

Handbook for the
Financial Wellbeing Journey
Tax Planning



Introduction

Thank you for your interest in the Financial Wellness program.
Hope the program was insightful with many implementable take-aways.

Here is a Handbook which gives a glance:

- Comparison between the Old and New Tax Regimes
- Best investment options under Sec 80C
- Sections to consider for tax planning
- How tax planning can be used to create wealth
- Finsafe Tips



Income from other sources

Instrument	Holding Period	Taxation
Fixed Deposit/ SB Interest Income	Any Period	FD interest - At Slab SB interest – Above Rs 10,000/- taxed at slab
Dividends	Any Period	At slab
Property	< 2 years > 2 years	At slab 20% With indexation
Gold & Jewellery	< 3 years > 3years	At slab 20% With indexation
Listed Stocks& Equity MF	< 1 year > 1 year	15% 10% post gain of Rs 1 lakh
Debt Funds	Any period	At Slab
Unlisted Shares	< 2 years > 2 years	At slab 20% With indexation
Cryptocurrency	Any Period	30%

Gifts

- From relatives (parents, spouse, siblings, siblings of parents) is tax free
- From others > Rs 50,000 are fully taxable except on special occasions.
- All gifts to be declared in ITR and exempt income should be mentioned in Schedule EI.



Which Tax Regime to Choose?

Income Tax Slabs

NEW TAX REGIME (Revised*)		OLD TAX REGIME	
INCOME	TAX RATE (%)	INCOME	TAX RATE (%)
0-3 Lakh	NIL	0-2.5 Lakh	NIL
3-6 Lakh	5%	2.5-5 Lakh	5%
6-9 Lakh	10%	5-10 Lakh	20%
9-12 Lakh	15%	Above 10 Lakh	30%
12-15 Lakh	20%		
Above 15Lakh	30%		



Comparison between both the Tax Regimes

Sl. No.	Exemptions / Deductions	Limit as per IT Act	Status in Old Regime	Status in New Regime
1	Professional Tax – Section 16	Rs.2,400 (Approx)	Exempted	Not Exempted
2	Standard Deduction – Section 16	Rs.50,000	Exempted	Not Exempted
3	Deduction – Section 80 C	Rs.150,000	Exempted	Not Exempted
4	[Employee Provident Fund, Life Insurance , Premium/ ULIP, Children Tuition Fees, Housing Loan , Principal / Stamp Duty and Registration Fees, Tax Saving Mutual Funds. Sukanya Samridhi Scheme, NSC/ Interest on NSC, Public Provident Fund, Tax Saving Fixed Deposit/Term Deposit, 80CCC – Pension funds from Insurance Companies]			
5	National Pension Scheme under section 80CCD(2)	10% of Basic Available - Upto 7.5lakh (including PF) is considered for exemption. Balance to be taxed as perquisite	Exempted	Exempted
6	National Pension Scheme under section 80CCD(1B)	Rs.50,000 Invested Out of Payroll	Exempted	Not Exempted
7	Section - 80 D Medical Insurance Premium for Self and Parents	Rs.75,000 (Considering Employee as Non Senior Citizen & Parent as Senior Citizen)	Exempted	Not Exempted
8	Section - 80 DD & 80 U Expenditure Exemption on Dependent disability / Self Disability	Rs.75,000 (40% to 79% of disability) Rs.125,000 (80% and above disability percentage)	Exempted	Not Exempted



Comparison between both the Tax Regimes

SL No.	Exemptions / Deductions	Limit as per IT Act	Status in Old Regime	Status in New Regime
9	80 E – Exemption on Interest on Education Loan	100% interest paid for the FY	Exempted	Not Exempted
10	80 DDB – Medical Treatment for specified Diseases	Rs.40,000 (For Non-Senior Citizen) Rs.100,000 (For Senior Citizen)	Exempted	Not Exempted
11	Section 24 – Interest on House Property - Self Occupied property	Rs.200,000	Exempted	Not Exempted
12	Loss on House Property (Letout)	Rs.200,000	Exempted	Not Exempted
13	Income From House property		Would be considered as Income	Would be considered as Income
14	80 TTA – Interest on Savings Bank	Rs.10,000	Exempted	Not exempted
15	Leave Travel Allowance	2 Years in a Slab of 4 years	Exempted	Not Exempted
16	House Rent Allowance	Exempted As per the Income Tax Calculation	Exempted	Not Exempted
17	80G Donations	50% & 100% based on the Donated Purpose as per IT Act	Exempted	Not Exempted



Tax Hygiene

- Check your Tax Slab upon Joining the organization
- Choose Between Old Vs New Regime
- Old Regime – Submit information in April of any year or upon your joining date / Start investing
 - Failing submission, excess tax will be detected every month
- Submit the proofs to employer in Dec or Jan
 - None submission of proofs leads to excess tax
 - Resulting lower take home salary
 - If missed, invest before 31st March and file claim tax refund while filing return
- File for Income Tax returns for previous year Financial Year by July 31st.

