The taxpayers' checklist

EPF and PPF

Returns: **8.5 per cent (EPF) and 8 per cent (PPF) per annum**
Maximum deduction: **Rs 1 lakh for EPF Rs 70,000 for PPF**
Income: **Tax-free**

Employee Provident Fund

It's compulsory and it's safe the EPF has several advantages for taxpayers.

1. Return of 8.5 per cent.
2. You cannot withdraw the money until you retire or change your job.
3. Interest and the withdrawals are tax-free,

Public Provident Fund

1. Return 8 per cent per annum,
2. Interest and withdrawals are tax-free.
3. The advantage over the EPF is greater flexibility of withdrawals.
4. The maturity period of the PPF is 15 years.
5. You can dip into the fund from the seventh year
6. The maximum limit of withdrawal is 50 per cent of the account's balance as in the previous year or in the previous three years, whichever is lower. The cut-off date for calculating the balance is March 31, the last day of the financial year.
7. In case you want the money before the seventh year, you can take a loan from the account up to 25 per cent of the balance in your account in the third year. The loan must be repaid in a maximum of 36 EMIs. The interest on the loan works out to 12 per cent. As the interest on the money is not redirected to the PPF, it may be good idea to avoid taking a loan.

Five-year FDs and NSCs

Returns: **7-8 per cent**
Maximum deduction: **Rs 1 lakh**
Income: **Fully taxable**

1. Lock in period of six years.

Senior citizens' savings scheme

Returns: **9 per cent per annum**
Maximum deduction: **Rs 1 lakh**
Income: **Fully taxable**

The twist is that though you are eligible for earning 9 per cent interest after the age of 60, the tax exemption limit comes into effect only after you complete 65 years. Never mind this minor problem. The impact of the extra tax paid in five years will be minimal compared with the long-term benefits of this scheme. So do not ignore this option if you are planning a carefree retired life.

Equity-linked saving schemes

Returns: **Market-linked**
Maximum deduction: **Rs 1 lakh**
Income: **Tax-free**

1. Returns last year 76.1 percent last year. (Its worth noting that index has recovered 100% from the lows but returns are just 76 % from these funds)

2. But those who have taken tax benefit of 10, 20 or 30 percent as per the applicable slab they fall keep in mind you have already earned this.

3. To further hedge your risk, you can invest via Sips that give you the benefit of averaging out costs. This automatically makes tax planning a year-long affair, as it ought to be. You also have the option to choose dividend payouts for periodic payments. This doesn't affect the taxability of income as both dividends and capital gains at the end of the three-year lock-in period are tax-exempt.

Unit-linked insurance plans

Returns: **Market-linked**
Maximum deduction: **Rs 1 lakh**
Income: **Tax-free**

Last year, Ulips got a major facelift. The insurance regulator capped the difference between the gross yield and the net yield earned by a Ulip. The ceiling is 3 percent for Ulips with a tenure of less than 10 years and 2.25 per cent for policies with longer tenures. However, mortality charges have been kept out of this calculation. The rule became effective from 1 January 2010.

1.Ulips allow investors to change the equity to-debt without any penalty for a fixed number of switches every year. Even if you are not market savvy and are unable to take the decision on your own, there are Ulips that change the allocation according to your life stage.

2. If you are looking at short-term returns, stay way from Ulips. This is because they may not be able to recover the upfront charges unless you stay invested for at least 10-12 years

Do not be swayed by agents who claim that you only have to pay premiums for a minimum period of three or five years. In this way, your corpus is not likely to grow enough and will only be able to pay the charges for the life cover.

Life insurance policies

Returns: **5-6 per cent**
Maximum deduction: **Rs 1 lakh**
Income: **Tax-free**

1. The premium of the policy is covered by Section 80C of the Income Tax Act and is exempt from tax
2. Be careful when you buy Traditional Insurance Policies coz they have charge as high as 40% Which goes in the pocket of Insurance agents

Pension plans

Returns: **Market-linked**
Maximum deduction: **Rs 1 lakh**
Income: **Pension income taxable**

Home loan EMI

Maximum deduction: **Rs 1 lakh**

1. The cumulative principal of your EMIs is eligible for a Section 80C deduction.

2. Interest eligible for deduction under section 24 (Hence effective loan rate comes down significantly)

3. Another way to increase the benefit is to take a joint loan with a sibling, spouse or parent. This way both co-owners of the property can claim individual tax benefits on the home loan

4. A word of caution:do not let tax saving inspire you to extend your loan tenure. It is equivalent to spending more to get a discount. The shorter the tenure of a mortgage, the better it is.

Tuition fees

Maximum deduction: **Rs 1 lakh**

1. The tuition fee of up to two children is taxdeductible. Note that only the tuition fee is included Other myriad charges in various forms, such as the buildinq development fee, bus fee, etc, are not eligible for deduction.

2. Another rider is that the fee must be paid to a recognised educational institution in India. This means that playschools, foreign colleges and private coaching classes do not qualify.

3. Also, the fee must be paid for the taxpayer's children, not siblings, nephews, nieces or grandchildren. The benefit cannot be availed of by both the parents. If there's one child, only one of the parents can claim tax benefits on the school tuition fee. Otherwise, each parent can claim tax benefit for different children. Even so, the tax benefit is helpful, especially for those who can't save enough to cut taxes.