

HOME INCOME TAX PLAN AND SAVE INCOME TAX IN ASSESSMENT YEAR 2013-14

Plan and Save Income Tax in Assessment year 2013-14

Tax planning is one of the most important as well as most complicated tasks that you need to perform every year. With better planning you can save tax and invest it to secure your future.

The following is the necessary information that you need to know to do your tax planning properly for financial year 2012-13 and Assessment year 2013-14:

Tax Rate Slabs for Assessment Year 2013-12

1) In Case of General Assesses (Both Male & Female):

Income Bracket	Rate
0 to Rs. 2,00,000	0 %
Rs. 2,00,001 to Rs. 5,00,000	10 %
Rs. 5,00,001 to Rs. 10,00,000	20 %
Above Rs. 10,00,000	30 %

2) In Case of Senior Citizens (Age above 60 years but below 80 years):

Income Bracket	Rate
0 to Rs. 2,50,000	0 %
Rs. 2,50,001 to Rs. 5,00,000	10 %
Rs. 5,00,001 to Rs. 10,00,000	20 %
Above Rs. 10,00,000	30 %

3) In Case of Very Senior Citizens (Age 80 years and above):

Income Bracket	Rate
0 to Rs. 5,00,000	0 %
Rs. 5,00,001 to Rs. 10,00,000	20 %
Above Rs. 10,00,000	30 %

* On final tax amount, a surcharge of 3 %

**No surcharge above 10 lakhs.

Tax Exemptions for Individual Assessee

1) Section 80 C Limit Unchanged (Rs. 1,00,000)

Deduction on life insurance policy, taken after 1 April 2012, will be allowed only if yearly premium is less than 10% of sum assured. This is a new change from current year, earlier it was 20%. If it's more than 10% then not eligible for deduction u/sec. 80C

- a. ELSS
- b. PPF
- c. EPF
- d. FD for 5 years
- e. Pension Plans
- f. NSC

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- g. Post Office SB
- h. Infrastructure Bonds
- i. Expenditure on Children Education (Upto Rs. 200 per month for upto 2 children)
- j. Tuition fees (Only Tuition fees excluding Development Fees, Donations, etc. Maximum allowed: Rs. 24,000/-)
- k. Housing loan principal
- l. Deferred Annuity
- m. Approved Super Annuation Fund

2) Section 80 CCF – Additional Rs. 20,000 on investments towards approved Infrastructure bonds (withdrawn)

3) Section 80CCD:

Deduction under this section can be claimed only if the contribution to your NPS account is made by your employer and the deduction is limited to a maximum of 10% of your basic salary. Returns on NPS are tax free, but withdrawal is still taxable. The deduction under sec 80CCD is over and above the deduction available under sec 80C.

4) Section 80 D

Deduction of Rs. 15000/- is allowed if the same is paid as premium for Medical Insurance taken for self / dependents or towards preventive health check-up (max Rs. 5000). In case any of self / dependents is a senior citizen, the deduction allowed is Rs. 20000/-

Additional Rs. 15000/- is allowed as deduction if the same is paid as premium for Medical Insurance taken for parents. In case the parent is a senior citizen, the deduction allowed is Rs. 20000/-

5) Section 80DD

Exemption given for Expenditure made for a disabled dependant towards Medical Treatment/Training/Rehabilitation. It also includes the LIC/Insurance premium paid towards maintenance of such dependant.

Maximum deduction allowed is Rs. 50,000/- in case of normal disability and Rs. 1 Lakh in case of severe disability.

6) Section 80DDB

Exemption given for expenditure incurred on specified disease or ailments such as cancer/aids.

Maximum deduction allowed is Rs. 40,000/-. In case of Senior Citizens, maximum deduction allowed is Rs. 60,000/-

7) Section 80E

Deduction is allowed for repayment of interest component of Higher Education loan. All education after Class 12 is allowed, either vocational or Fulltime, but should be from a school/institute/university recognized by the government, means higher education in India only (not for abroad education).

8) Section 80G

Contribution to exempt charities – 25/50/75/100% depending on the charity and as per approval

100% exemption on donation to political parties

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9) Section 80U

Deduction upto Rs. 50,000/- is allowed in case of Permanent Disability.

In case of Permanent Disability exceeding 80%, maximum deduction allowed is Rs. 1,00,000/-.

10) Section 24(1)(vi)

Housing loan interest. Maximum Limit – Rs. 1,50,000 (for loans taken after 1 April 1999, for loans before that Maximum Investment Limit 30,000).

11) Superannuation – Any contribution made by a company to superannuation fund upto Rs. 1,00,000 taxes free in the hands of the employee.

12) Conveyance/Transport Allowance – Any Conveyance / Transport Allowance given to an employee is tax free upto Rs. 9,600 /- (No Supporting Bills required).

13) Medical Allowance – Any Medical Allowance given to an employee is tax free upto Rs. 15,000 /- (Supporting Bills required).

14) HRA or 80GG – Any House Rent Allowance given to an employee is tax free upto the minimum value of the following conditions (subject to – when an employee can produce rent paid receipts from landlord for the period and if the employee has not availed of tax exemptions for home loan interest / principal repayment):

a) 50% of Annual Basic (40% of Annual Basic in case of non-metros)

b) Actual HRA received

c) Rent Paid – (10% of Annual Basic)

15. Amend with 80GG Section: Read: House Rent Allowance and Section 80GG

16) Professional Tax – Any Professional Tax deducted from an employee's salary can be reduced from the annual salary income to arrive at taxable salary.

17) 80CCG – Direct Equity Investment – Under 'Rajiv Gandhi Equity Savings Scheme' – a new equity investor will be able to claim 50% of his investment in direct equity as deduction subject to maximum investment of Rs. 50,000 and provided his taxable income is below Rs. 10 lakhs. The investment will be subject to 3 years lock-in.

Update 23 Sep 2012: Government has notified this scheme. Mutual funds and ETFs that invest in BSE100 or CNX 100 stocks or PSUs which are Navratna, Maharatna and Miniratna will qualify under this scheme. These investments can be traded over stock exchange after 1 year of investment. New equity investor has been defined as someone who has opened a Demat account but has not bought any securities till date of notification of this scheme (22 Sep 2012).

18) Section 80TTA – Savings Bank Interest - No tax will be charged on interest earned on balance in savings bank account per branch subject to a maximum of Rs. 10,000 per year.