Know These Tax Tweaks before You Make Your New Year Plans

Fresh tax breaks and new provisions one should bear in mind while planning ones finances

For many, December is the month for splurging on Christmas shopping, New Year parties, vacations and so on. It is certainly not the time of year when you would pay attention to boring topics like saving, investing and tax breaks. It may not be a smart thing to do. This is because many organisations deduct tax from salaries in January, February and March, affecting your cashflows. Typically, organisations ask their employees to submit their investment declaration between December and early-to-mid January. That means, depending on the deadline set by your employer, you have just about a month to complete the process. And, this year, you need to keep in mind some additional points before handing over your completed declaration form to your human resources or administration department. Listed below are a few new developments that you need to be aware of this year to save on tax.

RAJIV GANDHI EQUITY SAVINGS SCHEME

A new tax-saving instrument announced in the Budget in March, it is meant for new retail investors whose gross total income is not more than.10 lakh. They can invest up to.50,000 in this scheme and avail a deduction of 50%.If you fall in this category, you will have to open a new demat account specifically to invest in this scheme. This is another avenue you need to consider before making investment declarations. SEBI (Securities and Exchange Board of India) released the detailed guidelines very recently and you need to keep an eye on further developments to find out when you can start investing, says Vaibhav Sankla, director with tax consultancy firm H&R Block. Do note that a new retail investor refers to: (i) someone who has never opened a demat account, (ii) an individual who has opened a demat account but has not made transactions in the equity or derivative segment till the date of notification, or (iii) an individual who is not the first account holder in an existing demat account. You also have the option of designating your existing account as a Rajiv Gandhi Equity Savings Scheme-eligible account, provided you have never transacted in this account. You can invest in eligible stocks, exchange-traded funds and mutual fund schemes. The capital market regulator has asked stock exchanges to put up the list of instruments eligible under the scheme for tax saving on their websites.

TDS ON LEAVE TRAVEL ALLOWANCE

Until now, several employers did not deduct TDS (tax deducted at source) on your leave travel allowance as long as you submitted the required declaration. Now, however, claiming the benefit could get a bit more taxing. Earlier, many employers extended the LTA exemption on the basis of the employees declaration. This year onwards, your employer may ask you to submit documentary evidence (air or rail tickets) before allowing the exemption. This is a major point salaried individuals will have to take into account this year, explains Mayur Shah, director, tax and regulatory services, Ernst & Young. If you have planned a vacation now, do not forget to preserve your tickets carefully. Of course, if you have booked tickets online, you can simply download them from the airline/ IRCTC website or from your mailbox.

PREVENTIVE HEALTHCARE

Another measure announced in the Union Budget promises deduction of up to.5,000 for preventive healthcare. It will be allowed within the existing section 80D limit of.15,000 meant for health insurance premium. It will help younger individuals whose health premiums are lower, which means that a large portion of the eligible deduction remains unused. You can submit the bills of preventive medical tests undergone at pathology labs or hospitals along with your investment declaration, says Sankla.

HOME LOAN REPAYMENT/HRA

Section 80C allows deductions on housing loan principal repayment and Section 24 on interest paid on the loan. This year, your employer may ask you to furnish the possession certificate before allowing these deductions. This apart, if the annual rent paid by you exceeds.2 lakh, you will have to furnish your landlords Permanent Account Number (PAN) details in the investment declaration form while claiming house rent allowance (HRA). In case the landlord does not have a PAN card, you will have to submit a declaration from him mentioning his full name and address, says Sankla.

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