Direct Tax (Article)

Tax Provisions for Senior Citizens in India

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.
Introduction

Most of the senior citizens are in dark about the various legal benefits available to reduce their tax incidence. Taking note of the financial difficulties often encountered by persons in old age, Government of India has earmarked various tax benefits and concessions through its schemes in various sectors of development for senior citizens in India. A lower amount of tax would ensure that a larger figure is left in their hands; enabling them to get more out of their money. Most senior citizens have income from interest and other sources that arises from their investments. So every rupee for them is valuable in getting more benefits. Here is a closer look at the details of what the senior citizens can actually look forward to.

Who is a Senior Citizen?

The expression senior citizen has caused a good deal of confusion among the elderly people. There are various welfare societies and organizations working for the benefit of the senior citizens and they put the age of their members as 55 or 58 or 60 or 65. But from income tax perspective, there are two categories of senior citizens:

- **Senior Citizen**: Age of 60 years or more but less than 80 years
- **Super Senior Citizen**: Age of 80 years or above

A senior citizen as per the IT Act means a person who has attained the age of 60 years or more but less than 80 years at any time during the previous year. Super senior citizen is one who is 80 years or more at any time during the previous year. Thus, a person who is of age of 60 years or more but less than 80 years on 31st March 2014 (including 31st March) will be considered as Senior Citizen for A.Y. 2014–15 and onwards. And a person who is 80 years or above on 31st March 2014 (including 31st March) will be considered as Super Senior Citizen for A.Y. 2014–15 and onwards.

Tax Benefits

The various relaxations, reliefs and benefits bestowed upon the senior citizens are as under:

1. **Higher Tax Exemption Limits**:

   Senior citizens or super senior citizens are entitled to higher tax exemption limit against normal citizens.

Tax Slab & Rates for A.Y. 13–14 and A.Y. 14–15 is as under:

<table>
<thead>
<tr>
<th>Rate</th>
<th>General</th>
<th>Senior Citizen</th>
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<tbody>
<tr>
<td></td>
<td>Up to 2,00,000</td>
<td></td>
</tr>
<tr>
<td>Nil</td>
<td>Up to 2,50,000</td>
<td>Up to 5,00,000</td>
</tr>
<tr>
<td>10%</td>
<td>2,00,000 to 5,00,000</td>
<td>2,50,001 to 5,00,000</td>
</tr>
<tr>
<td>20%</td>
<td>5,00,001 to 10,00,000</td>
<td>5,00,001 to 10,00,000</td>
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For A.Y. 14–15, where total income exceeds Rs.1 crores, surcharge would be levied @10%.

2. **Increased Deductions under Chapter VIA**

A senior citizen or super senior citizen is entitled to higher deductions under the following sections of Chapter VIA of Income Tax Act, 1961:

(a) **Deduction in respect of Senior Citizen Saving Scheme (SCSS) [Section 80C]**
Under section 80C, deduction up to Rs. 1,00,000/- is allowed for amount paid or deposited in specified modes. W.e.f. 01.04.2008, the sum invested in the SCSS is eligible for tax deduction under section 80C. Under this scheme, the retirement benefits can be deposited by way of one time deposit in multiple of Rs. 1,000 not exceeding Rs. 15 lakhs. This deposit bears interest rate of 9.30% p.a. Interest is payable on 31st March, 30th June, 30th Sept and 31st December. The account can be closed after the expiry of 5 years from the date of opening of account.

(b) **Deductions in respect of health insurance premium [Section 80D]**
Section 80D provides for deduction up to Rs. 15,000/- for health insurance premium and preventive health check-up. However, the limit goes up to Rs. 20,000 if the person covered under the policy is a senior citizen.

(c) **Deduction in respect of medical treatment etc. [Section 80DDB]**
Section 80DDB provides deduction to an assessee in case of expense on medical treatment of specified ailments. Generally, this deduction is available up to Rs.40,000/-. However, if the patient is a senior citizen, then deduction of Rs. 60,000/- is allowable.

3. **Exemption to pay advance tax under section 207**

As per section 207, where the income tax payable by an assessee for any financial year (after deducting tax deducted at source) is Rs. 10000/- or more, the tax shall be payable in advance during the financial year itself. However, resident senior citizens, not having any income chargeable under the head “Profits and gains of business or profession”, shall not be liable to pay advance tax and such senior citizens shall be allowed to discharge their tax liability (other than TDS) by payment of self-assessment tax.

4. **No deduction of tax at source u/s 194A**

Section 194A(3)(i)(c) provides that no deduction of tax at source is to be made up to Rs. 10,000/- on interest income on deposit with post office under the Senior Citizen Savings Scheme framed by the Central Government and notified by it.

5. **No deduction of tax at source on submission of Form 15H**

Section 197A(1C) provides that no deduction of tax at source u/s 193/194/194A/194EE/194K shall be made in case of a senior citizen if it furnishes to the person responsible for paying any income referred in the said sections, a declaration in writing in duplicate in Form 15H that tax on his estimated total income of the previous year in which such income is to be included in computing its total income will be nil. Accordingly, no tax is required to be deducted on payment of interest, dividend, payment in respect of deposits under National Savings Scheme and payment of income in respect of units of Mutual fund and UTI if the senior citizen furnishes a declaration in form no. 15H to the payer of such income that tax on his estimated total income will be nil.
6. Revision in scrutiny selection procedure

As per Press Release No. 402/92/06-MC dt. 14.03.2011, scrutiny of senior citizens and small tax payers can be done only where IT Department is in the possession of credible information.

7. Reverse Mortgage Scheme

As per the scheme, any person being an individual or any married couple (either of the husband or the wife) of the age of 60 years or above can mortgage its residential house property located in India (hereinafter referred to as ‘capital asset’) for the purpose of obtaining loan from an approved lending institution. The act of mortgaging the capital asset under the reverse mortgage scheme will not be treated as transfer of capital asset affecting any tax liability. Further, as per sec. 10(43), any amount received under this transaction will not be included in total income.

Conclusion

The most valuable treasure of a society is persons who have served the country in various capacities in the fruitful years and are now in the evenings of their lives. With vast improvements in living styles, rapid developments in medical and information technologies, life span has increased and this is amply borne out by the census figures. There are numerous benefits available to senior citizens and if cleverly implemented, senior citizens can avail the maximum tax benefit and end up with as lesser tax liability as possible. But it should be remembered that no unfair means should be used while framing a valid tax planning session else the same might turn into a case of tax evasion.
Udyog has been successful in integrating iTAX with following ERP

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<tr>
<th>ERP Version</th>
<th>ERP Platform</th>
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<tbody>
<tr>
<td>MFG-QAD eB 2.1</td>
<td>ABAS</td>
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<tr>
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<td>BAAN FP 7</td>
<td>Oracle</td>
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