

Want your income to move up? Plan your taxes better

Do you want your income to go up? Who doesn't? That's why a lot of us slog it out, first at school and college, then at the workplace. While many people go through the grind to be able to earn more, they fail to take simple steps that can boost their income significantly.

Tax filing data shows that Indian taxpayers are not taking full advantage of the tax deductions and exemptions available to them.

Our analysis shows that younger taxpayers are the worst tax planners. They may have done very well in academics and could be drawing handsome salaries, but most of them score an F in tax matters. According to the tax filing data, those in the 25-30 year age bracket pay a significantly higher tax than the older taxpayers. The average minimum tax paid by a 25-year-old earning Rs 10-11 lakh a year is 12% of his income. However, 34-year-olds with the same income paid only 6% tax.

The busiest professionals are the lousiest at planning their taxes. They happily outsource the job to wealth advisers and investment consultants, who sell them high-commission and low-yield products.

Interestingly, senior citizens are more clued into tax rules and, therefore, manage to curtail their tax liability to a great extent. Data shows that one in every five senior citizen assessee paid no tax even though their average income was `4 lakh a year. Only 26% of the senior citizen taxpayers had not claimed the full deduction under Section 80C.

Taxation rules are not rocket science. Anybody with a basic understanding of arithmetic and tax rules can figure out how much tax he can save. You need to spend just one day to work out a tax plan for yourself. Don't have the time? Look at it this way. If your salary is Rs 90,000, you are earning about Rs 3,000 a day. Take a day of unpaid leave to plan your taxes and you might save Rs 10,000-15,000. That still leaves you with an extra income of Rs 7,000-12,000. Think about it.

(Economic Times)