# Various sources of tax deduction which you should know as taxpayer

Tax deductions are the claims made to reduce your exact taxable income. It arises basically from various investments and expenses incurred by the taxpayer. It depends on your investments that how much amount of tax you save. The main aim behind tax deduction is to save you the amount of income, according to which you have to pay the tax. There are basically two terms, which can help you save some tax money Tax exemption and Tax deduction. Both of these terms refer to lowering your taxable income. Both of these are a different form of tax relief strategies provided by the government. There is nothing at all illegal about them.

Tax exemption can include complete relief from taxes, and it could also provide reduced rates of tax or taxation only on some portion of your income. It basically means that you don’t have to pay tax for a particular amount of your income. For example, you can have an exemption from tax by donating some money to a charitable institution and/or various types of relief funds. Tax exemption is offered by the government to encourage investments. The government offers taxexempt

entities to invest in and these entities are exempted from multiple or single taxation laws, such as it is completely tax exempt to invest in Sukanya

Samriddhi Scheme. You won’t have to pay tax on the amount of money you deposit under this scheme at the time of investment, at the time of accumulation of interest and while payout of returns (EEE).

While, in the tax deduction, the income tax liabilities are decreased to a specified amount for the amount you spend on particular avenues. There are various schemes available, and you can invest your money in them reduce your taxable income. For example, you can have some tax deduction by paying for life insurance premiums and even for home loan EMI. The tax deductions are offered by the government in such a way, which tempts the taxpayers to participate in various social benefit programmes.

Tax deduction and planning for the future can be done with the help of tax consultant in Mumbai, Delhi, and Chennai or anywhere in the world. You just have to choose the right person for your finances.

**What is TDS (Tax Deduction at Source)?**

The system called Tax Deduction at Source (TDS) was introduced by the Income Tax Department of the government to collect taxes efficiently and quickly. While using TDS, the tax can be deducted easily at the source of income. It is basically an indirect method of collecting the tax. TDS ensures that the government gets regular revenue by ensuring that the tax is earned right as the income is earned and not later when the taxpayer files their tax at the end of financial year. TDS can be paid by any authorized person or institution on behalf of the taxpayer, who has the responsibility of collecting the tax. And in return, every individual taxpayer gets a TDS certificate which states that their tax has been paid. So, in

TDS the tax is deducted at the source of income of the taxpayer and is automatically submitted to the government on behalf of him/her. The provision of tax deduction at source is applicable to several kinds of payments such as commission, salary, interest on fixed deposits, professional fees, brokerage, royalty and contract payments etc.

**Types of Tax Deductions in India**

There are overall nineteen (19) types of tax deductions in India and you can reduce your taxable income very easily by increasing your deductions. There are many provisions to save tax by deductions and they are provided by Indian Income Tax Act. Here are some of them explained.

**1. Public Provident Fund (PPF) :** You can have tax deduction by contributing to your public provident fund account under the Section 80C, the Income Tax Act, 1961

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**2. Life Insurance Premiums :** By paying for premium towards various life insurance policies for yourself, spouse or your child, you can get a good amount of tax deduction under the Section 80C of the Indian Income Tax Act, 1961. The amount which you receive at the maturity of the policy is completely free from tax, although, it also depends on the terms and conditions which are mentioned and applicable to your policy.

**3. National Saving Certificate** : NSC is one of the most secured modes of investment in India. Your amount invested in NSC is taxfree under the Section 80C of the Indian Income Tax Act, 1961. Although, the interest earned on NSC is taxable.

**4. Bank Fixed Deposits** : The amount invested in fixed deposits made for a tenure of 5 years is eligible for tax deduction under the Section 80C of the Indian Income Tax Act, 1961. The interests earned on fixed deposits are subject to tax.

**5. Home Loan (EMIs) :** The equated monthly instalment which you pay to for you home loans are completely eligible for tax deductions under the Section 80C of the Indian Income Tax Act, 1961.

These are the remaining 14 types of tax deductions available for you in India: Senior Citizen Savings Scheme (SCSS), Post Office Time Deposit (POTD), Unitlinked Insurance Plans (ULIP), Unitlinked Insurance Plans (ULIP), Retirement Savings Plan, Stamp Duty and Registration Charges for a Home, Tuition Fees, Infrastructure Bonds, Medical Insurance Premiums, Charitable Contribution, Deduction for Preventive Health Checkups, Treatment

of Disabled Dependents, Deduction on House Rent Paid and Interest Paid on Education Loan.

All of the above tax deduction sources can be implemented under proper guidance of the tax consultants in Mumbai, Delhi, or anywhere you are developing your business or working.

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