



SPA Capital Services Ltd.
Investment & Mutual Funds advisory

SPA Insurance Services Ltd.
Life & General Insurance Broking

SPA Merchant Bankers Ltd.
SEBI registered Category - I Merchant Bankers,
Corporate Finance & Merchant Banking.

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Equity & Debt Securities Broking

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Do Taxes Bother you?

Financial Year 2006-2007



invest - Save - Grow



YOU CAN SAVE TAXES & SIMULTANEOUSLY CREATE WEALTH.

Section 80C offers investment related benefits which provides deduction of upto Rs.1,00,000 from the taxable income. This applies for individuals & HUF irrespective of their annual income & tax slab. Under the section, specified investment instruments are ELSS of mutual funds, Life Insurance premiums, Unit Linked Insurance Plans, Public Provident Fund, National Savings Certificates, Infrastructure Bonds issued by Institutions / Banks, Bank Fixed Deposits, Tuition fees including admission fees paid for education of any two children upto Rs 12,000, PF contribution deducted from individual's salary, Home Loan principal repayment upto Rs 1,00,000.

There are no sectoral caps (except in PPF) on investment & the assessee is free to invest Rs 1,00,000 in any one or more of the specified avenues elaborated in the table below:

TAX SAVING SCHEME AT A GLANCE

Under Section 80 C - Investment Option

Particulars	Term Lock-in	Min. Invst.	Max Invst.	Safety	Annualized Return in %	Interest Frequency	Taxation of Interest
ELSS	3 yrs	500	1,00,000	Medium	Expected more than 15.00	No Assured Dividends/ Returns	Dividends/ Capital Gain Tax Free
ULIP	3 yrs	8,000	1,00,000	Medium	8.00/10.00	Capital Guarantee	Tax Free
PPF	15 yrs	500	70,000	High	8.00	Compound Annually	Tax Free
NSC	6 yrs	100	1,00,000	High	8.00	Compound Annually	Tax Free
Infrastructure Bonds	3 yrs	5,000	1,00,000	High	5.50/5.75	Options Available	Taxable
Fixed Deposit	5 yrs	1,000	1,00,000	High	7.50/8.00	Option Available	Taxable

In recent times new generation investment options particularly ELSS & Insurance Schemes are the most preferred tax planning tool because of reasons elaborated below.

Equity Linked Saving Schemes : Investment in ELSS have potential to provide higher tax efficient returns as the mutual fund schemes invest in equities primarily. The funds have to be invested for a 3 year lock in period and maximum amount of Rs.1,00,000 for deduction can be invested. The downside risk of equities is protected by the fund manager investing in safe stocks with long term view.

Apart from benefit under SEC 80C ELSS has the following additional tax advantages.

- Dividends are 100% tax free.
- Long term capital gains are 100% tax free.

Historically, returns from the stock market are superior and ELSS schemes have been able to consistently out perform market indices. The following data supports the fact.

FUNDS	Last 3 years*	Last 4 years*	Last 5 years*
Birla Tax Relief 96	41.09	48.94	42.72
Franklin India tax shield	43.08	52.45	42.81
HDFC tax saver	61.03	69.63	54.98
Magnum tax gain	72.36	64.73	59.92
Prudential ICICI tax Plan	49.81	64.27	52.77
Sundaram BNP Paribas Tax Saver	50.09	44.11	47.76
BSE SENSEX	38.95	39.10	33.32
NIFTY	34.10	43.44	30.23

Performance as on December 01, 2006

Source : SPA Research

*Compounded annualized returns.

Life Insurance provides various options and suitable schemes as per individual requirement which can be selected while availing of the tax deductions.

Unit Linked Insurance Plan: Unit Linked plans with innovative range of products provide flexibility to meet individual needs while saving taxes.

- ULIP works like mutual fund with a life cover benefit.
- Investments in ULIP can be in tune with the individual risk appetite, as it offers range of options : conservative, moderate and aggressive.
- ULIP offers convenience of switching from one fund to another & withdrawals as per individual requirements.
- Tax benefits at contributions, withdrawals & maturity.
- ULIP provides returns in line with markets and underlying investment of chosen plan with capital protection.

Traditional Plans/Endowment Plans: Individuals with a low risk appetite, who want an insurance cover, which will also give them returns on maturity could consider this plan. The upside of returns come in form of bonuses declared at regular intervals besides defined benefits. There are various traditional endowment plans such as Child Plan, Money Back Plan.

Pension / Retirement Plan: Help in saving today to maintain financial independence & receive recurring cash flows post retirement in form of annuities at predetermined intervals.

Term Plan: are only risk cover plans without any investments. Individuals looking for higher amount of life coverage without clubbing it with investments should avail of these plans.

SUGGESTED INVESTMENT ALLOCATION IN 80C ELIGIBLE SCHEMES

	Ultra Conservative	Conservative	Moderate	Risk	High Risk
PF/NSC/FD	80%	65%	50%	20%	-
ELSS	-	10%	25%	40%	75%
ULIP	20%	25%	25%	40%	25%
Expected Returns*	8.40%	9.20%	10.25%	11.60%	13.75%

*Assumed annualized returns from ELSS is 15%, ULIP is 10%, PF/NSC/FD is 8%

Depending upon one's age, consumption pattern, risk appetite & return expectations an investor can opt for a combination ranging from ultra conservative to high risk. The expected returns may vary from 8.40% to 13.75% depending on the choice of portfolio. ULIP & ELSS will have potential to generate higher returns depending on the underlying fund performance. We strongly believe that India growth story will continue and you can create wealth while saving taxes.