0.50%.
- Premature or partial withdrawals for tax-saving FDs are not permitted before the completion of lock-in period of 5 years.
- Loans cannot be availed against tax-saving fixed deposit accounts.
- TDS is deducted as per applicable tax slab on interest income earned on these accounts.

Public Provident Fund (PPF)

Public Provident Fund (PPF) is an Indian government savings scheme. The interest on the account is set every quarter. PPF comes with zero risk as its interest is paid by the Central Government.

Key Features of Public Provident Fund

- PPF has a lock-in period of 15 years.
- The minimum investment requirement for PPF is Rs. 500.
- The PPF rate for (Q4 FY 2021-2022) is 7.1%.
- Premature or partial withdrawals can be made after the 5th year.
- Loan facility is available against PPF after the 3rd year till the 6th year.
- Interest on PPF is tax free.