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| **Top 10 tax-saving investments to negotiate I-T returns better** |
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| One of the common mistakes many people do is choosing the wrong tax saving instruments.There are many tax saving avenues available, but good financial planning involves picking the right tax-saving schemes, which not only save you from tax burdens but also benefit you financially. A last minute decision to buy tax-saving instruments brings neither the desired tax savings nor the expected returns. So try to make your plans before the onset of March. Before short listing the tax-saving instrument, evaluate different options and choose the one most suited for your needs. In this article, we take a look at the top 10 tax-saving instruments available in the markets, which you can use for tax-planning.**1. Public Provident Fund (PPF)**Public Provident Fund or PPF is a popular tax saving instrument. With the linking of PPF interest rates to bond yields in the secondary market, PPF now offers returns at par with other financial instruments. While maturity and tax on the interest earned is tax exempted in PPF, the ease of opening an account and liquidity makes it a perfect financial instrument for many. The PPF is good especially for high-risk investors as well as self-employed professionals, who are not covered under the Employee Provident Fund scheme.**2. Equity Linked Savings Scheme (ELSS)**ELSS is a more risky proposition than PPF and needs investor prudence before investing. With good returns and tax-free status, ELSS funds offer a great opportunity to be part of effective tax management. ELSS funds have a three-year lock-in period, which is amongst the shortest amid all tax-saving instruments covered under Section 80C. Being an equity-linked fund, there is, however, no guarantee of returns, which are dependent on stock markets and the financial sentiment of the markets in general.**3. Unit Linked Insurance Plan (ULIPS)**Unit Linked Insurance Plans or Ulips are market-linked insurance schemes that offer tax saving options under Section 80C. Ulips offer life cover with an investment in equity and debt markets along with tax saving. But most Ulips have the higher premiums and the policy is discontinued if one takes a premium holiday.**4. Voluntary PF**Voluntary Provident Fund or VPF is a lesser known tax saving instrument. Designed as an extension of the Employee Provident Fund, voluntary PF account can be created with the help of an employer in each financial year. Once initiated the employer will deduct 12 per cent of the basic and dearness allowance for the salary to the voluntary PF account.**5. Senior citizen saving scheme (SCSS)**Senior citizen saving scheme is a good tax-saving instrument for the elderly. This saving scheme offers nine per cent returns on deposits. Only people above the age of 60 years can opt for the scheme. The downside is that although one can open multiple saving scheme accounts, the total amount of investment cannot exceed Rs15 lakh. It qualifies for deduction, but the interest gained is taxable.**6. New Pension Scheme**New Pension Scheme an ideal investment vehicle for retirement planning. But in the NPS, tax deductions are allowed only for contributions to a tier-I NPS account with a minimum investment of Rs 6,000 a year. No withdrawal is allowed till you are 60 years of age.**7. National Savings Certificates, fds**National Savings Certificates and bank fixed deposits have traditionally been a widely used financial instruments. While these are tax free deposits, meaning one can save tax under Section 80C of the Income Tax Act, they are not tax-free as understood wrongly by many individuals. The government regulation announced a couple of years ago offers deduction of up to Rs10,000 on interest earned in the savings bank account and not any recurring deposits.**8. Life insurance policies**The premium paid for a policy covering the individual and his or her immediate family is deductible up to Rs1 lakh under Section 80C of the Income-Tax Act. The downside is that one would need to pay the premia for the rest of the term once a user subscribes to an insurance policy.**9. Rajiv Gandhi Equity saving Scheme**Rajiv Gandhi Equity saving Scheme offers tax savings for a year for the first-time investor. First-time investors in this scheme can claim a deduction of 50 per cent of the invested amount. The maximum investment is fixed at Rs 50,000 with a maximum deduction of Rs 25,000. Another thing to note here is that the deduction option is applicable for money over and above `1 lakh limit available under Section 80C.**10. Pension Plan**Pension plans initiated by life insurance companies also provide tax deductions under Section 80c of the Income-Tax since 2013. The downside of such pension plans is the high fund management charges compared to the government owned national pension scheme. |

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