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INCOME TAX 80C

Decoding Section 80C of the Indian Income Tax Act

As an Indian citizen, one of the important duties you have is to pay your taxes diligently. At the start of every financial year, you must declare your income, earnings, etc. and file the ITR (Income Tax Returns) with the Income Tax Department.

Whether you are a salaried employee or a self-employed professional, you may pay various taxes throughout the year. If you think that the taxes take away a significant portion of your hard-earned income, you are right. Although you cannot avoid paying taxes, you can enjoy various tax benefits.

You would be delighted to know that the Indian Income Tax Act, 1961, which governs taxation, has many provisions for tax-saving. The act lays down the rules for tax benefits for different taxpayers.

One of the most popular sections is Section 80C. It allows you to reduce your taxable income by making investments in eligible tax-saving instruments. It allows a maximum deduction of Rs. 1.5 lakhs in a financial year from your total taxable income.

Let us know how you can save taxes under this Section.

Investments that qualify for tax benefits under Section 80C

Some of the most popular instruments that you can consider investing in to claim tax benefits under the Section are:

- PPF (Public Provident Fund)
- Life Insurance Premium
- NSC (National Savings Certificate)
- NPS (National Pension System)
- Five-year tax-saving Fixed Deposits
- ELSS (Equity Linked Savings Scheme)

The list above is not exhaustive. Apart from investment in these instruments, Section 80C also allows you to enjoy tax benefits on repaying the principal amount of your home loan.

Important note – The tax benefits under Section 80C is not exclusive for each of the tax-saving investments listed above. But you get a combined deduction of Rs. 1.5 lakhs.

ELSS – Tax-saving mutual funds

ELSS or Equity Linked Savings Scheme is one of the most popular mutual fund categories. It can be an excellent investment instrument to have in your portfolio as it offers dual benefit of tax benefit and wealth accumulation over time.

One of the most significant features of ELSS is that it is the only tax-saving mutual fund. It is also known for having the shortest lock-in period of three years among all other tax-saving investments that qualify for tax benefit under Section 80 C.

The Indian Income Tax Act has many sub-sections Under different sections, and 80C is no different. Let us look at what these sub-sections are and the tax benefits available under each of them.

80C Sub-Sections	Tax Benefits Available on
Section 80CCC	Payments made towards annuity pension plans
Section 80CCD(1)	NPS contributions of up to 10% of the salary for salaried employees and up to 20% of total gross income for self-employed taxpayers
Section 80CCD (1B)	Additional deduction of up to Rs. 50,000 on NPS contributions
Section 80CCD(2)	Deduction of 10% of employee's basic salary + dearness allowance on employer contribution to NPS

Let us understand how investment in ELSS mutual funds can help you enjoy tax benefits under Section 80C with an example.

Ms Anjali Thakur is a 30-year-old salaried employee, and her annual income is about Rs. 8 lakhs. Being a financially savvy woman, she invests Rs. 80,000 per annum in Public Provident Fund and Rs. 70,000 in Equity Linked Savings Scheme. Assuming Ms Thakur is not claiming any other deduction, her net taxable income would be as follows

Particulars	Amount (in Rs.)	Remark
Total Taxable Income	Rs. 8 lakhs	Rs. 8 lakhs
Deductions Under Section 80C - PPF - ELSS	Rs. 80,000 Rs. 70,000	A combined total of Rs. 1.5 lakhs as per the prescribed limit under 80C
Total Deductions	Rs. 1.5 lakhs	
Net Taxable Income	Rs. 6.5 lakhs	

Above example is only for illustration purpose

By investing in PPF and ELSS, Ms Thakur can claim tax benefits under Section 80C, and she has reduced her total taxable income from Rs. 8 lakhs to Rs. 6.5 lakhs. And apart from savings taxes, Ms Thakur can secure her financial future as her investments may generate valuable returns over time.

Reduce Your Tax Liabilities with Section 80C Deductions

The various **income tax saving options** available under Section 80C gives you the flexibility to choose a suitable instrument to suit your risk-taking capacity and long-term financial goals. Since some of the eligible tax-saving investments may come with a certain level of risk, you must thoroughly compare before making an investment decision.

You can consult an expert investment or tax consultant to choose a suitable investment and maximise your annual tax savings.