

TAX GUIDE 2009



Tax Tips

Save taxes through health insurance policy

Between now and the end of the tax year on March 31, we will be running a weekly series of tax tips to help you save money.

What is the big deal?

Under Section 80D of the Income Tax Act you can get an annual deduction for the payment of your medical insurance premium. Read on if you want to learn how to save up to Rs. 12,000 per annum through smart purchase of a medical insurance plan for your family.

Am I eligible for it?



All individuals and HUFs (Hindu Undivided Families) are eligible for this deduction. The amount must have been paid using the taxpayer's income chargeable to tax.

In case an individual is taking the deduction, the medical insurance policy can be taken the name of any of the following: the taxpayer or the spouse, parents or dependent children of the taxpayer.

In case a HUF is taking the deduction, the medical insurance policy can be taken in the name of any member of the family.

What is the amount of the deduction?

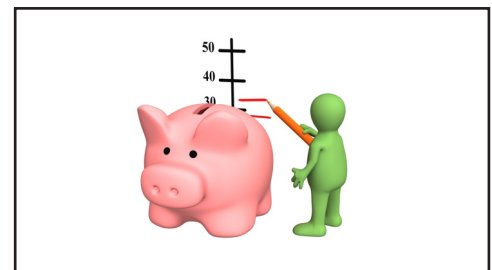


The general deduction available to each taxpayer is Rs.15,000, for self, spouse and children. An additional deduction for parents is Rs. 15,000. If the amount paid is for a senior citizen, then one can claim an additional exemption of Rs.5,000.

So, you can save up to Rs. 12,000 per annum in taxes if you avail of this deduction.

(How did we calculate this for a family? Deduction for self, spouse and children: Rs. 15,000; Deduction for senior citizen parents: Rs. 15,000 + Rs. 5,000. Sum of all deductions is Rs. 35,000. Assuming marginal tax rate of 33%, that is a tax saving of Rs 35,000 x 33% = approximately Rs. 12,000.)

What are the eligible instruments?



All medical insurance policies are eligible for the 80D deduction up to the specified amount. Please remember that the premium towards the policy cannot have been paid in cash.

Source: <http://www.itrust.in>
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