

PROPOSALS FOR INCOME TAX RELIEF IN UNION BUDGET 2015

Submitted by

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GENERAL PUBLIC (Below 60 Years of age):

Individual Income Limit for Taxation (General) :

The present basic exemption limit of Rs 2.50 lakhs (for those below 60 years of age) is inadequate. This may be raised to Rs 5 lakhs.

Common Exemptions limit:

At present, deductions from Tax for savings under various Sections 80 C, 80 CCF, 80 D, Interest on House loan, Payment of principal on home loan etc. are allowed with some caps under each of these heads. All these Sections have separate caps and the permissible deductions total to Rs 3 lakhs only. In the ensuing budget, the total deductions of rupees 3 lakhs may be increased to Rs 5 lakhs and be allowed without any separate cap for each section. This will benefit in nation building since a person who would not like to or have the necessity to purchase or a build house for himself may invest in other instruments like NSCs, Govt. bonds, infrastructure Bonds etc to avail the tax rebate whereas his individual investment can be used for nation building. Instead of spending money in unproductive items and thereby causing inflation, the money can be pooled for use in National development where it will be a win - win situation.

*The above would also be line with the "BJP's LS Manifesto 2014" of providing a non-adversarial and conducive tax environment and **rationalized and simplified tax regime.***

Taxation of Medical Benefit :

In the case of employees the medical benefit received from the employers is taxable with a threshold of Rs.15,000/-. This threshold was fixed some seventeen years back in the Financial year 1998-99. Now that the medical expenses have gone very high over the years, this limit may please be increased at least to Rs.50,000/- for the individuals.

SENIOR CITIZENS (Above 60 years of age):

With respect to Senior Citizens, the "BJP's LS Manifesto 2014" has clearly focused on taking care of Senior citizens by proposing to explore ideas like additional tax benefits and higher interest rates. On these lines the following may kindly be considered.

Individual Income Limit for taxation :

The basic exemption limit for senior citizen above 60 years may be increased from the present Rs 3 lakhs to Rs. 6 lakhs since the present limit is inadequate.

Senior Citizen's Savings Scheme :

The Senior Citizens' Savings Scheme in Post Offices was introduced during the earlier BJP rule under Shri Atal Bihari Vajpayee so that the senior citizens who make their living by the interest earned from their accumulated savings or terminal benefits during their life time are not put to hardship by reduction of bank interest rates. This provided a interest rate of 9 % p.a. Subsequently banks have increased their deposit rates and is currently offer at 9.5 %. Hence the Senior Citizens' Scheme may be improved as under :

- (i) Increasing the maximum ceiling on deposit from Rs 15 lakhs to Rs 30 lakhs.
- (ii) Increase the interest rate from 9 % to 10 %
- (iii) The interest received from senior citizens Scheme should be tax free.

Rate of Interest at Bank deposits:

Banks provide an additional interest rate of 0.5 % on the deposit of senior citizens. With the escalation in cost of living, the senior citizens who are not in any gainful employment find it very much difficult to meet their livelihood. Hence the banks may be asked to provide an additional interest of 1 % above the basic rates on the deposits by the Senior citizens.

Exemption for the medical benefits received by the Senior Citizens

A pensioner gets his pension in the evening of his life. His pension is already half of the pay being drawn by him. But his expenditure does not reduce in anyway. Since he is above 60 years in age, a host of diseases attack him and he has to spend a lot for his medicines. Many senior citizens suffer from perennial diseases like diabetes, Hyper tension, heart, kidney ailments for which they have to constantly take medical treatment which need not be necessarily be as an in-patient, but the expenditure many a times far exceed the actual medical benefit being given by the Government Departments/some PSUs. So to levy tax on his medical benefit which is not an income for him in reality is causing great hardship to the senior citizens and it is a double jeopardy for a person ailing at old age. Extending medical benefit is a social security. The BJP's 2014 LS Manifesto has correctly aimed at to reduce the out of pocket spending on health care. Hence the medical allowance or reimbursement provided by the past employer to the pensioners who are senior citizens should be tax free when they are not in any gainful employment.

Exemption on Pension :

Pension received from his past employer is treated as salary and is taxable. A pensioner who

retires on superannuation is over 60 years in age and hence called as a senior citizen. He has to meet his expenses only from the pension that he receives as in most of the cases he does not have any employment opportunity at this age or any additional income. The pensioners of today are those who entered service in the early days of free India. They contributed their youth to the nation building in their own sphere when the salary was too meager as compared to today and even in that salary they would have paid income Tax over their entire service since the exemption limits were also very low and with higher taxation slabs and the Tax being deducted at source. Now at the evening of their life they are receiving their pension just to make out a living when they have no more capability to work. Now, it is for the nation to take care of them. The nation pays old age pension for the elderly citizens who do not have any source of income. The pensioners receive pension for their past employment. As they had paid a good amount as tax while they were in service, the pension now being drawn by them should be treated as a social security.

When a person is in employment the local bodies like Municipal Corporation levy professional tax which is based on his salary. But when a person retires and receives pension, professional tax is not levied on him. Very like that the pension received by the senior citizens should not be treated as salary and be totally exempt from Income Tax.

The amount so collected as Income Tax out of the pension of the senior citizens may be very small. But it makes the senior citizen to file a tax return at the old age. The number of returns will be large and this would increase the workload of the Income Tax department whereas the tax collected would be small when the pensioner is not in any gainful employment.

So if a pensioner is not in gainful employment, the pension received by him should be tax free.

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