

Senior citizens exempt from advance tax

By S.C. Vasudeva

Q. The Govt of India in the Budget for 2012-13 exempted Rs 10,000 interest income from income tax. Is it applicable to income accrued from savings bank account also or on fixed deposit account only? If one has a joint account, whether the amount exempted would be Rs 10,000 or Rs 20,000.

— **Manmohan Singh**

A. The Finance Act, 2012, has introduced a new Section 80TTA applicable for assessment year 2013-14 and onwards. The section provides that where an assessee (individual or HUF) receives interest on deposits (not being time deposits) with a bank or post office, such amount shall be eligible for deduction from the total income subject to a ceiling of Rs 10,000. You would, therefore, be able to claim such deduction to the extent of Rs 10,000 in respect of interest earned in a savings bank account for the year ended 31st March, 2013. The Finance Act, 2012, provides that in case of a senior citizen, advance tax provisions would not apply in case such a senior citizen does not have income from business or profession. A senior citizen assessee can, therefore, discharge his tax liability at the time of filing the tax return and pay the tax under self-assessment scheme.

Q. As you know that Finance Minister Pranab Mukerjee had announced in his Budget speech in Parliament that all those who are 80 years old will be entitled for Rs 5 lakh income tax exemption during 2012-13 and onwards. I want to know whether the senior citizens who complete 80 years before 31.3.13 will be entitled to Rs 5 lakh exemption or not. I will complete 80 years on 18.3.13. Will I be entitled to Rs 5 lakh exemption for 2012-13?

— **Ram Sarup**

A. The exemption up to Rs 5 lakh to a person who is of the age of 80 years or more is applicable for the financial year 2012-13. Therefore, in case you attain the age of 80 years in March 2013, you would be entitled to claim such exemption.

Q. I have been working as a lecturer in Govt. Sen. Sec. School, Khuian Sarwar, Tehsil Abohar, Fazilka. There are 56 teachers in this school. I have been assigned the duty of tax calculation of all the employees by the Principal. There is always confusion about the medical reimbursement cases. I have enquired from various advisers concerned but still the confusion is vague. Should medical reimbursement amount be added in our income. Please let me know up to how much amount medical reimbursement is tax-free.

— **Subhash Chhabra**

A. According to the provisions of Section 17 of the Income-tax Act, 1961 (The Act), any sum paid by an employee in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family as does not exceed Rs 15,000 in a financial year is not to be considered as a taxable perquisite. In view thereof, the reimbursement to the extent of Rs 15,000 would not be includable in the salary of your colleagues provided the amount has actually been incurred by them on the treatment of the members of their family or themselves and the expenditure so incurred is supported by an evidence in respect thereof.

Q. Is it mandatory to give PAN number for renewal/opening of a fixed deposit in a registered company even when annual interest is below the threshold limit of Rs 5,000?

— **SS Bhatia**

A. Section 206AA of the Act applicable from assessment year 2010-11 and onwards provides that any person entitled to receive any sum or income or amount on which tax is deductible is required to furnish Permanent Account Number to the person responsible for deducting such tax. In case such Permanent Account Number is not provided, tax is required to be deducted @20%. It is evident from a bare reading of the said section that in case tax is not deductible on any amount of income, the necessity of furnishing Permanent Account Number should not arise. It may be added that in a recent decision, the Karnataka High Court has held that the above section should not be applicable to a person whose income is below taxable income.

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