

Handbook for the
Financial Wellbeing Journey

Tax Planning Advance



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:

- Decisions related to tax planning:
- Old Vs New Regime
- Best investment under Sec 80C
- Housing related sections
- Other Sections that help save tax
- Taxation of other incomes
- Income from other sources
- Capital Gains
- How tax planning can be used to create wealth



Comparison between both the Tax Regimes

Sl. No.	Exemptions / Deductions	Limit as per IT Act	Status in Old Regime	Status in New Regime (2022 – 2023)	Status in New Regime (2023 – 2024)
1	Professional Tax – Section 16	Rs.2,400 (Approx)	Exempted	Not Exempted	Not Exempted
2	Standard Deduction – Section 16	Rs.50,000	Exempted	Not Exempted	Exempted
3	Deduction – Section 80 C	Rs.150,000	Exempted	Not 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	Not Exempted	Exempted
6	National Pension Scheme under section 80CCD(1B)	Rs.50,000 Invested Out of Payroll	Exempted	Not 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	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	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



Choose the right regime

- You can change the regime at the time of filing tax
- Speculative/ business income : Choose one regime & stick with it. Option of switching back from new to old onetime
- Belated ITR cannot be filed under new tax regime
- Set off and carry forward of losses from house property not allowed



House Rent Allowance

HRA:

- Amount exempt 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



Allowances

Leave Travel Allowance

- Actual domestic Travel cost can be claimed twice in a block of 4 years.
 - Current block from 2022-25
 - Only spouse, children & parents
 - Mode of travel : public transport
- Only expenses on travel
 - Food, and sightseeing expenses is not tax deductible
- Carry over concession period :
 - If LTA not used in a block, it can be used in the immediate year succeeding the block period



Income from other sources

- **Dividend Income**

- Fully taxable from FY 20-21

- **Interest Income**

- SB

- In excess of Rs 10,000 p.a.

- FD

- **Family Pension**

- 1/3rd of such income or ₹15,000, whichever is less, is tax exempt

- **Gifts**

- From relatives (parents, spouse, siblings) 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.
- Immovable properties mandatorily require duly registered Gift Deed.



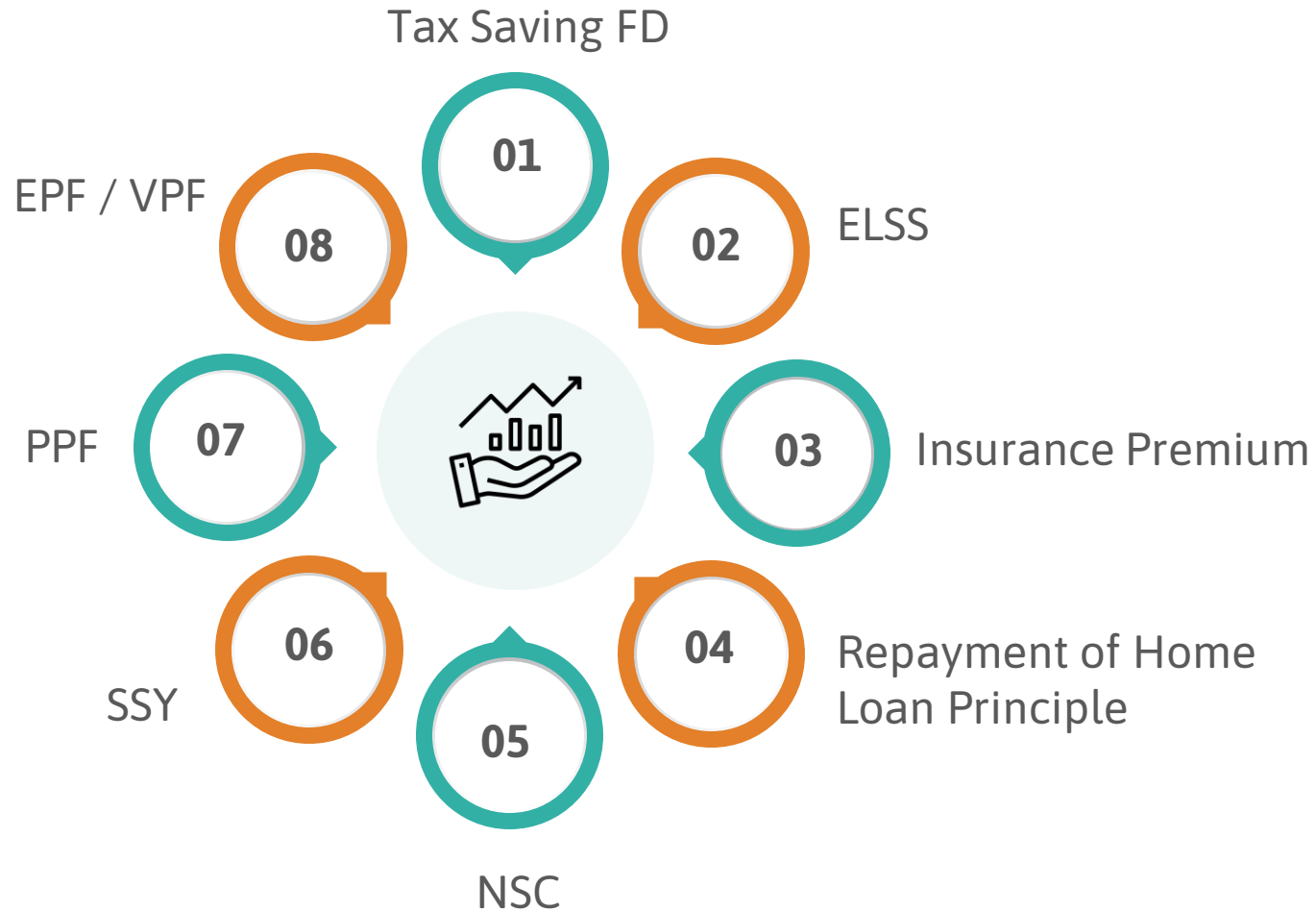
Sections to consider for tax saving

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



Investment options under Section 80C

Limit of Rs 1.5 lacs per annum



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

Learning Resources:

