Extracts from website of Financial Express dated 16-9-2019 at 8.03 PM:

SENIOR CITIZENS TAX BENEFITS:

Senior citizens in the country do enjoy certain exclusive income tax and other benefits when it comes to their investments. For the income tax purpose, a senior citizen is an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year. Similarly, if the age is above 80 years, the person is referred to as 'very senior citizen'. Some of the common investment options available to senior citizens wherein they either get exclusive benefits or the investments are exclusively for them include bank fixed deposits, Senior Citizen Saving Scheme (SCSS), and Pradhan Mantri Vaya Vandana Yojana (PMVVY), amongst others.

Here are 10 income tax and other investment benefits available exclusively for senior citizens.

1. Higher exemption limits for seniors and very senior citizens

Based on the age of the taxpayer, the income tax exemption limit differs. For those less than 60 years of age, the income up to Rs 2.5 lakh in a financial year is exempted. For those who are 60 years or above but less than 80 years i.e for senior citizens, the limit is Rs 3 lakh, while for those who are 'very senior citizen' i.e. of age 80 years or more, the exemption limit is Rs 5 lakh.

For senior citizens who are 60 years or below 80 years: On income between Rs 3 lakh and Rs 5 lakh, the income tax rate is 5 per cent, while on income between Rs. 5 lakh to Rs 10 lakh, the income tax rate is 20 per cent and on income above Rs 10 lakh, the tax rate is 30 per cent.
For senior citizens who are 80 years or above: On income between Rs 5 lakh and Rs 10 lakh, the income tax rate is 20 per cent, while on income between Rs. 10 lakh, the tax rate is 30 per cent.

For all taxpayers, there is a rebate under Section 87A. Further, on the income tax, Health and Education Cess of 4 per cent need to be added. Also, if net income is more than Rs 50 lakh but less than Rs 1 crore, a Surcharge of 10 per cent on the amount of income-tax is to be levied. For net income more than Rs 1 crore, a Surcharge of 15 per cent on the amount of income-tax is to be levied. The Health and Education cess of 4 per cent will be levied on the amount of income tax plus surcharge.

2. Additional interest rate on bank FDs

The interest rate on bank fixed deposits is falling. Most front line commercial banks are offering an interest rate of around 6.5 percent on their FD across most tenure. The interest rate offered by the Small Finance Banks is slightly on the higher side compared to front line banks. However, most of such banks offer an additional rate of interest of 0.5 per cent to the depositors who are senior citizens. As per the rules, based on the age of the depositor, they automatically become eligible for additional rate for the entire duration of the deposit.

3. Senior Citizen Savings Scheme (SCSS)

As the name of the scheme suggests, Senior Citizen Savings Scheme (SCSS) is a popular investment option for those who are 60 years and above. Someone who is 55 years or more but less than 60 years and has retired on superannuation or under VRS can also open SCSS account subject to the condition that the account is opened within one month of receipt of retirement benefits and the amount should not exceed the amount of retirement benefits.

Currently, (July 1 to September 30, 2019) the interest rate on SCSS is 8.6 per cent per cent per annum, payable quarterly. SCSS is for a period of 5 year and more than one account may be opened, but the combined limit is capped at Rs 15 lakh. Interest earned is fully taxable and to be added to one's 'Income from other sources'. After maturity, the account can be extended for further three years but within one year of the maturity.

4. Interest income from deposits – Section 80TTB

One of the most popular investment options for a senior citizen is a fixed deposit that comes with assured and a regular income in the form of interest. Such an FD can be with any front line commercial bank, co-operative bank or even in a post office time deposit. The interest income includes savings account and fixed deposits and is fully taxable in the hands of the investor. However, there is a tax benefit available from such interest income. Under, Section 80TTB of the income tax act, interest income earned from deposits qualifies for a deduction from one's gross total income. The maximum limit under section 80TTB is Rs 50,000 in a year. This section is available to senior citizens since April 1, 2018. Importantly, the benefit of section 80TTA, which allows deduction of the interest income (up to Rs 10,000) from the savings account, is not available to the senior citizens.

5. Life pension certificate

Currently, the Life Certificate (LC) for pensioners, which is provided to the pension disbursal agency as a piece of evidence that the pensioner is alive, is required to be submitted in the month of November. From this year, the government has decided that senior pensioners who are above the age of 80 years will be allowed to submit their Life Certificate from October 1 every year instead of November, and its validity will remain till November 30 of the subsequent year. For pensioners below the age of 80, the LC can be submitted in November only.

6. Higher TDS limit

Provisions of Section 194A are to the advantage of a senior citizen. Section 194A deals with the provisions relating to TDS on interest other than on securities, if interest (other than interest on securities) is paid to a resident. As per section 194A, tax is to be deducted at the time of payment or credit of interest, whichever is earlier. The threshold limit above which the TDS gets applied for deposits including recurring deposits in banks and post offices is Rs 40,000 while for senior citizens it is Rs 50,000. If the interest amount exceeds the limit, a senior citizen can furnish Form 15H to the banker. Form 15H is a declaration under sub-section (1C) of section 197A of the Income-tax Act, 1961 which is to be made by an individual who is of the age of sixty years or more claiming certain receipts without deduction of tax.

7. Pradhan Mantri Vaya Vandana Yojana (PMVVY)

The minimum entry age in PMVVY is 60 years. PMVVY is an investment that has a tenure of 10 years and comes with a fixed return. To invest one has to approach only LIC of India, and the investment can be done either offline or online from the website. PMVVY is available up to 31st March 2020. The scheme can be purchased by payment of a lump sum called the 'Purchase Price'. The pensioner has an option to choose either the amount of pension or the Purchase Price. The minimum and maximum Purchase Price are Rs. 1,44,578 and Rs. 14,45,783 for yearly pension, correspondingly providing an annual pension of Rs 12,000 and Rs 1.2 lakh respectively. The pension rates for Rs.1000 of Purchase Price for yearly pension payment is Rs 83.00 per annum that makes PMVVY offer an annual return of 8.3 per cent. Considering falling interest rates, PMVVY can definitely be explored by senior citizens to invest a portion of their savings in it.

8. Filing of ITR in paper form

It is mandatory to file ITR electronically on the e-filing web portal of Income-tax Department. However, furnishing income tax return in paper form is permissible only in case of super senior citizens i.e. an individual of the age of 80 years or more at any time during the previous year. They need to ensure that duly signed Form ITR-V is also submitted at the designated offices of Income-tax Department while filing ITR in paper form.

9. Health insurance premium – Section 80D

Health insurance premium in the case of senior citizens commands a higher premium as the morbidity rate is higher for them. On the premium paid towards a health cover for a senior citizen, there are tax benefits under section 80D. The premium paid could be for an individual plan or a family floater health plan. The maximum deduction is up to Rs 50,000 in a year on the premium paid. For a non-senior citizen individual, the limit is Rs 25,000 a year. So, if children pay a premium for self and for the parent, the total tax benefit can be Rs 75,000. further, there is an in-built limit of Rs 5,000 for the expense incurred for preventive health care by the individuals.

10. Medical expenditure – Section 80DDB

Senior citizens are likely to be more prone to different diseases. For the medical expenditure incurred on treatments of specified diseases, a senior citizen is allowed a deduction of up to Rs 1 lakh from one's gross total income in a year. For a non-senior citizen below the age of 60 years, the limit stands at Rs 40,000. The treatment can be for oneself or a dependant. One needs to furnish a prescription for such medical treatment from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist to avail the tax benefit.

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