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TAX SAVING INVESTMENT UNDER SECTION 80C OF INCOME TAX ACT 1961

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Abstract: *Tax saving investments is an integral part of one's life as they offer tax deduction under section 80C or 80CCC. The tax saving season starts from 1st April for both salaried and non-salaried taxpayers. As a smart investor, one should look for tax saving investments which not only provides the benefit of tax exemption but also helps to earn tax free income. This paper is analyzed with secondary data that are collected from internet sources, books and articles. The research study shows that one individual how can take advantages of Indian complex tax system by investing in various schemes. These schemes are well described in section 80C of income tax act 1961. .As per this section, the investments made by the investors are eligible for tax exemption up to a maximum limit of Rs 1,50,000 . Such investments include ELSS, Fixed deposits, and Life insurance, Public provident Fund, National Savings Scheme and Bonds. The researcher here suggests that Government should make more awareness programme to make understand people for tax saving investments.*

Key Words: *Tax saving investments, Law, Exemption, Section, Finace*

1. INTRODUCTION:

The practical concept of taxation laws is to realize the revenue by way of tax to the maximum. Therefore, the perception of tax payer and tax collector are different. The tax payer spares no efforts in maximizing his profits and attracting the least incidence of tax. The tax collector, on the other hand, tries to maximize revenue within the framework of law. It is here that tax planning has assumed far reaching importance in the complexities of the taxation laws. Tax planning is the arrangement of financial activities in such a way that maximum tax benefits are enjoyed by making use of all beneficial provisions in the tax laws. It entitles the assessee to avail certain exemptions, deductions, rebates and reliefs, so as to minimise its tax liability. The objectives of tax Planning is to reduction of tax liability, minimization of litigation, productive investment, and economic stability. There are various exemptions deductions a taxpayer can claim from his total income which would bring down his taxable income and thereby reduce his tax outgo There are Sec 80C for Investment, Sec80CCC for Insurance premium, Sec80CCDfor Pension Contribution,, Sec80GG for House Rent Paid, Sec 80E for Interest on education loan, Sec80EE for Interest on Home Loan, Sec80CCG for RGES, Sec80 D for Medical insurance Sec 80RRB for Royalty of a Patent, Sec 80TTB for interest income. Deductions on investments belong to Sec80C. Under section 80 C, a deduction of Rs 1, 50,000 can be claimed from total income. In simple terms, one can reduce up to Rs 1, 50,000 from total taxable income through section 80C.

1.1. LITERATURE REVIEW:

Dr. Pramod Kumar Pandey (2017) in his article concluded that income tax department should run tax payers awareness programmes so that a common man may understand the tax law and procedures. He also gave suggestion that government of India is required to open more investment options in income tax law to increase capital formulation in the country. Mr. Nishant Ravindra Ghuge and Dr. Vivek Vasentrao Katdare(2016) in their article observed that Indian tax structure lags behind on almost every indicator. There is a strong requirement for a serious review and actions from the government are needed in simplifying the tax structure. There is a need that the central governments, state governments and opposition parties should come together and work closely in simplifying the taxation structure keeping away the political motives.
M.Govinda Rao in his article concluded that after eight years of reform improving the tax system remains a major challenge in India.

2. MATERIALS AND METHOD:

Research data is analyzed with primary and secondary data. This paper is documented by analysis of secondary data. Secondary data refers to data which is collected by someone other than user common sources of secondary data for social science includes censuses, information collected by government departments, organizational records and data that was originally collected for other research purpose. For this article materials are collected from various articles, income tax websites, finance websites investment websites and from income tax related books. This is an analytical research. An analytical research means where researcher uses facts of information that is already available. It attempts to make critical evaluation of the material.

3. DISCUSSION & ANALYSIS:

Tax saving investments is an integral part of one's life as they offer tax deduction under section 80C or 80CCC. Taking into account, the importance of these investments, people frequently wish to invest. However, they are not keen enough to invest due to low returns and different risks associated with various investments. The tax saving season starts from 1st April for both salaried and non-salaried taxpayers. As a smart investor, one should look for tax saving investments which not only provides the benefit of tax exemption but also helps to earn tax free income. There are many smart ways to save taxes and enjoy the maximum savings possible. However, for most of the individuals, tax-planning is a let's do it later affair. A smarter approach is to start investing in the early quarters of the financial year so that one can get time to sensibly plan and can avail the maximum returns on investment from different tax saving investments. While choosing the right tax saving investments plans it is important to consider the factor like safety, returns and liquidity. Also, it is important to keep a proper understanding of how the returns will be taxed. If the returns on investment are taxable, then the scope to create wealth over a long-term gets constrained. Before moving on to the list of best tax-saving investment schemes, it is important to know about the key section of the online income tax Act i.e. section 80C. Most forms of tax saving investments plan work under the parameters of section 80C of the Income Tax Act. As per this section 80c of the Income tax Act. As per this section, the investments made by the investors are eligible for tax exemption up to a maximum limit of Rs 1,50,000 . Such investments include ELSS, Fixed deposits, and Life insurance, Public provident Fund, National Savings Scheme and Bonds.

