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IT employees fare poorly in tax planning

29 Jan 2009, 0456 hrs IST, T K Rohit, TNN

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CHENNAI: The IT/ITeS employees in Chennai, Bangalore and Hyderabad seem to have very poor financial and tax planning, a survey conducted by an investment advisory firm has found.

The annual tax survey, done by Right Horizons among 1,169 salaried individuals in the age group of 22-54 in these three cities, has found that 70% did not fully use the benefits under section 80C, 82% of respondents did not have any medical insurance while only 13% had medical insurance cover provided by their employers.

The survey said that 36% of the respondents in Chennai , many of them in the age group of 30 years, did not have any life insurance policies.

Among the various tax saving options, 20% of the respondents in the city used only PF investments, which anyway was mandatory in many corporates and therefore does not require any effort on the part of the individual towards tax planning.

“Investments under Sec 80C earn tax breaks for investors up to a maximum limit of Rs 1 lakh. It, therefore, comes as a surprise that more than 75% of those surveyed had not fully utilised the limit and many of them actually went on to pay income-tax which could have been saved through better financial /tax planning. In Chennai, 24% of the respondents exhausted the Rs 1 lakh limit,” the survey said.

Anil Rego, CEO, Right Horizons , said, “At times like this, when the financial markets themselves are in turmoil, there is a greater need for paying attention to one’s finances.”

The study also found that even though majority of the respondents were in the age group of 25-30 , traditional or safe instruments like PPF, NSC, Life insurance, dominated the investment profile with 58% of those surveyed using these as the only modes of investment.

Only 35% had equity-linked savings scheme (ELSS) in their tax saving portfolio, while 5% respondents had more than 50% exposure to mutual funds as part of the 80C investments. Also low on the list was the exposure to home loans with only 12% of those surveyed featuring it in their portfolio of tax saving instruments.