<https://www.youtube.com/watch?v=J1piiymZLKU>

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



Selecting Schemes

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

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

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	

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	Ultrasort 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 50 Recommended Schemes – New Paper

The Mint 50 Recommended Schemes report lists various equity funds across different categories. Each category includes a list of funds with their respective performance metrics, analyst ratings, and star ratings. The categories shown include:

- LARGE CAP (Core):** Includes funds like Aditya Birla Sun Life Franklin Equity Fund, Franklin India Bluechip Fund, ICICI Prudential Bluechip Fund, etc.
- LARGE AND MID CAP (Core):** Includes funds like Mirae Asset Emerging Bluechip Fund, HDFC Mid-Cap Opportunities Fund, etc.
- MULTI CAP (Core):** Includes funds like Franklin India Equity Fund, Parag Parikh Long Term Equity Fund, etc.
- MID CAP (Core):** Includes funds like L&T Mid-Cap Fund, HDFC Mid-Cap Opportunities Fund, etc.
- SMALL CAP (Core):** Includes funds like Franklin India Smaller Companies Fund, HDFC Small Cap Fund, etc.
- ELSS (Core):** Includes funds like ICICI Prudential Long Term Equity Fund (Tax Saver), Mirae Asset Tax Saver Fund, etc.
- VALUE ORIENTED (Core):** Includes funds like L&T India Value Fund, HDFC Value Fund, etc.
- AGGRESSIVE HYBRID (Core):** Includes funds like Mirae Asset Tax Saver Fund, HDFC Hybrid Equity Fund, etc.
- CONSERVATIVE HYBRID (Core):** Includes funds like Franklin India Debt Hybrid Fund, HDFC Hybrid Debt Fund, etc.
- SHORT DURATION (Core):** Includes funds like Axis Short Term Fund, HDFC Short Term Debt Fund, etc.
- CORPORATE BOND (Satellite):** Includes funds like Kotak Corporate Bond Fund - Standard Plan.



80CCD

Maximum Deduction = Rs 2 lakhs

Individual NPS

- Deduction of Rs. 50,000 for contribution to NPS
- Under Sec 80CCD (1B)

Corporate NPS

- Max deduction is 10% of the salary (Basic + DA)
- Under Sec 80CCD (1)



Other Tax Sections

Section 80 D

- Tax deduction up to Rs 100,000 for medical insurance premium
- Senior Citizens can claim deduction against expenses, if they are not covered by medical insurance

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	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

For single premium paid for multiple years: the deduction is allowed proportionately over the years for which the benefit of health insurance is available.



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



Home Loan Deductions

Particulars	Section 24	Section 80C
Tax Deduction	Interest	Principle
Amount allowed	Rs 2,00,000	Rs.1,5,0000
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
Property not constructed within 5 years	Interest would be reduced from 2 Lakh to Rs. 30000	N A



Capital gains on asset classes

INVESTMENT	STOCKS, EQUITY-ORIENTED FUNDS	UNLISTED SHARES	BONDS & DEBENTURES	GOLD JEWELLERY	IMMOVABLE PROPERTY
LTCG WHEN SOLD AFTER	1 Year	2 Years	1 Year	3 Year	2 Year
STCG TAX RATE	15%	Tax Slab rate	Tax Slab rate	Tax Slab rate	Tax Slab rate
LTCG TAX RATE	10% On gain beyond Rs. 1 Lakh	20% after indexation	10% without indexation	20% after indexation	20% after indexation



Mutual Funds Taxation

Short Term and Long Term Capital Gains

Equity / Hybrid Mutual Funds	
Less than 1 year 15%	For more than 1 year 10%, if gains are more than 1 lakh*

* Cumulative Rs 1 lakh gain
* Tax on amount > Rs 1 lakh

Debt Mutual Funds/Gold ETF/International Funds	
Till March 2023 (STCG <3 years – As per tax slab)	From April 2024 Taxed as per Income tax slab
(LTCG >3 years – 20% with Indexation benefits)	Taxed as per Income tax slab



Capital Gains

Sec 54:

- Purchase max 2 houses within 1 year before the sale date or 2 years after that
- Can be used to pay off home loan on new property
- Construct the house within 3 years from the sale date
- No capital gains exemption if the new house is sold within 3 years of purchase or construction
- Deposit the amount in capital gains account scheme (CGAS), If not able to buy or construct new houses before FY year end
 - Else the gains become taxable

Sec 54EC:

- Reinvestment into specified bonds within 6 months of of sale
- Upper limit of Rs 50 lakhs
- Locked for 5 years
- Interest on the bonds is fully taxable
- No TDS



Capital Losses Set Off

Set off Provisions

- 01 | Capital Losses can be set off against gains
- 02 | Long Term Capital Loss can be set off against long term capital gains
- 03 | Losses can be carried forward for 8 years
- 04 | Short term capital loss can be set off against long term and short term gains



Summing up

- Choose the tax regime carefully
- Best instruments for Sec 80C : ELSS & PPF
 - Choose as per risk profile
- Keep document proof ready for scrutiny
- Match your financial information with 26AS/AIS
- Simplify your taxes



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