CHRIST
(DEEMED TO BE UNIVERSITY)
DELHI-NCR, INDIA

Money Mantra

Monthly Finance News letter

VOLUME 3 ISSUE2 FEBRUARY 2020

HIGHLIGHTS

- **Tax Slab Rates 2019-20**
- **Income tax deductions**
- **Investment options available under various sections**
- **Proposed Slabs without deductions**

Are you a happy tax payer? Do you want more savings? If yes then tax planning and management is the solution. Tax planning helps you to smartly minimize the amount of income tax payable and help to have more savings. These savings can be used for further investment. This can be done by tax payers by utilizing the concessions available to him/her under various sections of income tax act 1961and pay the minimum possible tax. Many tax payers are not aware about tax planner it is not in their agenda until the end of the financial year eventually they end up in paying more taxes. Sometimes they may use illegal ways to evade or avoid taxes. Tax evasion is not a good mean. But tax planning is completely legal. In fact, the government encourages you to plan your taxes by investing in tax saving instruments and schemes. It's never too late. Still you can reduce your tax liability. This issue of money mantra will give an insight on various concession available under different sections of Income Tax Act-1961, helping you to reduce your tax liability for Assessment Year-2020-21

Indicators	1/2/2020	29/02/2020	Percentage change
BSE SENSEX	39735.53	38297.29	-4%
BSE MIDCAP	15,478.43	14600.02	-6%
BSE Small cap	14,682.36	13709.01	-7%
BSE Auto	18,159.61	15,568.50	-14%
BSE Bankex	35,285.77	33416.19	-5%
BSE Energy	4,778.15	4449.03	-7%
BSE FMCG	11,737.28	10,963.84	-7%
BSE Health Care	13,950.43	13,480.10	-3%
BSE IT	15,876.21	14,987.20	-6%
BSE Oil and Gas	13,968.63	12,620.01	-10%
BSE Power	1,894.93	1,716.78	-9%
BSE Metal	9,500.35	8,240.65	-13%
BSE Realty	2,530.50	2,123.91	-16%
BSE Telecom	1,180.88	1,182.77	0%
Gold/10G (24 karat)	41,000	41,600.00	1.5%
INRUSD-Exchange rate	71.534148	72.175392	0.9%

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Plan your taxes.

Be a happy tax payer

Applicable Income tax slab for Assessment Year-2020-21

Tax Rates for individuals below the age of 60

Income tax Slab (Rs.)	Tax rate
0 to 2,50,000	NIL
2,50,001- 5,00,000	5% of total income exceeding 2,50,000
5,00,001-10,00,000	Tax amount of 12,500 for the income up to 5,00,000 +20% of total income exceeding 5,00,000
Above 10,00,000	Tax amount of 1,12,500 for the income up 10,00,000 +30% of total income exceeding 10,00,000

Tax rates for senior tax payers between the age of 60-80 years

Income tax slab Rs.	Tax rate
Up to 3,00,000	Nil
3,00,001-5,00,000	5% of income exceeding 3,00,000
5,00,001 to 10,00,000	Tax amount of 10,000 for the income up to 5,00,000 +20% of total income exceeding 5,00,000
Above 10,00,000	Tax amount of 1,10,000 for the income up to 10,00,000 +30% of total income exceeding 10,00,000

Tax rate for super senior tax payers between the age of 80 years

Income tax slab	Tax rate
Up to 5,00,000	Nil
5,00,001- 10,00,000	20% of income exceeding 5,00,000
Above 10,00,000	Tax Amount of 1,00,000 for the income up to 10,00,000 +30% of total income exceeding 10,00,000

INVESTMENT OPTIONS AVAILABLE UNDER 80C AND SECTION 80CCC

Premium paid towards a Life Insurance Policy - Premium paid towards life insurance policy of self and spouse qualifies for deduction up to a maximum of Rs 1.5 lakh a year.

