

7 ways salaried individuals can save taxes

At the end of every financial year, many tax payers frantically make investments to minimize taxes, without adequate knowledge of the various available options. The Income Tax Act offers many more incentives and allowances, apart from the popular 80C, which could reduce tax liability substantially for the salaried individuals. Here are seven smart tips to help you save more and reduce taxes.

1. Salary Restructuring

Restructuring your salary may not always be possible. But if your company permits, or if you are on good terms with your HR department, restructuring a few components could reduce your tax liability.

- Opt for food coupons instead of lunch allowances, as they are exempt from tax up to Rs. 50 per meal
- Include medical allowance, transport allowance, education allowance, uniform expenses (if any), and telephone expenses as part of salary. Produce bills of actual expenses incurred for these allowances to reduce tax
- Opt for the company car instead of using your own car, to reduce high prerequisite taxation.

2. Utilizing Section 80C

Section 80C offers a maximum deduction of up to Rs. 1,00,000. Utilize this section to the fullest by investing in any of the available investment options. A few of the options are as follows:

- Public Provident Fund
- Life Insurance Premium
- National Savings Certificate
- Equity Linked Savings Scheme

- 5 year fixed deposits with banks and post office
- Tuition fees paid for children's education, up to a maximum of 2 children

3. Options beyond 80C

If you have exhausted your limit of Rs. 1,00,000 under section 80C, here are a few more options:

- Section 80D - Deduction of Rs. 15,000 for medical insurance of self, spouse and dependent children and Rs. 20,000 for medical insurance of parents above 65 years
- Section 80G- Donations to specified funds or charitable institutions.

4. House Rent Allowance

Are you paying rent, yet not receiving any HRA from your company? The least of the following could be claimed under Section 80GG:

- 25 per cent of the total income or
- Rs. 2,000 per month or
- Excess of rent paid over 10 per cent of total income

This deduction will however not be allowed, if you, your spouse or minor child owns a residential accommodation in the location where you reside or perform office duties.

If HRA forms part of your salary, then the minimum of the following three is available as exemption:

- The actual HRA received from your employer
- The actual rent paid by you for the house, minus 10 per cent of your salary (this includes basic dearness allowance, if any)
- 50 per cent of your basic salary (for a metro) or 40 per cent of your basic salary (for non-metro).

5. Tax Saving from Home Loans

Use your home loan efficiently to save more tax. The principal component of your loan, is included under Section 80C, offering a deduction up to Rs. 1,00,000. The interest portion offers a deduction up to Rs. 1,50,000 separately under Section 24.

6. Leave Travel Allowance

Use your Leave Travel Allowance for your holidays, which is available twice in a block of four years. In case you have been unable to claim the benefit in a particular four- year block, you could now carry forward one journey to the succeeding block and claim it in the first calendar year of that block. Thus, you may be eligible for three exemptions in that block.

7. Tax on Bonus

A bonus from your employer is fully taxable in the year in which you receive it. However request your employer for the following:

- If you anticipate tax rates to be reduced or slabs to be modified in the subsequent year, see if you could push the bonus payment to the subsequent year
- Produce your tax investment details well before, to prevent your employer from deducting tax on bonus before handing it over