

## How to restructure your finances with tax-free perks

Sudhir Kaushik of Taxspanner.com advises readers on how to restructure their income, investments and expenses to optimise their tax.

Rajiv Mohan Verma, 58, is a businessman and receives salary from the two companies in which he is a director. His total annual income of Rs 86.24 lakh also includes rent from property and interest on fixed deposits. More than 27 per cent of this goes into tax. But some smart rejigging can reduce his tax liability by more than Rs 8 lakh.

Verma should get his company to pay for his conveyance and transport needs. It can buy a car on lease and include the EMIs in his compensation package. Similarly, the maintenance costs and driver's salary should also be added to his salary package. The taxable value of these perks is only Rs 39,600, but they can cut his tax by over Rs 3 lakh.

INCOME FROM EMPLOYER			ACTIONS TO TAKE
INCOME HEAD	CURRENT	SUGGESTED	
Basic salary	72,30,000	36,15,000	<p>Let company buy a car and include EMIs, fuel and driver salary in CTC.</p> <p>Seek reimbursement of these expenses against actual bills.</p> <p>This tax free perk can be availed once in a block of two years.</p> <p>Avoid tax inefficient FDs. Use debt funds to defer tax.</p>
Special allowance	0	16,14,000	
Contribution to PF	0	4,33,800	
Car maintenance & fuel reimbursement	0	2,16,900	
Car lease rental	0	6,00,000	
Medical reimbursements	0	15,000	
Phone bill reimbursements	0	36,000	
Books and periodicals	0	24,000	
NPS (under 80CCD2)	0	3,61,500	
Leave Travel Allowance	0	1,00,000	
Annual gifts	0	5,000	
Taxable value of perks	0	39,600	
<b>TOTAL</b>	<b>72,30,000</b>	<b>72,30,000</b>	
+ INCOME FROM OTHER SOURCES			
Interest on deposits	8,50,000	0	
Rental income	7,44,000	7,44,000	
<b>TOTAL</b>	<b>13,94,000</b>	<b>7,44,000</b>	

Next, Verma should opt for the Provident Fund. If his company puts Rs 4.3 lakh in the PF, he saves Rs 1.34 lakh in tax. Similarly, if the company puts 10 per cent of his basic salary in the NPS under Sec 80CCD2, he saves another Rs 1.11 lakh. However, both these measures will mean a reduction in his take-home income by Rs 8 lakh. Verma should also include other allowances that are tax-free on submission of bills. His phone, medical and newspaper bills can save him Rs 23,000 in tax. Another Rs 31,000 can be saved through the leave travel assistance (LTA).

## TAX SAVING INVESTMENTS

	CURRENT (₹)	SUGGESTED (₹)
Contribution to PF	1,25,000	1,25,000
Life insurance	25,000	25,000
NPS (Under Sec 80CCD1b)	0	⬆ 50,000
<b>TOTAL</b>	<b>1,50,000</b>	<b>2,00,000</b>

Maximum deduction has been reached.

Invest in this new tax saving option.

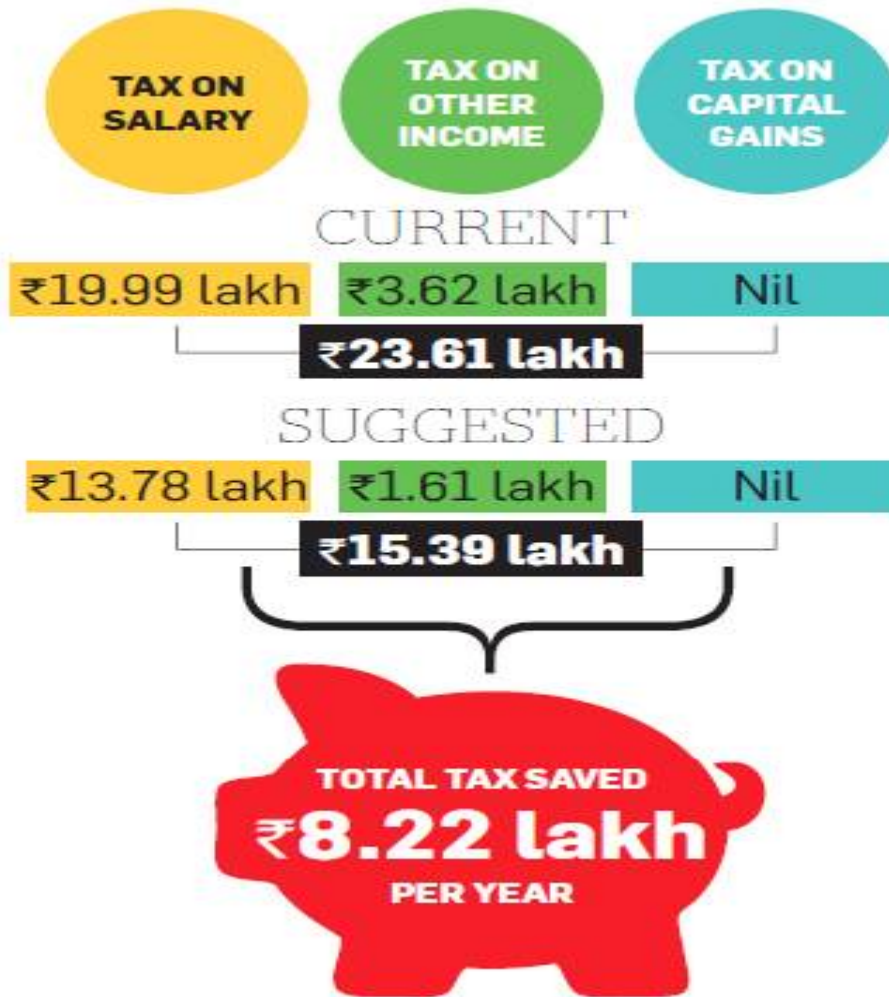
## OTHER DEDUCTIONS

	CURRENT (₹)	SUGGESTED (₹)
NPS contribution (through employer)	0	⬆ 3,61,500
Medical insurance under Sec 80D	25,000	25,000
<b>TOTAL</b>	<b>25,000</b>	<b>3,86,500</b>

Additional deduction for investing in NPS under Sec 80CCD2.

⬆ Denotes suggestion to increase    ⬇ Denotes suggestion to reduce

# VERMA'S TAX



Verma should avail of the new tax deduction under Sec 80CCD1b for investments in NPS. He should also avoid tax inefficient fixed deposits. Debt funds can help defer the tax, saving him almost Rs 2 lakh.

*(Economic Times)*