

## **Here's how you can save tax in the last 2 days of current FY**

With only two more days left for the tax saving season to end, for those who still haven't exhausted their section 80C limit of Rs 1.5 lakh per annum, there's a dim hope left. Certain tax savers allow one to invest online with minimum or fewer hassles, all without moving out of your office or home.

Any tax saving investment that requires payment by cheque or has a long drawn process will be out of bounds in the last few days of the financial year. Investing in a tax saving instrument through cheque especially during the last few days of the financial year, may get held up due to various reasons.

Let's say a tax payer invests in a tax saver through a cheque on 30th March( or even 29th March) but the payment doesn't go through for any reason, say, date wrongly mentioned or signature mismatch and the investment actually gets pushed into the next financial year even after running around to rectify it.

Here are few investment alternatives, such as 5-year bank fixed deposit, ELSS mutual funds, NPS, term insurance plan, Ulips, health insurance and even making a home loan repayment, which can be made online .

We are not in any way suggesting to invest in any of the following instruments to merely save tax at the last minute. However, if any of these fit in your financial plan but you are running out of time to invest then the online investment route could help.

### **1. 5-year bank fixed deposit**

Probably, the easiest and most hassle-free way of making a tax saving investment is the 5-year bank fixed deposit. In all likelihood, you would have a KYC compliant account, so the only requirement would be of having access to bank's net banking. Make sure PAN is updated in your bank records. Just log-on to your Internet banking using username and password and invest in the tax saving FD. Redemption on maturity comes directly to your bank account.

You can indicate whether you want monthly, quarterly or cumulative interest on the investment. The interest earned is to be added to one's income and is therefore entirely taxable. Currently, the interest rate on 5-year bank fixed deposit is 7-7.5 per cent and therefore the post-tax return for someone in the highest income slab comes to about 5-5.5 percent per annum. Such tax savers could help in saving taxes and preserve your capital but not in creating wealth over the long term.

### **2. ELSS mutual funds**

Investing in ELSS can even be done online by visiting the website of the MF fund house. In doing so, being KYC compliant is an essential requirement. Through net banking, funds would get invested and if investment is made before 3 pm, the same day NAV (Maximum Rs 1.5 lakh for ELSS else Rs 2 lakh) gets allocated.

In addition to the regular option, there would be the 'direct' option available online. As against a regular option, the direct option has lower expenses as it is free of distribution commission. In the long run, it translates into huge savings. Choosing the right ELSS fund is however something one needs to do diligently.

### **3. NPS online**

Opening of NPS account online is possible now only if you have your Aadhar number with you. Till now an NPS account could be opened online via eNPS portal but the printout of the application submitted online had to be sent to the PFRDA's Central Recordkeeping Agency (CRA) to open the account.

The PFRDA has now directed that in the case of NPS accounts being opened online on the basis of Aadhar verification followed by e-signature, a physical printout of the application need not be sent. You will be routed to a payment gateway for making the payment towards your NPS account from Debit/ Credit card or Internet Banking.

But, before you invest, make sure that you are aware of how it works.

### **4. Online Insurance**

Buying insurance plans such as online term plan or online Ulips at the last minute may not work always. Although making payment online is possible through cards or net banking, the underwriting of the policy might call for medical tests which could result in a decline of the policy or the insurer might ask for 'extra premium' owing to adverse medical reports.

Say, you buy insurance online on 31st March and the policy actually gets issued anytime during the first week of April (next financial year), still you would be eligible for tax benefit, but, in case the policy doesn't get issued, you lose on the tax benefit, the premium is however refunded.

### **5. Online Ulips**

One can buy online Ulips by visiting the insurer's website. As there is no intermediary involved, there is no commission that gets paid to any agent in online Ulips. The process of applying and making payment through net banking or credit card will be entirely online. With some insurers, Aadhaar number may be mandatory to buy policy online.

### **6. PPF Online**

Opening of the PPF account with a designated bank in itself will take few days. Only the form has to be filled online after logging on to bank's Internet banking but then along with certain documents, it has to be submitted to bank branch for verification purpose.

But, if you already have a PPF account online in any of the designated bank's designated branch, you can make online transfer of funds from linked savings account of same or another bank. You can also set standing instruction facility for online fund transfer to PPF account.

## **7. Home loan repayment**

If you have a home loan, any principal repaid through EMI or through lump sum prepayment qualifies for section 80C benefit. At this last juncture, you can prepay a portion of your home loan and not only save tax but also save on interest cost. Prepayment helps in reducing the total interest outgo as the loan tenure gets reduced. The higher the prepayment amount and the longer the period, the more will be your savings.

For doing it online, you have to add your home loan account as a third-party account through your bank's net banking and then transfer the funds as required. It's faster doing it online than going to bank branch with a cheque to repay a portion of your loan.

## **8. Health cover**

One may buy health insurance online by visiting the website of any general insurance company or a standalone health insurance company. However, there could be a requirement of medical tests or the insurer may not allow buying online above a certain age or a sum insured. Generally, insurers allow individuals up to the age of 45 to buy health insurance plans online.

### **Watch out**

It's always better to call up the company before initiating the process of investing online. It would typically take 1 working day for the investment to go through. Also, there are certain specific nuances with the process involved and knowing them beforehand will make the online experience better. For example, not all cities could be enrolled by the insurer for buying online term plans.

### **Conclusion**

Last minute dash doesn't give time for a second look at the action committed. Chances of an error are therefore high. Ensure you don't delay on your tax planning exercise in the next financial year, which is only few days away.

*(Economic Times)*