



# TAX GUIDE 2016-17

# INDEX



01

Tax Planning

- i) Objective of Tax planning
- ii) Importance Of Tax planning



02

8 Changes in Personal Taxes by Union Budget 2016-17



03

Start Your Tax Saving Plans Early



04

Here's how you can maximise your take-home pay by making right investment declarations



05

Six tasks for making the best out of this financial year 2016-17



06

Paperwork for individual tax filing



# 01. TAX PLANNING

Tax planning is a way by which you arrange your financial affairs in such a way that without breaking up any law you take full advantage of all Exemptions, Deductions, Rebates and Reliefs allowed by law so that your tax liability will be reduced.

Actually Government provide deductions, exemptions, reliefs or rebate for the benefits of economy and society. Like if you made donation to Scientific research [u/s 8GGA ] then it's good for Society and economy too.

## TAX PLANNING

- ✓ Concept
- ✓ Discussion
- ✓ Success



### I) OBJECTIVE OF TAX PLANNING :-

- Claim Deductions under sections 80C to 80U,
- It will reduce your tax liability and you have to pay less tax
- Minimize the war between Taxpayer and Tax Administrator, Tax payer wants to pay less tax and Tax Administrator wants to extract most of the tax, by using Tax Planning this war is minimized as taxpayer is using all legal ways to reduce tax liability.
- Makes Investment :- By tax planning, Taxpayer will invest his money in some good funds which will result in productive returns for tax payer and transfer money to government for investment too.
- Helps in growth of economy,
- Makes society grow,
- Money saved by you will result in investment which will result in employment generation.

## II) IMPORTANCE OF TAX PLANNING :-

### For Taxpayer :-

Taxpayer has to pay less tax by using tax planning because he is using all available exemptions, deductions, reliefs, and rebates. All is done within the boundaries of Law.

### For Government :-

To use deduction or exemptions you have to invest money in some scheme which results that your money is transferred back to government and then they can use it to develop the country.

### For Society :-

If government invest or start any new project or even tax payer invest his saved money so he will generate employment, Government can invest in better projects which develop society.

We will bring you the latest updates on the same as they happen. Stay tuned to Fingyan by following Fingyan Official Facebook Page and sign up for our free newsletter.

## IMPORTANCE

- ✓ Taxpayer
- ✓ Government
- ✓ Society







# 02.

## 8 CHANGES IN PERSONAL TAXES BY UNION BUDGET 2016-17



### 1. NO CHANGE IN BASIC EXEMPTION LIMIT FOR INDIVIDUALS

There has been no change in personal tax rates. The basic exemption limit continues at Rs.2.50 lacs. Tax Rebate of Rs. 2000 available to small taxpayers under Section 87A has been increased from Rs. 2,000 to Rs. 5,000. This will benefit about around 2 crore marginal tax payers.

### 2. HNIs IN HIGHER TAX NET

With a view to tax high income taxpayers, the surcharge on income-tax is proposed to be increased from 12% to 15% wherein income exceeds Rs. 1 Crore. It is also proposed to tax any income by way of dividend in excess of Rs. 10 lakh in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India @ 10% on gross basis. However, HNIs can heave a sigh of relief that the much talked about long term capital gains tax exemption period for shares sold on the stock exchange continues at 1 year and has not been increased to 3 years.

### 3. NO CHANGE IN 80C DEDUCTION LIMIT FOR INDIVIDUALS

The limit for deduction under Section 80C of Rs. 1,50,000 remains unchanged. Section 80C provides for tax deduction in respect of investment in eligible savings such as Provident fund, ELSS, life insurance premium, housing loan repayment, 5 year bank deposits, NSC, ULIP to promote growth.

### 4. WITHDRAWALS FROM FRESH CONTRIBUTIONS TO RECOGNIZED PROVIDENT FUNDS/ PENSION FUNDS AND NATIONAL PENSION SCHEME

Partially Taxable Under the existing provisions of the Income-tax Act, tax treatment for the National Pension System (NPS) referred to in section 80CCD is Exempt, Exempt and Tax (EET). It is proposed that withdrawal up to 40% of the corpus at the time of retirement shall be tax exempt in the case of National Pension Scheme.

In case of superannuation funds and recognized provident funds, including employees provident Fund, 40% of corpus created out of contributions made on or from 1.4.2016 shall be tax exempt upon withdrawal. It may be pointed out that presently withdrawals from recognized Provident Funds are generally exempt from tax altogether whereas withdrawals from NPs are taxable,entirely.