For ex: **For Financial Year April 2023-March 2024. The last date to file tax would be on July 31st 2024**

Learning Resources:

<https://www.finsafe.in/financial-wellness/old-vs-new-tax-calculator/>



Documents to be kept ready

1 Investment proofs

- Sec 80C
- Sec 80D – premium receipt
- Sec 80E – Interest repayment certificate
- Sec 24 – principal & interest repayment certificate
- Other sections – donation receipt
- Individual NPS

2 Rent Receipt & Rent Agreement

3 Travel Proof for LTA

4 Other allowances



Sections to consider for tax saving

- Section 80C
- Section 80 CCD
- Section 24
- Section 80D
- Section 80 E
- Section 80 G
- Section 80TTA



Fixed Return Sec 80C Products

Scheme	PPF	EPF	VPF	PO Schemes: NSC	PO Schemes: SSY
Max Investment	Rs.1.5 lakhs	12% of (basic+DA)	100% of (basic+DA) (incl of 12%)	Rs 1.5 lakhs	Rs 1.5 lakhs
Employer Contribution	No	Yes	No	No	No
Current Return	7.10% p.a.	8.15% p.a.	8.15% p.a.	6.8 % p.a.	7.60% p.a
Taxation on Returns	Tax Free	Tax Free (>5 years)	Tax Free (>5 years)	Taxable	Tax Free
Lock-in	15 years	Upto retirement	Upto retirement	5 years	21 years

* Maximum of 1.5 Lakhs in a financial year under Sec 80C



Market Linked Sec 80C

Scheme	Endowment Plans	ULIP	ELSS
Max Investment	No Limit	No Limit	No Limit
Expected return	3 – 4%	4 -6%	10 -15%.
Taxation on Returns	As per Insurance rules	As per Insurance rules	10% if gains are more than 1 Lakh
Cost	Nil	Nil	Nil
Lock-in	15 – 20 years	5 Years	3 Years

* Maximum of 1.5 Lakhs in a financial year under Sec 80C



Equity Linked Savings Scheme

- Equity fund with tax saving benefit
- Lock-in period – 3 years
- Section 80 C of Income Tax Act benefit to claim up Rs. 150000 as deduction in a financial year
- Dual Benefit of tax savings and wealth creation
- Can be invested through SIP
- Minimum investment amount Rs.500 per month

Finsafe Tips:

- ELSS schemes help in wealth creation as well as tax saving and hence it is advisable to invest in them under Sec 80C

Learning Resources:

<https://www.youtube.com/watch?v=J1piymZLKU>



Selecting ELSS Schemes

<https://www.finsafe.in/schemes/>

EQUITY FUNDS

Index & Large Cap	Multi Cap	Mid & Small Cap	ELSS	Balanced Fund
UTI Nifty Index Fund	Quantum LT Equity Fund	Mirae Asset Emerging BlueChip	Franklin India Tax Shield	L&T India Prudence Fund
SBI BlueChip Fund	BSL Equity Fund	SBI Magnum Mid Cap Fund	DSPBR Tax Saver Fund	Tata Balanced Fund
BSL Advantage Fund	Kotak Select Focus	DSP Small & Midcap Fund	Reliance Tax Saver Fund	ICICI Pru Balanced Advantage Fund
ICICI Pru Top 100	Most Focused Multi Cap 35 Fund			HDFC Balanced Fund

FIXED INCOME FUNDS FOR SPECIFIC INVESTMENT HORIZON

0 - 3 Months	3 Months-1.5 Years	1.5 - 3 Years	> 3 Years
BSL Cash Plus	ICICI Pru Flexible Income Plan	Birla SL Short Term Fund	ICICI Pru Short Term Plan
HDFC Liquid	IDFC Ultra Short Term Fund	HDFC Medium Term Opportunities Fund	L&T Resurgent India Corp Bond Fund
	L&T Ultra Short Term Fund(G)	SBI Short Term	Birla SL Treasury Optimizer Plan
		TATA Short Term	

