

# TAX PLANNING FOR UPTO 30 LACS SALARY ZERO TAX

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Being an Indian taxpayer, you always understand that you need to pay 20-25% of taxes from your income but we need to know that for salaried employees also some expenses allowed for deduction and exemption and allowances. It will help you figure out how tax saving for salaried class works and avoid complications that may arise during tax planning. If you find the appropriate financial instruments, you can reduce the payable income tax for salaried employees. For the very first time in India, you will come to know that if you plan your expenses in such a way that you make expenses on tax free structures, you can plan to zero tax for even salary up to 30 lacs.

## House Rent Allowance (HRA):

Individuals living in rented accommodation can avail tax benefits for salaried employees as per the related rules. HRA or House Rent Allowance (HRA), a part of an employee's salary structure, is not fully taxable, leading to income tax deductions for salaried employees.

The amount of exemption is least of the following.

|  |
|--|
| a) Actual HRA Received   |
| b) 40% of Salary (50%, if house situated in Mumbai, Calcutta, Delhi or Madras)   |
| c) Rent paid minus 10% of salary   |
| (Salary= Basic + DA (if part of retirement benefit) + Turnover based Commission) |

What makes HRA one of the tax saving options for salaried individuals is that a part of it is exempted u/s 10(13A) of the Income Tax Act, 1961, subject to certain clauses. The taxable income is calculated after deducting HRA from the total income.

## National Pension Scheme (NPS):

National Pension Scheme (NPS) is one of the long-term tax saving options for salaried people in India. It is an investment plan that falls under the purview of PFRDA and the Central Government. People who want to plan for early retirement and have low-risk appetite invest in NPS. Besides, it also serves as a means for income tax deductions for salaried employees.

Tax benefits for salaried employees can be claimed under Section 80 CCD (1B) for Rs 50000 over and above Rs. 1.5 Lakh ceiling u/s 80CCE. In other words, it helps in income tax planning for salaried employees.

## Leave Travel Concession (LTC):

Leave Travel Concession is an exemption that salaried employees receive from their employer to travel on leave. Some of them are:

- The employees must go on an actual journey to get tax exemption.
- Only domestic travel expenses are considered under LTC exemption.
- The tax savings for salaried individuals apply on actual travel costs like bus or rail fare, but not on miscellaneous expenses such as local sightseeing.

You should also know that LTC cannot be treated as a tax-free income every year u/s 10(5) of the Income Tax Act. It is only allowed twice in block of 4 years.

**Health Insurance Premium:**

Health insurance plan provides financial security to you and your loved ones in medical emergencies or planned hospitalisation. Besides safeguarding your financial interests, health insurance is one of the most used tax saving options for salaried people.

In general, the premiums paid towards health insurance are eligible for income tax deductions for salaried employees, subject to the term of Section 80D. As a part of planning income tax for salaried employees, you can benefit more from this provision by paying for health insurance of your spouse, dependent children, and parents.

The maximum deduction you can avail u/s 80D is Rs. 1, 00,000.

**Allowances Exempt under Section 10(14)(I):**

- Daily Allowance:-It is the expenditure granted to an employee to meet the expenses on place other than office place in performing of his office duties.
- Helper or Driver Allowance: For driver taking you to office from home or home to office. Helper to assist you in administrative activities.
- Academic Allowance:- Allowance granted for encouraging academic, research & training pursuits in educational & research Institutional.
- Uniform allowance: For maintaining dress code.

**Deduction under Section 80C:**

- Maximum Limit- Rs.1,50,000/-
- You can save tax on salary income from this section alone
- Different Investment in this section includes
  - ✓ Life Insurance premium (Paid by an individual, spouse, and child. In the case of HUF, on the life of any member of HUF).
  - ✓ EPF-Employee contribution can be claimed for deduction.
  - ✓ Public Provident Fund (Paid by an individual, spouse, and child. In the case of HUF, on the life of any member of HUF).
  - ✓ National Savings Certificate (NSC).
  - ✓ Sukanya Samriddhi Account
  - ✓ ELSS or Tax Saving Mutual Funds
  - ✓ Senior Citizen Savings Scheme
  - ✓ 5-Years Post Office or Bank Deposits.
  - ✓ Tuition fee of kids.
  - ✓ Principal payment towards home loan.
  - ✓ Stamp duty and registration cost of the house.

**Standard Deduction:**

This was in the place of the transport allowance (Rs. 19,200) and medical reimbursement (Rs. 15,000).

The limit of Rs. 40,000 has been increased to Rs. 50,000 in the Interim Budget 2019

**Tax Rebate under Section 87A:**

Those having taxable income of up to Rs 5 lakh will not have to pay tax from FY 2019-20.

If you are earning anything above the exemption limits annually then you are mandatorily required to file your ITR.

**Reimbursement exempted:**

Mobile reimbursement:

An employee can claim reimbursement of the actual bill amount paid or amount provided in the salary package, whichever is lower Books and Periodicals

Employees incur expenses on books, newspapers, periodicals, journals and so on. The income tax law allows an employee to claim a tax free reimbursement of the expenses incurred.

