

Senior citizens above 75 can avoid filing ITR from next yr

Instead, they will just have to make a declaration in Form 12BBA to their bank, which will deduct TDS

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The Finance Act, 2021, has inserted Section 194P in the Income-Tax Act, 1961, exempting senior citizens of 75 years or above from filing income-tax return (ITR), provided they fulfil certain conditions. The Central Board of Direct Taxes this week issued Income-Tax (I-T) Rule 26D, which specifies the procedures that banks and senior citizens must follow for the latter to claim exemption from tax filing.

Conditions apply

To avail of this benefit, the senior citizen must be 75 years of age or more. He/she should also have been a resident of India for tax purposes in the previous year.

The senior citizen should have only pension income and interest income.

According to Gopal Bohra, partner, N.A. Shah Associates, "The senior citizen who wishes to avail of the benefit of not filing tax return must maintain a bank account with only one bank in which he receives his pension." Interest income should accrue to the senior citizen only from the branch in which he/she receives his/her pension income.

Senior citizens who wish to avail of this benefit must also maintain an account with a 'specified bank', as notified by the central government.

The assessee must make a declaration in the newly introduced Form 12BBA.

Says Pratyush Miglani, managing partner, Miglani Varma & Co. (Advocates, Solicitors, and Consultants): "Once the senior citizen has made the declaration, the bank will calculate the entire income. It will also apply all deductions available under Sections 80C to 80U and the rebate under Section 87A of the I-T Act. It will then deduct I-T from the total income, based on applicable rates."

The senior citizen's bank will also have to maintain both the declaration and other supporting evidence on his/her behalf and produce it before the Principal Chief Commissioner of I-T, or the Chief Commissioner of I-T, as and when required.

"After deducting tax deducted at source, the bank will issue Form 16 to the senior citizen, which will provide details of the tax deducted," says Miglani.

Benefit available from next year

Senior citizens must fulfil all conditions, so that the onus of paying tax gets transferred

KEY CONCESSIONS AVAILABLE

- Those senior citizens who don't have any income from business or profession are exempted from paying advance tax
- They can avail of tax deduction up to ₹50,000 under Section 80TTB on interest earned from deposits (both fixed and savings) with banks, cooperative banks, and post office
- Senior citizens can avail of deduction up to ₹50,000 in a financial year on health insurance premium
- They can get a deduction of up to ₹1 lakh in a financial year under Section 80DD, if they undertake treatment for specified diseases or critical illnesses
- Income received from reverse mortgage scheme is not taxed
- Senior citizens are also allowed a standard deduction of ₹50,000 on their pension income

from them to their bank. They must, however, keep in mind that the benefit of not filing ITR will only be available from next year.

Says Suresh Surana, founder, RSM India: "Relaxation under Section 194P will not be available for filing ITR for 2020-21. Senior citizens will have to file their tax returns themselves this year. This benefit will only become available from next year, that is, when filing returns for 2021-22."



YOUR MONEY

While senior citizens do not have to file their tax returns, they still have to fill out Form 12BBA.

Says Miglani: "While some may argue that Form 12BBA is as exhaustive as an ITR form, this is still a major compliance relief for senior

taxpayers, and they should make full use of it."

Finally, the I-T department offers a number of other concessions to senior citizens. For instance, the statutory tax exemption limit is higher for senior citizens.

Says Sameer Jain, managing partner, PSL Advocates & Solicitors: "It is ₹3 lakh for senior citizens (those aged between 60 and 80 years) and ₹5 lakh for very senior citizens (those aged above 80)." Availing of all the other tax concessions will help them minimise their tax burden.