<http://www.morningstar.in/featured-reports.aspx>

Fund Name	Category	Analyst Rating	Equity Stylebox	Fixed Income Stylebox	Star Rating	Report Date
Reliance Focused Large Cap Fund - Growth	Large-Cap	Under Review	■	■	★★★	05 Apr 2017
Reliance Regular Savings Fund - Equity Option - Growth	Flexicap	Under Review	■	■	★★★	05 Apr 2017
SBI Magnum Multiplier Fund Regular Dividend Payout	Flexicap	Under Review	■	■	★★★	20 Sep 2016
SBI Magnum Taxgain Scheme Regular Dividend Payout	ELSS (Tax Savings)	Under Review	■	■	★★	18 Sep 2016
HDFC Mid-Cap Opportunities Fund Growth	Small/Mid-Cap	Gold	■	■	★★★★	17 May 2017
HDFC Equity Fund Growth	Large-Cap	Gold	■	■	★★★★	30 Jan 2017
HDFC Top 200 Fund Growth	Large-Cap	Gold	■	■	★★★★	30 Jan 2017
Franklin India Bluechip Fund Growth	Large-Cap	Gold	■	■	★★★★	23 Dec 2016
Franklin India Prima Fund Growth	Small/Mid-Cap	Gold	■	■	★★★★	23 Dec 2016
Franklin India Prima Plus Fund Growth	Flexicap	Gold	■	■	★★★★	23 Dec 2016
Franklin India Ultra Short Bond Fund Super Institutional Growth	Ultrashort bond	Gold	■	■	★★★★★	30 Nov 2016
Reliance Top 200 Fund - Growth	Large-Cap	Silver	■	■	★★★★	23 Aug 2017
Reliance Equity Opportunities Fund - Growth	Flexicap	Silver	■	■	★★★	14 Aug 2017
Mirae Asset Emerging Bluechip Growth	Small/Mid-Cap	Silver	■	■	★★★★	24 Jul 2017
Mirae Asset India Opportunities Fund Regular Growth	Large-Cap	Silver	■	■	★★★★	20 Jul 2017
IDFC Sterling Equity Fund - Regular Plan - Growth	Small/Mid-Cap	Silver	■	■	★★★	14 Jul 2017
Axis Long Term Equity Growth	ELSS (Tax Savings)	Silver	■	■	★★★★	06 Jun 2017
IDFC Government Securities Fund - Investment Plan - Regular Plan - Growth	Intermediate Government Bond	Silver	■	■	★★★★	05 Jun 2017

Mint 20 Mutual Fund Schemes

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
LARGE-CAP			
UTI Nifty Index	17.81	16.73	5,380
HDFC Index	17.51	16.53	4,085
Category average	17.52	16.37	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	21.67	19.23	6,143
Parag Parikh Flexi Cap	28.80	22.38	17,220
Category average	20.31	17.47	
EQUITY SMALL AND MIDCAP			
Axis Midcap	26.43	22.68	15,988
SBI Small Cap	28.57	23.56	10,626
Category average Midcap	23.67	17.47	
Category average Smallcap	27.28	19.12	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	23.78	19.96	2,893
Mirae Asset Tax Saver	23.56	21.30	10,146
Category average	18.83	16.07	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	16.23	14.12	6,331
ICICI Prudential Balanced Advantage	12.97	11.35	36,816
Category average	11.54	9.67	
ARBITRAGE			
Kotak Equity Arbitrage	4.80	5.35	24,430
Tata Arbitrage*	5.10	-	11,980
Category average	4.41	4.91	
DEBT	1-year return** (%)	3-years return (%)	Corpus (₹ cr)
SHORT TERM			
HDFC Corporate Bond	4.41	8.85	28,807
IDFC Corporate Bond	3.87	8.05	20,613
Category average	4.23	6.30	
CREDIT RISK			
HDFC Credit Risk Debt	7.44	8.94	8,757
ICICI Prudential Credit Risk	6.61	8.62	8,304
Category average	2.51	3.53	
DEBT (LESS THAN 1 YEAR)	6-month return** (%)	1-year return** (%)	Corpus (₹ cr)
HDFC Money Market	1.88	3.77	15,828
Kotak Money Market	1.86	3.68	11,454
Category average money market	5.85	6.19	
OUT OF THE BOX	Returns since launch	Date of launch	Corpus (₹ cr)
BHARAT Bond ETF - April 2021	4.95	23 Jul 2020	10,484
Motilal Oswal S&P 500 Index Fund	30.52	28 Apr 2020	2,398