PPFs and EPFs- Public Provident Fund is a long term savings instruments established by central government which provides tax benefits under section 80C. The tax benefits are available on withdrawals after the lock in period. The objective of the scheme is to provide old age income security to the self-employed and those working in the unorganized sector. Investor can take loan from the amount deposited after a period of 3 years and after a time period of 7 years he can withdraw the money. PPFs have an EEE (Exempt, Exempt, Exempt) status i.e. contribution (u/s 80C), interest accrued and maturity proceeds are all exempt from tax. Interest offered on investment makes it an attractive tax saving scheme.

Sukanya Samriddhi Yozana (SSY)- This scheme also has EEE status. Currently the scheme is offering highest rate of interest 8.5%. Maximum deposit allowed under scheme is Rs. 1,50,000 per girl child for maximum of two girls. The scheme enables parents to accumulate funds for education and marriage expenses for their girl child.

Tax Saving FDs (Fixed Deposits)- Tax Saving FDs are similar to regular Fixed Deposits, but they come with a lock-in period of 5 years. premature withdrawals and loans against these FDs are not al-

ULIPs (Unit Linked Insurance Policy) – This is a unique insurance product with market returns, as the one part of premium is used for life insurance and the balance is invested in mutual funds units. ULIPs offer tax benefits at the time of investment as well as on maturity.

ELSS Scheme (Equity linked saving schemes)– Investment made in notified mutual fund schemes are also qualified for claim of deduction. The scheme gives a dual advantage of capital appreciation and low lock-in period, which is 3 years. The schemes have given higher returns as they are directly market-linked, however these returns are subject to market conditions. ELSS can be combined with ELSS and PPF. This can be a solid combination which includes the stability offered by PPF and the earning potential of ELSS. Upon redemption after 3 years, the long-term capital gains (LTCG) up to Rs 1 lakh are tax-free and LTCG in excess of Rs 1 lakh is taxed at the rate of 10% without the benefit of indexation.

Besides these investment options, investor can claim tuition fee for maximum of two children and payment of principal amount of home loan. However maximum deduction under this section ca be claimed only up to Rs. 1,50,000.

INVESTMENT OPTIONS AVAILABLE UNDER 80CCD

The National Pension Scheme is an initiative by the Central Government. It is a voluntary and long-term investment plan for retirement under the purview of Pension Fund Regulatory and Development Authority. Contribution towards National Pension Scheme (NPS) is a market linked voluntary retirement plan with a maximum exposure to equity 50%. This scheme allows the people to invest in a pension account at a regular interval during the course of their employment with minimum contribution of Rs. 500. The employees of unorganized sector, working professionals and investors can choose from various plans available keeping their future requirements and risk profile in mind. Additional tax deductions for contribution to NPS allowed is up to Rs. 50,000 (u/s 80 CCD) this is in addition to Rs. 1.5 lakhs u/s 80 (C), however only 40% of the maturity proceeds are tax free.

TAX SAVINGS UNDER THE LONG-TERM CAPITAL GAINS

● **Investment in Equity Mutual Funds**: Investment in Equity Mutual Funds (i.e. funds that invest at least 65% of their corpus in equity & equity related instruments), also helps to reduce taxes if invested for more than 1 years. Returns from these funds are treated as long term capital gains and are exempted from capital gains taxes up to gains of Rs. 1 lakh. If gains are more than 1 lakh, then 10% LTCG is to be paid on excess gains.

● **Investment in Debt Funds**: Non-Equity Mutual Funds include all Debt / Balanced / Hybrid funds whose exposure to equity & equity related instruments is less than 65% in its corpus. Returns from a Non-Equity Mutual Fund is treated as long term capital gains if held for more than 3 years. Long-term capital gains on debt fund are taxed at the rate of 20% after indexation. Short term capital gains are taxed at the slab rate of investor.

● **Investment in Equity Markets**: Investors can also invest their funds in stock markets for higher returns but at high risk at the same time. Equity investments, if held for more than 1 year, are treated as long term capital gains and hence the returns are tax free up to gains of Rs. 1 lakh. If gains are more than 1 lakh, then 10% LTCG is to be paid on excess gains.

