TAURUS Talk

TAURUS Mutual Fund

Taurus Tax Shield No.1 in ELSS

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Season's flavour: Top up your returns with ELSS

Equity-linked savings schemes is one of the best tax-saving options for you to consider during the 'tax-saving season', say **Prashant Mahesh & Nikhil Walavalkar**

MONEY TREE

TOP 10 TAX FUNDS - PERIOD (LAST 3 YESRS)

Rank	Scheme Name	AUM	Last 3 Years Return %
1	Taurus Taxshield	32.34	21.53
2	Canara Robeco Equity Tax Saver	80.57	18.35
3	Sahara Taxgain	8.74	15.99
4	Religare Tax Plan	105.5	14.67
5	Sundaram BNP Paribas Taxsaver	1270.1	14.53
6	Fidelity Tax Advantage Fund	1144.57	13.06
7	Franklin India Taxshield	745.55	12.06
8	HDFC Taxsaver	2084.05	10.46
9	Birla Sun Life Tax Relief 96	1195.7	9.68
10	SBI Magnum Tax Gain	5264.85	8.93

*Note: Returns calculated are compounded annualised. As on January 12, 2010, **Source:** valueresearchonline.com

Rs Crore

IT IS that time of the year when employees have to submit proof of having made tax-savings investments to their employers. With tax season around the corner, here are 10 reasons for you to consider equity-linked savings schemes (ELSS).

Why invest in ELSS funds?
All investments in ELSS are eligible for tax benefit under Section 80C of the Income-Tax Act, subject to a ceiling of up to Rs 1 lakh a year. ELSS funds invest in equities, and equities as an asset class are known to give higher returns over a longer period against, say, debt or fixed income instruments.

Does ELSS score over NSC, PPF? An investment in ELSS is locked in for a mere three years against six years in post office schemes such as national savings certificates (NSC) and 15 years in public provident fund (PPF) scheme from the date of opening with compulsory contribution every year. However, returns from ELSS are linked to the performance of stock markets, while that of NSC and PPF are currently fixed at 8%. Dividend income from ELSS schemes is tax free and also the proceeds which come after sale are exempt from long-term capital gains tax. Though interest income from PPF is tax free, income is taxable in case of NSC interest.

I have been a regular investor in ELSS. But this year, I have not invested due to lack of funds. What should I do?
You can sell units that have been held for three years from the date of allotment. The sale proceeds, which are exempt from tax, can be reinvested in the same scheme. As there is no entry load, you will not lose if you invest the funds immediately.

I wish to invest in equities but am not comfortable with the risks involved in doing so.
You can consider investing in pension funds launched by Franklin Templeton AMC and UTI AMC. The pension schemes are debt-dominated balanced funds that also fetch you deductions under Section 80C. Like ELSS schemes, here too there is a lock-in of 3 years.

Is there a maximum amount I can invest?
You can get a tax exemption on a maximum amount of Rs 1 lakh under Section 80C of the I-T Act. However, you can invest more than this, but that amount will not be eligible for tax exemption.

Are there any advantages the fund manager has in ELSS schemes?
The fund manager of an ELSS knows that you will not withdraw your funds for three years. Hence, he can invest all the funds, say, in mid-cap companies, which can give higher returns, and not be worried about volatility in the short term.

Is an ELSS scheme different from any other mutual fund scheme?
An ELSS scheme works in much the same way as an equity mutual fund, the only difference being that in open-ended equity mutual funds, you can sell your units any time after purchase and there is no lock-in period. In ELSS, there is a lock in period of 3 years, from the date of purchase.

Can my spouse and I jointly apply for an ELSS scheme. Who will be eligible for tax benefits?
Yes, both of you can apply jointly as you do in any other mutual fund. However, only the first holder is entitled to tax benefits under Section 80C of the I-T Act.

Is it necessary to invest the full Rs 1 lakh eligible for tax exemption in only ELSS schemes?
No, you can invest in a mixture of schemes or any one scheme. It is solely your decision. For example, you could put Rs 20,000 in ELSS, Rs 50,000 in PPF and Rs 30,000 in NSC.

Is it necessary to invest in the same ELSS scheme every year?
No, there is no compulsion to invest in ELSS every year. Your investment can be based on your requirement. It is absolutely fine if you do not want to invest again.

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