MC 30 Funds

EQUITY	
LARGE CAP (CORE)	
Canara Robeco Bluechip Equity Fund - Regular Plan - Growth	Despite being large-cap, has managed to beat benchmark consistently
Mirae Asset Large Cap Fund - Regular - Growth	Among the largest in its category, size not an issue for performance
FLEXI CAP (CORE)	
UTI Flexi Cap Fund - Growth	Follows a growth-styled approach and managed conservatively. Stable long-term performance
Parag Parikh Flexi Cap Fund - Growth	Investments in international equities and timely deploying cash, helped
Kotak Flexi Cap Fund - Growth	Large-size has pushed the fund towards large-caps, but remains adequately diversified
MID CAP (CORE)	
Kotak Emerging Equity - Growth	Size is bit large for a mid-cap fund, but so far fund has managed well
Invesco India Mid Cap Fund - Growth	Small corpus bodes well for a midcap fund. Takes lesser risks
DSP Midcap Fund - Regular Plan - Growth	Despite a conservative portfolio, performance is good. Well-diversified
Axis Midcap Fund - Growth	Consistent performer and manages risks well. Takes active cash calls
SMALL CAP (SATELLITE)	
Axis Small Cap Fund - Growth	Strong pedigree. Did well in 2018 and 2019, despite tough markets
SBI Small Cap Fund - Regular Plan - Growth	Good stock picking skills. Did well in rising and falling markets
ELSS (CORE/SATELLITE)	
Kotak Tax Saver Scheme - Growth	Same manager for over seven years now. 3-year lock-in helps in stock picking
Canara Robeco Equity Tax Saver - Regular Plan - Growth	Despite a high churn, the scheme has done well across market cycles
FOCUSED (SATELLITE)	
SBI Focused Equity Fund - Regular Plan - Growth	Invests across large, mid and small sized companies and up to 30 stocks
Axis Focused 25 Fund - Growth	Invests in up to 25 stocks. Tilted towards large-caps last year
HYBRID	
AGGRESSIVE HYBRID (CORE)	
DSP Equity & Bond Fund - Regular Plan - Growth	Ideal for first-time equity investors. Invests atleast 65% in equities. Well-diversified
Canara Robeco Equity Hybrid Fund - Regular Plan - Growth	Atleast 65% in equities. Well-diversified, tilts towards large-caps
DEBT	
SHORT TERM (CORE)	
ICICI Prudential Short Term Fund - Growth	Actively managed. Small portion in perpetual bonds, though monitors risks closely
HDFC Short Term Debt Fund - Growth	Despite investing 8-10% in AA-rated securities, fund has managed credit risks well
Axis Short Term Fund - Growth	Consistent performer. Actively-managed. Does not take credit risks
CORPORATE BOND (CORE)	
Sundaram Corporate Bond Fund - Growth	Invests significantly in high-rated securities. Despite small-size, the fund is well-diversified
HDFC Corporate Bond Fund - Growth	Largest fund in this category. Invests almost entirely in AAA-rated assets
BANKING AND PSU DEBT (CORE)	
IDFC Banking & PSU Debt Fund - Regular Plan - Growth	Fund manager's track record in avoiding credit risks, inspires confidence
Kotak Banking and PSU Debt Fund - Growth	Tries to label, avoids private sector firms. Uses Government securities opportunistically
Nippon India Banking & PSU Debt Fund - Regular Plan - Growth	Ideal for investment around 3 years. Avoids AT1 bonds. Well-diversified
OTHERS	
INDEX FUND/SETFS	
Nippon India ETF Nifty BeES	Oldest ETF in India. One of the most liquid
Nippon India ETF Gold BeES	An ideal way to invest in gold, without bothering about storage
Motilal Oswal Nasdaq 100 ETF (MO-NASDAQ 100)	Invests in the US companies. Passively-managed. No fund manager risk
ICICI Prudential Nifty Next 50 Index Fund - Growth	A good way to invest in the next lot of emerging large-cap companies
UTI Nifty Index Fund - Growth	Oldest index fund in India. Low tracking error.