## FRESH CONTRIBUTIONS

- ✓ Provident Funds
- ✓ Pension Funds
- ✓ National Pension Scheme



### 5. FOCUS ON REDUCING LITIGATION AND INCREASING COMPLIANCE

The Budget contains The Income Declaration Scheme which will provide a window to the taxpayers who have not paid full taxes in the past to ensure compliance by paying 45% of declared income as tax and penalty. This will result in no further interest or penalty or prosecution. The scheme will be open from June 2016 to September 2016 and will be subject to specified conditions.



## 6. ADDITIONAL DEDUCTION OF INTEREST ON HOUSING LOAN FOR FIRST TIME HOME BUYERS

Deduction for additional interest of Rs. 50,000 per annum for loans up to Rs. 35 lakhs sanctioned in 2016-17 for first time home buyers, where the house cost does not exceed Rs. 50 lakhs. In overall context, first home buyer can get maximum deduction of interest on housing loan up to Rs. 250,000 in aggregate comprising of Rs.2 lakhs under Section 24(b) of the IT Act and Rs.50,000 under section 80EE of the IT Act.

## 7. INCREASE IN TIME LIMIT OF COMPLETION OF CONSTRUCTION OF A SELF-OCCUPIED HOUSE PROPERTY

It is proposed that the interest paid on capital borrowed for acquisition or construction of a self-occupied house property shall be available if the acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed. The earlier time limit was 3 years.

## SOME IMPORTANT FACTS

- ✓ Additional Deduction
- ✓ Increased Time Limit
- ✓ 80GG Deduction



## 8. 80GG DEDUCTION LIMIT FOR INDIVIDUALS

This Limit is revised from Rs. 24,000 per annum to Rs. 60,000 per annum. The existing provisions of Section 80GG provide for a deduction of any expenditure incurred by an individual in excess of 10% of his total income towards payment of rent in respect of any furnished or unfurnished accommodation occupied by him for the purposes of his own residence if he is not granted house rent allowance by his employer, to the extent such excess expenditure does not exceed Rs. 2000 per month or 25% of his total income for the year, whichever is less, subject to other conditions as prescribed therein. The limit for deduction for rent paid under Section 80GG has been increased from Rs. 2000 per month to Rs. 5000 per month, to provide relief to those who live in rented houses and do not get HRA from the employers.



# 03.

## START YOUR TAX SAVING PLANS EARLY

Most people usually wait until the very last moment every year before scrambling to get their tax saving investments in order. Don't be like those people! Instead, start at the beginning of the financial year, and you could save yourself from a lot of grief.

Now, you might be wondering how to put an effective tax plan together for your investments. If you know what your different options are, this won't be too difficult. The first thing you need to know is that there are different small-term and long-term investment options you can opt for. These not only help you save tax but yield good returns as well. And not just that, these small investments if started at an early age, will not only help you secure your future, they will take care of your retirement planning as well!

### TAX SAVINGS

- ✓ Small term Investment
- ✓ Long term Investment
- ✓ Good Returns



So, what are the available investment options that will help you secure your future?

### INSURANCE POLICIES

Paying small premium amounts (monthly, quarterly or annually) towards any kind of Life or Health Insurance policies, will not only help you save taxes but secure your family and help you save on medical expenditures as well. Remember 'health is wealth', so choose a Health Insurance policy or Life Insurance policy that best suits your needs. It wouldn't be a bad idea to invest a little extra and cover your spouse, children and parents as well!



## PUBLIC PROVIDENT FUND

If you have just started earning, try investing some money in the Public Provident Fund (PPF). You can start with investing an amount as low as Rs. 500. With PPF you earn returns up to 8.75% (this changes every year) and of course, it's tax free. You should also know that it's backed by the Government, so it's less of a risky investment as well. What more could you ask for?

## NATIONAL SAVINGS CERTIFICATE

Another great investment option for salaried individuals is a National Saving Certificate. Here, you can choose to invest anything between a Rs. 100 to a few thousand. The tenure can be five or ten years and the interest rates are as high as 8.5% for five years and 8.8% for 10 years. (this changes every year)

NSCs are tax free and fall under the Section 80C of the Income Tax Act. However, the interest earned on an NSC is taxable. So, instead of withdrawing your money and paying tax on the interest, re-invest the same interest and continue enjoying the tax benefits. Cool idea, isn't it?

## SAVINGS ACCOUNTS

The government has recently launched a tax saving option of up to Rs. 10,000 which you can avail of by simply opening a Savings Account with any bank. Though interest rates are generally not very high, you save on your taxes.

## FIXED DEPOSITS

Opening a Fixed Deposit in any bank is also an excellent choice of investment as it will help you earn great returns. The best part, you can open a Fixed Deposit account for a minimum of seven days to a maximum period of 10 years. Depending on the tenure and the bank policies, you can earn up to 9% interest on a Fixed Deposit account

## RECURRING DEPOSITS

Did you know you can open a Recurring Deposit with just Rs. 10 at any bank or post office? It's a smart regular investment which will help you earn a decent amount of interest. The tenure can either be

six months or you can choose to invest up to 10 years.

