

Work your way around tax

It is said that by paying tax, you are purchasing civilisation. The basic idea behind tax is that the state collects tax from the 'haves' and utilises the same for the well being of the society as a whole. However, due to bitter experience from the bureaucracy, common people have a general feeling that the basic purpose of taxation is not served and hence some are reluctant to pay tax. Tax evasion is against the statute. Incidence of tax can be reduced to a great extent by better tax planning methods for optimum utilization of the various allowances, exemptions, deductions, etc provided in the Income Tax Act, 1961. A bird's eye view of the various provisions in the Income Tax Act and tax planning measures given below:

TDS on salary

Salary includes wages, fees, commissions, perquisites, profits in lieu of salary, advance / arrears of salary, annuity/pension, gratuity, leave encashment, various allowances etc. At the beginning of the year, the tax liability of the employee is estimated based on the projected salary as well as any other income declared by the employee. Tax is deducted at an average rate every month which is remitted to the central government by the employer. The tax so deducted and paid is the TDS made from the salary of the employee.

Tax-free allowances and deductions

Subject to the conditions and limits prescribed in the statute, HRA, conveyance, allowance for academic / research / professional pursuits, children education/ hostel allowance, medical reimbursement, LTC, profession tax, companies contribution to PF, superannuation/gratuity fund are exempt from tax.

Deductions under chapter VI-A of the Act

Deductions are allowed for investments made in the following schemes, subject to a limit of Rs.1,00,000/- Life insurance premium deferred annuity, contribution to any provident Fund / approved superannuation fund, subscription to notified Central govt securities / deposits / saving certificates, contribution to Unit Linked Insurance Plan of UTI or LIC MF, subscription to notified mutual funds, equity shares or debentures, schemes set up for infrastructure development, housing loan repayment, tuition fees of any two children, bank FDs with tenor not less than 5 years

Additional deductions are available for medical insurance premium [upto Rs.10,000/-], repayment of interest on education loan, donations, house rent paid by those who are not in receipt of HRA [upto Rs.2,000/- pm], person with disability or treatment for disabled dependent - [Rs. 50,000/- or Rs.75,000/- based on the severity of disability].

Tax saving investments

Life Insurance - Apart from LIC, there are

many private insurers with various plans. Choose such a plan which gives a better yield on the investment in addition to life insurance coverage.

Provident fund additional contributions can be made for the remaining months of the year. Alternately, separate Public Provident Fund account can be opened with any Post office or State Bank of India

Govt. securities, Savings certificates, fixed deposits since these are low risk investments, the return is also steady and limited and there is a lock-in period of minimum 5 years. Interest received is taxable

Mutual Funds Now a days, mutual funds are the most attractive investment option for those looking for maximum return on investments and are ready to take moderate risk. The income from mutual funds received as dividend is exempted from tax.

Housing loan Deduction for interest paid upto Rs. 1.5 lakh is available for loan taken for purchase / construction of residential house and Rs.30,000/- for repairs/renovation. Further, repayment towards principal is eligible for deduction in the Rs.1 lakh limit under chapter VIA.

- M.D. Sureshkumar

Rates of Income Tax

Upto Rs.1lakh	- Nil (For women, up to Rs.1.35 L)
Rs.1 L to 1.5 L	- 10% of the amount by which the total income exceeds Rs.1 L
Rs.1.5 L to 2.5 L	- Rs.5,000/- plus 20% of the amount by which the total income exceeds Rs.1.5L
Above Rs.2.5 L	- Rs.25,000/- plus 30% of the amount by which the total income exceeds Rs.2.5 L
Surcharge	- 10% of income tax where the total income exceeds Rs.10
Education Cess	- 2% of the income-tax and surcharge.

[For details, please refer CBDT Circular No.11/2006 dt 16/11/06 and also Income Tax Act,1961.]

Achievers



BEENA K.B.
D/o. Balan K.P.
III Rank, M.Sc. Applied Chemistry
2006 Batch of CUSAT



ASHWIN M. ASOK
S/o Asok Kumar M.R.
Passed Xth with 82.8%
Rajagiri Public School, Kalamassery, Ekm.



Jissmon and Sherin
we wish you happy married life



Onam 2006

"Well done Ashique"

This is the photo that appeared in THE HINDU daily on September 21, 2006. Ashique Solomon (goal-keeper) wearing black jersey in the photo, is the son of our employee Ms. Alyemma Scaria.

This event was conducted by the Kerala

Football Association and the trophy was sponsored by Malayala Manorama (below 13 years age). The final match was on September 18, 2006 at Alwaye Municipal Ground between Ernakulam and Malappuram and Ernakulam won by a margin of 3 goals.

