**How to pay zero tax and get tax free income for over Rs 10 Lakhs?**

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Last week I wrote article about how one can save income tax upto Rs 4.44 Lakhs of his income and there was very good response from readers. I fall under 30% tax bracket. I was wondering whether I can save income tax of over Rs 10 Lakhs income. I was analyzing various avenues to save income tax and felt there was scope to save income tax for over Rs 10 Lakhs income. What are the various ways where we can get tax free income of over Rs 10 Lakhs ? How to pay zero tax for over Rs 10 Lakhs income? I found some answers and some may be useful for you. Read on….

How to pay zero tax and get tax free income for over Rs 10 Lakhs?

Well, whatever I am indicating is a legal way to get tax free income for income over Rs 10 Lakhs income. You may or may not implement all these options as there are some dependencies on your employer too, but you can try and get maximum tax exemptions and earn tax free income and pay almost zero tax upto Rs 10 Lakhs income.

0) Your basic income tax exemption – Rs 250,000

I would not discuss much about this as it is basic exemption.

1) Claim 80C Exemption for Rs 150,000

Following are the eligible deductions u/s 80C.

* Children tuition fees. No transport allowance / term fees is allowed as deduction.
* Amount deposited in Public Provident Fund. You can open PPF account with any post office / SBI / ICICI Bank etc.,
* Amount contributed towards the Employees Provident Fund (EPF)
* Post of`fice term deposit for 5 years / Bank FD scheme of 5 years.
* National Saving Certifications (NSC) – 5 years and 10 years
* ELSS tax saving Mutual Funds.
* Senior Citizen Savings Scheme from post office / bank
* Principal repayment of Home Loan amount
* National Pension System / New Pension Scheme (NPS)
* Life Insurance Premium
* Amount deposited in Sukanya Samriddhi Account

2) Claim additional deductions under 80CCD towards NPS Rs 50,000

Employees can contribute to New Pension Scheme / National Pension Scheme (NPS) up to 10% of their salary. In such case, an employee is eligible to claim additional Rs 50,000 tax benefits over and above 80C. Hence max limit 80C + 80D would be Rs 2 Lakhs.

3) Employer contribution of NPS – Rs 100,000

Many employers are willing to help employees by contributing to schemes like NPS where employees would get tax exemption. Have you checked with your employer whether they can contribute to NPS and deduct from your total CTC (Cost to the company)? They can contribute up to 10% of your salary. This is a good way to claim tax exemption and get the highest interest rate with this safe investment scheme.

4) Claim interest on house property loan upto Rs 200,000

If you have taken house loan, you are eligible to claim interest on home loan (which is termed as loss from house property) up to Rs 2 Lakhs. This is only interest from housing loan. You can fulfill your dream as well as get income tax exemption.

5) Exemption of Transport Allowance for Rs 19,200 per annum

From next financial year 2015-16, the transport allowance exemption has been increased to Rs 1,600 per month / Rs 19,200 per annum. You need not produce any proofs for this, but just claim as an exemption.

6) Exemption for Health insurance premium up to Rs 25,000

You can subscribe to a good health insurance plan and claim health insurance premium exemption up to Rs 25,000 per annum. This would satisfy your basic need of having a health insurance plan and also ensures that you claim relevant tax benefits.

7) Medical allowance – Rs 15,000

You can submit medical bills to your employer and claim upto Rs 15,000 as medical allowance as part of your total compensation (CTC). In case your employer does not allow for this deduction, you can claim this amount as exemption while filing income tax returns and claim as exemption.

8) Medical insurance premium for parents – Rs 30,000

You can claim the medical insurance premium for your parents as exemption upto Rs 30,000. Due to increase of the cost of medical expenses, one has to mandatorily

9) Leave Travel Allowance – Rs 25,000

Many of us tend to ignore this LTA (Leave Travel Allowance) which one can spend and claim exemption up to Rs 25,000. While there is a guideline that you can claim LTA twice in a period of 4 years, you can claim upto Rs 50,000 as one time in a 2 year period, hence an allocation of Rs 25,000 per annum is done here. Note that this amount would depend on the employer and may change from employer to employer.

Tax Free Allowances / perquisites

Below are some of the tax free allowances / perquisites which employers are providing these days. They would depend on an employer to employer. You can claim to maximum extend to enjoy tax benefits.

