

Income Tax Benefits for Senior Citizens

By

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Why Benefits

- Respect to Elders
- Relieve them from the Stress
- Make them to live happily in this phase of life
- They have already contributed in the younger days
- Increase the available money for purchases
- Whether we like it or not, we all worry about the future and considerably make choices to save and invest money so that we can have a secure tomorrow.
- Consequently, a lot of what we do today help contribute to not only our growth, but the country's overall growth too.

Basic Exemption

- Category

- Senior Citizen Above the age of 60 years
- Super Senior Citizen Above the age of 80 years

- Basic Exemption – No tax limit

- Senior Citizen Rs.3,00,000
- Super Senior Citizen Rs.5,00,000

- *Budget 2020*

- *Under new tax regime, there is no classification of Individual from*
- *FY 2020-21 (AY 2021-22)*

No Tax Income

- Under Section 87A – No tax if the total income is less than Rs.5 lakhs

• Example:	Total Income	5,00,000
	Exemption	3,00,000
	Taxable Income	2,00,000
	Tax at 5%	Rs.10,000
	Rebate under Sec.87A	Rs.10,000
	Tax Payable	Nil

Advance Tax

- Section 208
 - If the tax payable for the year exceeds Rs.10,000 in the year – Advance Tax Payable by every body as per Sec.211.
 - But the Senior Citizen is exempted from payment of Advance Tax

Standard Deduction

- If the Senior Citizen is a retired employee of State / Central Government, then
- Then
- Standard Deduction from the total income from Pension
 - Amounting to Rs.50,000

Exemption on Interest Income

- Section 80TTB
- Interest Income under the following
 - Interest on Savings Bank Account
 - Interest on Fixed Deposits
 - Interest on Recurring Deposits

In Banks, Post Offices

- Exemption : Upto Rs.50,000
- Also, there will be no deduction of tax at source upto ₹50,000. This limit of ₹50,000 has to be computed for every bank individually.
 - Example : Investment of Rs.6 lakhs at 8% = No TDS
- Senior Citizens may submit Form 15H – not to deduct TDS on the interest income if it exceeds this limit. Provided the total income should not be more than Rs.3 lakhs in the year.

Medical Insurance

- Section 80D

- Medical Insurance Premium Paid on the Health Insurance
 - Deduction from the total income upto Rs.50,000
- Medical Expenses – Deduction upto Rs.50,000
- (allowed for existing diseases)

Under both Maximum Deduction upto Rs.50,000

- Health Check up – Expenses upto Rs.5,000 deduction allowed

Specified Diseases – Sec.80DDB

- Deduction under section 80DDB is allowed for medical treatment of a dependant who is suffering from a specified disease (listed in the table above).
- a. Can be claimed by an Individual or HUF
- b. Allowed to Resident Indians
- c. When taxpayer has spent money on treatment of the dependant
- d. Dependant shall mean spouse, children, parents and siblings
- e. In case the dependant is insured and some payment is also received from an insurer or reimbursed from an employer, such insurance or reimbursement received shall be subtracted from the deduction.

Limit under Sec.80DDB

- Upto Rs.1,00,000 or the actual amount, whichever is less
- Diseases cover like
 - Neurological
 - Cancers
 - Aids
 - Renal Failure
 - Hematological disorders

Reverse Mortgage

- Available to the Senior Citizens
- Monthly EMI or Lumpsum Amount payable/paid by the Bank is exempted under section 10(43).

Savings Scheme for Senior Citizens

- Section 80C
 - Senior Citizens Saving Scheme
 - Deposit made under the scheme qualify for the deduction under this section.
 - Lock in period of deposits – 5 years

Eligibility

- All the above benefits available only to the Resident Senior Citizens

Paper Filing ITR

- E-filings of ITR-1 (Sahaj) and ITR-4 (Sugam) are not mandatory for Very Senior Citizens and they may file their return of income either Online or Offline, while no other assessee can file Offline Return.

Caution

- Budget 2020, provides an opportunity to choose between a new-tax regime or continue with the old-tax regime. The tax rate for FY 20-21 is different on the basis of the regime chosen by the individual.
- There is no separate category for Individuals as Senior Citizen.
- Under the new tax regime, all deductions discussed are not available.
- Hence depending upon the income, it is required to make a tax planning under both old and new and the best is to be adopted.

Tax Calculation Comparison

Example 1

Comparison between Old and New Tax Regime
FY 2020-21 (AY 2021-22)

Particulars	Old Tax Regime	New Tax Regime
Total Income	5,00,000	5,00,000
Less: Basic Exemption	2,50,000	2,50,000
Net Income	2,50,000	2,50,000
Tax at 5%	12,500	12,500
Rebate under Sec.87A	12,500	12,500
Tax Payable	Nil	Nil

Example 2

Comparison between Old and New Tax Regime

FY 2020-21 (AY 2021-22) - for senior citizen above 60 and below 80)

Particulars	Old Tax Regime	New Tax Regime
Total Income	8,00,000	8,00,000
Deductions		
Sec.80C - Savings	1,50,000	NA
Sec.80D - Medical Insurance	50,000	NA
Sec.80TTB - Interest	50,000	NA
Total Deductions	2,50,000	-
Net Taxable Income	5,50,000	8,00,000
Less: Basic Exemption	3,00,000	2,50,000
Net Taxable Income	2,50,000	5,50,000
Tax Liability	20,000	45,000
Add: Education Cess at 4%	800	1,800
Total Tax Payable	20,800	46,800

Thank You