An Analysis of Tax Saving Investment Schemes for Individual Assesses

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Abstract

A purchase made with the intention of creating income or capital growth is known as an investment. An asset's value increasing over time is referred to as appreciation. When a person invests in a good, they do not intend to utilize it as a source of immediate consumption, but rather as a tool for future wealth creation. Each of us is troubled by the topic of how to save tax or, more accurately, how to organize your investments. Tax preparation is important, but so are tax-saving strategies. With India's top tax saving plans, you may reduce your tax burden while generating income. The beginning of the fiscal year is the best time to make plans for investments that will save taxes. With year-round returns on your tax-saving investment, this will guarantee that you don't pay more in taxes and save taxes in India.

Why do so few of us in India save taxes when we all try to. The problem can be a lack of information or difficulties making the optimal decision for your financial plans. To assist you in comparison and decision-making, we have included a list of the top tax-saving investment options available in India in this post.

Keywords: Tax saving, Investments, Investment Schemes.

Introduction

By participating in the tax-saving programmes provided by both public and commercial organisations, you can reduce your tax liability. You will qualify for tax deductions and exemptions under various ITA Sections by investing in these schemes. By making wise investments in tax-saving plans, income taxes in India can be somewhat decreased. By utilizing the available schemes properly, there are numerous opportunities to lower an individual's tax burden. Income Tax Act, 1961 contains a number of sections that address tax deductions and exemptions, including Sections 80C, 80D, 80CCF, and others. For Indian citizens, a large number of public and commercial organization's offer a variety of tax-saving solutions. The tax-saving period for both salaried and non-salaried taxpayers begins on April 1. A good tax saving investment aim to generate income tax free in addition to providing tax exemption.

Its better to start your investing in first quarter rather than waiting till the end of financial year and using tax saving investment schemes, which gives tax payer more time to plan their investment along with good returns in future, At the time of choosing best investment strategy certain factors such as amount of risk involved, liquidity, and quantum of return should be taken into account.

Objectives

1. To study the different Instruments of Investment Schemes for Tax Planning..

2. To analyze benefits of various schemes applicable to resident Individual Assesses.

Research Methodology

Study is exploratory in nature & various journals, magazines, international journal, websites, Government reports with main focus on tax saving investment schemes. Research design is descriptive in nature & secondary data was extensively used in the research.

Tax saving instruments and sections therein

Investment Options Under Section 80C

According to the proverb, "A penny saved is a penny earned." One strategy to reduce taxes and boost your income is through tax preparation. The income tax act allows for deductions for a variety of investments, savings, and outlays made by the taxpayer during a specific fiscal year.

Acc to section 80 C of Income Tax Act, which contains a variety of investments and costs you can claim deductions on - up to the maximum of Rs. 1.5 lakh in a financial year, Sec 80 C is the most popular tax saving deductions available for individual & HUF .

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Investment	Returns	Lock-in Period
5-Year Bank Fixed Deposit	6% to 7%	5 years
Public Provident Fund (PPF)	7% to 8%	15 years
National Savings Certificate	7% to 8%	5 years
National Pension System (NPS)	12% to 14%	Till Retirement
ELSS Funds	15% to 18%	3 years
Unit Linked Insurance Plan (ULIP)	Varies with Plan Chosen	5 years
Sukanya Samriddhi Yojana (SSY)	7.60%	N/A
Senior Citizen Saving Scheme (SCSS)	7.40%	5 years

Health Insurance- 80D

Medical insurance premiums paid in any given year are deductible from total income for any person or HUF under Section 80D. Additionally, top-up health plans and critical sickness insurance are eligible for this deduction. The fact that it is in addition to the deductions claimed under Section 80C is the finest part. Rs 25,000 Deduction is allowed in financial year under section 80 D & Maximum deduction allowed is up to Rs 50000 if individual is a Senior Citizen.

Repayment of an Education Loan- 80 E

A tax benefit is offered by the income tax act upon loan repayment in the form of a tax deduction under section 80E of the act. You must keep in mind that the loan borrower has access to this tax-saving option. Once an educational loan has been taken out, the interest paid on the loan is eligible for a tax deduction for up to eight years, or until the interest is paid off, whichever comes first. Either the parent or the child may claim the deduction, depending on who is responsible for paying the EMI on the student loan. Only if you obtain the loan from a financial institution and not a family member are you eligible for the section 80C deduction. You may begin claiming the tax deduction in the year in which repayment starts.