**Deduction under Section 80E:**

- If the loan is taken by an individual for any study in India or outside India, then they can claim the deduction.
- The interest part of the loan on such education loan can be claimed for deduction for pursuing individual's own education or for the education of his relatives (Spouse, children or any student for whom the individual is legal guardian).
- The entire interest is deductible in the year in which the individual starts to pay interest on the loan and subsequent 7 years or until interest is paid in full (i.e for total 8 years).

**Tax Planning for 20 Lacs Salary:**

|  |                  |
|--|------------------|
| Salary                                 | 20,00,000.00     |
| Less HRA                               | -<br>6,00,000.00 |
| Less LTA                               | -<br>80,000.00   |
| Less Mobile Reimbursement              | -<br>30,000.00   |
| Less : Books/Magazine/Journals         | -<br>45,000.00   |
| Less: Petrol Reimbursement             | -<br>75,000.00   |
| Less: Driver Salary Allowance10(14)(1) | -<br>1,20,000.00 |
| Less: Uniform Allowance10(14)(1)       | -<br>60,000.00   |
| Less: Academic Development10(14)(1)    | -<br>90,000.00   |
| Net Salary                             | 9,00,000.00      |
| Less Standard Deduction                | -<br>50,000.00   |
| Less Deduction under Section 80C       | -<br>1,50,000.00 |
| Less Deduction under NPS section 80CCD | -<br>50,000.00   |
| Less Deduction under section 80D       | -<br>75,000.00   |
| Less Deduction under Section 80E       | -<br>80,000.00   |
| Taxable Salary                         | 4,95,000.00      |
| Rebate Under section 87 A              | Zero Tax         |

**TDS on Salary under Section 192:**

- ❖ There is no fixed rate of TDS under section 192. To compute the rate of TDS, the estimated total tax liability on such estimated income is divided over the period of employment.
- ❖ Form 12BB, is a statement of claims by the employee for the purpose of deduction of taxes.
- ❖ Form 12B is a statement to be provided by the employee to a new employer if he is joining in the middle of a financial year.

**Deemed Underreporting:**

Income shall be deemed to under-reported because of misrepresentation of facts in the following cases:

- a) misrepresentation or suppression of facts, [As amended by Finance Act, 2022]
- b) failure to record investment in the books of accounts,
- c) claim of expenditure not substantiated by any evidence,
- d) recording of any false entry in the books of account,
- e) failure to record any receipt in the books of account having a bearing on total income

**Income from House Property:**

*Deductions:*

1. Standard Deduction u/s 24@30% of Annual Value
2. Interest paid on home loan (Max Rs. 200,000/-), In case of self-occupied residential house property
3. Actual interest incurred in case of let out property.
4. Loan Principle payment u/s 80C

## 5. Deduction for first time home buyer u/s 80EE

Loss of House property can be adjusted against Salary Income. So in case of one let out and one self-occupied house property, you can claim loss of 200000.

**Tax planning for 30 lacs salary Zero tax**

|   |                 |
|---|-----------------|
| <b>Salary</b>   | <b>3000000</b>  |
| <b>Less HRA</b>                                       | <b>-900000</b>  |
| <b>Less LTA</b>                                       | <b>-80000</b>   |
| <b>Less Mobile Reimbursement</b>                      | <b>-30000</b>   |
| <b>Less : Books/Magazine/Journals</b>                 | <b>-60000</b>   |
| <b>Less: Petrol Reimbursement</b>                     | <b>-90000</b>   |
| <b>Less: Driver Salary Allowance10(14)(1)</b>         | <b>-180000</b>  |
| <b>Less: Uniform Allowance10(14)(1)</b>               | <b>-60000</b>   |
| <b>Less: Academic Development10(14)(1)</b>            | <b>-390000</b>  |
| <b>Less: Daily Allowance work from home 10(14)(1)</b> | <b>-120000</b>  |
| <b>Net Salary</b>                                     | <b>1090000</b>  |
| <b>Less Standard Deduction</b>                        | <b>-50000</b>   |
| <b>Less Deduction under Section 80C</b>               | <b>-150000</b>  |
| <b>Less Deduction under NPS section 80CCD</b>         | <b>-50000</b>   |
| <b>Less Deduction under section 80D</b>               | <b>-75000</b>   |
| <b>Less Deduction under Section 80E</b>               | <b>-80000</b>   |
| <b>Less Loss from house property</b>                  | <b>-200000</b>  |
| <b>Taxable Salary</b>                                 | <b>485000</b>   |
| <b>Rebate Under section 87 A</b>                      | <b>Zero Tax</b> |

**Disclaimer:**

This is best possible scenario and might not be applicable to you 100%. This article is for information purpose only and not to solicit customers. As Author of this article is working on tax planning solutions but it is strongly recommended to take expert advice before taking any actions.