Retail Banking updates.

Income Tax Saving Schemes

Income tax savings schemes are offered as per the relevant sections of the Income Tax Act, 1961. The chief among these is the Section 80C which offers potential tax savings options of up to Rs.1.5 lakhs yearly. There are other sections also that provide benefits to individuals. Major income tax saving instruments include:

- **Public Provident Fund:** Also called PPF, you can make a maximum contribution of Rs.1.5 lakhs per year in this tax saving scheme. PPF cannot be withdrawn before 15 years without penalty.
- **Unit Linked Insurance Plans:** Also called ULIPs, these tax saving schemes allow for a maximum exemption of Rs.1 lakh per year u/s 80C. Apart from investment exemption, the maturity earnings are also tax exempt.
- **Tax Saving Fixed Deposit:** Tax saving fixed deposits are available for a fixed tenure of 5 years and a maximum of Rs.1.50 lakh can be invested to avail tax benefits per year u/s 80C.
- **Employee Provident Fund:** Also called EPF, this is another investment scheme that offers tax benefits u/s 80C up to Rs.1 lakh per year.
- **National Saving Certificate:** Also called NSC, this instrument can be used to earn tax saving interest up to Rs.1 lakh per year u/s 80C..
- **Tax Saving Mutual Funds:** These funds allow for exemptions up to Rs.1 lakh per annum u/s 80C. ELSS are popular instruments for tax savings through mutual funds.
- **Post Office Tax Saving Schemes**: Post office tax saving schemes also fall under the ambit of Section 80C. You can claim up to Rs.1 lakh in tax benefits every year through the various post office investment options.
- **Life Insurance Premium:** Amount paid by a taxpayer towards life insurance premium for spouse, children, and self is allowed as deduction. Premium paid for parents, brothers, and sisters are not allowed as a deduction under section 80C. Premium paid by a HUF for its member is also allowed as a deduction. The policy must be taken from an Insurance Company registered under the Insurance Regulatory and Development Authority of India or IRDAI.
- **Sukanya Samriddhi Yojana (SSY):** The Sukanya Samriddhi Yojana is a government saving scheme to benefit a girl child who is ten years or less. A parent or guardian can open a maximum of 2 accounts. The principal amount qualifies for a deduction, and the interest is tax-free. The account matures after 21 years of investment or at the event of the marriage of a girl child.
- **Pradhan Mantri Vaya Vandhana Yojana (PMVVY)**: PMVVY is a pension scheme for senior citizens aged 60 years or more with an assured interest of 8.3% per annum. The locking period is ten years. The principal amount qualifies for a deduction, and the interest is tax-free.
- **Senior Citizen Saving Scheme (SCSS):** Senior Citizen Saving Scheme (SCSS) aims at providing a regular income for senior citizens aged above 60 years available at a certified bank and all the post offices across India. The lock-in period is five years. Section 80C income tax deductions cover the principal amount, and the interest is tax-free.
- **Equity Linked Savings Scheme (ELSS):** Specific equity mutual funds which have been specifically designated for the purpose of tax savings. Investments in the specific schemes of ELSS allow deduction upto a maximum limit of Rs. 1.50 Lakhs with a lock in period of 3 years.

- **Repayment of home loan principal amount:** The principal amount of the EMI that goes into the repayment of home loan instalment is also eligible for tax benefit u/s 80C with maximum benefit upto Rs. 1.50 Lakh.