A small investment with fixed returns, Recurring Deposits might not help you save a lot of tax, but a systematic investment never hurt anybody.



### SYSTEMATIC INVESTMENT PLAN (SIP)

If you aren't completely risk averse, then a Systematic Investment Plan (SIP) might be just the thing for you. Your money will be invested in specific Mutual Funds which will help you earn good returns and you will be eligible for tax benefits under the Equity-Linked Savings Schemes as well.

So, like we said earlier, the financial year has just begun, so, pick one or all of these investment options and start investing! This way, you won't have to worry about your tax being deducted.





# 04.

## HERE'S HOW YOU CAN MAXIMISE YOUR TAKE-HOME PAY BY MAKING RIGHT INVESTMENT DECLARATIONS



If you are a salaried individual, most probably you would have already received the investment declaration request from your employer and the last date for submission should be around the corner. It is that routine paperwork to be completed at the beginning of every financial year. While the form may be a simple one to fill, in a haste to meet the deadline, do not make mistakes that could cost you throughout the year. After all, your monthly take-home salary will depend on what you declare.

The TDS that gets deducted from your salary is computed on the basis of the tax deductible investments you plan to make during the year. These declarations, therefore, are made to give your employer a fair estimate of your annual earnings and savings plan at the beginning of the fiscal year. Accordingly, your yearly tax liability is calculated and a portion of it is withheld on a monthly basis.

Often people get confused between the declaration made at the beginning of the financial year and the one they have to submit at the end of the year. While the first one is an intend of investments you are planning to make during the year, the later is the proof of investments that you have already made in a financial year.

Many miss on making appropriate declarations. Either they over declare their tax savings, leading to huge TDS deductions at the end of the year when they are unable to produce proofs, or, they under declare numbers that reduce take-home pay and they have to wait for a year to get the tax refunds. Your aim, therefore, should be to declare just the right amount which will need some planning and calculations. Do not look at it as an encumbrance but an opportunity to plan your taxes at the beginning of the year, a standard advice all financial planners give.



## STRIKE THE BALANCE

Begin by calculating your annual income. This is easy for those who have only income from salary. However, there will be people with significant income from other sources as well. Do not forget to include your other income sources like rent, payment received for freelance work, etc. You may also consider a salary hike to this, if you are expecting one. This is important as it will all ultimately add up to the total tax liability. You may choose to not add income like interest income to this calculation as TDS would already have been deducted.

Once you know your gross income, start deducting the most obvious breaks--EPF contributions, HRA (if you stay in a rented accommodation), reimbursements and pre requisites such as LTA, medical, conveyance and telephone bills. Once you have your taxable income, move to tax-saving investments that you have already made during previous years and would continue this year as well. It could be your PPF contribution, tuition fee paid for children's education, pr emi a towards insurance policies, home loan tax-breaks, ELSS SIPs, etc that will continue in this financial year too.

## BALANCE

- ✓ Calculate
- ✓ Claim
- ✓ Invest



All these investments would be part of your declaration form too. The number you now reach is the income you have to pay tax on. "With the increase in deduction as per section 87A to Rs 5,000, there will be no tax on income up to Rs 3 lakh per financial year," says Archit Gupta, founder and CEO, ClearTax.in. So, for you to have a zero-tax liability, after all deductions, your annual income should not be higher than this.

Most of the invests mentioned above will fall under Section 80C and could quickly add up to the Rs 1.5-lakh investment limit under the section. However, you may still have to make some investments to

get out of the tax net. You may consider the additional Rs. 50,000 deduction available under the new Section 80CCD (1b) for contributions towards the NPS scheme. "Up to Rs 5,000 spent on preventive health check-ups and medical expenses up to Rs 30,000 of uninsured parents above 80 years, are also eligible for deduction under Section 80D. Many forget to claim these," says Gupta.

## REVISE ANYTIME

Remember that this is just an intend of your investments that can be revised during the year. So, if you do not have certain supporting documents, for instance, the PAN of your landlord that is mandatory to claim HRA, calculate your rent allowance deduction eligibility and adjust it in another investment, says towards PPF contribution or insurance premium. You can later make corrections when you get the documents. Changes to the investment declaration should also be made incase you surrender or discontinue a plan that will have a tax rollback effect on your deductions.

## REVISION

- ✓ Documents
- ✓ Declaration
- ✓ Deductions



Similarly, in case of a job change during the year, you should submit a copy of your tax computation and payslips provided by the previous employer to your new employer. This will save you from the hassle of consolidating the Form 16 from two employees also alert you in case you have some advance tax liability.





