IN ULIPS, THE INVESTMENT RISK IN THE INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER

Tax Planning Guide

2017-18

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ICICI PRUDENTIAL LIFE INSURANCE

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Introduction to Tax Saving

Congratulations on the wise decision you've taken to invest to save on your yearly taxes. This guide has been prepared keeping in mind the need for concise and clear advice about tax saving. This would help you do the following

a) Understand how to evaluate a tax saving investment

b) Calculate your tax liability

c) Know about individual sections which can help you save tax

d) Plan your tax saving investments

e) Invest online

This guide would come handy for anyone looking to invest to save tax and is new to the exercise. It would also help salaried individuals who are used to investing tax relook at their investment and make sure they are efficient.

Money has many roles to play. It can enhance the quality of your life when managed effectively. One of the cornerstones of effective money management is tax saving. Without efficient tax saving investments, your hard-earned money gets eroded. On the other hand, whenever your tax saving investments aren't optimal, your returns suffer. Hence, it is essential to understand the parameters to consider, while judging the worth of a tax saving investment.

1. Good returns

This is the most crucial parameter to judge any investment's worth. Any investment plan should be started with a view of it's returns over the course of time, which should satisfy your needs and goals. Competitive returns are generated by meticulous and well-researched investments. And since returns are invariably tied with risks, a high return investment would also mean that it entails higher risk. Hence one should decide their risk appetite before proceeding to invest in any instrument. ULIP plans by ICICI Prudential have given consistently good fund performance' across all fund types. Along with the option to switch your money to less risky investments depending on market risk, these plans ensure that you achieve good returns on your investment. What makes ULIPs special is the life cover element which comes along with the potential for high returns. A life cover of upto 10 times the annual premium ensures safety to your family in case of any mishap.

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2. Liquidity

Before investing, it is important to check how liquid your investment is. Liquidity means the degree to which your investment can be quickly converted to cash, for your use. Although any investment needs time to grow to be able to give good returns, a certain amount of liquidity is sought after so that you can have access to your money when need arises. You should note that ULIP plans let you withdraw money from your investment to meet your needs, after the 5th year. While liquidity is sought after by many investors, a longer term of investment provides better returns on your investment owing to the power of compounding.

3. Option to switch premium frequency

A strategic investment should be able to give you the flexibility of switching the premium frequency whenever you want. Life Time Classic (an ICICI Pru ULIP Plan), gives you that flexibility to change your premium paying frequency from monthly to yearly at the time of policy anniversary. This can come handy in situations when one starts their tax saving investment late in the year, and has to invest a sizeable amount of money in one go to save tax, but would need to break their investment to monthly instalments to suit their budget from the next year onwards, after the financial year ends.

4. Tax Benefits on Maturity

The maturity corpus that you have built over the term of this investment should provide you all the benefits at no tax. It's important that you choose an investment option which does not depreciate your money at maturity. Unit-linked Plans are one such option. The sum of money which you receive on maturity is tax free subject to conditions of Section 10(10D) and other provisions of Income Tax Act 1961.

5. Continuity in Tax Savings

Tax saving is a recurring need, one which has to be carried out year on year. Continuity in tax savings avoids the need to rethink your investments every year and hence devote time to other pursuits. An investment with 5 year lock in, like ULIPs serve the need of tax saving for all those 5 years and eliminates renewed planning. And towards the end, the maturity amount that you take home is also tax-free subject to conditions of Section 10(10D) and other provisions of Income Tax Act 1961, making it all the more rewarding. The only trade-off here would be that your money would be locked in for 5 years. However, you should always remember that it's advisable to stay invested as long as possible to gain the potential for higher returns.

The next step is to calculate your income tax outgo and make sure that you have the correct estimate. Below given are the income tax slabs relevant to a first time tax payer.

Tax Slabs (FY 2017-18)

For Every resident Individual aged below 60 years and Non- resident

S. No	Income Slabs	Applicable Tax Rates
(i)	Income not exceeding Rs. 2,50,000	Nil
(ii)	Income exceeding Rs. 2,50,000 but not more than Rs. 5,00,000	5% of the amount by which the taxable income exceeds Rs. 2,50,000
(iii)	Income exceeding Rs. 5,00,000/- but not more than Rs. 10,00,000	Rs.12,500+ 20% of the amount by which the taxable income exceeds Rs. 5,00,000/-.
(iv)	Income exceeding Rs. 10,00,000	Rs.1,12,500 + 30% of the amount by which the taxable income exceeds Rs. 10,00,000

Surcharge
- 10% of the Income Tax, where taxable income is more than Rs.50 lacs but upto 1cr.
- 15% of the Income Tax, where taxable income is more than Rs. 1cr.

