



ALL INDIA BHARAT SANCHAR NIGAM LIMITED RETIRED EXECUTIVES' ASSOCIATION

Central Headquarters

Registered under Societies Registration Act XXI of 1860 vide Govt. of NCT Delhi No. S/RS/SW/1161/2014

[Registered under Pensioners Portal vide DoP&PW letter No. 4(4)/2021-P&PW(H)7311 dated 04.01.2024]

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No.AIBSNLREA/CHQ/2024/89

Date: 13th December 2024

To

Smt. Nirmala Sitharaman,
Hon'ble Minister of Finance,
Government of India,
New Delhi

Sub: Interest income from savings/fixed deposits be exempted from Income Tax for senior citizens – Request for provision in the Union Budget - 2025

Madam,

We submit hereunder, justifications for exempting interest income on deposits from income tax in respect of senior citizens, from different perspectives, for your kind consideration and for suitable provisions in the upcoming Union Budget – 2025:

2. Senior citizens often have limited earning opportunities post-retirement and they invest all their retirement payouts like Gratuity, Leave Encashment, PF Balance, Commuted Pension in Fixed Deposits so that the interest income from these deposits facilitates them to maintain their lifestyle after retirement without having to depend on others. Majority of them avoid investing in other financial instruments, such as stocks, bonds and Mutual Funds due to the inherent risks. They also keep substantial deposits in their Savings Bank accounts to meet unexpected expenses, such as medical emergencies.

3. While Gratuity is not taxable, leave encashment is not fully tax-exempt for all categories of pensioners. The Commuted portion of Pension is recovered from monthly pension and restored only after 15 years ensuring that an interest component is included during the recovery period as if the pensioner has taken a loan and is repaying it. Thus, part of the deposits made after retirement is pre-taxed and interest received on deposits made using Commuted Pension is in fact negative as we are parallelly paying interest on CVP at higher rate.

4. Fixed deposit interest rates have dropped significantly through the years, with the average rate hovering around 5% during the past five years. Deposits in Savings Banks earn much lesser interest, which is as low as 2.7% now. Thus real rate of return on bank deposits has been negative for a sizeable period, and with RBI making it abundantly clear that supporting growth is the primary goal, thus favouring the borrowers and investors at the cost of depositors, we cannot expect any increase in deposit rates in the near future.

5. With deposit interest rates lower than the inflation, 'real' interest rates have turned negative. Senior citizens having no other income continue to struggle to cope with the double impact of low interest income and rising inflation, eroding their savings. Economists call this financial repression. State Bank of India, in a recent report had pointed out that the actual rate of return of bank deposits has been negative for a sizeable period. ***"We believe, it is now the opportune time to revisit the taxation of interest on bank deposits, or at least increasing the threshold exemption for senior citizens"***, it said. According to former Principal Chief General Manager in the department of banking supervision of RBI, Mr.Rao, *"In the absence of credible social security system like in the US, Europe, old people or pensioners in India are to fend for themselves including medicare, which is prohibitive for old people as insurance companies exclude them almost from coverage. Negative interest for such people is, in fact, like a head tax for living beyond an age. Government should do away with income tax on deposit interest for them or offer inflation-adjusted positive rates to them by instructing RBI and banks."*

6. In this situation, we believe that the Government is obliged to take care of its Senior Citizens and show compassion, rather than seeing them as a source of income to the Government. We therefore suggest the following measures to be incorporated in the upcoming Union Budget:

- I. **Interest income from savings/fixed deposits be exempted from Income Tax for senior citizens**
- II. **Interest earned from Senior Citizen Savings Scheme and Prime Minister Vaya Vandana Yojana be exempted from income tax.**

7. We earnestly request you to kindly consider the above along with other measures as you may deem fit to allow the Senior Citizens/Pensioners some relief to cheer about.

With kind regards,

Yours sincerely,



13/12/24

(R.R. Balasubramanian)
General Secretary

Copy to:

1. Shri Narendra Modi,
Hon'ble Prime Minister of India.
2. Dr. T V Somanathan,
Secretary,
Department of Expenditure, GOI.