

Tax saving FD: SBI, HDFC Bank, ICICI Bank, PNB, Kotak Mahindra, and others — Which bank offers the highest interest?

Anulekha Ray Last Updated: Mar 20, 2023, 04:23 PM IST

Synopsis

Tax-savings FDs are fixed deposits that allow investors to claim income tax deductions under section 80C of the Income-tax Act, 1961. They have a lock-in period of five years. SBI offers an interest rate of 6.5 per cent on five-year tax-saving fixed deposits. SBI, HDFC, ICICI Bank, PNB, Kotak Mahindra, YES Bank, and others — check the interest rates of tax-saving FDs offered by the different banks before booking.



Tax-saving fixed deposits (FDs) are one of the popular investment options, especially among traditional investors who are averse to risks. Tax-savings FDs are fixed deposits that allow investors to claim income tax deductions under section 80C of the Income-tax Act, 1961. Tax-saving FDs have a lock-in period of five years. An investor can claim a deduction of up to Rs 1.5 lakh under section 80C per financial year by investing in these tax-saving fixed deposits. Do remember that the interest earned on these fixed deposits is taxable as per the tax bracket of the investor.

All popular banks offer tax-saving fixed deposits. If you are planning to invest in a tax-saving FD, do remember that your money will be locked for at least five years. For investors planning to book FDs now, Suresh Sadagopan, an RIA and founder of Ladder7 Financial Advisors, said, "Ideally FD tenure should match one's investment horizon. Proper planning and thought should hence go into this before investment." Simply put, your tax-saving FDs must fit your financial planning.

If you are planning to invest in fixed deposits to save tax in the financial year 2022-23, you need to book FD by March 31, 2023. Do not wait till the last day to book your FD. "Whilst it may be a good idea to wait till the end of the financial year as interest rates are going up, one should avoid leaving it to the absolutelast minute so that the FD created has a value date of this financial year itself,so that the tax benefits are available as planned," said Vishal Dhawan, a CFPand founder of Plan Ahead Wealth Advisors.

There are multiple ways you can earn interest on these tax-saving fixeddeposits. You can go for a cumulative FD where the interest is accrued andpaid at the time of maturity of the deposit. You also have the option to choosea regular payout of interest rates during the entire tenure of the fixed deposit.You can go for a monthly or quarterly or half-yearly payout option. If you go forthe reinvestment option while booking your FD then the maturity amountwill be re-invested after maturity for the next five years.

DCB Bank offers the highest interest rate of 7.6 per cent on tax-saving fixeddeposits. SBI offers an interest rate of 6.5 per cent on five-year tax-saving fixeddeposits. Meanwhile, HDFC Bank offers an interest rate of 7 per cent on tax-saving FDs.

To make your journey easy, we have made a list of popular banks and howmuch they are offering on tax-saving FDs. Take a look

Tax-saving FD interest rates	
Bank	5-year FD interest rate (%)
General citizen	
Axis Bank	7
Bandhan Bank	5.85
Bank of Baroda	6.5
Canara Bank	6.5
Central Bank of India	6.25
DCB Bank Ltd.	7.6
Federal Bank	6.6
HDFC Bank	7
ICICI Bank	7

IDBI Bank	6.25
IDFC First Bank	7
Indian Bank	6.25
Indian Overseas Bank	6.5
IndusInd Bank	7.25
Kotak Mahindra Bank	6.2
Punjab & Sind Bank	6.25
Punjab National Bank	6.5
RBL Bank	7
State Bank of India	6.5
YES Bank	7