Education Cess
- 3% of the total of Income Tax and Surcharge

Calculate your income tax now!

Tips on tax savings for First Time Tax Payers

OPTION 01

Maximize your 80C deductions.This section includes most useful ways to maximize your take-home salary and lower down the tax pay-out each financial year.

Know more about section 80C here

OPTION 02

Use tried and tested options like Life Insurance and Employee Provident Fund-in reducing your tax outgo as well as protecting your future.

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OPTION 03

Claim deduction from taxable income for House Rent Allowance (HRA) in case you are staying in a rented accommodation and paying rent.

Know your HRA exemption here

OPTION 04

Claim deduction from taxable income up to Rs.1600p.m. on your daily commute to office as part of Conveyance allowance.

OPTION 05

Claim deduction from taxable income for the mediclaim policy/medical insurance premiums each year up to Rs.25,000 u/s 80D of the Income Tax Act 1961.

Know more about Section 80D here

OPTION 06

Claim deduction from taxable income of principal repayment towards the home loan, u/s 80C of the Income Tax Act 1961. You can also claim tax benefits under section 24 towards the interest payment on your home loan.

continue on page 9...

OPTION 07

Invest with a view about your financial goals, life stage, risk profile and income levels, and not alone on tax savings.

OPTION 08

E-file your taxes on ITR portals well in time to avoid last-minute hassles from the comfort of your home. Understand which forms are applicable as per the stated category of assesse.

Start your tax saving investment

80C

Under this section, you can claim a maximum deduction of Rs. 1,50,000 from your total income. This section helps in a major way to reduce down your total taxable income. The deduction is eligible to an Individual or an HUF. If you have paid excess taxes, but have made investment in PPF, NSCs, ULIPs, ELSS, etc., you can file your Income Tax Return and get a refund.

80CCD

This includes deduction from taxable income for individuals who make deposits to pension scheme of Central Government . From FY 2017-18, the maximum deduction permitted is either 10% of salary (for an employee) or 20% of gross total income (for self-employed) or Rs.1,50,000- whichever is less.

80CCE

The aggregate of deductions under section 80C, section 80CCC and 80CCD shall not exceed Rs.1,50,000/-

80D

This section has eligibility for Individual and Hindu Undivided families (HUF) and is for the medical insurance premium paid. It can be paid for self, dependent children and spouse. The deduction amount here is up to Rs. 25,000* from taxable income. An additional deduction upto Rs. 25,000* of medical insurance premium paid for parents (father or mother, or for both) is allowed.

* Rs. 30,000 if age of insured is 60 years or more

80DD

This section covers medical treatment expenditure, rehabilitation, and training of disabled dependent. This is for resident individual and HUF, provided dependent doesn't claim any deductions under section 80U from his taxable income. A fixed concession of Rs.75,000 can be claimed for disability within the range of 40% - 80%. In case of severe disability, deduction of Rs.1,25,000 can be claimed from taxable income.

80DDB

It includes the tax benefit for medical treatment of himself or dependent towards treatment of diseases listed under rule 11DD. The deductions can be of amount actually paid up to Rs. 40,000 and upto Rs. 60,000 in case of senior citizens.

80E

This section provides deduction from taxable income for interest payment on loan taken for higher studies for self, spouse or children. The benefit is equivalent to the entire amount of interest paid for 8 years. So if you are planning to pursue higher studies, make the best use of this section with the education loan.

80EE

This section is for individual taxpayers towards the interest repayment of a loan taken by them to buy a residential property. The maximum deduction from taxable income allowed is Rs. 50,000 subject to conditions of section 80EE of Income Tax Act 1961.

80GG

This section is for taxpayers who don't get HRA under salary. The deduction under this section is available to the minimum of:

1. Rent paid minus 10% of total income
2. Rs. 5,000 per month
3. 25% of total income

Deduction from taxable income under this section is subject to conditions of sec 80GG and other provisions of the Income Tax Act 1961.

80TTA This section allows deduction from taxable income of the interest earned from a savings account held with a bank, or a co-operative society carrying on the business of banking or a post office. The deduction limit is of Rs.10,000 on interest income and eligible for an individual and HUF.

End Note

- Tax benefits are subject to conditions of section 80C, 80CCC, 80CCD, 80CCE, 80D, 80DD, 80DDB, 80E, 80EE, 80GG, 80TTA and other provisions of Income Tax Act 1961.Tax laws are subject to amendments made thereto from time to time. Please consult your tax advisor for details, before acting on above.
- Before getting into tax-saving investments, read and understand the long term benefits and align them with your own future goals.

Start your tax saving investment

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Beware of spurious phone calls and fictitious/ fraudulent offers

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- IRDAI does not announce any bonus. Public receiving such phone calls are requested to lodge a police complaint along with details of phone call, number.