

Tax laws are subject to amendments made to them from time to time. Please consult your tax advisor for details, before taking any decision based on the following information.

### Tax Saving Life Insurance Plans

Life insurance policies are useful tax planning tools because the policyholder is eligible for tax benefits under the Income Tax Act, 1961. There are multiple modes for saving tax, but life insurance is one of the most effective tax planning instruments. The taxpayer can claim a deduction under Section 80C for the premium paid towards the life insurance policy and proceeds received under the policy are exempt subject to conditions prescribed under Section 10(10D) of the Income Tax Act, 1961. Deductions are available for policies taken in the names of taxpayers, their spouse, and their children.

With [Life Insurance Plans](#), you can not only save tax but also look at achieving your long-term goals and get financial protection to secure the future of your loved ones.

#### How to save income tax with Life Insurance Plans?

Under the Income Tax Act, 1961 you can save tax on your hard-earned money by using our Life Insurance Products and solutions. You can get tax advantages at different stages of the policy.

- Stage 1: Entry Advantage

– You receive tax benefits on your premium payments under [Section 80C](#) (life insurance), Section 80CCC (pension) and [Section 80D](#) (health).

- Stage 2: Earnings Advantage

– Your investment with us gets the potential to grow and is not currently taxable~.

- Stage 3: Exclusive Switching Advantage

– You can switch between equity, debt and balanced funds anytime and these switches are not taxable~.

- Stage 4: Exit Advantage

– The proceeds you receive on maturity under the policy are exempt subject to conditions under Section 10(10D) of the Income Tax Act, 1961

Tax benefits^ offered under the Income Tax Act, 1961:

- Section 80C:

You can claim a deduction from your taxable income on account of the premium paid towards life insurance for self, spouse or children. You will be allowed a maximum deduction of up to ₹1.5 lakh.

- Section 10(10D):

The proceeds received under the policy are exempt subject to conditions under Section 10(10D) of the Income Tax Act, 1961.

- Section 80CCC:

You can get tax benefits on premiums paid up to ₹1,50,000/- towards pension/[retirement policies](#). However, if you surrender the plan, the pension/[annuity](#) received will be taxed as per the existing tax laws.

- Section 10(10A)\*:

1/3<sup>rd</sup> of the payment that you receive under the plan at the time of retirement is exempt where you are entitled to receive gratuity and 1/2 in other cases.

- Section 80D:

You can get tax benefits on premiums paid in any mode, other than cash towards [health insurance policies](#) taken for yourself, your spouse, your dependent children and your parents. The maximum tax benefits under Section 80D are as follows:

- You can get deduction up to ₹25,000 under Section 80D for yourself and your family (₹50,000 if age of insured is 60 years or above) and up to ₹25,000 (₹50,000 if age of insured is 60 years or above) for your parents.

\*Insured is the person on whose health the insurance is taken.

Please refer to the table below to view the details of plans eligible under Section 80D

- Section 80CCE:

Under this section, the overall limit of deduction from taxable income to get tax benefits under Sections 80C, 80CCC and 80CCD(1) is ₹1,50,000/-.

Tax\* benefits for single premium insurance policies

Tax\* benefits under life insurance are also extended to policies with a single premium. You can claim a deduction under Section 80C\* up to ₹1.5 lakh per annum. Further, the maturity proceeds from a single premium [life insurance](#) policy are exempt subject to conditions prescribed under Section 10(10D)\* if the minimum sum assured throughout the policy term is at least ten times the amount of the annual base premium.

[FAQs](#)

### **1. Where can I invest to save tax?**

You can invest in a Unit Linked Insurance Plan (ULIP) to save tax. The ULIP premium amount can be deducted from your taxable income, thus lowering your taxes. To calculate how much you need to invest in ULIP to save tax.

### **2. How much should I invest to save tax?**

Under Section 80C of the Income Tax Act, 1961, you can lower your taxable income by investing up to ₹ 1.5 lakh in ULIP premium per financial year. This investment can allow you to save up to ₹ 46,800/-<sup>^^</sup> taxes per year.

### **3. Is ULIP a good tax-saving investment?**

The three-fold continuous tax benefits make ULIP a good investment instrument when it comes to saving tax. Firstly, ULIP premium paid up to ₹ 1.5 Lakh under Section 80C<sup>^^</sup> saves tax. Secondly, fund switches in a ULIP attract no tax. Thirdly, the proceeds received at ULIP withdrawal and maturity is exempt subject to the provisions of Section 10(10D) of the Income Tax Act, 1961.

### **4. Should I only consider tax\* benefits while buying a life insurance policy?**

While life insurance tax\* benefits are a valuable aspect of life insurance, they should not be the sole consideration when purchasing a policy. Life insurance serves a crucial role in providing financial security for your loved ones in the event of your absence. Beyond the evident tax advantages, it is essential to assess factors such as the sum assured, premium costs, available riders and the overall coverage provided by the plan. A comprehensive evaluation of a policy ensures that it aligns with your financial goals and family needs.

### **5. Is it advisable to factor in tax\* benefits when determining the sum assured for my life insurance policy?**

It may be advisable to factor in life insurance tax\* benefits when determining the sum assured for your life insurance policy. It is important to note that the proceeds received from the policy are exempt subject to conditions mentioned in the Income Tax Act, 1961 for the nominee. Considering the tax benefits on the sum assured not only enables you to select a suitable sum but also ensures that you plan well for the future. It offers a more comprehensive and tax-efficient approach to securing your family's financial well-being.