INVESTMENT	RETURNS	LOCK-IN PERIOD
ELSS fund	15%-18%	3 years
National Pension Scheme	12%-14%	Till retirement
Unit Linked Insurance Plan	Vary from plan to plan	5years
Public Provident Fund	7%-8%	15years
Sukanya Samriddhi Yojana	8.5%	N/A
National savings Certificate	7%-8%	5 years
Senior Citizen Saving Scheme	8.7%	5 years
Bank FDs	5.5%-7.5%	5 years
Insurance	Vary from plan to plan	3 years

3.1. ELSS (Equity –Linked Saving Scheme) Mutual Fund:

The equity –linked saving scheme is the diversified mutual fund scheme, which has two different features- first the investment amount in ELSS scheme is eligible for tax exemption up to the maximum limit of Rs 1.5 Lakh under section 80C of Income Tax Act and secondly, the investment made in ELSS has a lock-in period of 3 years. ELSS funds offer the interest rate of 15%-18%. However, the returns are not fixed in an equity-linked saving scheme and vary according to the market performance of fund. The investors can opt for dividend or growth option in ELSS fund according to one, own suitability of requirement. This tax saving investment scheme offers flexibility and liquidity in investment and is best suitable for individuals who have a high risk appetite. ELSS scheme offers a high return on investment over a long term period along with the benefit of tax exemption. Besides this, ELSS investment also offers transparency and ease of investment as one can track their investment online in a simple and hassle –free away.

3.2. National Pension Scheme:

The NPS is a pension scheme that has been started by the Indian Government to allow the unorganized sector and working professionals to have a pension after retirement. Investment of up to Rs 1.5 Lakh can be used to avail tax deductions under section 80C.

Eligibility: can be opened by every Indian citizen between the age of 18 and 60
Liquidity: Partial withdrawals are allowed after 15 years but under special conditions
Rate of Returns: rate on the NPS varies between 12%-14%
Investment Limit: No limit on maximum contribution
Tax Treatment: Employer contributions are tax-free.

3.3. Unit Linked Insurance Plans:

ULIPs are a mix of insurance and investment. A part of the invested amount in ULIPs is used to provide insurance and the rest of the amount is invested in the stock markets. Investments of up to Rs 1.5 lakh in are eligible for tax breaks under section 80C

Eligibility: An investor can buy ULIP for self or spouse or child
Liquidity: Interest rate varies as it is market linked
Rate of Returns: Return rate on the ULIP varies between 12%-14%
Investment Limit: No limit on maximum contribution
Tax Treatment: Investment and withdrawals and maturity amount are tax-free.

3.4. Public Provident Fund:

PPF are long term investments backed by government of India. Deposits made in a PPF account are eligible for tax deductions under section 80C. Eligibility: can be opened by resident Indian individuals, salaried and non-salaried individuals. A HUF cannot open a PPF account. Liquidity: PPF account have lock-in period of 15 years, but can be further extended by 5 years. Partial withdrawals are allowed after 7 years.
Rate of Interest: Current interest rate is7%- 8%
Investment limit: Minimum and maximum investment limit is Rs 500 and Rs 1.5lakh respectively.
Tax treatment: interest earned is tax-free.

3.5. Sukanya Samriddhi Yojana:

Sukanya Samriddhi Yojana scheme is one of the most popular schemes by the Government of India. The scheme is aimed at the betterment of girl child in the country.
Eligibility: Parents/Guardians can open an account in the name of a girl child till she attains the age of 10 years
Liquidity: Up to 50% of the deposit amount can be prematurely withdrawn once the girl reaches the age of 18 years.
Rate of Interest: Interest rate on this scheme is 8.5%
Investment limit: Investment is limited to maximum Rs1, 50,000 in a financial year
Tax Treatment: Investment and withdrawals and maturity amount are tax-free.