Sec 80 CCD – National Pension Scheme

- Defined contribution scheme
- Minimum Rs. 1,000 per year
- Lock in- up to 60 years
- 60% of corpus can be withdrawn tax free
 - As a lumpsum
 - As regular payments till age 75
 - Withdrawals tax free
 - Remaining corpus invested
- Annuity to be purchased with balance 40%
- Annuity is taxable
- Different Investment Options

Section 80CCD

- **Deduction of Rs. 50,000 for contribution to NPS**
 - Under Sec 80CCD (1B)
- **Max deduction is 10% of the salary (Basic + DA)**
 - Under Sec 80CCD (1)
 - Subject to 80 C Limit of Rs 1.5 lakhs

Learning Resources

https://www.youtube.com/watch?v=V_oRpfVDt4s

Finsafe Tips:

Remember 40% of corpus would be compulsorily invested into an annuity, which would not be tax free.



Home Loan Deductions - 80 C & Sec 24

Particulars	Section 24	Section 80C
Tax Deduction	Interest	Principle
Amount allowed	Self Occupied – 2 Lakhs Non Self Occupied , but living in another city for work – 2 Lakhs Non Self Occupied – 2 lakhs	Rs.150000.
Purpose of the loan	Purchase/ Construction/ Repair/ Reconstruction	Purchase / Construction of new house
Eligibility	Purchase/ Construction/ Should complete within 5 years	No Conditions
Restriction on sale of property	No Restrictions	Tax Deducted claimed would be reversed if property sold within 5 years.
Tax Deduction can start	After completion of the property	After Completion of the property
Stamp Duty / Registration cost	N A	Applicable
Tax deduction on Land	N A	N A
Tax Benefits on Commercial property	N A	N A
Property not constructed within 5 years	Interest would be reduced from 2 Lakh to Rs. 30000	N A

Learning Resources

<https://www.youtube.com/watch?v=HYjCCVeOlpu>



Other Tax Sections

Section 80 D

- Tax deduction up to Rs 100,000 for medical insurance premium

Deductions under section 80D			
Situations based on age	Eligible deduction limits (up to Rs.)		Total eligible deduction limit under section 80D (up to Rs.) (including Rs. 5,000 on preventive health checkup)
	Medical Insurance Premium paid in respect of		
	Medical Insurance Premium paid in respect of	Parents (whether dependent or not)	
No one has attained age of 60 Years	25,000	25,000	50,000
You and your family is less than 60 years & Parents are above 60 years of age	25,000	50,000	75,000
You and your parents have attained the age of 60 years and above	50,000	50,000	100,000

Learning Resources

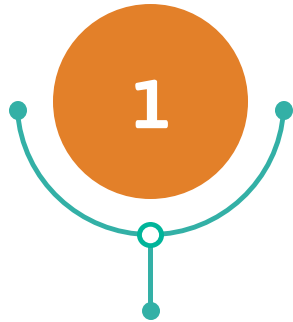
<https://www.youtube.com/watch?v=vGVynJz4S9o>

Finsafe Tips:

Buy a health cover over and above health cover provided by employer.
Don't buy only for tax benefits

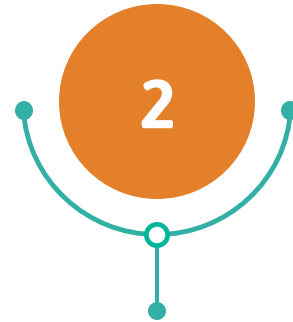


Other Tax Sections



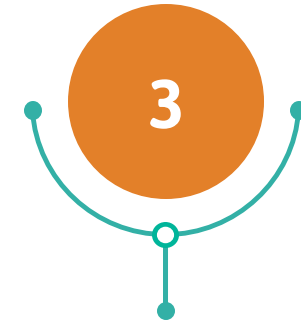
Section 80 E

- Interest paid on loan taken for higher studies is fully deductible
- Max period to claim deduction is 8 years



Section 80 G

- Donations



Section 80 TTA

- Deduction of Rs. 10,000 for interest income earned on savings accounts

Finsafe Tips:

- Claim interest paid on education loan under Sec 80E
- Remember to deduct interest earned on savings account up to Rs 10,000/- per annum under Sec TTA



