

DEDUCTIONS U/S 80C



There are a number of tax saving avenues available under various sections of the Income Tax Act 1961 that help you save your tax. One that has gained wide popularity among taxpayers is Section 80C. **There is a cap of Rs 1.5 lakh, which is the maximum sum that one can deploy under Section 80C.**

Deduction u/s 80C:

| Category | Options | |
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| SAVINGS | Public Provident Fund (PPF) | <ul style="list-style-type: none"> PPF account have lock-in period of 15 years. Partial withdrawals up to 50% of the balance allowed after completion of 5 years from the date PPF account was opened. Interest Rate : 7-8% Interest earned is tax free |
| | Employee Provident Fund (EPF) | <ul style="list-style-type: none"> Retirement benefit available to all salaried employees Can be opened by an employee with basic salary greater than 15,000 p.m. The contribution paid by the employer is 12% of basic wages + DA. An equal contribution is payable by the employee also. Employee can voluntarily contribute more. Entire PF balance (including interest) is tax-free, if withdrawn after continuous service of 5 years Withdrawal Rules : <ul style="list-style-type: none"> When an individual retires When an individual is unemployed for 2 months EPF withdrawal before 5 years of continuous service attracts TDS on the withdrawal amount. However, if the withdrawal amount is less than ₹ 50,000, no TDS is deducted. <u>COVID amendment:</u> <i>An EPF member can withdraw up to 75% EPF account balance or 3 months' basic wages or the amount that person actually needs, whichever is lower.</i> |
| | National Savings Certificate (NSC) | <ul style="list-style-type: none"> Lock-in period 5 years Interest earned is taxable |
| | Tax saving Fixed deposits (FDs) | <ul style="list-style-type: none"> Lock-in period 5 years Interest earned is taxable |
| | Sukanya Samriddhi Yojana | <ul style="list-style-type: none"> Deposits has to be made for a girl child by the parent/guardian Deposits in an account can be made till completion of 14 years, from the date of opening of the account. The account shall mature on completion of 21 years from the date of opening of the account. Partial withdrawal allowed once the girl reaches the age of 18 years If the beneficiary is married before maturity of account, account has to be closed Interest earned is tax free. |
| | Senior Citizens Savings Scheme | <ul style="list-style-type: none"> Offered to Indian residents aged over 60 years Lock-in period 5 years Interest earned is taxable |
| | Life Insurance Premium | <ul style="list-style-type: none"> The annual premium paid for self or spouse or child Valid only if the premium is less than 10% of the sum assured. Maturity amount is exempt |

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| INVESTING | Equity Linked Saving Scheme (ELSS) | <ul style="list-style-type: none"> • Lock-in period 3 years • Suitable for higher risk-tolerant • Returns will be taxable at 10% if gains are above Rs. 1 lakh |
| | National Pension Scheme (NPS) | <ul style="list-style-type: none"> • Can be opened by any Indian citizen of the age of 18-60 years • Withdrawal Rules : <ul style="list-style-type: none"> - Maturity after subscriber is 60 years old - PREMATURE EXIT: Allowed after completion of 3 years from the date of opening of the NPS account. 20% withdrawal allowed, and balance 80% has to be invested in an annuity plan. Both are taxable. - PARTIAL WITHDRAWAL: Allowed after completion of 10 years from the date of opening of the NPS account for specified purpose. The maximum amount that can be withdrawn is up to 25% of the total <u>contribution</u>. Partial withdrawals can only be made up to 3 times during the entire tenure of your NPS account and are tax-free. - WITHDRAWAL ON MATURITY: On retirement, an NPS subscriber can withdraw a lump sum of up to 60% of the NPS corpus fund without payment of tax, and balance 40% has to be invested in an annuity plan. The annuity received is taxable in the year of receipt |
| | Unit Linked Insurance Plan (ULIP) | <ul style="list-style-type: none"> • ULIPs are a mix of insurance and investment. A part of the invested amount is used to provide insurance and the rest of the amount is invested in the stock markets • Can invest for self or spouse or child • Lock-in period 5 years • There is no fixed withdrawal limit and it varies across policies and companies • Valid only if the premium is less than 10% of the sum assured. • Maturity amount is exempt |
| SPENDING | Children Tuition Fee | <ul style="list-style-type: none"> • Payments towards tuition fees only for two children's education only • The institution must be situated in India, even if affiliated to a foreign university. • Available on actual payment basis |

Deduction u/s 80CCC:

- Contributions made towards pension plans by individuals to purchase annuity plans or retirement plans qualify for deductions under this section.
- However, the pension, interest, or bonus earned from such plans is taxable.

Deduction u/s 80CCD:

- Deals with the employer's contribution to NPS, up to 10% of the employee's salary.
- An additional tax deduction of Rs 50,000 is possible under Section 80CCD (1B) for investments made in the NPS. It is over and above the 1.5 lakh limit.