10) Fuel expenses reimbursement upto Rs 100,000

Many employers provide fuel expense reimbursement for their employees depending on their grade. While at junior level, it may be at Rs 30,000, for employees who are earning above Rs 10 Lakhs per annum, employers are providing Rs 1 Lakh fuel expenses at a minimum. I have not considered any car schemes here, and this is simply fuel expense reimbursement which could be based on actual.

11) Phone / Mobile expenses reimbursement – Rs 30,000

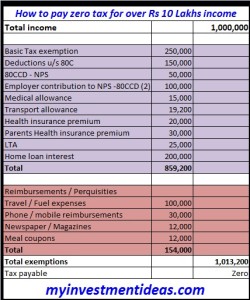
Many employers provide reimbursement of phone and mobile bills to the tune of Rs 30,00 per annum as part of the CTC structure. I heard in some companies, it is over Rs 50,000 per annum. I have considered Rs 30,000 on the conservative side.

12) Newspaper / Magazine reimbursements – Rs 14,000

Many employers are giving reimbursements of newspaper / magazine to the extent of Rs 14,000 per annum for senior employees earning over Rs 10 Lakhs per annum. Some companies are restricting only to magazine cost reimbursement. One can claim this as part of their CTC. I have taken this average after inquiring with some of my friends who are working in MNC and large companies.

13) Meal Coupons / Sodexo coupons – Rs 12,000

Many MNC companies are providing Sodexo coupons as part of their CTC structure. If you are not encashing such perquisites provided by your employers, you are missing something and paying unnecessary taxes. I have taken this amount on the low side as some are providing this as just Rs 1,000 per month, but some MNC companies are providing Rs 3,000 per month.



**10 Best Tax Saving Investment Options in India for 2016**

Best Tax Saving Investment Options in India for 2016

It’s January 2016 and everyone is busy looking at best tax saving investment options to save income tax under section 80C. From Financial year 2014-15 onwards, 80C deduction limit has been increased from Rs 1 Lakh to Rs 1.5 Lakhs. You can save tax as high as Rs 46,350 by investing the maximum eligible amount of Rs 1.5 Lakhs u/s 80C. What are the various best tax saving investment options available in 2015 in India to save tax u/s 80C? What are the tax saving options for salaried employees? Which top tax saving investment options in 2016 helps you save tax and provide good returns to you? Which are the tax saving options under 80c?

1) Public Provident Fund

* If offers 8.7% interest per annum. Govt. of India would keep updating this every year.
* Tax free returns at maturity.
* PPF has lock-in period of 15 years.
* Investment up to Rs 1.5 Lakhs per annum qualifies for IT Rebate under section 80 C of Income Tax Act.
* Loan facility in PPF account is available from 3rd financial year up to a 5th financial year. The rate of interest charged on loan shall be 2% per annum above the interest paid.
* Withdrawal permitted from 6th financial year.
* Non-Resident Indians (NRIs) are not eligible.
* An individual cannot invest on behalf of a HUF (Hindu Undivided Family) or Association of persons.
* Minimum investment is Rs 500 and maximum is Rs 150,000
* You can invest every month, by the 5th of the month and enjoy the interest for the remaining period of the month.
* PPF offer several good features and this is one of the best investment options to save tax u/s 80C. This is suitable for those who want tax savings and who want to accumulate funds for retirement purpose thereby earning safe and highest returns.

2) ELSS Tax Saving Mutual Funds

* Offers highest returns (not fixed and not guaranteed) compared to other tax saving options.
* Lowest lock-in period of 3 years.
* Investors can opt for dividend option and get regular income even during the lock-in period.
* Investing in ELSS funds through SIP every month would help you reduce burden of investing a lump sum, take care of market fluctuations and provide higher returns.
* Since this is an equity mutual fund and investment period is 3+ years, returns / capital gains are tax free.
* Some of the top ELSS tax saving mutual funds are Reliance Tax Saver fund, ICICI Pru Tax Plan, Franklin India Tax Shield fund etc.
* You can refer top ELSS Tax Saving Mutual funds for 2015 article for more info.

