New Financial Year Begins: Start early and plan for your taxes for FY18

While the calendar year begins in January every year, the financial year is a different beast altogether. And just like the festivals and important dates in the normal year, the financial year is also choc-a-bloc with important dates that you should know by heart if you want to make any headway with your money.

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"The Income Tax Act, 1961 allows certain deductions that can be claimed for saving taxes. Before looking for tax-saving options though, it is important to evaluate whether one actually requires making fresh investments for the FY 2017-18," says Archit Gupta, CEO & Founder, ClearTax.in.

Deductions available under Section 80C

Section 80C of the I-T Act, 1961, allows exemption up to Rs 1.5 lakh to an individual. Some of the common deductions under Section 80C include:

1. Contribution to Employees Provident Fund.
2. Contribution to Public Provident Fund
3. Tuition fees for up to 2 children.
4. Premium paid for life insurance for self, spouse, and kids.
5. Contributions made to the ULIP (Unit-Linked Insurance Plan) for self, spouse, and kids.
6. Investments made in the NSC (National Savings Certificates) schemes.
7. Term deposits of 5 years with banks under the notified scheme or with the post office.
8. Investment made up to Rs1,50,000 annually in the Sukanya Samriddhi Account (limited to 2 daughters)
9. In case you have a home loan, you can claim the deduction for the repayment of principal loan amount u/s 80C of the Income Tax Act. For a self-occupied property funded by a home loan, the buyer can claim a maximum of Rs 1.5-lakh deduction under Section 80C of the I-T Act.

Interest on Home Loan

An individual is allowed to claim a deduction for the interest paid on his/her home loan u/s 24 of the Income Tax Act. However, the maximum deduction which is allowed is Rs 2,00,000 in the case of a self-occupied house. Tax breaks on interest paid on rented homes (whether first or second) have now been capped at Rs 2 lakh a year.

Deductions u/s 80E

In case an individual has an outstanding education loan which is taken for higher education for him/her or children or spouse, he/she could claim the deduction u/s 80E for the interest component of such loan.

So, “if you already have an outstanding loan and cannot afford to make investments this year, do not worry. You can use these details to claim the maximum exemption available in your tax bracket. For others, it is always nicer to make short-term investments in avenues such as ELSS Mutual Funds which can help you with tax savings and also give you great returns in a short time,” says Gupta.

If you are running short of time, you can also use online software to research available options and make the best choice for tax savings. Don’t let this financial year pass you by without saving some of your hard-earned money!

(Financial Express)