



Equity Linked Saving Scheme (ELSS)

Equity Linked Saving Schemes are diversified equity funds with added Tax Benefits. These funds come with a 3 year lock - in period and offer an investor income tax exemption of ₹ 1 lac as per Section 80C of Income Tax Act.

For example: If your total annual income is Rs 3,00,000 and you invest Rs 1,00,000 in ELSS then your taxable income will become Rs 2,00,000.

Advantage ELSS:

If we compare the other options available under 80C, Tax Saving Funds prove to be smarter in many regards.

- Maturity period of NSC and PPF is 6 years and 15 years resp. *ELSS has a short lock-in period of 3 years only.*
- Equity is the most rewarding asset class as per historical returns and if we go by the current market scenario, the fall in the equity markets has opened up gates for value buying.
- Investors can opt for Dividend Payout option and can enjoy tax free dividend during the lock-in period.
- Opting for SIP in a Tax Saver, help you avoid making Tax Saving decisions in a haste and also help you benefit out of Rupee Cost Averaging.
- Tax Savers are way better than ULIPs as they are more cost efficient and few AMCs do offer free term insurances also, if an investor invests via SIP.

Must Know while investing in an ELSS:

- Avoid investing in Dividend Reinvest option as it can prove to be a never ending trap. Suppose you invest ₹ 50k in a Tax Saver on 15 Sept, 2011. The fund further declared a Dividend amounting ₹ 2k dated 15 Sept, 2012 which got reinvested in the same fund. Now, as per 3 year lock-in period the dividend which got reinvested cannot be withdrawn before Sept, 2015. If the fund declares regular dividend, an investor can end up in a never ending trap. *Solution: Go for Growth or Dividend Payout option.*
- After 3 years, the amount invested in ELSS can be withdrawn and an investor can claim tax exemption for a new financial year with the same amount.

**Invest in ELSS, this financial year
and Save Taxes upto Rs. 30,000 U/S 80C**

Annual Taxable Income (Rs.)	Applicable tax before investment (Rs.)	Amount invested U/S 80C (Rs.)	New Taxable Income (Rs.)	Applicable Tax after Investment (Rs.)	Savings (Rs.)
200,000	2,000	20,000	180,000	0	2,000
250,000	7,000	70,000	180,000	0	7,000
500,000	32,000	100,000	400,000	22,000	10,000
750,000	82,000	100,000	650,000	62,000	20,000
10,00,000	152,000	100,000	9,00,000	122,000	30,000
15,00,000	302,000	100,000	14,00,000	272,000	30,000
20,00,000	452,000	100,000	19,00,000	422,000	30,000



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Comparison of popular section 80C investment options

Tax Saving Options	Minimum Investment (Rs.)	Maximum Investment (Rs.)	Tenure	Return	Taxability of Returns
ELSS	500	100,000	3 years	Market Linked	Tax Free
PPF	500	70,000	15 years	Fixed (8%)	Tax Free
NSC	100	100,000	6 years	Fixed (8%)	Interest Income Taxable
Bank Deposit	100	100,000	5 years	Fixed (9.25%)	Interest Income Taxable
Endowment/ Pension Insurance Product	Depends upon Product	100,000	Depends upon Product	Depends upon Product	Tax Free/Annuity Taxable
ULIP	Depends upon Product	100,000	3 years (Minimum) or Depends upon Product	Market Linked	Tax Free