### **6. What are the consequences if I forget to pay my life insurance policy premium on time?**

Forgetting to pay your life insurance policy premium on time can have significant consequences. Insurance providers typically offer a grace period for late payments. You can make the payment during this time. However, failure to settle within this timeframe leads to policy cancellation. This results in the loss of all associated benefits from your policy. Ultimately, this leaves your loved ones unprotected in the face of financial emergencies. Moreover, you would be compelled to purchase a new policy from scratch,

which can lead to increased costs. Therefore, to ensure continuous coverage and financial security for your beneficiaries, it is crucial to ensure timely premium payments.

#### 7. Will I get life insurance tax benefits when it matures?

The taxability of non-unit linked life insurance policies are as follows:

##### For policies issued prior to April 1, 2023

###### Exemption

- **Single/Multiple Policies**
  - Proceeds from these policies will continue to remain exempt, where the premium to sum assured ratio is 1:10, irrespective of the premium amount

###### Taxability

- If the premium to sum assured ratio is less than 1:10, irrespective of the premium amount, the amount received minus the aggregate of the premiums(s) paid is taxable at applicable slab rate under “Income from Other Sources”

##### For policies issued on or after April 01, 2023

###### Exemption

- **Single Policy**
  - Proceeds from these policies will be exempt if the premium to sum assured ratio is 1:10 and, the premium payable does not exceed ₹ 5,00,000
- **Multiple Policies**
  - Proceeds from these policies will be exempt if the premium to sum assured ratio is 1:10 and the aggregate premium payable at client/PAN level does not exceed ₹ 5,00,000 in a financial year during the term of any of those policies

**Note:** Aggregate premium limit of ₹ 5,00,000 is inclusive of all premiums i.e. base premium, rider premium This includes new business premium and renewal premiums.

###### Taxability

- If premium to sum assured ratio is 1:10 and total premium payable for non-unit lined policies issued on or after April 1, 2023 exceeds ₹ 5,00,000 in a financial year or if the premium to sum assured ratio is less than 1:10 (irrespective of the premium amount)
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- Amount received minus aggregate of the premium(s) paid is taxable at applicable slab rate under “Income from Other Sources”
- Premium paid is allowed to be reduced only if it is not claimed as deduction under section 80C or any other provisions.

#### 8. How to plan your tax\* saving investments for the year?

You can save tax\* on premiums paid towards life insurance, retirement accounts, and more subject to the conditions under Section 80C of the Income Tax Act, 1961. You can also invest in many other types of investments, such as FDs, SIPs, etc.

#### 9. How to choose the right tax\* saving investment plan?

Apart from just looking at the tax\* saving aspect, it is also necessary to consider the benefits of the investment for yourself and your family. This is why products like life insurance, ULIPs, endowment plans, annuity plans, etc. are some of the tax\* saving tools you can opt for.

#### 10. How many tax\* free instruments can one have?

You can have as many tax\* free investments as you like as there is no limit on it. However, the deduction can be availed up to the limits specified under various sections of the Income Tax Act, 1961. Different income tax sections can have different limits of deductions.

#### 11. How can I reduce my taxes\* legally?

You can buy life insurance, invest in a pension plan, or put your money in savings plans such as an endowment or [annuity plan](#). You can also invest in ULIPs. These are all great ways of legally reducing your taxes\* while also building a corpus for urgent times and future needs.

#### 12. How to see how effective your tax\* free instruments are?

Tax\* saving instruments should also serve other purposes apart from saving tax\*. To ensure that they are effective, you should look at diverse aspects, such as liquidity, safety, returns, flexibility, the cost of investment, etc. The ultimate aim of an investment should be high returns and easy accessibility along with tax\* savings.

#### [Disclaimers](#)

\* Tax benefits are subject to conditions prescribed under Sections 80C, 80D, 10(10D), 115BAC and other provisions of the Income Tax Act, 1961. Goods and Services Tax and Cesses will be charged extra as per prevailing rates. Tax laws are subject to amendments made thereto from time to time. Please consult your tax advisor for details.

**^^Tax benefits of ₹ 46,800/- under Section 80C is calculated at the highest tax slab rate of 31.20% (including cess excluding surcharge) on life insurance premium under Section 80C of ₹ 1,50,000/- . Tax benefits are subject to conditions under Sections 80C, 10(10D), 115BAC and other provisions of the Income Tax Act, 1961. Goods and Services Tax and Cesses, if any, will be charged extra as per prevailing rates. Tax laws are subject to amendments made to it from time to time. Please consult your tax advisor for details.**

**^ Tax benefits under the policy are subject to conditions under Sections 80C, 80D, 80CCC, 80CCE, 10(10D), 10(10A) and other provisions of the Income Tax Act, 1961. Goods and Services Tax and Cesses, if any, will be charged extra as per prevailing rates. Tax laws are subject to amendments made thereto from time to time. Please consult your tax advisor for details, before acting on the above.**

**~Please note: The tax write-up above is for general understanding and reference. You will have to verify the facts, law and content with the prevailing tax statutes and seek appropriate professional advice before acting based on the above information. Tax laws are subject to amendments from time to time**

**Unlike traditional products, Unit linked insurance products are subject to market risk, which affects the Net Asset Values & the customer shall be responsible for his/her decision. The names of the company, product names or Fund options do not indicate their quality or future guidance on returns. Funds do not offer guaranteed or assured returns.**