TAX SAVINGS THROUGH EXEMPTION OF INTEREST INCOME UNDER SECTION 10

Investment in Tax Free Savings Bonds - Section 10 (15): Investment in these bonds also helps to reduce tax liabilities. The capital gains earned on sale of these bonds, if sold within 12 months, are taxable at the investor's slab rate and are taxed at a 10% flat tax rate (with applicable surcharges), if sold after 12 months.

TAX SAVINGS USING HOUSE PROPERTY LOANS

Tax Deduction Claim Under Different Other Sections

Investor can also claim deductions for following expenditure made by him/her during the financial year 2019-20;

Claim for Medical insurance premium and Health checkup (section 80D)

Every individual or HUF can claim an inference under Section 80D for their medical insurance which is occupied from their total income in any given year. You can take advantage by buying a health plan for yourself and can take the benefits by buying the policy to insure your spouse, or your dependent children or parent. And the finest portion is, that it is over & above the deductions claimed under section 80C/CCC/CCD.

Interest on repayment of Education loan (section 80E)

Given the rising cost of higher studies, we end up spending a considerable amount of savings to meet the same. If you intend to take a loan for pursuing higher studies in India or abroad, you can claim a deduction under section 80E of the Income Tax Act 1961, which caters specifically to educational loans.

General donations of any recognized society (section 80G)

Section 80G of the Income-tax Act, 1961, applies to donations to any institution or fund recognized in India for a generous purpose. Charitable determination, for the purpose of the section, does not include any determination the whole or considerably the entire of which is of a religious nature

Rent paid if HRA is not received (section 80GG)

If you don't avail HRA (House Rent Allowance) but you are paying rent, then you can get a tax deduction on the rental payments under Section 80 GG of the Income Tax Act, 1961. The determined deduction allowed is Rs 60,000 per annum

Disclaimer: investment securities Market is subjected to market risk. These recommendations are only for education purpose. Please contact C– FAC before taking investment decision s based on magazine references

References: Money Control, Equity Master, Business Standard, Live Mint, Bloomberg Quint, Investing.com, RBI, Crisil, AMFI

TAX PLANNING IN NEW TAX REGIME

The government has proposed a new income tax regime under Section 115BAC that comprises a significant change in the tax slabs rates. Taxpayers have been provided with an option from financial year 2020-21whether they want to pay taxes according to the new regime having low tax rates without claiming any deductions available under section 80C-80U or if they want to continue paying taxes according to the existing regime at higher rates enjoying deductions. The proposed new tax regime is considered that government has taken a step forward to simplify di rect tax system after replacing indirect tax system with GST. The new tax regime is expected to leave more liquidity in the hands of lower- and middle-income group people as they hardly claim all the deductions in full due to less income and saving.

Our tax calculations with many permutations and combinations shows that if an individual do not have any or lower saving and investment which qualifies under section 80C-80U, he/she should select new tax slab for lower tax liability. But if an Individual having investments and expenditure which qualifies U/S 80C-80U (especially U/S 80C and Interest on housing loan), then he/she should select older tax regime for lower tax liability. However, readers are suggested to kindly consult team C-FAC for calculating their tax liability under both regimes before selecting the option.

Proposed Slab- without deductions

Up to Rs. 250000	0%
Rs 250000-500000	5%
Rs 500000-750000	10%
Rs 750000-1000000	15%
Rs 1000000-1250000	20%
Rs 1250000-1500000	25%
Above Rs 1500000	30%
Health & Education Cess	4%

About us: Christ Financial Analysis Cell(C-FAC) is established with a purpose to enable the students to translate the classroom learning into the real time financial and market analysis and investment decisions. The analyses the capital market daily , based on news related to economy, business, politics, interactional trade and business etc. And forecast the market movement for the next day and week. Based on their analysis the cell prepares and publishes a report named "Money Mantra". In this report they also recommend the stocks for investment and trade. The cell also gives these advisory services to the students of the other domain, faculty, and the staff on the investment financial planning decisions.

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