House Rent Allowance

Amount exempt under HRA is the lower of the following:

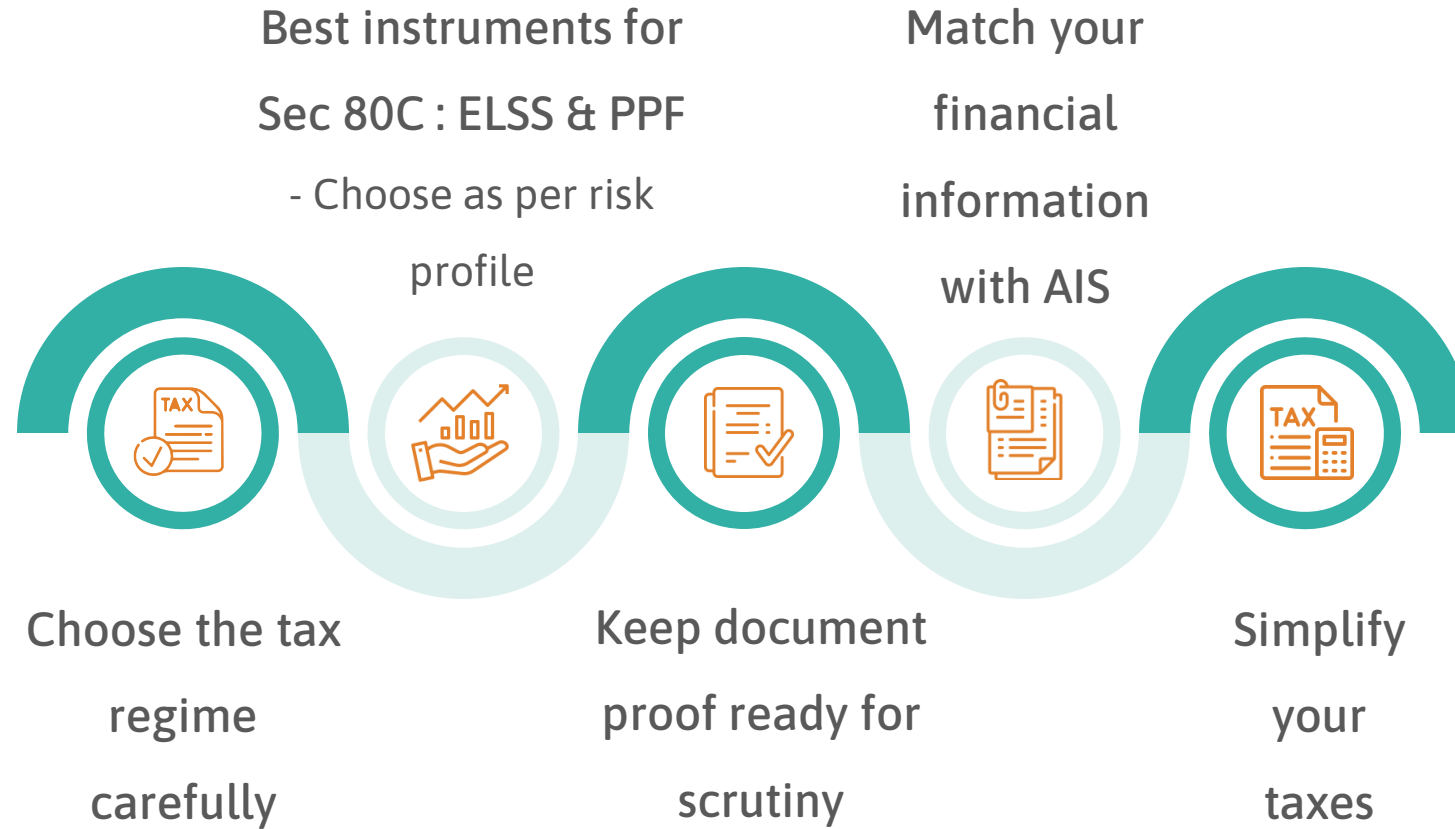
- Actual HRA received
- 40-50% of the basic + DA (depending on the city)
- Rent paid less 10% of salary.

Learning Resources

https://www.youtube.com/watch?v=Ib8P6gVw_8U&t=



Summing up



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[Finsafe India](#)

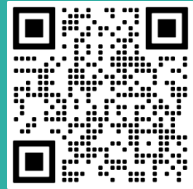
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