

Don't hate tax, it can be your good friend & save you money

My name is Tax, and I know you hate me. If you had your way, I would be abolished forever. I don't blame you, though. Nobody likes parting with his hard-earned money. Believe me, even I don't like to take away 10-30% of your salary, but you leave me with no choice with your haphazard savings and unplanned investments.

For 11 months of the year, you ignore my presence, as if I don't even exist. When the accounts department of your company asks for a declaration of Section 80C investments, you give out random figures. Then, when the financial year is drawing to a close and you are asked for actual proof, you run around in a desperate attempt to avoid me. With no time for research, you choose suboptimal investments and low-yield insurance policies. This happens year after year.

My advice to you is simple: start thinking about me from the very first month of the financial year. Choose investments where I won't have to shave off your gains. My friend ELSS (equity-linked savings scheme) fund, for instance, is a tax-efficient investment option in the Section 80C umbrella.

Fixed deposits and the National Savings Certificates (NSCs) are not very helpful. I know you like them, but every time you invest in FDs, I get a fat chunk of the gains. My assistant TDS (tax deduction at source) collects the money on my behalf. TDS takes only 10% of the interest earned by you. If you don't submit your PAN, it is authorised to take away 20%. It pains me when I have to eat into your profits but only you can stop me.

Apart from the Section 80C investments, there are other ways to save me. You can ask your employer to structure your salary in a way that it is friendly to me. Claim your house rent allowance if you live in a rented accommodation. Take a home loan and claim benefits on the interest and principal repayment. If your employer offers NPS as a retirement benefit, ask if you can opt for an additional contribution under Sec 80CCD(2).

I am also friendly with other perks and allowances, such as conveyance, newspaper and periodicals, LTA and food coupons. If your firm offers you a car, opt for a leased vehicle rather than one owned by the company.

Try out these tactics to save me this year and I am sure we can become good friends.

(The author is Founder & Ceo, Getting You Rich)

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