# 05.

## SIX TASKS FOR MAKING THE BEST OUT OF THIS FINANCIAL YEAR 2016-17



### START TAX PLANNING RIGHT AWAY

This might seem a little strange given that the tax planning season has just ended. But experts say it is best to start tax planning at the very beginning of the financial year. If you plan to invest in equity-linked saving schemes (ELSS), it is best to start an SIP in April itself. Our research shows that investors who took the SIP route earned more than those who waited till March to invest in ELSS schemes. Staggering the investments across 12 months not only cushions you against volatility, but also lightens the burden at the end of the financial year. It's easier to spare Rs 2,500-3,000 monthly instead of putting Rs 30,000-36,000 at one go in March.

### GET PAPERS READY FOR TAX FILING

The tax filing deadline is three months away, but it will help if you start



putting together the information needed at the time of filing returns. If you have foreign assets or earned foreign income during the year, start collecting the documents right away. Obtaining tax credit receipts, income certificates and other documents from foreign countries should not be kept for later.

The tax department will scrutinise your interest income in greater detail this year. Add the total interest across all bank accounts. Also add the interest earned on infrastructure bonds, NSCs, fixed and recurring deposits and other fixed income securities. If you have a home loan or an education loan, get a certificate of interest from your lender to know how much deduction you can claim under Section 24 and Section 80E.

## TASKS TO DO

- ✓ Documentations
- ✓ Filing Returns
- ✓ Portfolio



## ORGANISE INVESTMENT PORTFOLIO

Prudent asset allocation is critical for success in investing. But many investors don't know their asset allocation because all investments are not at one place. If you are among them, it's time to start using a portfolio tracker. Value Research has made it simpler for its users. All they have to do is upload the consolidated mutual fund statement and NPS details, and all transactions get incorporated into the portfolio.

Some investments, like your contribution to the Employee Provident Fund (EPF), automatically increase with rise in income. For others, you can either increase the existing SIP amount or start fresh SIPs in other funds. The idea is, if you are earning more, you should be saving more too.

## GIVE VPF MANDATE TO EMPLOYER

The government has cut interest rate on small savings schemes and

there are indications that rates will go down further if the benchmark bond yield declines. However, the interest earned on EPF may not come down so much. So, instead of PPF which will give 8.1%, salaried individuals can consider the Voluntary Provident Fund (VPF). VPF contributions are eligible for tax deduction under Sec 80C and are tax free on withdrawal.

## LOOK AFTER

- ✓ Interest Earned
- ✓ Check Appraisal
- ✓ Submission



## INCREASE QUANTUM OF INVESTMENTS

This is the appraisal season and your next paycheque is likely to be fatter. This means you need to increase investments in the same proportion. Some investments, like your contribution to the Employee Provident Fund (EPF), automatically increase with rise in income. For others, you can either increase the existing SIP amount or start fresh SIPs in other funds. The idea is, if you are earning more, you should be saving more too.

## SUBMIT FORM 15G & 15H TO AVOID TDS

This is also the time to file Form 15G or 15H to avoid TDS on interest. Form 15G can be filed by investors below 60 who do not have any tax liability and whose total income from interest is below the basic exemption of Rs 2.5 lakh. Form 15H is for individuals above 60 whose final tax on total income is nil.



# 06.

## PAPERWORK FOR INDIVIDUAL TAX FILING

It is important for individual taxpayers to start putting together the documents necessary for initiating the process of filing their tax returns.



### DOCUMENTS

Typically, three sets of documents need to be collected by the taxpayer: Proof of income earned Proof of tax paid Proof of expenses incurred that are subject to deduction Proof of investments that are allowed as deduction

### PROOF OF INCOME

Salary slips, bank statements, shares and other investments transaction statements, property sale papers and all documents that reflect income during the financial year need to be collected to calculate the total income received by the taxpayer.

### PROOF OF TAX PAID

Form 26AS lists all the tax payments made by or on behalf of the taxpayer. Salary earners need to collect Form 16 from their employer, and others need to collect form 16A from those who have deducted tax on their behalf. Advance tax challans for tax paid during the year also need to be submitted.



## PROOF OF DEDUCTIBLE EXPENSES

Bank statements, receipts for deductible expenses incurred for business or profession, as well as receipts for medical and life insurance premiums need to be filed.

## PROOF OF INVESTMENTS

This includes investment holding statements and proofs of investment in securities that are allowed as deduction under Section 80C, such as PPF account statements, NPS statements, salary slips, premium receipt for investment in life insurance, etc.

# INDIVIDUAL TAX FILING

- ✓ Intiate early
- ✓ Gather Proofs
- ✓ Verify



## POINTS TO NOTE

The documents can be submitted in the form of hard copies or soft copies. Receipts issued for donations made during the year to approved institutions also need to be included to take advantage of the deduction provisions.