Section 80C Deductions

Section 80C of the Income Tax Act [1] allows certain investments and expenditure to be deducted from total income up to the maximum of 1 lac. The total limit under this section is 100,000) which can be any combination of the below:

Contribution to Provident Fund or Public Provident Fund. PPF provides 8.6% [6] return compounded annually. Maximum limit to contribute in it is 100,000 for each year. It is a long term investment with complete withdrawal not possible till 15 years though partial withdrawal is possible after 5 years. Besides, there is employee providend fund which is deducted from the salary of the person. This is about 10% to 12% of the BASIC salary component. Recent changes are being discussed regarding reducing the instances of withdrawal from EPF especially when one changes the job. EPF has the option of full settlement on leaving the job, taking VRS, retirement after 58. It also has options of withdrawal for certain expenses related to home, marriage or medical. EPF contribution includes 12% of basic salary from employee and employer. It is distributed in ratio of 8.33:3.67 in Pension fund and Providend fund

Payment of life insurance premium. It is allowed on premium paid on self, spouse and children even if they are not dependent on father or mother(Tax On Maturity of LIfe Insurance Policy

Investment in pension Plans. National Pension Scheme is meant to save money for the post retirement which invests money in different combination of equity and debt. depending upon age up to 50% can go in equity. Annuity payable after retirement is dependent upon age. NPS has six fund managers. Individual can make minimum contribution of Rs6000/- . It has 22 point of purchase (banks).

Investment in Equity Linked Savings schemes (ELSS) of mutual funds. Among other investment opportunities, ELSS has the least lock-in period of 3 years. However, one should note that after the Direct Tax Code is in place, ELSS will no longer be an investment for 80C deduction.

Investment in National Savings Certificates (interest of past NSCs is reinvested every year and can be added to the Section 80 limit)

Tax saving Fixed Deposits provided by banks for a tenure of 5 years. Interest is also taxable.

Payments towards principal repayment of housing loans. Also any registration fee or stamp duty paid.(Read more about House Loan deduction 80C

Payments towards tuition fees for children to any school or college or university or similar institution (Only for 2 children)Read read FAQ about Tuition Fees

Post office investments

The investment can be from any source and not necessarily from income chargeable to tax.

[edit]Section 80CCF: Investment in Infrastructure Bonds

From April, 1 2011, a maximum of 20,000 is deductible under section 80CCF provided that amount is invested in infrastructure bonds. This is in addition to the 100,000 deduction allowed under Section 80C. However this deduction has not been extended to Financial year 2012-13. Good bye to 80CCF bonds from Fy 2012-13 AY 2013-14

[edit]Section 80D: Medical Insurance Premiums

Health insurance, popularly known as Mediclaim Policies, provides a deduction of up to 35,000.00 (15,000.00 for premium payments towards policies on self, spouse and children and (read as in addition to) 15,000.00 for premium payment towards non-senior citizen dependent parents or 20,000.00 for premium payment towards senior citizen dependent). This deduction is in addition to 1,00,000 savings under IT deductions clause 80C. For consideration under a senior citizen category, the incumbent's age should be 65 years during any part of the current fiscal, e.g. for the fiscal year 2010-11, the incumbent should already be 65 as on March 31, 2011), This deduction is also applicable to the cheques paid by proprietor firm. This Deduction is not available if Paid through CASH.read more

[edit]Interest on Housing Loans Section

For self occupied properties, interest paid on a housing loan up to Rs 150,000 per year is exempt from tax. This deduction is in addition to the deductions under sections 80C, 80CCF and 80D. However, this is only applicable for a residence constructed within three financial years after the loan is taken and also the loan if taken after April 1, 1999.

If the house is not occupied due to employment, the house will be considered self occupied.

For let out properties, the entire interest paid is deductible under section 24 of the Income Tax act. However, the rent is to be shown as income from such properties. 30% of rent received and municipal taxes paid are available for deduction of tax.

The losses from all properties shall be allowed to be adjusted against salary income at the source itself. Therefore, refund claims of T.D.S. deducted in excess, on this count, will no more be necessary.[7]