3) Tax Saving Bank FD Schemes

* This is one of the old and best investment option to save income tax under section 80C of IT act.
* Interest rates vary between 8.5% to 9.75% per annum
* Interest is taxable
* 5 Year Lock-in period
* Some of the best tax saving FD schemes offered by banks are Bharat Co-operative Bank – 9.5% per annum;&nbsp;Ratnakar Bank – 9.5% per annum Lakshmi Vilas Bank 9.25% per annum Andhra Bank – 9.1% per annum Bank of India – 9.05% per annum

4) Senior Citizen Saving Schemes (SCSS)

* It provides assured returns for Senior Citizens. Principal amount is safe as they are backed by Government.
* Interest rates are at 9.2% per annum.
* Interest is paid at the end of every quarter. This is one of the best investment option to save tax for Senior Citizens as they would get quarterly interest.
* The maximum investment limit is Rs 15 Lakhs.
* Interest earned is taxable like any other fixed deposit scheme.

5) Rajiv Gandhi Equity Saving Scheme (RGESS)

* RGESS offers tax benefits for first time investors who are earning up to Rs 12 Lakhs per annum.
* Maximum investment is Rs 50,000. Such amount can be invested in BSE100 stocks or RGESS Mutual funds.
* 50% of such invested amount qualifies for tax benefit u/s 80C. Means if you invest Rs 50,000 in BSE 100 stocks or RGESS Mutual funds for the first time, you would get tax exemption of Rs 25,000 for the first time and only one time. Means you can get the maximum tax benefit of Rs 7,725 (30% tax bracket).
* Returns are not guaranteed as investments are made in stocks and RGESS mutual funds.

6) Voluntary Provident Fund (VPF)

* Voluntary provident fund is the contribution from employee to his provident fund account. This is beyond the employee EPF contribution of 12%. However, there is no bound from employer to contribute to this VPF.
* The maximum amount an employee can contribute is 100% of the Basic and DA.
* This would carry the same rate of interest of the employee Provident Fund (EPF). The current EPF interest rate is 8.5% per annum.
* Investment in VPF can be withdrawn only during retirement, hence it is one of the best tax saving options to save income tax.
* Maturity returns are tax free.
* You can also check comparision between VPF Vs EPF Vs PPF and know the differences.

7) New Pension Scheme (NPS)

* This is another top investment option to save tax u/s 80C who are looking to save for retirement.
* NPS returns vary between 4% to 10%. In 2013, some of the funds opted in this scheme has provided 14% returns.
* Low cost investment option. The fund management charges are very low at 0.0009% of investment value.
* You can invest Rs 500 per month or Rs 6,000 per annum. There is no maximum limit for investment in NPS.
* Investors have the choice to opt for allocation of equity, bonds and gilts.
* Maturity amount is taxable.
* One has to do some homework before subscribing to NPS Scheme.
* You can review complete details of New Pension Scheme (NPS) here.

8) National Saving Certificate (NSC)

* National Saving Certificate is issued by Post offices and principal along with interest is backed up by the Govt. of India. Hence, these are safe investment options.
* NSC’s are available for 5 and 10 year period
* NSC’s are available for a minimum investment of Rs 500 and in multiples of Rs 1,000 / Rs 5,000 / Rs 10,000
* There is no maximum limit for investment.
* Interest rates are 8.5% for the 5 year NSC (VIII) and 8.8% p.a. for 10 years NSC (IX)
* Rs 100 invested in 5 year NSC would fetch Rs 151.62 and in 10 years would fetch Rs 234.35
* Interest is compounded every half year.
* Interest received is taxable. You need to show this as other income while filing ITR and pay income tax. However, such interest can be claimed again as exemption u/s 80C (within the limit of Rs 1.5 Lakhs). Means you would show as other income and exemption u/s 80C and need not pay any tax on such interest.
* Individuals, Joint and minor, supported by Guardian can invest NSC.
* Complete guide on National Saving Certificate (NSC) would help you to take decision to invest in this option or not.

9) Unit Linked Investment Plan (ULIP)

* After 2010 IRDA guidelines, Insurance companies have reduced ULIP charges.
* ULIP’s provide risk coverage.
* New ULIP policies have low policy / administration charges.
* No guaranteed returns. It provides returns of 5% to 11% returns depending on the scheme.
* Should hold for 10-12 years to see good returns.

10) Insurance Plans

* An important aspect of an individual is to consider adequate insurance plans for earning member.
* Prefer term insurance plan as it comes with low costs and high risk coverage
* Term insurance plans come with zero maturity value. These are designed for risk coverage and not for saving purpose.
* Consider adequate insurance coverage based on 10 / 15 years expenses / income.

Conclusion : These top 10 tax saving schemes would help you to invest under section 80C up to Rs 1.5 Lakhs. You need not consider all options. You can consider some of these investment options which are best suitable to you based on your investment tenure and features indicated here.