Calculate your Tax Liability for AY 2019-20 and steps to reduce it

Tax liabilities burn a hole every year in your savings. A massive chunk of your earnings is deducted from your account in the name of taxes. Majority of people try to hide their income sources or do not pay taxes, just to save that money. But, there are many ways in which you can reduce your tax liability without hiding your income. But before going in that first, let us understand what tax liability is, how you can calculate it and how it can be reduced.

What is Tax Liability?

Tax liability is the sum of tax debt any individual, corporation or entity owes to taxing authority like the Income Tax Department. It is the amount you are responsible for paying on account of your income, any gain of assets or any other taxable event.

How to Calculate Tax Liability?

Manytimes, the most significant problem people face is how to calculate tax? Well, many factors are taken into consideration for calculating tax liabilities. Some of these factors are:

- Type of income of the taxpayer
- Amount of the income
- Age of the Taxpayer

Most of the times the income tax is deducted from your entire salary. However, you can draw exemptions of tax from your income on certain types of investments. Which means if you invest a certain amount on **investments** that are exempted from the tax, you can reduce the amount of tax you pay. Moreover, your liability of paying taxes highly depend on the slabs you come into that are decided in the Indian Tax System.

Your Tax Liability

In a financial year, if your earnings exceed the minimum exemption limit for that year, you are liable to pay income tax. Therefore, salaried individuals, a HUF (Hindu Undivided Family), NRIs, self-employed and pensioners, all pay income tax. Each category of individuals, however, has its separate tax slab which is decided based on the total amount of income and the age of the taxpayer. In India, there are three categories of individual taxpayers namely:

Slab 1:Tax Slab for Individuals and Hindu Undivided Family (HUF) Ageing Less Than 60 Years

Age	Income Tax Slab (as per taxable income)	Income Tax Rate
Less than 60 years	Up to 2,50,000	Nil
	2,50,000 to 5,00,000	5% (5,00,000 – 2,50,000) + 4% cess
	5,00,000 to 10,00,000	20%(10,00,000 – 5,00,000) + 4% cess
	More than 10,00,000	30% (Annual Income – 10,00,000) + 4% cess

Slab 2: Tax Slab For Individuals Ageing Between 60 To 80 Years

Age	Income Tax Slab (as per taxable income)	Income Tax Rate
60 years to 80 years	Up to 3,00,000	Nil
	3,00,000 to 5,00,000	5% (5,00,000 – 3,00,000) + 4% cess
	5,00,000 to 10,00,000	20%(10,00,000 – 5,00,000) + 4% cess
	More than 10,00,000	30% (Annual Income – 10,00,000) + 4% cess

Slab 3: Tax Slab For Individuals Ageing Above 80 Years of Age

Age	Income Tax Slab (As Per Taxable Income)	Income Tax Rate
Above 80 years	Up to 5,00,000	Nil
	5,00,000 to 10,00,000	20%(10,00,000 – 5,00,000) + 4% cess
	More than 10,00,000	30% (Annual Income – 10,00,000) + 4% cess

Steps to Reduce Your Tax Liability

1. Save Tax on Rent Payment

Expenses on your rent payment are eligible for tax deductions. You can subtract the amount paid for home rent from your gross income. However, there are certain conditions under this deduction; you can use an HRA calculator to find out your HRA tax benefits.

2. Invest in Tax Saving Instruments

There are many investments in the market which are eligible for tax deductions up to Rs. 1,50,000 under Section 80C. The amount paid or invested in these investments is deducted from your taxable income. Investments like ULIPs, Pension Plans and Child Plans provided by insurers not only offer you tax benefits but many other benefits as well. Reputable insurers like Future Generali offer benefits like lump sum payout, income benefit, rider facility and so forth.

3. Check the Expenses Eligible for Tax Deductions

There are some general expenses which are helpful in providing deductions from taxes. These are also counted under the limit of Section 80C. For instance, the tuition fee of your childand any other extra-curricular education fee for your children can be used to claim tax deductions.

4. Save Tax on Health Insurance

unexpected medical emergencies like an illness, an accident, or a serious health issue may drain off your savings. Having health insurance by your side can help you tackle such expenses without putting a dent in your savings. Additionally, health insurance allows you to claim tax deductions under Section 80D up to Rs. 25,000 for yourself and an additional Rs. 25,000 for health insurance for your parents (Rs. 50,000 if your parents are above 60 years of age). In conclusion, you can say that there are many tax benefits you can avail from your investments. So, learn how to calculate your tax liability, and take the steps mentioned above to reduce them.

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