3.6. National Savings Certificate:

This is a fixed income tax saving investment scheme, which can be opened with any post office. It ensures the safety of investment, as it is a government initiated savings scheme. The plan is specifically designed to encourage the mid-income investors to make investment along with the benefit of taxability of income. Similar to bank FDs and PPF, the NSC is also considered as a low-risk tax saving investment option, which offers guaranteed return on investment. Along with the benefit of transparency and ease of investment the tax benefits offered under the policy are:

- As a government-initiated tax saving investment scheme, one can claim tax deduction up to the maximum limit of Rs1.5lakh
- The interest earned on the certificates is added back to the initial investments and is eligible for tax exemption.
- In the second year of investment in NSC account, the investors can claim tax deductions on NSC investment of that year, as well as the interest earned on the previous year. This is because the interest earned is added to the investment and is compounded annually.

On maturity of this tax saving investments scheme, the individual will receive the entire maturity amount. Since no TDS is applicable on NSC payouts; the investors are required to pay the applicable tax on it.

3.7. Senior Citizen Saving Scheme:

Senior citizen savings scheme is a government backed tax saving investments scheme, which is specifically designed to provide financial safety to the senior citizens. Individuals above 60 years are eligible to invest in SCSS. Under this scheme, the investors are eligible to make a one-time deposit of minimum Rs 1000 and can invest up to maximum Rs15Lakh (in case of joint holding) and Rs 9 lakh (in case of single holding). Thus the cost of investment in SCSS is very flexible. SCSS comes with a lock in period of 5 years. In SCSS the interest are payable on a quarterly basis. Under this tax saving investment, the deduction of up to Rs1.5Lakh lakhs is applicable for TDS under section 80C of income tax act. As compared to the other tax saving investments, senior citizen saving scheme offers the highest interest rate of 8.7% per annum and ensure a guaranteed return to the investors. Besides this, this scheme also premature withdrawal in case of any financial emergencies.

3.8. Bank FDs:

Tax saving FDs are like regular fixed deposits but come with a lock-in period of 5years and tax break under section 80Cs on investments of up to Rs 1.5 Lakh. Eligibility: can be opened by Resident Indian individuals

Liquidity: Fixed deposit have lock-in period of 5 years
Rate of Interst: FD interests' rate across different banks ranges from 5.5% to 7.5%
Investment Limit: Minimum investment limit is Rs1000
Tax Treatment: Interest earned in taxable.

3.9. Insurance:

Life insurance is considered as a tax saving investment products available in the market. However, it is not advised to the individuals to buy a life insurance policy only with the motives of saving tax as the main objectives of these insurance policies to provide insurance coverage. Along with the benefit of insurance coverage, one can also avail benefit on the taxability of income under section 80C and 10(10D) of income tax act. In a life insurance policy, the premium paid and maturity proceeds toward the policy are tax-exempted. Moreover, the returns offered under the policy like endowment or money-back are also tax free. Under life insurance policy one can claim tax exemption up to the maximum limit of Rs 1.5Lakh.

4. HOW TO PLAN THE TAX-SAVING INVESTMENTS:

Even though, most of the taxpayers delay tax planning till the last quarter, which results in hassled decisions. The best time to plan the tax saving investments is at the beginning of the financial year. If an individual start planning for tax-saving investments at the beginning of the financial year, then the investments made can multiply over a long-term period and can help the individuals to fulfil their long term financial goals. The tax payers can follow these pointers to plan the tax saving for the year and make a wise decision while investing in tax saving instrument plans.

- Check your tax-saving expense which pre-exist such as insurance premium, the contribution made towards EPF account, children's tuition fees, home loan repayment etc.
- If the tax-saving expenses cover the maximum limit of Rs1.5 lakh then one will not require investing the entire amount.
- Based on the goal and risk profile, choose the tax saving investments such as PPF, ELSS funds, Bank FDs and NPS.

4.1. FINDINGS:

The Indian tax structure is very complicated. But this system gives a variety of benefits regarding the tax exemption and tax free income. This paper gives a brief description that an individual how reduce his tax on his income. It also gives advantages to senior citizens of the country

5. RESULTS:

The paper analyses that an individual can save his tax through the various investments that are available in section80C of income tax act 1961. As per this section, the investments made by the investors are eligible for tax exemption up to a maximum limit of Rs 1,50,000 .Such investments include ELSS, Fixed deposits, and Life insurance, Public provident Fund, National Savings Scheme and Bonds.

6. RECOMMENDATIONS:

As we all know that Indian law system is very complex, it is difficult to understand for a normal people. The Indian government should make more awareness programmes about tax structure of country, how it works, how it will be implemented on various schemes, how one can get benefit of section80C in different types of institutions

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