Here are 7 to-dos before March 31

DE-TAX. Individual taxpayers can gain maximum tax benefits by following these strategies

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Financial and Tax Year 2023-24 is ending soon, therefore it is time to pay attention to various items/strategies to be executed before March 31, 2024, to gain maximum benefits/advantages available under the tax laws.

For ease of understanding, such calls for actions have been bifurcated into certain categories:

MARCH PAYABLES FOR CASH SYSTEM OF ACCOUNTING

This typically applies to individual taxpayers engaged in business/profession as, unlike corporates, they have the liberty to choose method of accounting.

1. For regular payments such as salary, rent, etc, for the month of March (which you may be used to paying in the succeeding month), it is advisable that such payments are made within March so that tax deduction of the said expenses is available within this financial year.

2. One may be planning to buy an asset (machinery, car, etc) to be used for business purpose in the month of April/May. Such investment decisions should be evaluated and, if possible, advanced in March itself.

This is because, under the tax laws, depreciation on such assets (at half rate) will be available even if the said asset is put to use in March 2024.

For instance, 7.5 per cent depreciation will be available under income tax laws on plant and machinery even if the same is put to use on March 31, 2024, itself.

GETTY IMAGES

INVESTMENT IN CAPITAL ASSET (NOT BUSINESS ASSETS)

This is typically applicable to individual taxpayers actively looking to park their surplus funds.

3. Under tax laws, inflation indexation of cost is available in case of transfer of a long term capital asset. The inflation index is prescribed for an entire year as opposed to the month or date on which the investment is made. For example, an investor who bought a security in March 2024 will be eligible for the same indexation base as an investor who had bought security in April 2023, as the inflation index for FY 2023-24 would be same for both the investors. Accordingly, if an individual is considering making a long-term investment into a capital asset, he/she should do it by March 31, to get incremental indexation benefit.

> **MARCH MOVE**
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> Repayment of principal component of home loan (up to unutilised portion) can be made before March 31, 2024, and claimed as a deduction under section 80C.

4. Separately, by virtue of a recent amendment in tax laws, in addition to above-mentioned indexation benefit, a lower long term capital gain tax rate of 20 per cent is available in case of sale of long-term mutual funds that have equity investment of above 35 per cent but below 65 per cent. An individual looking to invest in mutual funds should invest before end of March in such funds that meet the above criteria so as to be able to get the twin benefits.

5. Besides the above, now is the right time to evaluate and implement strategies such as 'tax-loss harvesting' before the end of the year. You can write off losses in stocks that have been non-performers in your portfolio against capital gains (long-term loss can be set off only against long-term gain) and increase post-tax returns on equity investments..

OTHER ASPECTS

This is typically applicable generally to all individual taxpayers.

6. Investment-linked deductions: Income tax laws allow various investment-linked deductions (under the old scheme) of prescribed amount, such as section 80C, 80D, etc, where deduction under the Act is allowed if the investment/expenditure have actually been made by the taxpayer before the close of financial year.

To explain, it is not enough that the insurance premium is due within the fiscal, what is relevant is the insurance premium that is paid during the fiscal to avail the benefit. If the prescribed limits remain unutilised, planning can be done to ensure maximum deduction is taken within the limits. For example: repayment of principal component of home loan (up to the unutilised portion) can be made before March 31, 2024, and claimed as a deduction under section 80C.

7. Stopping the interest-meter: 100 per cent of the estimated taxes should be paid as advance tax (along with applicable interests, if any) before end of March to save on interest liability, which accrues automatically with each passing day. For example, interest for the entire month of April would apply even if payment of tax is delayed by just one day and paid on April 1. Further, in addition to qualifying for tax credits, interest is receivable at rate of 6 per cent on excess advance taxes deposited.

The above points are most general to-dos for individual taxpayers and should be completed before the close of financial year to take full advantage of tax laws and also to save on potential interest liability.

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