Interest Paid on Home Loan

You must meet the following requirements in order to deduct the interest portion of a mortgage from your taxes:

- *For the purchase or building of a house, a home loan is required. Within five years after the end of the fiscal year for which the loan was obtained, the house must be built.
- * Up to a maximum of Rs. 2 lakh, the interest paid as part of the loan may be deducted under section 24. In the case of a self-occupied property, this is relevant. There is no maximum amount that can be claimed for interest on a rented property.
- * The pre-construction interest paid on a mortgage taken out during a pre-construction period may be written off as a tax deductible. Starting in the year when the property is purchased or the building is finished, the deduction is available in five equal installments. The upper limit is Rs. 2 lakh, though.

Savings Bank Account Interest

In accordance with the 1961 Income Tax Act, interest from savings bank accounts is eligible for deductions. Hindu undivided families and individuals are both eligible to claim the tax deduction under section 80TTA for interest earned. Taxpayers who are not elderly citizens are eligible for this deduction. The elderly citizen exception under section 80TTB is available.

Section 80TTA allows for a maximum deduction of Rs. 10,000. The assessee's total interest earnings from his or her savings bank account are subject to a maximum of Rs. 10,000. Any interest that exceeds Rs. 10,000 is subject to taxation as "Income from Other Sources". The tax rate will be in accordance with the relevant tax slab rate. For instance, Amit received Rs. 15,000 in interest total from his savings bank account. The entire exemption permitted under section 80TTA in this situation is Rs. 10,000, and the remaining Rs. 5,000 will be subject to taxation as "income from other sources."

Treatment of Specified Diseases u/s 80DDB

Taxpayers who have developed illnesses including cancer, neurological conditions like dementia, motor neuron disease, Parkinson's disease, AIDS, etc. are eligible for a deduction under section 80DDB. Each of these diseases requires costly medical care, and section 80DDB allows for a deduction for those costs..

For the medical care of a dependent who is afflicted with a specific ailment, individuals or HUF may deduct expenses under section 80DDB. The deduction is limited to 40,000 rupees or the actual amount paid, whichever is less. In the case of senior citizen taxpayers or dependents, this cap is increased to 1 lakh.

Donations Made to Charitable Institutions

In relation to the amount paid by the taxpayer to an authorized charitable organization, Section 80G allows for a tax deduction. Donations to these groups should be sent via cheque or online transfer. To claim a deduction a stamped receipt is to be taken from organization where donation is to be made. The tax deduction will vary from 50-100% of donation amount, depending on type of organization in which donation is made.

The following table shows the new slab rates as per Section 115BAC for FY 2023-2024

Annual Income	New Income Tax Slab Rate
Nil to Rs. 3 lakh	Exempt
Rs. 3 lakh to Rs. 6 lakh	5%
Rs. 6 lakh to Rs. 9 lakh	10%
Rs. 9 lakh to Rs. 12 lakh	15%
Rs. 12 lakh to Rs. 15 lakh	20%
Above Rs. 15 lakh	30%

The following table shows all major deductions & exemptions which are disallowed under new tax regime as new regime is optional for Individual Assesee's. from financial year 2023-24. We have to note that assessee can opt for old scheme as it is where all below mentioned deductions & exemptions will be allowed.

Major Deductions under Chapter VIA (u/s 80C, 80CCC, 80CCD, 80DD, 80DDB, 80E, 80EE, 80EEA, 80G, 80IA, etc)	House Rent Allowance (HRA) u/s 10(13A)	Home Loan Interest u/s 24(b)
Standard Deduction	Leave Travel Allowance u/s 10(5)	Deduction for Donation or Expenditure on Scientific Research
Allowances u/s 10(14)	Deduction for Entertainment Allowance and Employment/ Professional Tax u/s 16	Depreciation u/s 32(iia)
Deductions u/s 32AD, 33AB, 33ABA, 35AD, 35CCC	Exemption for SEZ unit u/s 10AA	Deduction from Family Pension u/s 57(iia)

Conclusion

The newly added section of the Income Tax Act of 1961 that addresses the new income tax system is Section 115BAC. Only individuals and Hindu Undivided Families (HUFs) are covered by this section and the alternative tax scheme, which were both included in the Union Budget 2020. The fact that the income tax bracket rates have been drastically decreased is a crucial aspect of this new system. The new rates, however, eliminate certain important income tax exemptions and deductions that are now permitted under the previous (current) income tax system.

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