

Income Tax and senior citizens

HT Chandigarh Live
Tax Matters/ S.P. Babuta
Sunday, February 5, 2006

WE OWE our present to those who laboured for us in the past. This has given rise to the concept of senior citizenship. Senior citizens have been given a place of pride and privilege in every civilized society, world over, India included. But, who is a senior citizen? Usually, it is the average age of resident citizens of a country that is the determining factor. In India, the average is 60 years and this age has received official recognition except in matters of income tax where it is still reckoned with at 65 years. This is an anti-thesis of the fundamentals, but why so, I leave it here for the Government to think. Facilities made available by the Government to senior citizens, to mention a few, are: concessional fare on railways, enhanced interest on bank/post office deposits, reduced fare on certain road transport services which are just adequate in the given financial resources of the Government.

In this piece, I am concentrating only to income tax benefits as made available to the senior citizens.

Q: What is the age criteria for a senior citizen under the Income tax Act?

Ans: Under the Income tax act, a person shall be considered to be a senior citizen if he or she has completed 65 years or more .

Q: Will a person be eligible for senior citizen benefits if he/she attains the age of 65 yrs. at any time during the Assessment. Year.(2006-07)?

Ans: No. To get the benefits as a senior citizen he or she should complete 65 years of age at any time during the previous Year. Thus the assessee should be of 65 yrs before 31.03.2006 to get the benefit for the Assessment year 2006-07.

Q: What is the tax rebate available to senior citizens under the Income tax act?

Ans: Till Ass. Yr. 2005-06 a senior citizen was entitled to a tax rebate upto Rs. 20000/-from the tax computed.

W.e.f. asst.year 2006-07, the tax rebate to senior citizen u/s 88-B has been withdrawn. However the Minimum exemption limit on which income tax is not payable has been raised to Rs. 185000/-.

Q: Will the senior citizen exemption be available to all kinds of assessee i.e. whether resident or nonresident?

Ans: No. This exemption is available only to the persons resident in India (may be ordinarily resident or not ordinarily resident).

Q: What other tax deductions are available for senior citizens?

Ans: The other important tax deductions available to/for senior citizens under section 80D and 80DDB are as follows:

U/S 80D: Deduction is available to Individual or HUF for Payment of insurance premium in accordance with the scheme framed in this behalf by general insurance corporation of India and approved by central Government. This insurance premium should be on the

health of taxpayer, spouse, dependent parents or dependent children in case of Individual and on the health of any member of Family in case of HUF.

Amount of deduction is Rs. 10000/-or insurance premium paid whichever is less.

However aforesaid limit will be **Rs. 15000/-** If the Assessee or his wife or her husband ,or dependent parents or any members of the family is **a senior citizen** .

U/S 80DDB: Deduction is available to Individual or HUF for payment made in respect of medical treatment of a specified disease or ailment as prescribed by the board under rule 11DD . The expenditure should be actually incurred for medical treatment of the assessee himself or wholly/mainly dependent husband/wife, children, parents, brothers and sisters of the taxpayer in case of individual and any member of the family who is wholly /mainly dependent upon the family in case of HUF.

Amount of deduction is Rs . 40000/- or the expenditure actually incurred whichever is lower.

However where the expenditure is in respect of the assessee or his dependent or any member of HUF of the assessee Who is the **senior citizen** then the amount of deduction will be Rs. **60000/-** or the expenditure actually incurred whichever is lower.